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With Consumer Electronics

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MSOs TO PROVIDE FREE CABLE: Group to offer hookups and cable service to schools in franchise areas of 22 MSOs. Plan emerges from meeting marking formal start of Cable Alliance for Education. (P. 8)

MORE HDTV DECISION DELAYS LIKELY: HDTV test schedule began to firm up with more-or-less final list of transmission system proponents and somewhat less firm test schedule approved at meeting last week of FCC's Advanced TV Advisory Committee and system proponents at Commission. Schedule calls for last test to be completed Sept. 3, 1991, less than 4 weeks before Advisory Committee is slated to make final recommendation to Commission and go out of business. Advisory Committee officials have admitted it's likely they will have to ask FCC for further extension, possibly delaying final recommendation until late 1991 or early 1992.

There's distinct possibility of further slippage in test schedule, Advisory Committee officials said. Advanced TV Test Center (ATTC) Exec. Dir. Peter Fannon called schedule "very ambitious for the proponents, the Test Center and the Committee." He said there's "tremendous" amount of work still to be done to even meet this schedule, including getting full Committee approval of test center equipment and procedures. But Bellcore Exec. Vp Irwin Dorros said schedule is reasonable "in light of what we know." He termed schedule "a balance" between need for speedy govt. action and desire for more time to continue developing systems.

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'AMERICANIZATION' OF SONY now looms as strong possibility, following Japanese company's proposal to purchase Columbia Pictures for \$3.4 billion in cash. (P. 10)

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JAPANESE CAMCORDER EXPORTS to U.S. reached record number in Aug., despite oversupply. Color TV, VCR deck shipments up, deck prices down. (P. 12)

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LCD AIRLINE VIDEO with slot for credit card for movies, games and purchases is shown by Lockheed. (P. 13)

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CHANGING VCR PROFILES: Surprising new demographics in EIA study indicate average recent VCR buyer has lower income than average color TV purchaser. (P. 15)

FCC Chmn. Sikes opened meeting with pledge that Commission's selection of HDTV transmission system will be based on "what's best for the U.S." He said agency can't base its decision exclusively on "technical parameters" and will study proponents' R&D commitments closely. "There is a need to move forward quickly [but] I don't think we should rush to judgment," Sikes said. "This is in a very real sense a \$100-billion decision." FCC officials, meanwhile, said they will become more involved in reviewing ATTC test procedures and actively monitoring testing progress.

New proponents still could seek to enter competition, Advisory Committee Chmn. Richard Wiley said, and he promised panel will try to accommodate them. Despite fact Committee is scheduled to sunset Sept. 30, 1991, he said, he and proponents expect some slippage in schedule. Wiley said selection of transmission standards shouldn't be rushed. He and proponents agreed that it probably will be necessary to retest some systems and that some proponents could drop out along way and/or could merge.

ATTC itself won't cause any delays, said Post-Newsweek Stations Chmn. Joel Chaseman, chmn. of ATTC. Test equipment and staff will be ready as soon as proponents and test materials are, he said. Proponents have said they want access to still and moving pictures that will be used in test process at least 3 months before testing begins, but Chaseman said materials may not be ready by then.

Even then, hardest part of HDTV process still will lie ahead, Chaseman said. Most difficult part, he said, would be allocating TV channels and spectrum for HDTV, then managing transition, and none of that can happen until transmission standard is decided. Meanwhile, ATTC is continuing efforts to get Hollywood involved in test process, but is having little success. Chaseman said he has had several meetings with MPAA and individual studios in effort to convince them they should participate to assure whatever standard emerges meets their needs, "but I don't think they felt it is necessary to participate to reap the benefits."

Latest list of system proponents emerged from meeting. Faroudja Labs will be first to be tested, beginning June 4. Others: Production Services, July 24; Sarnoff Research Center ACTV-I, Sept. 12; NHK Narrow MUSE, Oct. 31, 1990; NHK MUSE 6, Dec. 20, 1990; Zenith, Feb. 19, 1991; Sarnoff ACTV-II, April 9, 1991; Philips, May 29, 1991; Mass. Institute of Technology, July 19, 1991. In footnotes, ATTC acknowledged there may be slippage, but also pointed out proponents could move up in schedule. As expected, N.Y. Institute of Technology and Del Rey Group won't have systems ready for testing (TVD Sept 11 p4). One surprise was MIT announcement that it may submit 2nd system if it can raise funds.

Next critical date for proponents is Dec. 31, when each must submit full system description to Advisory Committee. Proponents can make some changes in system architecture or design after that, but only with 90 days' notice and only if source signal format is same as previously committed. Proponents must pay \$25,000 reservation fee for each test slot by Nov. 17, with \$175,000 test fee due March 1. Test fee escalates to \$300,000 per 6-week slot for 2nd system submitted by single proponent, and \$300,000 if proponent requests retesting. There also is penalty for each additional day of testing needed. Fees can be waived, based on financial need.

Faroudja Labs continues to look for partner or partners to help develop its SuperNTSC transmission system, Pres. Yves Faroudja said. Sentiment was echoed by several other proponents, but there was no definite word on formation of any partnerships. William Schreiber, dir.-advanced TV, MIT Media Lab, said HDTV has made him "flag waver" and he will try to influence MIT, if its system is final winner, to give preference for manufacturing licenses to companies that would benefit U.S. Meanwhile, Faroudja said his Labs has obtained funding from 9 companies in cable, broadcast and TV equipment manufacturing: Cap/ABC, Comcast, Continental Cablevision, General Instrument, Newhouse Bestg., Scientific-Atlanta, TCI, Viacom, Westinghouse Bestg. Total funding amount wasn't disclosed.

FCC CRACKS DOWN ON DRUGS, S.C. AM FACES REVOCATION: Saying that drug trafficking in U.S. is "a matter of the gravest concern," FCC warned licensees Sept. 29 that it would take tough stance against any involved in drugs. New policy will apply to all Commission licensees, such as business radio, not just broadcasters, said outgoing Gen. Counsel Diane Killory, who was participating in her last FCC meeting. At same time, agency asked for comments on whether it should start license revocation proceeding against WKFP(AM) Kingtree, S.C., because its majority owner has been convicted, and served time, for drug trafficking.

New Commission initiative on drugs was instigated by Chmn. Sikes -- who was chairing his first FCC meeting -- and his action was praised by 4 other commissioners. Sikes said that FCC is first independent agency to take such action and that drugs have had "corrosive effect" on health of nation. Quoting President

Bush and govt.-wide campaign against drugs, FCC said: "Drug trafficking is severely affecting the health and safety of millions of Americans and the contributions that they could otherwise make to our society." It said that it has "no evidence" that use and sale of drugs is prominent in broadcasting, but that it nevertheless would "apply policies that reinforce both private and government efforts to eradicate drug trafficking. Accordingly, absent extenuating or mitigating circumstances, the Commission intends promptly to take all appropriate steps... where information comes to our attention that FCC licensees or their principals have been convicted of drug trafficking."

New order enforces FCC policy statement issued in 1986 on character qualifications of licensees -- statement opposed by NAB. Agency said drug convictions fall within scope of conduct it may consider under existing policy and advised licensees in all services to exert "maximum possible effort... to stem the national problem of drug trafficking." At meeting, commissioners praised efforts broadcasters already are making through public service announcements and programming. Comr. Quello said he is "all for it," but warned that FCC must guard against potential for abuse -- particularly complaints by "disgruntled employees." Comr. Dennis, also in her last FCC meeting, said U.S. drug problem has "reached epidemic proportions" and Commission must move to help stem problem.

Comrs. Barrett and Marshall were participating in their first FCC meeting, with former saying policy statement "is a very good step" in fighting drug abuse. Marshall asked Killory about FCC's authority under Sec. 501 of Antidrug Act and for review of FCC forms to make sure agency can stay on top of situation. Killory told news briefing later that Commission will consider requiring licensees to inform agency of any drug convictions, pledged FCC will take "appropriate action" following any drug convictions. She also said names of those convicted for drug violations will be made available to FCC, which agency then must check to determine if any are licensees.

In S.C. case, Gregory Knop -- who owns 51% of Williamsburg County Bestg., licensee of WKSP and applicant for FM in Kingstree -- was convicted of drug trafficking. That fact was brought to attention of Commission by FCC administrative law judge, who added Knop's character as issue in comparative hearing for FM. (FCC Mass Media Bureau had renewed AM station's license earlier this year, not knowing about Knop's drug conviction.) Commission said that fact "raises character qualifications" questions regarding Knop. Killory told reporters no similar drug cases are pending. However, Orlando businessman Timothy Brumlik -- who is attempting to acquire WKCH-TV Knoxville from Media Central for \$7.7 million in bankruptcy proceeding -- has been arrested on money-laundering charges in connection with drug activities, according to published reports. Agency hasn't approved transfer to Brumlik, and Media Central and station's creditors reportedly have asked bankruptcy judge to assign station to another buyer.

Also in crime-fighting mode, Commission approved allocation of spectrum for new nationwide vehicle-recovery system at 173.05 MHz. System had been tested by Lo-Jack since 1986 under experimental license in Mass. and in Fla. System uses radio receiver-transmitter hidden in car that allows police to track vehicles. Device costs about \$500. Lo-Jack test found 95% recovery rate when transmitter was used and arrest rates 2.5 times national average, FCC engineer Fred Thomas told Commission.

Thomas said some interference to Ch. 7 TV stations could occur, and is requiring analysis for each vehicle recovery base station within 105 miles of any Ch. 7 transmitter. Dennis and Marshall pointed out need for national standards so that law enforcement officials could track vehicles across state lines, or into areas served by manufacturers other than Lo-Jack that might develop similar services on same frequency.

AM En Banc Hearing Nov. 16

Noting that AM radio has "experienced a steady decline" in audiences for more than decade, FCC granted request of NAB and scheduled en banc hearing Nov. 16 on how to help improve situation. Commission conceded that decline was caused in part by some of its decisions starting in late 1950s designed to improve FM service -- now dominant in most major markets over AM -- without providing similar aid for AM. Purpose of hearing, as outlined by FCC:

"To review the situation concerning the [AM] service, examine its prospects for improvement and ensure that the Commission, the broadcast industry and the public are of similar mind concerning the key issues related to AM improvement and the most appropriate means of their resolution." Among issues to be considered: AM improvement and its future, use of expanded AM band (1605-1705 kHz), technical improvements and station assignment policies, AM stereo and its impact on technical criteria, importance of quality of receivers to AM future. During discussion on AM, Dennis urged her colleagues also to hold en banc hearing on cable-telco issues.

Currently outstanding are several rulemakings and inquiries designed to improve fate of AM and these also will be part of en banc proceeding, FCC said. Agency noted that several parties have "expressed some legitimate concerns" whether finalization of some of proposals would have desired outcome and prove beneficial. Additional AM proceedings may be started as result of hearing and comments received, FCC said, dealing with such topics as protected contours, reclassification of stations, possible restrictions on modifications, changes in power levels, use of advanced antenna technology. Marshall urged that FCC not delay current AM proceedings to await outcome of any new rulemakings as result of en banc hearing.

Meeting, as expected, was as noteworthy for emotional content as for policy content, as there were remarks before and after agenda items had been discussed lauding departing Dennis and FCC staffers, and welcoming new officials appointed under Sikes. Dennis called her departure "bittersweet experience," saying it was "privilege and honor" to have served at FCC. Sikes paid tribute to Dennis, saying she had "rare quality" combining "determination with good humor" and called her "exceptional lawyer." Sikes also welcomed Barrett and Marshall, noting both had started careers in state govt. Quello, noting Commission was approaching full size, said he "doesn't resent the diminishing of my power when we have 5 [commissioners] instead of 3."

"Without question, radio and TV in the Charleston [S.C.] area saved hundreds, if not thousands, of lives" before and after hurricane Hugo hit, Mayor Joseph Riley said. Similar sentiment was echoed by govt. officials in other areas hit by Hugo. This despite fact power for entire Charleston area was lost (and still is out in many places), all of area's radio and TV stations were knocked off air (with 4 losing their towers) and most area station staffs were ordered to evacuate before storm hit. NAB disaster team visited 18 Charleston stations, found 11 were back on air by weekend -- most operating with makeshift towers and equipment. In aftermath of storm, battery-operated radios were major means of communication in many areas. More than dozen broadcast towers also were toppled in P.R. and Virgin Islands. NAB has expanded its equipment clearinghouse to help affected stations. NAB disaster team created and distributed 3 public service announcements requesting food and supplies, also distributed spot created by S.C. Educational TV, featuring Gov. Carroll Campbell, to TV stations across country. P.R. TV stations joined in 9-hour simulcast Sat. to raise money for disaster relief. In Binghamton, N.Y., all 12 local radio stations planned radiothon over weekend to collect food and other necessities to be trucked to Charleston.

The Gaming Network (TGN) has begun installation of Nev.'s first permanent Ku-band satellite TV uplink at 16,000-sq.-ft. Las Vegas facility. Uplink, due to be completed in Dec., eventually will provide gambling and entertainment programming to cable TV systems and home satellite receivers around country, TGN Pres. Terry Condon said. TGN expects to launch programming service in 2nd quarter next year, he said. Shows will include coverage of major gambling tournaments, horse racing, lottery results, related information about gambling. Satellite uplink, being designed and installed by Hemec Communications, also will be available for lease by other newsgathering, business teleconferencing and educational organizations, company said.

Cable subscribership is much higher among persons aged 50-64 than among those over 65, according to study by American Movie Classics. Report showed 61% subscribership among younger group, 52% among older. Main reason for low subscribership isn't money but "poor perception of cable programming," study showed -- nonsubscribers complained about sex and violence on cable, said cable programming isn't different from broadcast TV, declared they don't need cable to improve reception. Younger group is more oriented to electronic equipment and video, report said. Twice as many of those 50-64 have VCRs (72% vs 36%), 3 times as many have personal computer or camcorder, 4 times as many have Compact Disc. About 25% of younger group rents 4 or more videocassettes per month, study said, vs. 8% for older. Report indicated cable should focus marketing on those 50-64 because of interests and because they're "significantly more upscale" than over-65 group. Most attractive programming, by far, is news, followed by classic older movies, documentaries and sports, survey said. Most popular cable networks, in order, are CNN, Weather Channel, WTBS Atlanta, ESPN, USA, Arts & Entertainment, Discovery, TNN.

Rep. Markey (D-Mass.), outgoing FCC Gen. Counsel Diane Killory and ex-FCC Chmn. Richard Wiley are on program for communications law seminar Nov. 9-10, Sheraton Centre Hotel in N.Y., sponsored by Practising Law Institute. Other speakers include U. Cal.-Berkeley Journalism Prof. Ben Bagdikian, N.Y. Times Senior Attorney George Freeman, Washington Center for Public Policy Research Dir. Henry Geller, Arnold & Porter's Patrick Grant; Cravath, Swaine & Moore's Robert Joffe, Time Gen. Counsel Harry Johnston, Newsweek Gen. Counsel Tina Ravitz. Details: 212-765-5700, ext. 271.

FCC's 54th annual report (for fiscal year 1988) is available from Govt. Printing Office for \$4.25. When ordering, cite stock number 004-000-00481-7, phone: 202-783-3238.

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NCTA RETURNS ROCHESTER SALVO: Broadcasters don't have right to monopoly over local TV, NCTA Pres. James Mooney said in letter to Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) last week. Letter calls complaints on vertical integration in cable "red herring" since same vertical integration is "commonplace" in broadcasting. It's latest shot in escalating battle between broadcast and cable (TVD Sept 25 p2) and comes as 2 sides are resuming negotiations for agreements on must-carry and channel positioning.

Immediate cause of battle is local origination channel on ATC Rochester cable system, which INTV charged could compete unfairly against local independent. NAB wrote to Inouye citing Rochester and saying Congress should consider regulating cable in accord with common carrier principles. Along way, INTV launched major attack on cable, claiming it's siphoning off sports programming from free TV.

Rochester may be straw that broke camel's back, NAB Exec. Vp John Abel told us. He said there have been many frustrations recently on must-carry, channel position, sports siphoning by cable, other issues, and anger has boiled over. He compared situation with NCTA's concerns about cross-subsidies if telcos enter cable. Cable subscribers are likely to be forced to cross-subsidize new cable channels, he said: "The cable industry made some very good points about cross-subsidies in the cable-telco debate. Many of the same points apply here."

Govt. seems underwhelmed by Rochester fight. Hill staffer said "Rochester case is an awfully slim reed on which to base this case." FCC Chmn. Sikes generally endorsed expanded cable local origination channels before IRTS in N.Y.: "This is not an untoward event. It will be interesting to see what effect it has on superstations." Inouye spokesman refused to comment on letters. However, he said Subcommittee still planned must-carry hearing Oct. 25, and 1984 Cable Act oversight hearing, probably in Nov., when issues were likely to resurface.

Cable-broadcast fight may have more to do with must-carry negotiations than with immediate concern over whether Rochester cable channel is upgraded to compete with independent, several insiders said. Broadcaster charges are widely seen as attempt to achieve stronger bargaining position in talks that resumed last month at instigation of TV Operators Caucus. CATA Pres. Stephen Effros also wrote Inouye saying "blizzard of paper being generated by the broadcast industry" is "effort to extract greater concessions from the cable industry." Letter repeated many of CATA's claims that efforts to block Rochester channel are attempt to "institutionalize the broadcast industry as the sole local purveyor of video programming" and that broadcasters' "pseudo-legal claims are totally fictitious and disingenuous at best."

Must-carry debate took up bulk of discussion at NCTA board meeting in N.Y. Sept. 28, officials said. They reported talks between broadcasters and cable also remain hung up on channel position, with board members sticking to opinion that guaranteeing VHF channels to UHF stations would give them unfair advantage over cable's own program channels. They also said providing such guarantees could open any agreement to another court challenge because it would favor one class of programming over another.

Mooney said NCTA still is willing to accept reimposition of must-carry rules very similar to those struck down by U.S. Appeals Courts, D.C. In letter to Inouye, he pointed out roadblock to must-carry agreement is "insistence of some of

the UHF broadcasters that the rules be expanded to give stations with high-numbered FCC channel assignments a legal right to... low-numbered channel slots." Mooney said channel guarantee would "discriminate unfairly against cable networks" and weaken constitutional underpinning of must-carry, possibly causing court to reject it again.

NAB is claiming exclusive right to entertainment and news on local TV, Mooney said. He called that "novel claim without any support in the Communications Act" and violation of First Amendment. He said broadcasters may have right to must-carry, "but not to a monopoly over local television." Broadcasters can't legitimately seek remuneration for cable retransmission of over-air TV signals, Mooney said, because that's service cable provides to consumers for whom signals were intended originally. He also criticized broadcasters for urging cable to create or buy own programming, then complaining when ATC Rochester does. They shouldn't complain about cable vertical integration, he said, because same situation "abounds" in broadcasting.

Meanwhile, Fox's domestic syndication unit refused to sell any programming to Rochester cable channel, officials confirmed. Fox said if Rochester experiment is successful, it could spread to other systems, threatening success of 7 Fox stations and 100 Fox network affiliates. Fox said ATC Rochester would have paid about \$1 million for programming it sought.

Manhattan Cable will begin carrying Showtime Nov. 1, ending long fight that contributed to Viacom's decision to file \$2.4 billion antitrust suit against Time. Decision by ATC-owned Manhattan Cable to carry Viacom-owned Showtime doesn't end lawsuit, officials said. Suit in U.S. Dist. Court, N.Y., claimed Time-controlled ATC was keeping Showtime off cable systems in Champaign, Ill., Charleston, W.Va., Denver and Memphis to protect market for Time-owned HBO. Manhattan Cable also agreed to carry Viacom's pay-per-view service, Viewer's Choice, beginning next year. New channels will be phased into different areas of franchise as capacity is added during 5-year rebuild, which will double capacity to 70 channels. Only about 10% of subscribers will be able to receive Showtime Nov. 1. Plan also calls for adding 3 new basic cable services -- Discovery Channel, Nashville Network, Prevue Channel.

Copyright Office will update 8-year-old list of "specialty" TV stations, last compiled by FCC in 1981. List exempts stations, and cable systems carrying them, from 3.75% cable compulsory license royalty fee. Copyright Office is asking stations seeking place on list to submit affidavit by Dec. 18, then parties can make arguments for inclusion on list, or to be taken off. Office also issued notice of inquiry on possibly changing its policy on treating all adjacent cable systems owned by same company as single system, preventing owners from artificially fragmenting systems to avoid paying copyright royalties. NCTA has urged policy review. Finally, Copyright Office decided to use same definition for "significantly viewed" stations as FCC does.

House Commerce Committee has published updated version of Communications Act -- including amendments enacted during 100th Congress. It also contains 1984 Cable Act, Electronic Communications Privacy Act of 1986 and various FCC appropriations and authorization legislation. It's available (\$12) from Supt. of Documents, Govt. Printing Office, Washington 20402, stock number 052-070-06578-8.

FAIRNESS SHOWDOWN SET: Battle of words is raging in House as lawmakers prepare for vote this week that should indicate likely fate of fairness doctrine legislation in 101st Congress. Stage was set last week in flurry of letters among members, debating strengths and weaknesses of proposed mandatory restoration of FCC's abandoned policy as federal law. Opponents contended that legislation would allow govt. to fine stations for unwelcome news coverage, while proponents said doctrine merely would ensure equity in use of nation's airwaves.

Showdown is likely tomorrow (Oct. 3) when House is scheduled to consider request by Reps. Oxley (R-O.) and Tauke (R-Ia.), of House Telecom Subcommittee, to strip fairness doctrine language from budget reconciliation package (TVD Sept 25 p8). Added on strong bipartisan vote in House Commerce Committee, provision is tied to civil fines for violations enforced by FCC. Doctrine's opponents reportedly admit privately that they're expecting defeat. House in recent years has supported doctrine overwhelmingly.

Opponents nonetheless were putting on full-court press last week, issuing stinging letter to colleagues charging fine was bogus tactic intended to make fairness doctrine appear relevant to budget issue. Fine "was included solely to justify including the doctrine in a budget bill," Oxley and Tauke contended in one letter. Issue "clearly [is] not relevant to spending legislation" and will cost govt. estimated \$100,000 annually to administer, adding to federal budget burden, they said. Making fairness into law would give govt. ability "to impose fines on a broadcaster for news coverage that the government deems inadequate," they warned.

Oxley and Tauke said issue was too significant to be buried in budget bill. "Every member should have the opportunity to rethink previous votes on the fairness doctrine based on their perceptions of how well broadcasters have covered issues without those restrictions," they said, reflecting broadcaster claims that industry had continued to offer fair and balanced news and public affairs without doctrine. Oxley and Tauke believe doctrine violates First Amendment.

Doctrine's supporters also were circulating letters last week. Doctrine doesn't place "onerous" burden on industry, House Commerce Committee Chmn. Dingell (D-Mich.) and his Telecom Subcommittee Chmn. Markey (D-Mass.) said in their letter. "Indeed, most broadcasters admit that the fairness doctrine requires nothing more than good journalism," they said. They said it's appropriate quid pro quo for use of scarce airwaves.

Rep. Bliley (R-Va.) said in letter Sept. 27 that doctrine "enhances our First Amendment rights; it doesn't restrict them as opponents... would have you believe... The fairness doctrine merely ensures that broadcasters fulfill their responsibility to use the spectrum in the public interest." Among others to circulate letters supportive of doctrine were Reps. Bryant (D-Tex.); Craig (R-Ida.) -- "I urge you to vote for the right of the public to be informed by voting 'no' on the Tauke amendment..." -- and Slattery (D-Kan.).

Oxley and Tauke also said including fairness in budget bill is invitation to veto by President Bush. However, White House position isn't clear. While Bush indicated during election campaign that he opposed fairness doctrine, he hasn't announced intentions on this bill. Spokesman for Office of Management & Budget said announcement on his stance was likely Oct. 3. Few on Hill believe he will risk capital gains tax reduction or other Administration "musts" in bill for showdown on doctrine. Issue isn't addressed in Senate's draft package.

Society of Professional Journalists (SPJ) holds annual national convention Oct. 19-22, Westin Galleria complex, Houston. Convention will be preceded by 2-day job opportunities conference for minorities, Oct. 18-19, with SPJ event slated to begin at 1 p.m. Oct. 19 with keynote by Frank Bennack, pres.-CEO of Hearst Corp., who will unveil company's national survey on American attitudes and hopes. Seminars are scheduled on use of confidential sources, broadcast graphics, radio news in next decade, covering space beat, women in media, First Amendment, joint newspaper operating agreements, other topics. Former NBC correspondent Richard Valeriani is to join columnist Jack Germond and UPI's White House correspondent Helen Thomas for luncheon discussion on public perceptions of journalism Oct. 20 as part of SPJ's Project Watchdog campaign to elevate public awareness of news media's First Amendment value. Thomas also will be roasted by ABC's Sam Donaldson, Hill & Knowlton's Liz Carpenter, CBS correspondent Jacqueline Adams, USA Today's editorial dir. John Seigenthaler, who also is editor and publisher of Nashville Tennessean. Roast will feature auction of news media memorabilia to benefit SPJ's Legal Defense Fund for reporters. Retired Gannett Chmn. Allen Neuharth, founder of USA Today, is banquet speaker Oct. 21. Registration: \$140, additional \$50 at door. Details: 312-922-7424.

FCC Common Carrier Bureau without comment allowed AT&T's rate increase for Television Switch Operations (TSO) to go into effect Sept. 29. Broadcasters had complained that their costs would go up \$500,000 annually if rates were approved, and that new rates amounted to 572% increase that violated AT&T's price cap rules. AT&T had replied that rates were within price cap and that broadcasters had other alternatives if they are dissatisfied with boost. Attorney Randolph May, who represented Cap/ABC, CBS and NBC, said he would try to have Commission focus on another AT&T Sec. 214 petition that would discontinue related Terrestrial TV Service. May said he thought tariff should have been considered in conjunction with 214, "presumably because cost reductions from AT&T's request to reduce service could have mitigated the need for any rate increase."

Sony Corp. has purchased Columbia Pictures (49% owned by Coca-Cola) and its 2,700-film library and 23,000 TV programs for \$3.4 billion. Sony says day-to-day operations will remain in hands of U.S. management, as is case with CBS Records, which Sony acquired in Jan. 1988. Transaction will bring Sony the U.S. studio it has been seeking for years. It had tried to buy MGM/UA last fall but balked at paying more than \$20 per share, according to SEC filings. Sony also is buying Guber-Peters Entertainment for \$200 million, adding credence to reports that co-founder Peter Guber will become Columbia Pictures CEO. (For more details, see separate story in Consumer Electronics section.)

FCC has target of Oct. 26 meeting for issuance of notice of inquiry on indecent programming, Gen. Counsel Diane Killory said. She made statement when asked at Commission meeting last week by Chmn. Sikes when item would be ready for agency consideration. Action will come on FCC-requested remand of indecency case by U.S. Court of Appeals, D.C., which told Commission to conduct "full and fair hearing" and report back to Court every 90 days (TVD Sept 18 p4).

PaineWebber and Channels magazine will host conference on TV syndication Oct. 3 (10 a.m.-2 p.m.) 38th floor, 1285 Ave. of the Americas, N.Y. Seminar coincides with Channels issue on future of syndication. Details: Garrett Blowers, 212-371-5999.

SIKES QUESTIONS CABLE POWER: "Everything is not hunky dory" in cable competition, FCC Chmn. Sikes told reporters just before speech last week to IRTS in N.Y. He said FCC will encourage as many video distribution channels as possible, including telcos as fiber optic video common carriers, but not as programmers, and microwave distribution systems. He also said Commission will take close look at various other cable issues, including "potentially" redefining what it considers "effective competition."

Sikes made many of same points Sept. 26 on CBS's *This Morning*, saying more competition in video distribution environment, rather than new govt. regulations, is best way to regulate cable. "You've got to examine whether there are alternatives to regulation," he said. Sikes continued to push for voluntary broadcast decency standards, but admitted it's difficult to determine whether broadcasts violate community standards. He also pointed out that "as parents, we've got to exercise some control, because the government not only cannot but should not become a censor."

At IRTS, Sikes expressed little concern over Sony takeover of Columbia Pictures (see separate story in this issue), saying chances of Japanese' taking control of U.S. entertainment business are "between nil and none." Nature of entertainment means all main program decisions will remain in American hands, he said, and bulk of profits will stay in U.S. In only real applause line, Sikes said he will work to assure Administration commitment to giving U.S. companies same access to foreign entertainment and investment markets as others do here.

Sony takeover potentially could "change the equation a bit" on financial interest and syndication (finsyn) rules, Sikes said. He generally has opposed changing rules and indicated that position stands. He expressed hope talks between broadcasters and Hollywood on issue will result in agreement that Commission could endorse. Meanwhile, he said, FCC will watch situation closely.

Sikes won't campaign actively for proposed voluntary indecency standards for broadcasters (TVD Sept 25 p1), he told reporters, because too much pressure would mean they're not really voluntary. He expressed pleasure that his proposal is being studied by NAB but admitted there probably won't be 100% compliance with voluntary code, even if one is adopted. He's still hopeful that existence of code and peer group pressure will at least "disincline" some stations from carrying indecent broadcasts.

More than ever before, Sikes told IRTS, "the issue of freedom of expression is being debated on a world stage." In Europe, he said, argument is on "whether to clamp limits" on amount of American programming that can be shown on TV stations in European Community (EC) countries. Climactic meeting on that issue is scheduled in Luxembourg this week. Coming down hard on First Amendment issues and against return of fairness doctrine, he said: "Our standard is quite simple: Constitutionally protected free speech. The standard that [ex-FCC Chmn. Newton Minow] called the 'vast wasteland' has also produced an unparalleled level of enlightenment and quality entertainment."

Noting that he has been source of controversy because of his free-speech position, he said "I think the Constitution's framers would have rejected any doctrine allowing government officials to determine what constitutes 'fairness' in public discourse." However, citing current controversy over indecent programming, he said: "In the final analysis... freedom's enemy is irresponsibility... It is

important that we all understand that broadcasting's indiscriminate reach and its entertainment impact make it especially vulnerable."

Cable transactions: Insight Communications is putting its U.S. cable assets on market and will focus attention in future on U.K. cable, Pres. Michael Willner said. Insight has 10 U.S. cable systems with total of 200,000 subscribers expected by time of sale. Systems are in suburban areas of Atlanta, Birmingham, Charlotte, Indianapolis, L.A., Louisville, Norfolk, Phoenix, Salt Lake City. They will be sold individually or as group. "Although we believe strongly in the cable industry in the U.S., we have decided that our expertise is best used to develop new systems from the ground up," Willner said. "The task in the U.K. is enormous and we believe it will take a total commitment by us to best serve" needs of systems planned there. Insight has applied for 160,000-home cable franchise in Brighton and is nearing agreement to acquire interests in other operating U.K. systems. Most Insight partners, including Continental Cablevision, which owns 1/3 of company, will participate in U.K. ventures, officials said... Sonic Communications agreed to buy Logan, Utah, system with 12,300 subscribers from JWB Cable. Closing is expected Nov. 30. Broker: Waller... Groupe Videotron, Canada's 2nd largest cable company, is selling 23% share of its U.K. subsidiary to BCE, Montreal-based company that owns Bell Canada. U.K. subsidiary has 4 British cable franchises... *Prevue Guide* signed affiliation agreements with several cable systems, adding nearly 700,000 subscribers. Largest are ATC Manhattan and WestMarc's Barnstable, Mass., systems.

Senate was racing against clock at our deadline to pass series of FY 1990 appropriations bills that would keep govt. running after Oct. 25. House and Senate last week sent to White House stopgap measure to fund all federal agencies, including FCC and NTIA, at current levels through Oct. 25 until 13 regular agency appropriations packages could be completed. Picture was complicated by Senate efforts to fund federal drug war out of regular agency appropriations. Before Senate at our deadline was regular appropriations bill for Commerce, Justice and State Depts. which would keep FCC, NTIA and other agency doors open beyond Oct. 25. Proposed funding levels in that measure already have been reduced modestly to free up money for drug war (TVD Sept 18 p5). Current fiscal year ended over weekend.

Turner Network TV (TNT) has acquired 50 hours of programming from CBS for both 1992 Winter Olympics in Albertville, France, and 1994 Winter Games in Lillehammer, Norway, for \$50 million. CBS Sports Pres. Neil Pilson said deal with TNT won't result in network's cutting back on its planned 120 hours of coverage of both Olympics. TNT will air Olympics 1-6 p.m. weekdays, 6-7 p.m. weekends, repeat CBS prime-time coverage starting at 1 a.m. CBS will be responsible for selling advertising on cable. Pilson said TNT use of CBS tape of events will "allow the American audience the opportunity to see events not otherwise covered" on CBS air. NBC, which has rights to 1992 Summer Olympics in Barcelona, sold some rights to Cablevision Systems.

Three TV networks' combined audience for first week of fall season increased 10% above that of year ago (when writers strike forced postponement of season start) to 76 share -- some 20 points higher than average in summer reruns, Nielsen said. NBC won in prime time for 66th straight week with 16.7 rating, ABC was 2nd with 13.1, CBS 3rd with 12.9.

GORE BACK WITH DISH BILL: Hoping to force issue again, Sen. Gore (D-Tenn.) last week offered another version of S-889, his proposed regulations for satellite TV program industry that include controversial language on network feeds. New bill has 10 co-sponsors, including 2 members of Senate Commerce Committee, where it will be considered. Its reintroduction in Senate long had been expected.

New measure is largely same as version of S-889 that advanced out of Commerce Committee last year but was rejected, 43-36, by full Senate. It would: (1) Prevent programmers from denying home dish owners access to satellite TV programming. (2) Allow programmers to establish own criteria for distribution, so long as fare is made available on nondiscriminatory basis to all distributors and prospective viewers. (3) Toughen penalties for piracy by making it illegal to make, distribute or market unauthorized decoder equipment. (4) Direct FCC to conduct inquiry into pricing and availability of decoders for consumers, particularly cost impact of decoder security upgrades.

Other subjects that FCC inquiry would have to cover are named, including those to: (1) Call on Commission to investigate whether there's enough competition in decoder manufacturing market, license agreements, retailer practices. (2) Require FCC to examine development and integration of satellite encryption and transmission standards in any HDTV inquiries. (3) Require FCC to begin rulemaking into availability of network signals in rural areas, including whether current regulations play any role in hampering distribution of over-air TV signals. (4) Direct that inquiry cover networks' signal security practices, such as scrambling of backhaul news and sports feeds. Issue has proved explosive in past with networks, which view signal protections as central to service they provide affiliates.

Measure also would pull FTC into picture by requiring it to investigate alleged anticompetitive distribution and pricing practices to home dish users by satellite programmers and taking action against abuses as needed. This is only provision new to Committee-reported version of S-889, aide said.

Gore pointed to increasing concentration in cable as among reasons for legislation. He said 10 companies control 54% of cable market as well as "largest and most popular" programming services: "It is no coincidence that in the 2-1/2 years after programmers began scrambling signals, not a single noncable distributor was allowed to serve dish owners." He said National Rural Telecommunications Cooperative (NRTC) has been allowed to sell programs to dish users only in areas served by electric cooperatives under terms that he said were favorable to cable competitors in same communities. NRTC, which supports bill, pays up to 444% more than small cablers for same programming, he said.

NCTA continues to oppose measure, spokesman said: "The [dish] market continues to develop well and the market doesn't need to be muddled by new legislation." Gore contends that market isn't developing properly. Satellite industry support for S-889 wasn't unanimous, raising question as to fate of new bill. Spokesman for Satellite Best. Communications Assn. said board will be asked at Oct. 27 meeting to craft position that could take section-by-section approach. Of particular concern to group will be potential for conflict between Gore's piracy penalties and those set into law last year under superstation copyright legislation.

Bill was opposed last year by Senate Communications Subcommittee Chmn. Inouye (D-Hawaii). However, to

extent that satellite program distribution issues are relevant to 1984 Cable Act review and to his increasing concerns on cable's growing market power, they probably will be addressed by panel in Cable Act oversight hearings planned for later this fall, aide said. Hearings probably won't be held until Nov., aide said.

MSOs TO PROVIDE FREE CABLE: Cable Alliance for Education (CAE) will provide free cable hookups and free basic cable service to all public junior and senior high schools within franchise areas of 22 MSO members, group decided at Sept. 29 meeting in N.Y. Session marked formal startup of CAE and first announcement of full list of members, although group informally started in spring in response to Whittle Communications plan to offer ad-supported satellite-delivered newscasts to schools.

Free cable service is first major resource commitment CAE members have made to schools. Previously, group had said only that it would provide teacher kits to help schools use existing cable educational programming, such as C-SPAN and Discovery Channel, although TCI had said earlier that it would provide free cable to schools in its service area. CAE Chmn. Amos Hostetter, chmn. of Continental, said plan is "working demonstration of the cable industry's commitment to education." NCTA Pres. James Mooney said CAE "represents the coming of age of the cable industry as a potent resource."

No figures were available immediately on number of schools affected by CAE commitment or how much it will cost members, officials said. Earlier Jones Intercable study had indicated 1,100 of junior and senior high schools in its franchise area already are connected to cable. MSOs committed to all schools having access to cable within 3 years. Supporters have been saying hookup of schools is good investment because it will encourage students to subscribe to cable after they leave school.

CAE membership list includes MSOs serving 60% of all cable TV subscribers, as well as 16 national cable programming networks. That's up from 13 MSOs and 7 cable nets that CAE claimed in June. CAE said some of members have signed on as recently as week ago, and more are expected to join. MSOs include Adelphia, ATC, Bresnan, Cablevision Industries, Cablevision Systems, Colony, Comcast, Continental, Cox, Falcon, Hauser, Heritage, Jones, Newhouse, Prime, R.P. Companies, Rifkin, TCI, Times Mirror, United Artists, Viacom, Warner.

Networks that will offer over-cable programming include Bravo, CNN, C-SPAN, Discovery Channel, Family Channel, Learning Channel, Mind Extension U., Nickelodeon, X-PRESS. Videocassettes will be provided by A&E, Black Entertainment TV, CNBC, HBO, Lifetime, Showtime, Weather Channel. Hostetter said copyright restrictions on programming vary, but all will be cleared so teachers can use material in classroom. CAE still is looking for exec. dir. to oversee day-to-day operations. Its hq will remain at 1211 Connecticut Ave. NW, Washington, 20036; telephone number changed Oct. 1 to 202-822-8822.

NAB will sponsor Hundred-Plus Exchange (for TV stations in markets smaller than top 100) Oct. 6-7, Knickerbocker Hotel, Chicago. Featured speaker will be Richard Kostyra, J. Walter Thompson; sessions are scheduled on "Building Bridges with the Cable Industry" and "Small Market Business Plan for the '90s." Details: 202-429-5366.

Personals

Departures at FCC: **Gerald Brock**, Common Carrier Bureau Chief, to join faculty of George Washington U.; **John Kamp**, inspector gen. and former head of congressional liaison and public affairs, appointed Washington vp, AAAA; **Lisa Hooks**, senior legal aide to Comr. Marshall and before that asst. to Chmn. Patrick, will join Time Warner in N.Y. Nov. 6 to work on development of new products... FCC calendar: Oct. 2, Private Radio Bureau Deputy Chief **Beverly Baker** addresses Assn. of American Railroads, Philadelphia. Oct. 5, Chmn. **Sikes** speaks at Telocator convention, Washington Convention Center, 9:30 a.m... **Isaac Asimov** will keynote InterTainment 89 conference Oct. 30 at N.Y. Marriott, sponsored by Alexander & Assoc. and Nynex.

House Telecom Subcommittee Chmn. **Markey** (D-Mass.) is scheduled speaker at FCBA luncheon Oct. 13, Washington Marriott, replacing parent Commerce Committee Chmn. **Dingell** (D-Mich.), who had been tentatively slated... **Donald Wear**, senior vp-gen. mgr.-international, CBS Best. Group, to become of counsel to Washington law firm **Wiley, Rein & Fielding**, specializing in international matters... **Raymond Lucas**, ex-GTE, joins Scientific-Atlanta as senior vp-strategic operations... Advancements at Turner Bestg. System: **Blair Schmidt-Fellner** to vp-sports and executive in charge of recently announced southeastern regional sports network, to debut next year; **Deborah Kartoz** to vp-business affairs-sales... **Peter Walker**, ex-WGN-TV Chicago, joins co-owned KTLA L.A. as vp-station mgr.

Shan Tabor promoted to dir.-media services, West Coast, NBC... **William Bennett**, Bush Administration drug czar, speaks at Oct. 23 ATAS lunch, Beverly Hilton Hotel... **Larry Young**, ex-national sales mgr., KBHK-TV San Francisco, joins MT Communications in same capacity... **Peter Brake**, ex-asst. gen. mgr., Scripps Howard's KSHB-TV Kansas City, appointed gen. mgr., co-owned KNXV-TV Phoenix... Promotions at WJCT-TV-FM Jacksonville: **Karen Duguid** to vp-development, **Betty McIlwain** to vp-finance... **Michael Smith**, ex-Viacom Cablevision, joins Northwest Cable Advertising/Prime Sports Northwest as controller, new post... **Paul Thomson**, ex-Price Waterhouse, named controller, Westwood One Stations Group.

Changes at C-SPAN: **Jones Intercable** Chmn. **Glenn Jones** named to exec. committee; **Nicole Vanasse**, ex-Peace Corps, appointed dir.-promotions and publications... **Anthony Giugliano** named dir.-accounts payable, Showtime... **Andrew Richter** appointed pres.-development and acquisitions, new post, World International Network, producer of TV programming... **Robert Drewel** promoted to general sales mgr., KSDK St. Louis... **Laurie Lawrence**, ex-consultant, named ad and promotion mgr.-CNBC.

Appointments at Canadian Bestg. Corp. effective Nov. 1: Chmn.-designate **Patrick Watson**, TV producer-writer; Pres. **Gerard Veilleux**, former Secy. of Treasury Board... Additions at HBO's planned Comedy Channel: **Julian Goldberg**, former MTV exec. producer, as vp-original programming; **Betsy Borns**, ex-NBC's Saturday Night Live, exec.-talent; **Steve Friedman**, former exec. producer, NBC's Today program, creative consultant... **Joe Robinowitz**, gen. mgr., WFXT Boston, named national editor, TV Guide, succeeding **David Sandler**, recently resigned over editorial differences with owner **Rupert Murdoch**... **Abigail Van Buren**, Dear Abby columnist, speaks at Oct. 10 IRTS lunch, Beverly Wilshire Hotel, L.A.

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Albert Halprin, ex-law firm Myerson, Kuhn & Sterrett, joins Washington law firm Verner, Liipfert, Bernhard, McPherson & Hand as partner... Changes at Showtime Networks: **Roy Langford** advanced to vp-business affairs; **John Vandervort**, ex-Joseph Seagram & Sons, joins as vp-national accounts-western region... Speakers at Oct. 23 Annenberg Washington Program colloquium on TV's coverage of politics: **Sig Mickelson**, ex-CBS News pres. and author of From Whistle Stop to Sound Bite; **Martin Plissner**, exec. political dir., CBS News; **Robert Squier**, partner in Squier-Eskew Communications and frequent consultant to Democratic Party.

Reese Schonfeld, first CNN pres., named pres., fiber optic public interest group Opt In America... **Steven Bonica** resigns as NBC engineering vp to join Panasonic Communications & Systems as vp, audio-video planning... **Michael Grossman**, ex-exec. vp, Coca-Cola Telecommunications, named senior vp, Ventura Entertainment Group... **Diane Seaman** moves from vp-daytime and specials, NBC TV, to vp-gen. mgr.-eastern sales.

More than 1,000 persons attended **Walter Kaitz** Foundation dinner in N.Y. Sept. 27, contributing nearly \$500,000 to Foundation. Group was set up to encourage recruitment and hiring of minorities by cable systems.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	SEPT. 9-15	1988 WEEK	% CHANGE	SEPT. 2-8	37 WEEKS 1989	37 WEEKS 1988	% CHANGE
TOTAL COLOR.....	423,761	471,990*	-10.2	253,637	14,506,772*	13,135,560	+10.4
DIRECT-VIEW...	418,546	463,663*	- 9.7	251,369	14,365,227*	12,961,419	+10.8
PROJECTION....	5,215	8,327*	-61.5	2,268	141,545	174,141	-18.7
TOTAL VCR.....	184,370	312,953*	-41.1	126,804	7,080,982	7,577,958	- 6.6
DECKS.....	154,770	281,225*	-45.0	107,884	5,627,731	6,400,950	- 9.7
CAMCORDERS....	29,600	31,728*	- 6.7	18,920	1,298,481*	1,177,008	+10.3

Color TV 5-week moving average: 1989--423,644; 1988--429,411* (down 1.3%).

VCR deck 5-week moving average: 1989--190,921; 1988--221,433 (down 13.8%).

Camcorder 5-week moving average: 1989- 45,119*; 1988--40,535 (up 11.3%).

* Record for period.

SONY'S CENTER OF GRAVITY SHIFTS TO U.S.: With planned \$3.4 billion cash purchase of Columbia Pictures, Sony Corp. actually will be doing more business in U.S. than Japan -- on basis of last fiscal year, perhaps roughly \$6 billion vs. \$5.5 billion. While some accounts of purchase quoted expressions of fear of "Japanization" of entertainment industry, much more likely effect will be Americanization of Sony.

This is literal, not figurative. In 1987, even before Sony's purchase of CBS Records (Nov. 23/87 p9), there was speculation that company would move its hq to U.S. Now looming as strong possibility -- perhaps even probability -- is Sony's becoming first major company to emigrate from Japan to U.S.

Addition of major movie company to major record company makes Sony one of world's biggest software powers. At Tokyo news conference, Pres. Norio Ohga said software will account for 40% of Sony revenues after Columbia acquisition, up from current 16% -- well on way to goal of 50-50 hardware-software split. Sony America Vice Chmn. Michael Schulhof -- company's chief negotiator in purchase and only American on parent company board -- said long-term target is "balanced" entertainment business in which video hardware, video software, audio hardware and audio software each represents 25% of sales.

As for "Japanization of American culture" resulting from purchase, Schulhof told us: "We heard the same comment when we purchased CBS Records... It was all American when we bought the company. It is still all American. We sent over no Japanese, and we expect to send no Japanese to the movie company." He said Sony plans to keep Columbia "as independent as possible, as a full-fledged member of the U.S. film industry."

Columbia library of 2,700 films and 23,000 TV programs was major attraction of studio, Ohga said. Besides its movie production and distribution operations, Columbia has TV production and syndication unit and owns Loew's Theatre Management chain. Although media have speculated Sony is buying Columbia as source of software for its 8mm video format, Schulhof emphasized studio will operate "as an independent company with its own management, and they make decisions which are good for Columbia Pictures." He added, however, that "of course it is in the interest of Columbia to be supportive of 8mm to the same extent that CBS Records' strength and aggressiveness is important to the future of the CD industry."

Columbia is 50% partner (with NBC) in RCA/Columbia Home Video, venture that expires in 2 years and that Sony isn't expected to renew, leaving Sony's Columbia to distribute videocassettes itself. RCA/Columbia sold more than 10 million cassettes worldwide last year, movie company said in annual report. Our companion publication Video Week estimated it ranked 6th among videocassette suppliers with 7% market share in 1988 and 7th in first half 1989 with 6.4% (TVD Aug 14 p14). Sony hopes to retain staff of its SVS home video and theatrical subsidiary "either as an independent company or in some relationship with Columbia," Schulhof said.

Producer Peter Guber is likely to head Columbia under new ownership, with his company -- Guber-Peters Entertainment -- accepting Sony's \$17.50-per-share cash tender offer. Sony said it expects agreement, valued at \$200 million, to close by year-end. Guber would replace Pres.-CEO Victor Kaufman, who reportedly stands to make \$25 million on sale of his stock. Schulhof confirmed company is talking to Guber, hopes to announce positions for him and partner Jon Peters.

Transaction will bring Sony the U.S. studio it has been seeking for years. Company had negotiated to buy MGM/UA last fall but balked at paying more than \$20 per share pricetag then on studio, according to SEC filings. Sony also had been rumored to be looking at MCA and Columbia itself earlier this year. Sony's Hollywood fever may have reached new pitch in last month or so, since rival JVC formed Largo Entertainment joint venture with producer Lawrence Gordon (TVD Aug 28 p13). N.Y. Times last week quoted JVC Software Planning & Strategy Mgr. Koji Iwata as predicting backlash from Sony deal: "This [movie industry] is part of the culture of the United States. If a Japanese company buys it, the perception will be that a foreign capital is taking over American culture."

Columbia acquisition "extends Sony's long-term strategy of building a total entertainment business around the synergy of audio and video hardware and software," Schulhof said. While company pioneered video hardware business, those sales -- at least in U.S. -- are expected to be fairly flat, EIA Consumer Electronics Group said. In latest projections, CEG said prerecorded videocassette sales would increase 41% to \$4.2 billion this year from \$2.9 billion in 1988, with further 31% jump to \$5.5 billion in 1990. At that point, videotape market would exceed that for all VCRs, which EIA/CEG projected at \$5.47 billion (TVD June 5 p9).

News of Sony bid pushed Columbia stock price up \$5.25 to \$26.375 Sept. 25, and Columbia board approval kept it at \$26.50 level as of Sept. 28. Standard & Poor's (S&P) saw deal as negative for Sony, positive for Columbia. Ratings firm placed Sony commercial paper, rated A-1, on CreditWatch for possible downgrade because acquisition probably would "absorb Sony's excess liquidity while increasing debt significantly." Debt-to-capital ratio would increase to nearly 50% from 37% at June 30, S&P said. "While Sony has regained profitability hurt in prior years by the strong yen and intense competition in consumer electronics, it remains vulnerable to industry cyclicalities," S&P said. "This position is exacerbated by increased exposure to the riskier software businesses." S&P also changed CreditWatch status of Columbia from "developing" to "positive" because of debt Sony will be assuming.

CAN SEPT. SALES RECOVER FROM 'WORST AUG.'? How bad were retail sales this summer? Our Early Warning Report (EWR), which tracks changes in retail sales and inventory, reported one of biggest year-to-year sales declines of the decade in Aug.

There was no general collapse, but recent pattern of steadily increasing sales was broken abruptly in Aug. Color TV sales were down only 4% in units and just over 7% in dollars (showing lower average price) from Aug. 1988. But that was steepest drop from preceding year since 13% unit sales (15.5% dollar sales) decline in Feb. 1986.

Camcorder sales failed to show increase for first time since we started gathering figures for that product category in Nov. 1985. In Aug., they were even with Aug. 1988 in both units and dollars; in July, they showed 5% unit increase and 1.6% dollar gain over year earlier. By far best camcorder performance this year came in April, with 28.5% unit increase and 30.5% improvement in dollars.

VCR decks were down about 10% in units and dollars from year earlier, while projection TV declined 7% in units, nearly 5% in dollars. General audio category was unchanged from preceding year and CD players were up 6% in units and 7% in dollars, growth pace far slower than 1989 trend.

There are silver linings. EWR dealer panel reported general uptrend at end of month in color TV, camcorders, projection TV and CD players -- good omen for Sept. -- while there was no conclusive movement upward or downward in VCR decks and general audio at month's end.

EIA figures have now been issued for first 3 weeks of crucial Sept., a 5-week month (see State of the Industry). Sept. 1988 was best month in history for color TV and camcorders, and so far sales reported for this Sept. have been running ahead of last year -- color up 6.4% and camcorders up 36.6% from same 3 weeks of 1988. However, all of this Sept.'s advance was made in huge first week -- color up 53.6%, camcorders up 114.2% (TVD Sept 18 p11) -- while 2nd and 3rd weeks showed declines in all products, but not enough to offset big first week. In addition to 2 products on path of all-time record, projection TV sales for first 3 weeks of Sept. were down 20% and VCR decks 7.2%.

As big fall selling season begins, industry is counting on strong upturn. Next 2 weeks could set pattern for rest of year. (Note: Early Warning Report is issued monthly as a subscription service. Information, rates, etc., from our Washington office.)

JAPAN CAMCORDER EXPORTS TO U.S. SET RECORD: Japanese manufacturers shipped record number of camcorders to U.S. in Aug. in preparation for what they hope will be strong fall-winter selling season. Despite oversupply of camcorders here, Japanese exports to U.S. in Aug. were more than double sales to dealers for same month. Japan also shipped more color TVs and VCR decks to U.S. than it did in Aug. 1988, Finance Ministry figures showed.

Camcorder exports from Japan totaled 312,020 in month, up 28% from Aug. 1988 and exceeding month's 155,800 sales to dealers by 100.3%. Through first 8 months of year, Japan shipped 1,679,087 camcorders here, almost exactly same total as for Jan.-Aug. 1988. Sales to dealers in first 8 months of 1989 were 1,170,665, EIA reported, difference of 508,422. Export figures indicate average camcorder price of \$603.65 in Aug., based on 141 yen-to-dollar rate in effect that month, up from \$594.65 in July but down nearly \$67 from \$670.59 in Aug. 1988.

VCR deck shipments from Japan rose 15.3% to 899,672 in Aug., 6th straight monthly increase. In first 8 months of year, they increased 14.6% to 6,667,726. In same period, sales to dealers fell 9.2% to 5,217,808, difference of 1,449,918.

Average price of VCR deck shipped from Japan was \$227.79, based on 141 yen rate, down about \$21 from \$248.65 yearly high in July. Price was off \$17.43 from \$245.22 in Aug. 1988. Average price in yen was 32,118, down 8.4% from July price and down 1.5% from Aug. 1988.

Japan's total color TV exports rose 14% to 18,211, with complete color sets up 47.4% to 17,623 and color chassis and kits down 85.3% to 590. Month's complete color set shipments were 2nd-lowest total of 1989, as were color chassis and kit shipments. In year's first 8 months, total color TV exports increased 37.9% to 176,718, complete color was up 54.1% to 165,318 and incomplete color was down 45.4% to 11,400. B&w TV shipments plunged to just 40 in Aug., to 857 in Jan.-Aug.

Compact Disc (CD) player exports here jumped 47% to 389,513, highest monthly total of 1989. In Jan.-Aug., they rose 12.5% to 2,530,849. Average price of CD player shipped from Japan in Aug. was \$127, based on Finance Ministry data and yen rate.

Japanese manufacturers shipped 99,241 VCR decks to Canada in Aug., up 80.2% from Aug. 1988. Through first 8 months, they rose 22.1% to 531,681. Complete color TV exports to Canada fell 0.7% to 882 in month, increased 60.6% to 10,560 in 8 months. There were no shipments of color chassis & kits or monochrome TVs to Canada in Aug. Camcorder shipments rose 67.7% to 15,847 in Aug., fell 12.7% to 85,947 in 8 months. Exports of CD players increased 49% to 39,640 in month, 40.1% to 231,735 in full period.

Japan's worldwide VCR deck exports totaled 2,162,000 in Aug., up 17.6% from year-earlier total, with value up 10.2% to 73.7 billion yen. Color TV exports fell 6.5% to 475,000 and value was off 11.9% to 16.4 billion yen. Camcorder shipments rose 10% to 530,000 and value 4.2% to 47.8 billion yen.

China exported 743,000 color TVs in 1989 first half, 45.2% over same 1988 period, China Economic News said. Monochrome TV exports totaled 801,000, up 140%, and 5.77 million tape recorders (including boomboxes), up 30.6%. However, in same period, China imported 735,000 color TVs, double last year, and 1.78 million tape recorders and compact audio systems, increase of 140%. Recent ban on imports of those products (TVD Aug 7 p15), together with slumping domestic sales, should improve China's consumer electronics balance of trade considerably for rest of year.

Casio will add active matrix LCD TV-VCR personal video. Combo was previewed at last month's International Audio-Video Fair in Berlin with 3.7" screen, will be exposed in Japan for first time at Japan Electronics Show in Osaka Oct. 19-24. Previous Casio LCD TVs have used passive LCDs that cost less but provide inferior picture.

Semiconductor industry will grow 9% to \$49.1 billion by end of 1989, from \$45 billion at end of 1988, Semiconductor Industry Assn. (SIA) predicted in new report on chip industry. Chip shipments worldwide are expected to increase to \$64.8 billion by 1992. U.S. market will grow 9.7% to \$14.7 billion this year, but decline 3.5% to 14.2 billion by 1990. U.S. sales will rise 10.8% to \$15.7 billion in 1991 and 19.5% to \$18.5 billion in 1992, SIA estimates. Report is available for \$100 from SIA, 10201 Torre Ave., Suite 275, Cupertino, Cal. 95014 (408-973-9973).

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 140 yen = \$1, except where noted.

RETAIL PRICES UP: Average color TV prices in June were up nearly 7% from June 1988 and VCR decks rose 3% at dealers participating in Elrick & Lavidge's ELCAP panel. VCR's increase seemed to be result of upward shift in mix from last year, but color seemingly reflected almost across-the-board increases. In camcorders, VHS-C appeared to be fading fast, representing only 1% of June sales, while 8mm soared to all-time high of 25.9%, full-size dropping more than 10 percentage points from year earlier to 69.6%. In contrast, June 1988 ELCAP survey showed full-size VHS camcorders at 80% of sales, VHS-C at 11.1%, 8mm at 8.2%. Since then, VHS-C sales have declined fairly steadily, while 8mm has increased as percentage almost every month.

Average price of color TV sold in June 1989 was \$363.74, up 6.9% from \$340.24 one year earlier, while average portable-table model rose 8.9% to \$311.73 from \$276.28 and console 9.7% to \$654.95. Average portable-table price by screen size: 8" & under \$205; 9-12" \$262; 13-14" \$217; 19" \$256; 20-24" \$325; 25" \$385; 26" & over \$621. Except for 19" and 20-24", all categories were up in year.

In consoles, 25" was down at \$453, 26" & up rising to \$744, while projection average was down to \$2,366. In June 1989, 30.1% of color TVs sold had MTS stereo, up from 27% a year earlier. This year, 93.7% of projection sets sold had MTS stereo, 86.3% of consoles 26" & up, 44% of 25" consoles, 85.6% of table models 26" & up, 38.7% of 25" tables, 37.4% of 20", 12.2% of 19".

Average VCR deck price was \$299.95, up from \$291.26 in June 1988, and although both 2- and 4-head average prices were down, increase in percentage of 4-head machines in mix (44.8% vs. 30.2%) was enough to bring average price up.

Former Go-Video subsidiary Interactive Media Technologies (IMT), developer of computer-controlled VCRs, began offering 5 million shares of common stock last week on Nasdaq. Stock closed at \$2.375 on Sept 28, opening day. In Feb., Go-Video decided not to pursue IMT's double-deck VCR-2i. IMT principals Glenn Williamson and Richard Otto then obtained nonexclusive license to market it, as well as \$17,500 on agreement to settle all disputes. IMT has license for U.S. industrial and institutional uses only, can't market it for consumer applications.

Lower priced ProMavica high-band electronic still camera was added by Sony and demonstrated at Video Expo last week in N.Y. At less than \$3,000, it has 13:1 zoom lens, autofocus, programmable exposure for point-and-shoot professional use. Original model, with 500-line horizontal resolution, has separate chips for chrominance and luminance and lists at \$5,000. Also at Video Expo, Panasonic displayed own still video system, at \$2,100 for high-band camera, \$950 for player, \$2,000 for color printer.

Sega will take over marketing of 8-bit Master System videogame from toymaker Tonka beginning in 1990. Tonka has been exclusive marketer of Sega's Master System since 1987, and will continue to sell software for product, Sega Chmn. David Rosen said. Sega also will market 16-bit Genesis home videogame, introduced at Consumer Electronics Show in June.

Chinese-made Hitachi 19" sets will be exported to America (U.S., Canada, Latin America) starting next spring, Japanese reports said. Fujian Hitachi joint venture already is shipping 13" Hitachi brand sets here (TVD May 1 p10).

2-WAY AIRLINE VIDEO: It currently costs about \$500 per screen to equip airliners with small seatback LCD video. Lockheed's Avicom Div. last week outlined to airlines way to make these tiny TVs pay for themselves: Equip them with slots for credit cards.

Avicom demonstrated its inflight video sales system at meeting of airline officials in Basel, Switzerland. It's designed to sell not only duty-free goods, but products such as those in airline catalogs, and -- of course -- to sell inflight entertainment. Each seatback LCD screen is touch sensitive and displays menu of goods for sale, plus choice of 8 channels of movies and videogames. Free advertising films plug products for sale. To pay for games or movies, passenger slides card into slot above screen, sending signal to computer.

Same computer tallies products ordered with credit cards. While aircraft still is in flight, computer sends list of orders by satellite to ground sales center, which bills passengers for movie viewing and purchases and arranges mail delivery of products even before they alight at destinations.

At same meeting, Matsushita announced audio recorder with no moving parts, for aircraft. Its solid-state stored voice system (SSVS) contains 2 circuit boards, each with 60 one-megabit erasable programmable read-only memory (EPROM) chips. Through sampling process, stored messages sound remarkably like taped audio. Routine announcements (fasten seat belts, etc.) are triggered when crew member enters index number on keypad. Emergency announcements are triggered automatically and override all other sound. Japan Air Lines is installing equipment now.

Financial Notes: GE said it will redeem \$100 million of 12.8% RCA notes 4 years before maturity. Notes will be redeemed Oct. 16, while maturity date is Oct. 15, 1992. GE said accrued semiannual interest due Oct. 15 will be paid to holders of record Oct. 1... Sears is offering \$200 million of notes due Sept. 15 and March 15 of each year, beginning March 15, 1990. Proceeds will be added to general funds and used to reduce Sears' short-term borrowings... Matsushita issued 200 billion yen of unsecured convertible debentures due 1999 in Japan... Acclaim Entertainment completed sale of 1,725,000 shares of common stock... Electronic Arts, videogame software maker, sold 2,076,165 shares at about \$8 per share in first public offering.

Ads & Promotions: NEC is spending \$15-20 million to promote TurboGrafx-16 videogame system. Program includes 13-city Playtour Challenge that provides previews of new videogames for system at shopping malls and other high-traffic locations. Ad campaign includes 30-sec. TV commercials in prime time, radio spots, print ads. Agency is DDB Needham. N.Y... Pioneer awarded \$10 million consumer electronics ad account to Goodby, Berlin & Silverstein, San Francisco. Pioneer dropped Saatchi & Saatchi DFS/Pacific, Torrance, Cal., which had been agency since 1985.

Mitsubishi has suspended search for picture tube plant site in U.S. In response to our request, company said last week it had "no plans to expand production in Canada or into the U.S." Mitsubishi makes 19", 20" and 26" color tubes for N. American market in former RCA plant in Midland, Ont. Its Kyoto plant in Japan currently is only source of 35" tubes. It said it's "constantly evaluating the U.S. environment" for possible tube manufacture.

CES ADDS 'HOME THEATER': Consumer Electronics Show will give official recognition to home theater concept Jan. 6-9 with designation of exhibit space for high-end audio-video gear in new Mirage Hotel on Las Vegas strip. Area will exhibit surround sound gear, custom installation products, other equipment. With addition of Mirage, exhibit space will be increased more than 65% over Jan. 1988 show.

Mirage space is in addition to specialty audio displays that will be housed in Sahara Hotel for first time since 1985. Riviera Hotel has played host to esoteric audio manufacturers for last 4 years. Special events planned by Mirage exhibitors include demonstrations of surround sound products aimed at educating retailers in merchandising technology. Also planned is mockup of "electronics retail store of the 1990s." Most noteworthy is demonstration of "the much-talked-about recordable Compact Disc," presumably by That's America, one of 22 Mirage exhibitors listed in news release.

Company staged private demonstrations of CD-R technology at Jan. 1988 CES, but opted not to repeat them at June show. Spokesman told us at time that parent Taiyo Yuden was intent on positioning technology as commercial item and believed "it was most inappropriate to display the system at a Consumer Electronics Show." Taiyo Yuden since has entered into joint venture with Sony to produce short runs of CDs for commercial clients.

Another noteworthy Mirage exhibitor is Dolby Labs. It would be Dolby's first formal CES exhibit in recent memory and presumably would play host to surround sound demonstrations listed in prepared CES statement. Another possibility is that booth could contain information for potential licensees on new Dolby S-type circuit.

CES management said record amount of space has been requested for event by manufacturers and distributors. Some 1,350 exhibitors have booked 800,000 sq. ft. Convention Center will house audio and video hardware and accessories and car stereo products. Personal electronics and other accessories will be at Las Vegas Hilton and specialty audio and video products at Sahara Hotel.

Psion introduced new line of 4.5-lb. portable computers in U.K. at \$880-\$2,400. Using components from U.S., Japan and Europe, they will be assembled in Timex plant in Scotland. Psion said its computers, which have full-sized keyboards and high-definition displays, were designed in combination with TI, Microsoft, Intel and Hitachi.

EIA has joined coalition formed to support legislation encouraging companies to enter joint production ventures. Group, which includes 8 trade associations with 200,000 member companies, will support any antitrust reform that encourages firms to take part in joint production. American Electronics Assn. and Semiconductor Industry Assn. are also in coalition.

JVC established JVC Forex (U.K.), company to centralize all foreign exchange transactions of Japanese firm's European manufacturing and sales operations. New company begins operating this week with hq in London, will "enable JVC to hedge against exchange risks, simplify group transactions and reduce settlement costs," it said.

Average turnover rate for hardware electronic engineers in U.S. was 10.3% in 1988, compared with 17.1% in 1987, according to American Electronics Assn. (AEA).

SHARP AUDIO'S VIDEODISC: Sharp's videodisc combination player, previewed last spring (TVD May 22 p13) and now being shipped, is being pushed as audio rather than video product. First combi player with CD changer (3-disc carousel), at \$1,500, is "another step toward completing our home audio component line," Sharp Audio Gen. Mgr. Robert Garcia said.

"Our audio line is more upscale than our video line," National Audio Marketing Mgr. Daniel Dattilo said, and audio channels of distribution are more suited for this type of product. Sharp also will use player to give it good shot at additional high-end dealers, paving way for introduction of more top-of-line audio components. It's confining shipments to "those who can sell the feature benefits," such as 8 times oversampling. Dattilo forecast player would "open new opportunities for future distribution" of Sharp audio products -- particularly "salon-type dealers."

He noted that Sharp's audio sales now are 60% home and 40% portable products, and forecast continued gains in field. He said Sharp will introduce 2nd -- and lower priced -- combination player next year but had no plans for LD-only player since it's pushing system as audio product, and "this is not a price-sensitive situation." In 2nd time around, he said, laservision has much better chance because 7 brand names now are in market, with more possibly poised to enter, public is familiar with optical discs through CD, many upscale monitors with S connectors are in place.

Sharp is building \$33-million semiconductor design center near Vancouver, Wash., to be completed in Feb. Center is on site planned for RCA-Sharp joint venture for IC design and production that was scrubbed in 1986 after GE's acquisition of RCA (TVD July 14/86 p12). Sharp also signed nonexclusive patent cross-licensing agreement with Standard Microsystems, Hauppauge, N.Y. Standard Microsystems will receive series of fixed payments from Sharp and latter will pay royalties for its sales of semiconductor dynamic random access memories.

Bush Industries, manufacturer of audio and video furniture, said it expects to post 4% decline in sales for 3rd quarter ended Sept. 30 to \$22 million from \$23 million in same 1988 period. For first 9 months of 1989, however, company said it expects 9.4% sales increase to \$72 million compared with \$65.8 million in same year-earlier period. Chmn.-Pres. Paul Bush blamed poor 3rd-quarter showing on "current conservative retail buying climate."

Matsushita plans to build factory in Mooresville, N.C., to produce compressors for air conditioners. Plant will be operated by subsidiary Matsushita Compressor Corp. America, have initial investment of \$120 million, employ 450 at start. Production is scheduled to begin April 1991.

Microwave oven shipments jumped 24.3% to 956,500 in Aug., AHAM reported. Shipments were up 11% in first 8 months of 1989. More than 75% of U.S. households own at least one microwave oven, trade group said. Full-year shipments are expected to total 10.6 million.

First Sony camcorder with 1/10,000-sec. shutter was introduced last week in Japan as 2nd in tiny palm-sized series. It has 410,000-pixel 1/2" CCD pickup, 8:1 zoom, weighs less than 2 lb., lists at \$1,250.

NEC broke ground on new production facility at plant in Hillsboro, Ore. Factory makes facsimile equipment and cellular phones, among other products.

CHANGING VCR PROFILES: Surprising new VCR owner demographics appear in up-to-date survey of consumer video buying trends commissioned by EIA Consumer Electronics Group (CEG) and conducted by Verity Group (TVD Sept 11 p11). It showed buyers in year ended March 1988 as whole were less affluent than recent purchasers of color TV sets.

In past, surveys typically portrayed VCR owners as more upscale and likely to be married with children than national average. However, study found: (1) Median household income was \$38,290 -- about \$4,000 less than that of all color TV buyers. (2) Home ownership rate of 80%, compared with 86% for camcorder households, 84% for big-screen TV owners (30" and up), 79% regular TV. (3) 79% with children vs. 81% in all TV homes, 91% in camcorder households. (4) 81% were married, hair's breadth more than regular TV owners at 80% but behind big-screen owners at 86% and camcorder owners, 90%. (5) VCR and camcorder owners were most likely to have postgraduate degree (10%), although only 47% of regular VCR owners attended college vs. 57% of camcorder and big-screen owners and 46% of regular TV owners. (6) Median age of all product owners was in mid-30s.

About 41% of VCR owners had professional or technical jobs, with homemakers next at 14%, craftsmen or tradesmen 8%, clerical 6%, manager 6%, laborer 5%, retiree 5%, owner 3%, service 3%, student 2%, military 1%, unemployed 1%.

Playing recorded tapes has become top use of VCR decks, 50% citing that as most frequent pursuit. Use was most prevalent in \$50,000-\$74,000 income bracket at 55%, followed by \$75,000-up at 53%, under \$30,000 at 51%, \$30,000-\$49,000 at 47%. Women and under-40 age group were above-average prerecorded tape users. Distant 2nd most frequent VCR function was taping off cable, cited by 27% of sample -- 32% of men, 30% of 40-54 age group, 34% of those in \$75,000-and-up income category. Other VCR uses: Recording broadcast TV 20%, editing from another VCR 2%, playing material taped with camcorder 1%.

VCR owners favored "fairly sedate leisure activities" over "more active sports," report said. Dining out was cited by 68%, moviegoing 67%, attending sports event 55%, with concerts chosen by only 38%, theater 19%, ballet 7%. Fishing was most popular sport at 62%, followed by bicycling 32%, backpacking and boating 30% each.

Other findings: (1) VCR was most popular component used with TV, cited by 43% of owners; cable TV 38%, stereo system 9%, videogame 9%, camcorder 2%, satellite receiver 2%, personal computer 2%, laserdisc/CD Video player 1%. (2) Median number of decks in use per household was one. (3) 95% of sample had VHS VCR, 3% Beta, 1% 8mm. (4) More than 25% of VCRs were bought in Dec., followed by 13% in March, 10% in Nov. (5) 4% of VCR owners had laserdisc players and 6% intended to buy them, while 16% had CD players and 25% planned to buy. (7) Pay-cable movie services were in 43% of VCR homes and another 14% planned to subscribe.

Survey respondents indicated, surprisingly, that 14.4% of camcorders, 10.2% of VCRs, 12.6% of big-screen TVs and 10.2% of TVs had been purchased at Sears. Montgomery Ward was cited by 4.4%, 3.2%, 4.8% and 3%, respectively. Most frequently cited general source was superstore chains, responsible for 26.6% of camcorder, 23.1% of VCR, 31.7% of big-screen and 23.9% of other TV purchases.

Details on report availability (\$300-\$1,000): EIA, 202-457-4955.

NEW LCD PROCESS: Simple, low-cost LCD technology that will make possible development of practical 6"-18" direct-view color sets and projection sets up to 45" is claimed by Nokia Display Technics, former ITT picture tube operation. Nokia said direct-view color version will be developed by year's end.

Nokia told potential customers about development in exhibit at hotel in Berlin during recent International Audio-Video Fair. Company dismissed active matrix TFT (thin film transistor) system as too expensive and using complicated manufacturing process permitting only small yield. Other basic current technology, passive addressing with multiplex drive, Nokia said, is suitable only for very simple information displays -- not for TV.

Nokia's technology is called EVA (for Extended Viewing Angle). EVA process is simple and inexpensive, company said, but still will provide "a TV picture that is rich in contrast, sharply focused and brilliant in colors." As described by Nokia, EVA uses "one-layer technology in combination with 2 conventional linear polarizers."

System, Nokia said, "is based on only 2 glass plates. The manufacturing process is not as complicated as it is with other technologies and therefore gives a higher yield at lower costs -- a decisive requirement for mass production within the consumer electronics industry. In spite of the one-layer technology the EVA display is neutral in colors (black/white behavior) and the combination with transmissive color filter plates makes it absolutely able to display full color. The fast switching times and the outstanding viewing angle makes the EVA technology a sound basis for the flat screen TV watching of tomorrow."

Details: Nokia Display Technics, Fritz-Mueller Strasse 112, D-7300 Esslingen, W. Germany (0711-3104-1).

VCR penetration is twice as high among 50-64 age group at 72% than among those over 65 at 36%, according to American Movie Classics study. About 25% of younger group rents 4 or more videocassettes monthly, study said, vs. 8% for older. Younger group also is "significantly more upscale" and more oriented to other electronic equipment, report said, with 3 times as many having personal computer or camcorder, 4 times as many having CD player as older group. Report showed 61% cable subscribership among younger group, 52% among older.

Sony plans full-scale magnetic tape factory in southern France, Vp Masaaki Morita said. Company now only loads audio and video cassettes at European factories. French facility, due to begin in early 1991, would be first to manufacture all phases of product from tape to cassette assembly and packaging. Factory will produce 9.6 million monthly and employ 100. At start, it will supply 90% of Sony blank tape sold in Europe, up from current 40% from existing facilities on Continent. Sony said it will begin work on plant early next year.

Panasonic (U.K.), Matsushita's British consumer electronics subsidiary, will offer "homes-with-jobs" packages to potential employees to deal with growing shortage of workers. Company said it will buy property near its London facilities to provide free accommodations to employees.

Citizen 2.2" LCD portable at \$130 has been introduced by Japanese company's subsidiary CBM America. It has passive matrix display, 52,320 pixels, operates up to 4 hours on 4 AA batteries.

Consumer Electronics Personals

Leon Thatcher, ex-Quasar, joins Sanyo Fisher as eastern region sales mgr., responsible for Sanyo and Fisher brand consumer electronics; Edward Elfman, ex-Toshiba, joins as gen. sales mgr., eastern region... Melvin Porter, ex-western region dist. sales mgr., named Sony Professional Video Div. mktg. mgr., professional video cameras... Promotions at International Jensen: David Marinello, vp-gen. sales mgr., Jensen and Phase Linear Brands, to vp-sales and mktg. for branded products, reporting to Pres. Robert Shaw; Herman Miedema to vp-sales administration, new position.

Harvey Sundel, Sundel Research pres., will be keynote speaker at Winter Consumer Electronics Show home automation overview session in Las Vegas in Jan... James Baudin, distributor trades sales mgr., advanced to international mktg. mgr., 3M Professional Audio/Video & Specialty Products Div.; he's succeeded by Ronald Jarman, Dallas region sales mgr... Scott Gilbert, midwestern area account mgr., Chaparral Communications, moves to western area account mgr.; David Willuweit, ex-Warren Supply, joins as midwestern area account mgr. for home electronic sales... Roger Lanctot, ex-HFD, joins Personal Technology Research, Waltham, Mass., market research firm, as research dir... Richard Young and Scott Edwards named product specialists, Acoustic Research.

Mitchell Rydholm appointed mktg. services coordinator, Allsop's Consumer Electronics Div... James Straus promoted to Blaupunkt product mgr., responsible for all electronics products, succeeding Frank Honald, relocating to W. German parent firm, Bosch, in charge of high-volume radio sales... In combining of Lloyd's Electronics and Marantz into new Dynascan Audio Group, Lloyd's Pres.-Gen. Mgr. John Ehrisman will report to Marantz Pres. Fred Hackendahl, who will supervise new subsidiary; Joseph Nicolau, ex-Bel-Tronics, named assistant western regional sales mgr., Audiovox.

Video Mktg. Newsletter Editor-in-Chief Ronnie Gunnerson resigns to join J2 Communications as business development vp... Changes at A.I.P. Home Video: Debbie Bishop promoted to mktg. and sales vp; Marilyn Young advanced to national sales mgr.; Cynthia Cooper promoted to gen. mgr.; Joe Halpin, ex-Pacific Arts Video and Charter Entertainment, joins as midwest regional mgr.; David Smith, ex-Wood Knapp Home Video and Lorimar Home Video, named southeast regional mgr.; Edward Blahut appointed controller.

First contract for HDTV display R&D grant from Pentagon's Defense Advanced Research Projects Agency (DARPA) is expected to be signed today in Washington. At least one company, Projectavision, N.Y.-based firm developing LCD projection display, and DARPA will take part in signing ceremony at DARPA offices, Projectavision official said. He declined to disclose dollar amount of grant or details of contract until signing. Other firms awaiting DARPA HDTV display contracts include NewCo. Inc., Photonics Technology, Raychem Corp., Texas Instruments. There was no word on whether other contracts would be signed this week.

Color LCD TV for cars has been developed in Japan by Mitsubishi. TV has 5" display screen with 115,200-pixel picture, remote control, priced at \$855 in Japan. Mitsubishi expects to sell 500 units monthly in Japan, but didn't announce export plans.

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
Circuit City Stores			
1989-6 mo. to Aug. 31	879,587,000	27,587,000	.60
1988-6 mo. to Aug. 31	723,763,000	25,595,000	.56*
1989-qtr. to Aug. 31	471,591,000	16,852,000	.37
1988-qtr. to Aug. 31	396,115,000	16,642,000	.36*
Columbia Pictures Entertainment			
1989-6 mo. to Aug. 31	804,458,000	15,009,000	.10
1988-6 mo. to Aug. 31	783,625,000	10,501,000	.07*
1989-qtr. to Aug. 31	453,357,000	13,006,000	.10
1988-qtr. to Aug. 31	373,114,000	6,173,000	.04*
Reeves Communications			
1989-year to June 30	79,250,000	(14,980,000)	--
1988-year to June 30	105,530,000	8,326,000	.65*
1989-qtr. to June 30	28,931,000	(12,194,000)	--
1988-qtr. to June 30	46,711,000	3,936,000	.31
Spelling Entertainment			
1989-year to July 31	143,856,000	12,505,000	.48
1988-year to July 31	119,480,000	19,341,000	1.05
1989-qtr. to July 31	43,883,000	3,461,000	.09
1988-qtr. to July 31	12,932,000	1,211,000	.06

Notes: *Adjusted. *Includes special credit.

Good news and bad news on HDTV front: (1) James Rill, asst. U.S. attorney gen. for antitrust, said Administration will propose easing of laws to stimulate joint research and production ventures in areas such as HDTV "in the very near future." Testifying at House Science Subcommittee hearing, he indicated proposal will focus on removing "artificial" barriers to such ventures by reducing threat of private court actions without completely immunizing joint projects from antitrust laws. He cautioned that Administration hasn't finalized legislative plans, but in Q&A indicated that foreign companies shouldn't be excluded. (2) Senate Appropriations Committee cut in half proposed additional funding for Defense Advanced Research Projects Agency (DARPA) HDTV projects, to \$10 million, and there was possibility of further cuts as Congress struggled to fund new federal drug war effort. DARPA budget could sustain up to 0.43% in additional reductions once senators sort out particulars of drug war funding bill that they passed last week. That bill calls for cuts in all federal discretionary funding in FY 1990, but which programs would be hit was unclear at our deadline. House proposed \$50 million spending ceiling for DARPA's HDTV program (TVD Aug 7 p9).

Mergers & Acquisitions: Kyocera of Japan announced it will acquire AVX, U.S.-based manufacturer of electronic components, for \$561 million. Included in deal are AVX production facilities in El Salvador, Europe, Hong Kong, Mexico, Singapore... Recoton completed acquisition of all assets of Calibron Inc., Orlando, privately owned manufacturer of stereo headphones and consumer electronics accessories. Terms weren't disclosed. Calibron management will join Recoton.

Color TV buying plans of U.S. consumers declined for 2nd straight month in Sept., Conference Board reported. Preliminary survey for Sept. shows 6.5% of U.S. households planned to buy color TV set within 6 months, down from revised 6.9% in Aug., 8% in July and 7.2% in Sept. 1988. Board's overall consumer confidence index was 115.4, even with Aug. index and up from 110.7 in Sept. 1988.

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OCTOBER 9, 1989

SUMMARY-INDEX OF WEEK'S NEWS

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Broadcast - Cable

CABLE REREGULATION FEARED: Atlantic Cable Show devotes much attention to defensive tactics. More rate hikes seen; worries about Washington suburb. HDTV testing faces more delays. (P. 1) Cable show notebook. (P. 7)

NEW KIDVID BILL ADVANCED in Senate on vote that may have opened door to cable reregulatory push now. Campaign ad rates, FCC budget also addressed. (P. 2)

FAIRNESS DOCTRINE BACK: House passes new bill to return abandoned policy. Margin of victory narrowed. (P. 5)

EC OKAYS NEW TV RULES: Softened rules allow transborder broadcasts in Europe but limit U.S. programming. U.S. reacts unfavorably, threatens GATT complaint. EC calls U.S. concerns 'unjustified.' (P. 5)

ITU CRYSTAL BALL GAZING: Speakers in Geneva predict telecom revolution. CCIR split on HDTV. U.S. HDTV absent. Exhibitors disappointed with crowds at first ITU/COM. (P. 6)

NEWSPAPER WAR SPILLS OVER: WFAA-TV revocation sought by Dallas Times Herald. Station owned by rival Morning News. (P. 6)

MCCAW SEEKS CASH: Counterattacks in LIN Best. battle by selling cellular properties for \$1.3 billion. Also agrees to buy Metromedia's 45.6% share of N.Y. cellular franchise LIN wants. (P. 8)

REREGULATION IS MAJOR CONCERN AT CABLE SHOW: Fear of cable reregulation could set off another round of rate increases that could create havoc in Washington, speakers said at Atlantic Cable Show in Atlantic City last week. To head off regulatory pressures, industry must do better job of getting involved in communities and in making sure public and lawmakers know it's involved, Daniels & Assoc. Chmn. Bill Daniels said in keynote speech. Other convention issues included fiber optics and HDTV, which officials said may be facing yet another delay.

First big cable rate increase could be on "Washington's doorstep," involving Media General franchise in suburban Fairfax County, Va., where basic rate reportedly will be boosted to \$21.95 from \$18.95 on Jan. 1, CATA Pres. Stephen Effros said. "We [CATA] are saying don't do that," Effros said of Media General increase. "If those rates go up \$3 at a shot, we all know what the fallout will be, even if they're justified." Multivision CEO Martin Pompadur agreed that Media General increase in area that is home to many federal officials would cause "havoc."

Media General isn't only one likely to raise rates, panelists agreed. "The [rate increase] numbers in the short run could look a lot worse than they should," said Sandler Capital Gen. Partner Harvey Sandler. Effros

Consumer Electronics

ZENITH BANKS ON TV BUSINESS, plans sale of computer operations to Groupe Bull of France for up to \$635 million, with proceeds aimed at debt reduction, HDTV. (P. 9)

PRIVATE EYE VIEWER nears product stage, with output due in first quarter. Consumer and business products will come long before TV applications. (P. 10)

FIRST DATs EQUIPPED with Serial Copy Management System highlight Japan Audio Fair, but producers are noncommittal on prices and delivery. (P. 11)

CRAZY EDDIE LIQUIDATES remaining retail outlets to satisfy creditors, scrapping plans to reorganize. Action ends years of turmoil, scandal, losses. (P. 12)

FIRST HDTV DISPLAY development contract from DARPA goes to Projectavision, N.Y., which receives \$1 million for LCD projection TV research. (P. 12)

SONY-BASHING POPULAR in U.S. and Japan, following purchase of Columbia Pictures for \$3.4 billion. (P. 13)

DUAL-DECK DAT recorder considered by Go-Video, developer of dual-deck VCR. It seeks manufacturing licenses, OEM arrangements, products. (P. 14)

NINTENDO PLANS FINANCIAL information and stock-trading network via home videogame system in joint venture with Fidelity Investments. (P. 15)

said CATA has heard several other companies say reregulation is coming so they plan to raise rates immediately instead of gradually over several years. "If that happens, it may make things very tough on Capitol Hill," he said.

Multivision boosts in western Tenn., home of Sen. Gore (D-Tenn.), member of Senate Communications Subcommittee, have been major spur to his proposals to limit cable rates. Pompador admitted that increases, which occurred shortly after his company bought system, were mistake, but he said it's "not fair [to] focus on 29,000 subscribers as if they're the whole universe." He and others said boost was "aberration." Tenn. situation caused big problems for all of cable, Effros said, because situation already was sensitive: "Then along comes someone who says to the local community that 'that's tough, there's not a damn thing you can do.' You simply can't do that sort of thing, not only for your own company but for the whole industry. That could sink us all."

But rate increases are likely to moderate overall, with exception of systems where service still is underpriced, panelists said. Number of high-priced cable transactions is likely to decrease as industry matures, they said, so there will be less pressure to increase cash flow to pay interest on debt. Pompador said opportunities for financial players are over, at least for this economic cycle, and Communications Equity Assoc. Chmn. Patrick Michaels agreed: "The feeding frenzy is over."

Cable industry might even accept antitrafficking regulation as alternative to major reregulation, Sandler said, because few systems will be turning over every few years anyway. Effros suggested industry set up minimally priced basic "lifeline" service including local broadcast stations, local access channels, possibly some educational services. That would be defined as basic service and could be regulated, he said. Even common carrier regulation is possibility, if high enough profit level is guaranteed, Michaels said, although he doubted that ever would happen. Alternative, he said, would be for competitors, primarily telcos, to eat away at cable business. "Ultimately, the telcos will be allowed in," he predicted. "Anybody who believes they will not is fooling themselves. They have a lot more friends in Washington and in the states than people think. I would much rather get 18% [rate of return] than compete with the telcos."

"It's cable-bashing season again," Daniels said. He indicated community service is way to head off reregulation. Calls for cable reregulation come from "those who clearly do not have the interests of the American public at heart," he said. He said less than 3% of Senate and 2% of House members, most of whom are "looking for a dramatic issue or running for President," have "declared war" on cable. But Daniels said cable industry has won all major court cases because it has been right, and all major legislative battles because public supports it.

Cable industry will contribute nearly \$42 billion to gross national product in 1990 as it trickles through the economy, said Bortz & Co. study Daniels commissioned. Study also showed that: (1) More than 1% of new jobs created in U.S. since 1986 have been in cable industry. (2) Number of cable jobs has grown 27% since 1986 to 120,000. (3) Cable operator revenues will reach \$17.3 billion in 1990. Operators contributed \$800 million to charity and community organizations this decade, Daniels said, and \$4.7 billion to local govts. in franchise fees.

HDTV test schedule almost certainly will slip even more than predicted recently (TVD Oct 2 p1), possibly causing decision on transmission standards to be delayed until mid-1993, said Walter Ciciora, ATC vp-technology and member of FCC's Advanced TV Advisory Committee. Ciciora, featured speaker at HDTV seminar at show, said most cable systems already can carry HDTV and virtually all can be upgraded by time HDTV is commercially significant.

Newest schedule calls for testing to be completed in Sept. 1992, in time for FCC standards decision by end of that year. But Ciciora said it's "optimistic" to expect testing to be finished earlier than 18-24 months after start, which would mean it could be late 1992-mid-1993. Final FCC standards decision would come some time after that. Testing almost certainly will take that long, he said, because some proponents will want retesting and because those who "fail miserably" will sue Advanced TV Test Center and Advisory Committee, possibly getting injunctions that would delay testing.

NEW KIDVID BILL ADVANCING IN SENATE: Flying in face of possible veto, Senate Commerce Committee last week moved away from industry-public interest group accord to pass kidvid measure offered by Communications Subcommittee Chmn. Inouye (D-Hawaii). Action came on voice vote after senators opened door to possibility that cable reregulatory legislation could gain panel's attention in next few weeks.

Inouye alternative is blend of industry-interest group accord (S-707) and more controversial approach (S-1215) by Sen. Wirth (D-Colo.). It calls for tying stations' licenses to their obligation to provide programming designed specifically for children. Bill also would: (1) Direct FCC to complete inquiry into so-called program-length commercials with eye toward curbing practice. (2) Restrict ads in commercial children's TV programming to 12 min. per hour on weekdays, 10-1/2 min. per hour on weekends.

Committee debate hinged on political practicalities -- particularly possibility that President Bush would veto measure and chances of Senate override. Committee Democrats said they were willing to risk veto to obtain what Sen. Gore (D-Tenn.) said clearly was superior bill (S-707). "It does not come in with a wrecking ball and do anything rash," he said. Inouye agreed: "The bill is responsible and the least we owe our children."

Republicans wanted Committee to stick with bargain struck by NAB and public interest groups that helped end deadlock on kidvid legislation in House. S-707's companion (HR-1677) is slated for final action shortly in House and passage by wide margin is expected. Sen. Burns (R-Mont.), who led Republican charge for S-707 on behalf of broadcasters, warned change would undermine delicate coalition that had developed around HR-1677/S-707, and predicted Bush veto. Inouye measure "is not a bill that can go the distance," he said. "None of us should let the search for a perfect bill, or tougher bill, or a better bill destroy our chances of succeeding with a good bill for children. The stakes are too high." Burns' point was that S-707 already had been passed once by Senate, in large part because it had industry support, and would be easier sell to senators in 101st Congress and to White House.

However, Democrats pointed out that there was every likelihood Bush would veto kidvid legislation, regardless of which bill arrived at his desk. They suggested that Committee build support now for "best bill possible," and "most politically feasible," in words of Gore. He admitted considering offering amendments to reregulate cable and to aid home satellite TV industry, but decided move wouldn't be politically practical for kidvid measure. Panel rejected, 12-8, Burns proposal to pass S-707 without changes.

Perhaps most alarming development in markup for broadcast and cable industries came when Sen. Danforth (R-Mo.) sought to offer amendment that would have applied bill's requirements to cable operators. NAB freely admits that it inspired amendment and that intention was to get on record notion of competitive equity between industries in anticipation of coming battles over syndicated exclusivity and other broadcast-cable issues.

But amendment idea may have backfired, Senate aides said. Panel appeared certain to defeat proposal, prompting Danforth to accept Inouye's promise that issue would be considered by his Communications Subcommittee in next 2-1/2 weeks. Cable industry should expect issue to come up at planned Oct. 25 hearing on must-carry, aides said. Kidvid legislation won't be sent to Senate floor for final vote until cable issue is aired, which we're told means more legislation, perhaps in form of substitute for Inouye's kidvid bill, could emerge in time for floor action. Efforts for such a new proposal conceivably could be battleground for other cable reregulatory matters, among them Gore's continuing efforts to impose satellite TV distribution rules on cable programmers, sources said.

Inouye proposal passed Committee on divided voice vote, with Sen. Packwood (R-Ore.) explicitly asking that record show he was opposed. He's expected to lead opposition when bill goes before full Senate early next month. Wirth, who had held up action on kidvid legislation in 100th Congress, is seen likely to go along with Inouye measure in order not to jeopardize final Senate action.

NAB also plans to fight kidvid bill, Pres. Edward Fritts told us. Assn. had lobbied Committee hard for S-707 before markup, arguing that changes would invoke broadcaster wrath and splinter "fragile" coalition that had supported bill in House. He said NAB will stick by that bill as it moves in House, saying group must honor its deal. Broadcasters clearly were angry at Senate developments, with one network official saying industry was "getting rolled."

ACT, key player in developing accord for S-707/HR-1677, was seen by some as not helping case for S-707. Group was seen as sending out mixed signals during week. Although ACT Pres. Peggy Charren told us group's position was unchanged, she made clear its pleasure at possibility that measure tougher than S-707 would emerge from markup. "We're standing by our agreement... That's a good bill," she said of S-707. "But if the Senate can get consensus on a better bill, that would be nifty, too. The important thing is to get a bill" and ACT won't do anything that might jeopardize chances for some kind of kidvid bill's emerging, she said.

NCTA officials refused to comment on Danforth proposal. However, insiders said it's unlikely cablers will risk more bad will with Congress by actively opposing proposal. Fritts told us any acquiescence by cable should be seen as signaling industry's "recognition that the competitive marketplace has to be balanced," opening door to application of other broadcast industry regulations to cable.

Veto prospects are unclear, although Fritts said NAB would take its case to White House. Justice Dept. repeatedly has threatened to recommend that Bush veto any kidvid measure as unconstitutional infringement on First Amendment rights of stations, most recently in 2 letters Oct. 4 to Committee Chmn. Hollings (D-S.C.). DoJ wrote separate letters to address problems that its lawyers see in S-707 and S-1215. "The Administration is committed to pursuing government policies that will help children and the family," Justice Dept. said. "Moreover, the Administration believes that broadcasters ought to be encouraged to increase both the amount and the quality of children's programming." But DoJ said it believes 2 bills' new license renewal standards especially flout First Amendment. Dept. also raised constitutional concerns on provisions in Wirth's bill that would require broadcasters to publicize children's programming. Bush hasn't signaled his intentions yet.

Press of other Senate business helped take steam out of dispute that had been brewing over campaign ad bill (S-1009), which also was on Committee agenda. Without much discussion, senators passed measure by Danforth and Hollings that would require stations to provide ad time to candidates in fixed program slots at lowest unit rate, and make ads nonpreemptible. Danforth had planned to offer package of 4 amendments worked out with NAB and based on language in bill (S-999) on negative ads, also authored by him and Hollings. Package would have made S-1009 more palatable to broadcasters. Without changes, Fritts said, NAB can be expected to fight bill. Measure in its current form merely is "another piece of special interest legislation for the Congress," one broadcaster said.

Among Danforth's proposed 4 amendments: (1) Tying S-1009's proposed nonpreemptibility of campaign spots to length of candidate's appearance in ad. (2) Requiring FCC rulemaking on what constituted candidate "use" or appearance in ad. (3) Defining period when campaign ads would be eligible for lowest unit rate before elections are held, reducing burden on broadcasters. That period would have been 45 days before general elections, 30 days before primaries. Amendments still may surface in final floor debate, we're told.

Committee passed, without objection, FCC's FY 1990 and 1991 budgets. Bill is identical to pending House measure in proposing \$109.8 million spending ceiling in FY 1990 (fiscal year that began Oct. 1) and \$117.8 million in FY 1991. Senate bill also contains language giving FCC more authority to handle malicious and willful interference with radio communications, makes minor change in practices related to amateur radio licensing, provides travel reimbursement money.

Cable transactions: Centel completed sale of Ill. cable operations to Jones Intercable for \$340 million. Systems have 126,000 customers... Cencom Cable TV completed acquisition of Choice TV, which has 140,000 basics in San Gabriel Valley and Riverside County, Cal. Deal gives Cencom 400,000 more subscribers. Broker: Waller... Sonic Communications will buy Logan, Utah, cable systems with 12,300 subscribers from JWB Cable. Broker: Waller... United Artists Entertainment (UAE) sold Swedish cable holdings and 28 Blockbuster Video stores to United International Holdings. United International, which includes former officers of United Cable, was given option for purchases as part of UAE merger with United Cable... N.Y.'s Insight Communications agreed to acquire controlling interest in company that holds franchise for cable system in Glasgow, Scotland. Clyde Cablevision recently was denied franchise by U.K.'s Cable Authority for adjacent 560,000 homes -- it currently passes 55,000 and serves only 5,000 -- but Insight officials said they thought application "could be reconsidered" as result of its own planned buy-in... Muncy TV, Hughesville, Pa., has sold cable systems serving 4,150 in Muncy and Hughesville boroughs to Raystay, Carlisle, Pa., in cash transaction, terms not disclosed... TCA Cable TV finalized purchase of 5 Cooke Cablevision systems serving 86,000 in Greenville, Miss., Clovis, N.M., and Bryan/College Station, Victoria and Paris, Tex. Acquisition gives TCA 400,000 subscribers in 50 owned and 2 managed systems, primarily in Ark., La., Miss., Mo., Tex.

FCC Chmn. Sikes told annual Telocator convention last week that FCC's goals while he's at helm would be: (1) "Increase awareness of international competitiveness implications of FCC actions." (2) "Make better, more innovative use of the radio spectrum." (3) "Make the current radio regulatory environment more conducive to cost-reducing and demand-inducing innovation." In Q&A, Sikes said: "I want to get out of the box thinking approach, which is predictable allocated service blocks, to how we can innovate with what we have. I see more spectrum opening up, but I don't have any clarity in mind yet on what services will be allocated. I think there's an irreversible momentum in the direction of providing additional spectrum for commercial uses. But exactly how that will be allocated will be difficult to say."

Former TV evangelist Jim Bakker was convicted on all 24 fraud and conspiracy charges in connection with alleged diversion of \$3.7 million from his PTL ministry for personal use. Jury in U.S. Dist. Court, Charlotte, N.C., deliberated about 10 hours before reaching verdict Oct. 5. Bakker's lawyers said they will appeal. Bakker faces maximum of 120 years in jail and \$5 million fines.

Senate Communications Subcommittee has rescheduled HDTV hearing for Oct. 18, 9 a.m., Rm. 253, Russell Bldg. Senators plan to look at govt. options for R&D support.

HOUSE ADVANCES FAIRNESS: Sharp barbs were traded last week as House again gave overwhelming support to fairness doctrine, voting 261-162 against effort to block policy's proposed resurrection. "It should not be kept away from the public because some [FCC] commissioner, who is quickly fading from memory, didn't like it," said House Telecom Subcommittee member Swift (D-Wash.) in reference to former FCC Chmn. Patrick, who played key role in Commission's decision more than 2 years ago to abandon policy.

Subcommittee Chmn. Markey (D-Mass.) accused "a very, very right wing" FCC of flying in face of Congress in eliminating policy. Rep. Kolbe (R-Ariz.), responded by blasting fairness doctrine as "unworkable anachronism." Others called it "veto bait" for FY 1990 budget reconciliation bill into which it had been inserted by House Commerce Committee. However, doctrine's proponents noted that White House hasn't threatened to veto bill over issue. Indeed, aides told us that veto threat could jeopardize Bush Administration's push for proposed capital gains tax reform, also in package.

Opposition to doctrine focused heavily on its germaneness to budget package and fact that proposal calls for first-ever civil fines, according to opposition's leaders, Reps. Oxley (R-O.) and Tauke (R-Ia.). Only Republicans stepped up to podium to oppose doctrine's return, while bipartisan support was expressed for policy. Opposition arguments apparently swayed some votes as margin last week was closer than in 1987, when House agreed, 259-157, to seek doctrine's reinstatement.

Last week's action was preceded by intense lobbying, including by key committee leaders who signed letter by Commerce Committee Chmn. Dingell (D-Mich) to all House colleagues that urged continued support for doctrine. "The fairness doctrine does not impose new obligations on broadcasters," but does serve to "keep the electronic media open to the diversity of views that exist outside the broadcasting community," they said.

Also lobbying members were industry representatives, including RTNDA Pres. David Bartlett, who wrote that "restrictions on free expression do not serve the best interests of the American people. They have no place in a free society." He called plan's proposed civil fines for fairness doctrine violations "tax on free speech." Media Access Project and other public interest groups applauded House action. "Clearly Congress believes that broadcasters... should be responsible to the public," said People for the American Way Action Fund Chmn. John Buchanan.

Proposal to revive fairness doctrine isn't part of Senate's version of budget reconciliation package. Future of doctrine proposal is expected to be decided by House-Senate conference committee later in fall.

Closing deadline expired on Galaxy Cablevision proposed sale of 23 central Tex. cable systems to Douglas Communications, former announced. Galaxy said it would exercise its rights on undisclosed deposit it said Douglas had made. Systems will continue to be listed for sale by Daniels & Assoc., Galaxy said, adding that discussions with potential buyers have resumed.

FCC set procedures for en banc hearings on AM, scheduled for Nov. 16 in FCC hq. Written comments are due Nov. 6.

EUROPEAN TV ACTION: Bush Administration and U.S. TV-film production officials reacted unfavorably to voluntary program quotas adopted by 12-country European Community (EC) in Brussels Oct. 3. Guidelines, approved 10-2 despite strong protests from U.S. govt. and Hollywood production community, clear way for transborder TV broadcasts in Europe, but require that TV programming on public stations in those countries be at least 50% European-produced -- "where practicable." Belgium and Denmark voted against plan, regarded as backing off from earlier proposal that would have required 50% regional production, without qualification.

U.S. officials have threatened to file trade complaint with 96-nation General Agreement on Tariffs & Trade (GATT) on any broadcast rules deemed discriminatory and U.S. Trade Representative (USTR) spokeswoman suggested that's still option. However, she said, USTR is reviewing EC decision with U.S. program production community and formal response isn't likely in "near future." "While we support efforts for European unification, we will not tolerate measures aimed at preventing fair and free trade," House Trade Committee Chmn. Gibbons (D-Fla.) said. MPAA Pres. Jack Valenti termed EC action "step backward. They said no to competition and viewers' choice and yes to trade barriers."

European Community (EC) Vp Martin Bangemann termed U.S. concerns about Europe's recently adopted conditional TV program quotas "totally unjustified." Bangemann said that "no element of our directive infringes on the international trading rules" and that "all producers" will benefit from expanded distribution hours, which EC estimated will increase from 250,000 in 1987 to 400,000 in 1990s. Bangemann compared U.S. reaction with directive to U.S.-Canada free trade agreement in which, he said, former "explicitly recognized that cultural products are not to be placed on the same footing as other merchandise. They have formally accepted to respect very strict quotas concerning U.S. audiovisual products on Canadian soil." Directive sets tight control on advertising of alcohol and bans tobacco commercials.

European officials took pains to describe directive, which takes effect in Oct. 1991, as "a political commitment" rather than legal one. Martin Bangemann, European commissioner in charge of international markets, said "I can't take anyone to court because he hasn't complied with a political commitment." Directive also sets time caps on advertising, requires that 10% of air time be set aside for regional independent productions and introduces fairness doctrine-like "right of response" for signatory countries. Last measure excludes news and sporting programming.

CPB FY 1992 appropriation of \$251.03 million reportedly has been approved by Senate-House conference committee, along with \$76.25 million for public broadcasting satellite replacement, \$15 million for Star Schools educational telecommunications program, \$1 million for WGBH-TV Boston-developed Descriptive Video Service. Figures are halfway between those previously approved by Senate and by House, although they may be subject to as-yet-undetermined across-the-board spending cut in line with budget reconciliation process. CPB appropriation is \$9 million higher than FY 1991 figure and \$19 million above initially approved FY 1990 amount. However, 5.3% of latter (\$12.3 million) has been sequestered under balanced budget law. Final decision on sequestering funds must be made by Congress by Oct. 16, although some in public broadcasting expect lawmakers to reconsider CPB funding even if some of money is withdrawn.

CRYSTAL BALL GAZING: Very much on minds of speakers at ITU/COM in Geneva last week was "revolution in telecommunications." Some speakers -- starting with U.S.'s John Eger at opening session -- said it's here, others described it as just around corner. Adolf Ogi, head of Swiss Dept. of Transport, Communications & Energy, cited growing tendency toward "market liberalization" and erosion of govt. monopolies in telecommunications.

International Radio Consultative Committee (CCIR) adjourned meeting Oct. 5 in deadlock over any recommendations it should make on HDTV. Participant told us stalemate resulted from "intransigence" of European and Japanese delegations, which are backing 2 different standards, with U.S. generally on side of Japan. CCIR said it hopes to settle on HDTV recommendations at 1990 meeting in Düsseldorf.

EBU Pres. Albert Scharf said standardizing of HDTV is "prerequisite of speedy program cooperation. Let us hope that the HDTV issue can be resolved in a way which guarantees a worldwide standard, at least for manufacture."

Japanese had high HDTV presence at conference sponsored by International Telecommunication Union (ITU) and European Bestg. Union (EBU) -- U.S. had none -- with by far largest pavilion (exhibitors were grouped by countries). Japanese companies Canon and NEC had HDTV exhibits, while another 21 firms from there jointly sponsored HDTV exhibit worthy of NAB or Consumer Electronics Show. U.S. had rather modest pavilion in which 11 groups participated -- including NAB, selling its publications. Largest U.S. presence was USIA's Worldnet, which conducted live satellite conference on future of satellites. Japanese were disappointed at results of elaborate exhibit, but NEC said show "is not unsuccessful," primarily because of participants' chance to meet and talk with officials from many countries.

ITU/COM was plagued by poor attendance, unhappy exhibitors and program no-shows, particularly from U.S. Among no-shows, whose names were printed in advance as participants: FCC Chmn. Sikes; House Telecom Chmn. Markey (D-Mass.), who sent videotape; NTIA Dir. Janice Obuchowski, who was represented by deputy Thomas Sugrue; Time Warner Chmn. Stephen Ross; Maxwell Communications Chmn. Robert Maxwell; Astra Dir. Gen. Pierre Meyrat. Attendance was well below figure predicted by EBU, and traffic on exhibit floors was very slow -- "we're talking to ourselves and other exhibitors," we were told. American exhibitor called Japanese HDTV productions in 3 huge booths "amazing," and said it also was "amazing" that American HDTV proponents had no presence at all. Japanese companies also were unhappy because they believed number and quality of attendees was misrepresented to them when they signed up months ago. ITU put out no attendance figures but after prodding told us it stood at 7,900 -- disappointing in most quarters. One veteran convention attendee estimated ITU/COM had fewer than 2,500 on hand through Fri.

HBO won \$150,000 damages and \$110,000 lawyer fees from firm convicted of pirating General Instrument VideoCipher II descramblers to steal HBO programming, officials said. U.S. Dist. Court, Milwaukee, found that Entertain-U Corp. and Pres. Gerald Walters had installed pirate equipment in several hotels in N.M. and Ariz. MPAA, meanwhile, said it also will give rewards to persons providing information leading to civil lawsuits against film or video pirates. MPAA earlier had offered \$15,000 to persons whose information led to criminal actions.

WFAA-TV LICENSE ATTACKED: Dallas newspaper war, already one of hottest in country, has spilled over into Washington as Times Herald asked FCC to revoke license of WFAA-TV, which is owned by company that publishes rival Morning News. Times Herald and Morning News, latter owned by A.H. Belo Corp., have long been competitive in circulation and news coverage, but comics war has brought new dimension.

In petition to FCC, Times Herald charged that Morning News was able to leverage its common ownership with WFAA-TV to break long-standing contract with Universal Press Syndicate, company that provides Doonesbury, Dear Abby and other features. Belo also owns KTHV-TV Houston, KOTV Tulsa, KXTV Sacramento, WVEC-TV Hampton/Norfolk, Va. Times Herald petition said Belo statements indicated that it "had been trying for years to get Universal to stop supplying the Dallas Times Herald with these [Universal's] features but that Universal had consistently refused to do so." On Aug. 2, however, Universal terminated contract with Times Herald in favor of deal giving Morning News exclusive rights in Dallas to most popular features in Times Herald: "Petitioner believes that Belo made it happen by leveraging its ownership of WFAA-TV to benefit its newspaper."

Times Herald claimed that breaking point with Universal was deal Belo made to use WFAA-TV to produce shows based on Universal's features, on condition that Morning News would have exclusive rights to Universal's print products: "The available facts strongly suggest a serious abuse of Belo's unique position as licensee of the leading television station in Dallas, WFAA-TV, and owner of the leading newspaper in the Dallas market, to achieve its anticompetitive ends."

Times Herald said WFAA-TV's participation was central to deal because, as flagship of Belo TV holdings, station was center of what newspaper called "limited efforts" in syndication area, and its programming dir. participated in negotiation and development of joint venture. Times Herald claimed Belo made only one show for syndication, Peppermint Place, and one documentary, and called deal "nothing more than a sham to cover Belo's real agenda, the elimination of its only competitor in the Dallas newspaper market." Universal Editorial Dir. Lee Salem told us there was no deal with any "specific TV station." He said advantage of dealing with Belo, despite its own limited TV production experience, was familiarity with both TV and newspaper features.

Chain of 14 HDTV movie theaters will be opened in Southeast U.S. over next year by Club Theatre Network (CTN), Boca Raton, firm announced. CTN said venture, which it called first of its kind, will use Rank Cintel's recently introduced Mk III HD high-definition flying-spot telecine to transfer films for fiber optic transmission to theaters in hotels, high-rise condo complexes, country clubs. It said images from telecine will be transmitted via BellSouth fiber.

Review of lower court decision overturning \$3.5-million award against Cap/ABC over affiliation of KDEB-TV Springfield, Mo., was declined by U.S. Supreme Court. Jury had found network dropped station's affiliation without cause, but judge in U.S. Dist. Court, Springfield, later ruled jury had erred because station owner Charles Woods knew Cap/ABC was considering dropping affiliation when he bought outlet.

ATLANTIC CABLE SHOW NOTES: All-fiber digital video network will cost 20 times as much as hybrid fiber/coaxial network, said Tom Gillett, vp of CableLabs and former head of GTE's Cerritos, Cal., fiber experiment. ATC Senior Vp James Chiddix put figure even higher, saying hybrid network for all cable systems would cost \$2-\$5 billion, about 1% of projected expense of at least \$400 billion to wire all U.S. homes with fiber. Gillett said hybrid, which uses fiber for all trunks but coaxial cable for local distribution and connections to home, will provide all services of fiber but will be available sooner and be more reliable. US West plans hybrid network for its huge Hong Kong cable system, he said.

Economics "just haven't worked out" for cable companies to lease fiber capacity from telcos, Cox Cable Pres. James Robbins said. Chiddix said ATC has rejected many leased-line offers for variety of reasons, including fears that helping finance construction of common carrier fiber facilities would make it easier for competitors, who also would be able to lease capacity, to enter business. He said there's no need for leased lines because cable industry has no trouble financing construction of its own facilities.

TCI won't accept any compromise on cable reregulation, TCI Washington Vp Robert Thomson said. Some have been suggesting cable accept limits on franchise trafficking or even on rates for basic lifeline services in order to ease pressure for full reregulation. "We will fight it," Thomson said. "[Reregulation] is unacceptable to us and, I think, to the industry at large." Cable industry must use 5 weapons against reregulation, he said: (1) Rate increase restraint. (2) Improved customer service. (3) Improved programming. (4) Good corporate citizenship at local level. (5) Technology "where applicable."

"Cable Customer Bill of Rights" was approved unanimously by Cable TV Assn. of N.Y. (CTANY) in meeting at show. Bill of rights doesn't include detailed industry standards document, which is expected to be approved within 6 weeks, CTANY Pres. Richard Alteri said. Rights include prompt responses to billing inquiries, quick service calls, high-quality TV signals, fair and competitive rates. Industry standards document is expected to include recommendations on operation, customer service, training, telephone access, billing, subscriber communications. CTANY includes 150 systems with 3 million subscribers.

Pa. Cable TV Assn. (PCTA) endorsed Cable Alliance for Education commitment to provide free cable hookups for all schools. At meeting before show, group adopted resolution urging members to provide free service. Meanwhile, in Washington, INTV Pres. Preston Padden continued offensive against cable, saying commitment by Cable Alliance for Education "serves mainly to heighten public awareness of the fundamental difference between free TV and pay cable TV," since former "has always provided its service free to all schools."

Attendance at 1989 Atlantic Cable Show was up about 5.5% over previous year, officials said. Registration totaled 3,903 by end of Oct. 4, compared with 3,700 in 1988.

Equipment launches: Eastern Microwave (EM) launched new pay-per-view (PPV) ordering system that it says can handle 10,000 calls per hour, compared with about 600 for competitors. It also claims lower cost -- cable systems have no capital cost and pay 17¢ per valid order, compared with 25¢ per order for other PPV ordering systems.

Quanta is taking orders now for syndex switching equipment to be installed in Dec. Quanta launched new

switcher month ago, showed fully automated version at show with price tag of \$550 per channel. Quanta said it signed first order for system at show, from Vision Cable... Telecommunication Products Corp. (TPC) will market syndex software package jointly with TV Host, it said. System uses TV Host's data base to identify programs that are syndex protected, instructs compatible automatic switchers to black out or replace programming... Scientific-Atlanta said it received 100 orders for fiber optic cable system equipment in first 6 months after products went on market.

Nostalgia Channel said it will revamp program schedule beginning in 1990 first quarter. Change is part of effort to reposition network from old movie channel to programmer for 45-and-older age group. Goal is to reduce time devoted to old movies to 30% from 48% and replace movies with talk shows and life-style programming, said Senior Vp Morgan Lambert-Howe. Network has increased program budget fourfold for 1990 to pay higher cost of generating its own programming, she said, and actual spending could be even higher.

New shopping channel operated by Quantum Marketing International has replaced America's Value Network (AVN) on cable systems serving 12 million homes, officials said. New network is attracting cable affiliates by doubling share of sales that systems can keep, to 20% of gross. In addition to home shopping, Quantum offers how-to and related programming. Quantum took over AVN transponder on GE Satcom 4.

House completed work on budget reconciliation package last week, but Senate still has to act. Accompanying 13 regular appropriations also still aren't finished. Possibility that Congress won't meet Oct. 16 deadline for finishing appropriations work for fiscal year that already has begun had Office of Management & Budget quietly notifying agencies in last few days of possibility that 5.3% of their funds would be withheld or "sequestered" until budget is settled. CPB reports it already has had \$12.3 million of its \$232.6 million FY 1990 appropriation withheld, receiving only \$220.3 million when its forward funding was doled out last week. FCC official said agency stands to lose \$5.8 million of its anticipated \$109.5 million FY 1989 appropriation. In passing budget reconciliation package, House approved ban on dial-a-porn services, reimposition of fairness doctrine as law, increased FCC regulatory fees. Broadcasters and cable operators would benefit in Senate bill from proposal that would permit intangible assets acquired in purchases to be amortized or written off. In case of cable operators, those assets would be any ascribed to value of franchise; in case of broadcasters, assets would include costs associated with network affiliation agreements or FCC licenses. House bill would prohibit those write-offs. In related matter, Senate completed action on appropriations bill containing FY 1990 funding for FCC and NTIA. Agencies are funded as part of appropriations package for Commerce, Justice and State Depts. FCC spending ceiling was set at \$109.5 million, NTIA's at \$14.2 million. Bill still must be squared with House, which hasn't acted yet on appropriations for 2 agencies. However, House Telecom Subcommittee has tentative planned Oct. 12 markup of those 2 bills.

Coca-Cola board, as expected, approved sale of its 53.8 million shares of Columbia Pictures Entertainment to Sony USA (TVD Oct 2 p10). Coke said transaction would result in after-tax gain of about \$530 million this year.

Personals

FCC calendar -- Oct. 10: Comr. Quello speaks on "global electronic media networks" at annual Intelevent conference in Lisbon, Portugal, Ritz Hotel. Oct. 11: Comr. Marshall speaks at Washington breakfast of Telecommunications Network Exchange, 8 a.m., 1133 21st St. NW, Suite 900. Marshall speaks at American Women in Radio & TV new members reception in Washington, 7 p.m., 2020 O St. NW. Oct. 13: Chmn. Sikes addresses lunch of annual National Black Media Coalition (NBMC) conference in New Orleans, noon, Fairmont Hotel. Oct. 14: Comr. Barrett speaks at NBMC conference, 8 p.m., Fairmont. Lauren Belvin, attorney, Kansas City law firm Blackwell, Sanders, Matheny, Weary & Lombardy, joins FCC Oct. 30 as mass media adviser to Chmn. Sikes... Lynne Grasz, ex-exec. dir., TV Information Office, joins Best. Promotion & Mktg. Execs. in same capacity.

Changes at broadcast operations and engineering unit of ABC TV Network Group: Michael Lang advanced to vp-asst. to pres.; Mary Frost moves from dir.-satellite operations, ABC News, to dir.-telecommunications operations... John Dille pres., Federated Media, named co-chmn., NAB Radio Futures Committee, succeeding Steve Berger, pres., Nationwide Communications. Jerry Lyman, pres., Radio Ventures, remains co-chmn... Don Durgin, former NBC pres., named vice chmn., Newsweek magazine, succeeding Gerard Smith... Robert Vaughn promoted to vp, Radio-TV News Dirs. Assn., with added administrative responsibilities... David Fiske, ex-law firm Goodwin & Soble and former CBS dir.-govt. and media relations, joins PR/consulting firm Edward Aycoth as senior vp.

Gary Shapiro advances Nov. 1 to vp-gen. counsel-secy., Electronic Industries Assn., succeeding James Riley, retiring... Lonny Low, ex-Independent TV Sales, joins INTV as dir.-mktg.-West (L.A.), succeeding Lana King, recently promoted to vp-mktg... David Horowitz, former MTV Networks pres., joins N.Y. law firm Proskauer Rose Goetz & Mendelsohn as counsel... Charles Rush, chief NTIA scientist, moves Oct. 9 to assoc. administrator, NTIA Office of International Affairs... Promoted to senior vps at MTV: Doug Herzog, Judy McGrath, Abbey Konowitch.

Cynthia Samuels, producer for NBC's Today show, joins Whittle Communications as exec. producer of planned Channel One high school news service... Jeffrey Younger promoted to pres.-COO, Home Dish Satellite Networks... Re-elected National Public Radio board officers: Chmn. Wayne Roth, KUOW-FM Seattle; Vice Chmn. Howard White, retired ITT senior executive.

Changes at Showtime Networks: Elaine Parrish named vp-south-central region; La Vida Dowell, ex-Ogilvy & Mather, joins as dir.-trade mktg... Additions at Arts & Entertainment Network: Michael Katz, ex-WABC-TV N.Y., as dir.-daytime programming; David Gill, ex-Cable Ad Bureau, as mgr.-affiliate research... Ann Black, ex-ABC News CloseUp, appointed dir.-specials, cable's Lifetime network... Additions at new Millicom private cable firm Millisat: Catherine Frost, ex-ATC, as exec. vp; Denis Heimerich, ex-CableData, dir.-operations; Sanford Criner, real estate developer, dir.-mktg.; Jay Gordon, ex-SSI Private Cable, operations mgr., Puget Sound.

Changes at KTCA-TV St. Paul-Minneapolis: Pres.-Gen. Mgr. Richard Moore retires March 31. Promoted: Gerald Richman to vp-production, Cindy Browne to vp-bestg., Jerry Huiting to vp-operations/engineering. Advanced to mgrs.: Peter Myers, corporate communications; Wayne Mikos,

building operations... Eduardo Dominguez, ex-mktg. dir., Galavision, joins KWHY-TV L.A. as exec. dir.-community affairs, new post... Warren Cereghino, ex-KNBC-TV L.A., joins KTLA there as asst. news dir., new post.

Paul Clough promoted to Jerrold dir.-mktg.-new business development... Bishop Ellison, ex-operations mgr., KFVS-TV Cape Girardeau, Mo., named TV-RF sales mgr.-West, Harris Best. Div... Chuck Evans advanced to midwest sales mgr., JVC Professional Products... Ronnie Gunnerson, editor-in-chief, Video Mktg. Newsletter, joins J2 Communications as vp-business development... Jeffrey Hoops advanced to southern regional mgr., Group W Productions.

McCaw SEEKS CASH: McCaw Cellular Communications made counterattack Oct. 3 in continuing battle to take over LIN Bestg. by selling Contel cellular properties in Ala., Ky. and Tenn. for \$1.3 billion and striking deal to buy Metromedia's 45.6% equity in No. 1 N.Y.C. cellular franchise, giving LIN until about mid-Nov. to make better offer to Metromedia.

Under LIN-Metromedia agreement that governs operation of N.Y.C. nonwireline franchise, LIN has first rights to buy Metromedia's stake if another offer emerges. In N.Y.C., Metromedia and LIN each has 50% voting interest and 46% equity interest.

Analysts said McCaw's move puts LIN in difficult position because if it decides to buy Metromedia out from McCaw, McCaw will have \$1.3 billion to use in its \$110-per-share, \$5.4-billion attempt to buy LIN, including latter's 7 TV stations. LIN also could be saddled with debt. If LIN lets McCaw buy Metromedia, it will have to share N.Y. franchise with hostile suitor, analysts said.

LIN's planned merger of cellular operations with BellSouth, and tax-free spinoff of TV stations into separate subsidiary, also ride on decision it makes on N.Y. franchise. LIN probably will have to consult with BellSouth before deciding whether to buy Metromedia share of N.Y. or let McCaw have it. LIN Vp-Corp. Development and Treas. Michael Plouf told us BellSouth "doesn't have veto power over this," but said: "If they [BellSouth] decide not to [buy Metromedia] share, they have a right to terminate the whole merger with us." Plouf said LIN hasn't made decision whether to counter McCaw's offer for Metromedia stake and predicted LIN and BellSouth will see eye-to-eye on issue. McCaw has been trying since June to acquire LIN.

FCC should begin inquiry into standards for use of all NTSC active video lines, NAB said in response to Commission's tentative approval of A.C. Nielsen's plan to use line 22 to carry data. Lines 0-21 normally aren't visible on TV screen, but line 22 is, so it's considered active video. FCC said allowing Nielsen to carry data on line for polling wouldn't affect video quality substantially. NAB acknowledged that precedent has been set for using line 22 for services such as Nielsen's that are ancillary to broadcasting, but said it's concerned that practice will spread to other active video lines. NAB also said new technologies probably will make line 22 more visible in future, including those that don't require overscanning.

Major League Baseball and CBS are negotiating for network to carry weekly baseball games in 1990, officials confirmed. Current CBS contract calls for only 12 games, plus All Star Games and playoffs, with ESPN to carry 175.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th statistical week of Sept. and year to date:

	SEPT. 16-22	1988 WEEK	% CHANGE	SEPT. 9-15	38 WEEKS 1989	38 WEEKS 1988	% CHANGE
TOTAL COLOR.....	496,121	614,885*	-19.3	423,761	15,002,893*	13,750,445	+ 9.1
DIRECT-VIEW...	489,052	604,849*	-19.1	418,546	14,854,279*	13,566,268	+ 9.5
PROJECTION....	7,069	10,035	-29.6	5,215	148,614	184,177	-19.3
TOTAL VCR.....	249,522	327,966	-23.9	184,370	7,330,504	7,905,924	- 7.3
DECKS.....	201,987	250,112	-19.2	154,770	5,984,488	6,651,062	-10.0
CAMCORDERS....	47,535	77,854*	-38.9	29,600	1,346,016*	1,254,862	+ 7.3

Color TV 5-week moving average: 1989--452,660; 1988--476,485* (down 5.0%).

VCR deck 5-week moving average: 1989--202,080; 1988--236,113 (down 14.4%).

Camcorder 5-week moving average: 1989--48,305; 1988--49,323* (down 2.1%).

* Record for period.

ZENITH BANKS ON TV BUSINESS, DROPS COMPUTERS: Zenith's decision to leave computer field and remain in consumer electronics -- at least for time being -- met with much surprise and some skepticism and is seen as big gamble for company. It said plan to sell fast-growing Computer Group to Groupe Bull of France for up to \$635 million will enable it to strengthen "original core business" of selling TV sets, and portion of proceeds will go toward reducing debt and developing HDTV equipment and advanced high-definition color display technology. Move followed more than year of speculation that Zenith would sell troubled consumer electronics operation or place it into joint venture with another company (TVD Oct 17 p9).

Sale of Computer Group, which includes Zenith Data Systems (ZDS), maker of desktop and laptop personal computers, and Heath, supplier of electronic kits, allows Zenith to eliminate short-term obligations, reduce long-term debt and focus on color TV and development of HDTV, Zenith Chmn.-Pres.-CEO Jerry Pearlman said at N.Y. news conference. Answering question on future sale of consumer electronics assets, Pearlman said Zenith "is not presently planning to sell other parts of the business." He said "momentum is building" in consumer electronics and color TV prices have stabilized, although camcorders are "disaster for everyone in the industry" because of inventory glut. Zenith has "sufficient scale to be a viable competitor in the North American market," he said. Company has had "serious offers" for Consumer Electronics Group in last year, "but they were below fire-sale prices," Pearlman said.

Although HDTV is likely to play significant role in Zenith's future, consumer electronics business is "not dependent on HDTV," Pearlman said. Proceeds from sale could be used to help fund joint HDTV development project with AT&T (TVD March 6 p10), but that hasn't been determined, he said. "We'll certainly have more, but I can't say if we'll spend more," he said. Consensus last week on Wall St. and in press was that company is gambling on future of HDTV and on TV prices remaining stable through 1990.

Pressure from disgruntled shareholders, following Zenith's recent forecast for 3rd-quarter loss (TVD Sept 4 p11), apparently pushed company into latest move, which surprised many. Pearlman said deal is in "long-term interest of shareholders. We are a highly leveraged company in 2 very tough businesses. We felt we couldn't do either one of them appropriate justice." But most financial analysts had figured company would stay with computers and drop TV, which has been plagued by losses for years.

Exact purchase price will be based on net asset value of computer business at time of closing, expected by year-end, Zenith said. Computer Group had value of \$635 million, based on balance sheet as of July 30, 1989, but that's expected to be lower by closing because of reduced inventories, company said. Transaction was approved unanimously by Zenith board but is subject to approval of stockholders, who will vote on transaction in Dec., and SEC approval. Zenith's stock price soared \$3.25 to \$17.75 on news of proposed sale, but had dropped to \$16 by week end.

Zenith will emerge as "conservatively financed company better prepared to capitalize on our strengths in consumer electronics and display technologies," Pearlman said. He said company was offered "full and fair price" for computer business, and sale "will mean that our balance sheet will be strengthened significantly and our heavy debt burden will be lifted." Sale is expected to result in net gain of \$22 million for Zenith, after taxes and expenses. Proceeds will be used for repayment of short-term obligations and portion of long-term debt, with rest "available for appropriate investments in new consumer electronics and component technologies, particularly high-definition TV and advanced high-resolution color displays." Zenith spokesman said company had \$309 million in long-term debt and \$167 million in short-term debt as of June 30.

Zenith Computer Group will remain based in U.S. and will retain existing management team, sales and corporate hq in Glenview, Ill., Zenith said. It also will keep primary manufacturing and engineering operations in St. Joseph, Mich. Pearlman said no layoffs are planned for group, which employs 4,000, and no products will be discontinued as result of sale. Zenith entered computer business in 1980 with formation of ZDS. It has been major supplier of personal computers to U.S. govt. and military and is largest seller of battery-operated laptop computers in U.S. Zenith's total computer product revenues were about \$1.4 billion in fiscal 1988.

Acquisition of Zenith computer business would make Groupe Bull world's 7th largest producer, give it broad range of desktop and laptop personal computers, increased market share in U.S. and Europe and "sufficient volume to compete effectively on a global scale," Chmn.-CEO Francis Lorentz said. He said deal "further demonstrates Bull's commitment to the U.S." With purchase, Bull's worldwide sales will grow to about \$7 billion and will double its U.S. sales to more than \$2 billion. Under purchase agreement, Bull will have rights to Zenith Data Systems and Heath/Zenith names, but not Zenith lightning logo.

PRIVATE EYE VIEWER NEARS PRODUCT STAGE: Dozen companies or more are working on products utilizing unique Private Eye display, tiny viewer that projects video display out into midair when eye looks through 1" viewing window (TVD March 6 p12, Dec 19 p10). Although Marketing Vp Steve Lipsey of manufacturer Reflection Technology (RT) forecast "pocket HDTV set" as possibility within 3-5 years (TVD Sept 18 p15), other consumer and business products using system are far more likely before TV is attempted.

Shipment of production quantities in first quarter from plant in Waltham, Mass., at perhaps \$20-\$40 (depending on amounts) was forecast by RT Sales Dir. Neil Golden, who demonstrated preproduction prototype built into headband. Viewer can be moved in or out of field of direct vision; projected image appears to be 12" monitor. We were first to describe system's operation in these pages last March, on basis of British patent application.

Improvements have been introduced since then, Golden said. Most notable is system that uses tuning fork principle to absorb vibration caused by oscillating mirror, subject of new patent application. Combination driver chip with 2 rows of 140 LEDs (which appear as single line) has been developed specially for viewer. Vibrating mirror at 50 Hz interacts with LEDs to produce high-resolution image of 280 x 720 pixels.

Only product specifically announced so far is Portafax, demonstrated in prototype by Medbar, Woodside, N.Y., at June Consumer Electronics Show in Chicago (TVD June 19 p15). Medbar Pres. Joel Barneham told us last week that new Portafax 2001 will be "far more than a paperless fax system." Tiny unit will use 2" floppy discs for storage, will enable user to transfer all kinds of material from paper and computer onto disc for viewing at any time, virtually any place -- from airplane to dentist's waiting room. It will have printer port for printout and will serve as portable "information data base," Barneham said. Production units are scheduled to be shown at Jan. CES in Las Vegas, with deliveries in first quarter. Price will be \$1,495, including pocket unit, Private Eye viewer, battery pack, AC adaptor, carrying case. Fax scanner will be extra.

Right to produce and adapt Private Eye to military specs -- including some industrial applications -- has been assigned to General Motors' Hughes Aircraft. Hughes Industrial Products Div. Asst. Gen. Mgr. James Bradley told us that other products his unit is manufacturing will make it very easy to develop gray scale, making possible halftones and, indeed, approach to monochrome TV. Design details and patents will be divulged next month, Bradley said.

Hughes will adapt RT's products to ruggedized versions and eventually will manufacture them. Bradley sees first uses as hands-off instruction manuals, letting technicians read latest data sheets and diagrams

while using hands for repair, possibly with voice recognition to let user "turn pages" orally. He sees it used in combination with CD-ROM or CD-Interactive system. "In the first years, there will be great uses in technographics," Bradley said. "Then it will take a couple of years to bring the gray scale aspect along."

He said 2-color version also would be easy to develop, but expressed some doubts about practicality of application to TV. Color TV version may be "8 to 10 years away," he said, noting advantages of system include light weight, low power, low cost. "Once you start adding complexity you need more weight, more cost and a bigger battery." He noted Private Eye must be mounted on visor, phone or similar object -- "between that and [Video] Walkman, it's a different situation. It's a monocular viewer. Will people be happy with a one-eye TV?"

As for 3D, "that's a snap," Bradley said. Just use 2 of them -- one for each eye. Not only would it make possible cheap 3D computer-aided design (CAD) viewer, but it could make possible "great game applications." RT's Golden said company is applying for patent on 3D technique "which won't necessarily require the use of 2 displays."

Golden offered several suggestions for uses of viewer. He showed mockup of folding full-size computer keyboard that fits in pocket and can be used with head-mounted display. (Bradley suggested connecting viewer by wireless instead of cable.) Among other possibilities are automobile map viewer using CD-ROM to store maps. There are even some prosaic applications, such as storing books on CD or 2" floppy for reading in bed in total darkness without disturbing sensitive bedmate. "It simply will change the way people interact with information," Golden said. Private Eye starter kits are available at \$495 each through Nov. 30. RT is at 240 Bear Hill Rd., Waltham, Mass. 02154 (617-890-5905).

* * * * *

Detroit-based investment group is pushing new method that it says will allow driver to watch TV or video while driving car. Autovision Assoc. owns patent on technique that places video image just above driver's line of sight, making it appear to be part of oncoming landscape. System is being demonstrated in "concept car" equipped with in-dash TV, VCR and mirror to display video image. Patent describes location of video image, but doesn't describe how video image is provided, said Benjamin Micznik, general partner of M2TH Inc., technology development firm that's part of Autovision Assoc. Micznik said system has attracted interest of auto manufacturers and consumer electronics companies and has been shown to some TV networks. Unidentified U.S. auto maker is leasing demo car for "evaluation purposes," he said. Technique was created by Jay Shifman, Detroit inventor. Micznik said car display device could be widely available within year, "if someone gets aggressive about it." M2TH's address: Box 490, Southfield, Mich. 48037 (303-647-2360).

FIRST DATs WITH SCMS SHOWN IN JAPAN: Although several manufacturers displayed prototype digital audio tape (DAT) recorders that they said had new Serial Copy Management System (SCMS) circuits, Japan Audio Fair 1989 ended last week with no clear indication of when new type digital recorders would be on market.

There were prominent displays of working DAT recorders at virtually every stand -- some of them existing models without the new circuitry -- but everybody was noncommittal on marketing and pricing plans. Widespread nervousness about troubled format prevailed throughout Tokyo Fair, first major industry show to follow much-publicized worldwide agreement on DAT in July that appeared to clear way for development of market. But few doubted that new edition of DAT -- which would permit digital copying but not copies of copies -- would be on its way some time in 1990.

Skittishness about DAT marketing plans presumably was attributable to sudden groundswell of opposition to DAT pact by Japan's recording industry since SCMS was revealed to world in July. Tone perhaps was expressed best by Ryo Takegawa, deputy dir. of Kenwood Home Audio Mfg. Div., who said U.S. market may be first to mount SCMS-equipped DAT launch, considering cooperation between EIA and RIAA in drafting legislation. But he also told visiting U.S. audio journalists that true launch may well be stalled until clear resolution of legislative issues worldwide makes possible sufficient economies of scale to beget reasonably priced machines. Only then, he said, will hardware manufacturers feel comfortable forging ahead on DAT.

Barring political complications, few were willing to guess how long it would take to produce SCMS chips and enter mass production of DAT recorders containing them. Tatsuo Sawada, gen. mgr. of JVC Audio Products Div.'s Planning Dept., said SCMS would require change in DAT system itself, not simply development of dedicated chip. He indicated this could take 6 months, plus another 2 to get into production, which could make launch possible in time for Christmas shopping in 1990.

"Not decided" was standard answer by exhibitors at Audio Fair when asked about marketing and pricing plans for SCMS-inclusive DAT recorders. Even though some booths sported recorders with "SCMS" printed on escutcheons, attendants hastened to explain that machines on display didn't incorporate final circuitry. Of manufacturers showing SCMS decks, JVC clearly was most aggressive, with 3 prototype models and incorporating front-panel logo that positioned SCMS as selling feature. Interestingly, JVC is largest audio software distributor (and No. 2 recording company) in Japanese market, and its software officials have expressed opposition to DAT accord.

Others showing SCMS-equipped prototypes included Pioneer and Sony. Sony machine was 4-head model based on computer DAT technology it makes for Hewlett-Packard -- and foreshadowing upcoming 2-head vs. 4-head stepup system borrowed from VCR. Ironically, DAT prototype getting most attention didn't have SCMS and can't record digitally under new DAT standards. This Aiwa model is tiny portable, priced at \$540 in Japan, with marketing set to start this month. Still-video adaptor will be offered as option. Aiwa decided to move ahead with introduction in belief that compact portables comprise key to invigorating dormant DAT market in Japan. It's estimated that fewer than 20,000 DAT recorders have been sold there in each of last 3 years.

Aside from DAT, most interest at fair was focused on CD players and fight among proponents of various one-bit technologies. Sony demonstrated magneto-optical disc recorder that could play back standard CDs as well -- similar to one shown by Thomson at Berlin Audio-Video Fair -- but personnel were quick to point out that there are no production plans. Pioneer introduced what it called first erasable laserdisc, developed jointly with Kokusai Denshin Denwa (KDD) in project they have been working on since last year. System features recorder/player and 12" disc that can store up to 30 min. of moving pictures and stereo sound in analog format. Companies said digital sound applications are expected soon.

While TVs, VCRs and laserdisc players were shown in abundance -- as sort of preview of Japan Electronics Show later this month -- there appeared to be no major innovations. TV displays focused on Clearvision, Japan's new EDTV system -- complete with ghost-cancelling signals. Japanese TV stations started compatible Clearvision transmissions last month.

CRAZY EDDIE LIQUIDATES: Downward spiral of consumer electronics retailer Crazy Eddie apparently has ended with announcement that company will scrap plans to reorganize and will liquidate remaining assets to satisfy creditors. Reorganization efforts were dropped because of "inability to obtain sufficient vendor credit to sustain ongoing operations," spokesman said.

Retailer has had series of setbacks in recent years, including declining sales, scandals involving founder and former Pres. Eddie Antar and other executives, numerous lawsuits, store closings, culminating in Chapter 11 bankruptcy filing in June (TVD June 26 p16). In Sept., Antar was accused by SEC of insider trading and orchestrating "massive financial fraud" to overstate retailer's earnings during 3 years through 1987 (TVD Sept 11 p13).

Crazy Eddie closed 17 retail outlets in N.Y. metro area in March because of declining sales and depleted working capital (TVD April 3 p13), and said in Aug. it would close 8 more. There was no word on whether consumers will have access to liquidation at remaining 18 stores. Crazy Eddie reported net deficit of \$26.7 million, didn't disclose assets or liabilities.

Plan of liquidation was disclosed by Crazy Eddie supplier, Trans World Music Corp., Albany, N.Y., which had licensing agreement to sell records, tapes and other recorded music products in Crazy Eddie stores. Retailer said details of liquidation program will be provided in filing with Federal Bankruptcy Court.

Sales of 1/2" reel-to-reel computer tapes in U.S. fell 4% to 17.5 million units in 1988 and value 5% to \$161.4 million, International Tape/Disc Assn. (ITA) reported.

DARPA HDTV PACT AWARDED: First HDTV display develop contract from Defense Advanced Research Projects Agency (DARPA) was awarded to Projectavision, N.Y., as expected (TVD Oct 2 p16). Company, which is developing LCD projection system for commercial and consumer applications (TVD Jan 30 p13), was awarded \$1 million for "development study of active LCD technology." DARPA said, "This is expected to be 9-month effort."

Agency said contracts for 4 other firms selected for funding in June will be announced separately. They're NewCo, Photonics Technology, Raychem, Texas Instruments. DARPA said it will select additional companies among 87 bids it received for HDTV funding, in near future.

Meanwhile, civilian counterpart to DARPA, which would be funded by govt. for 3 years at \$500 million, was proposed last week by Sen. Glenn (D-O.). Advanced Civilian Technology Agency (ACTA) would administer revolving fund providing seed money for R&D in form of matching grants to public-private joint ventures pursuing high-technology projects. Fund would be replenished by royalties from commercialized technologies developed with money from program. HDTV could be among initiatives ACTA supported, Glenn said at news conference.

NEC introduced coin-operated, video arcade version of TurboGrafx-16 home videogame, 16-bit system unveiled at Consumer Electronics Show in June.

THIS WEEK'S YEN RATE

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

SONY/COLUMBIA REACTION: Sony-bashing was widespread following announcement of Japanese firm's purchase of Columbia Pictures for \$3.4 billion cash (TVD Oct 2 p10). Criticism of deal in U.S. and even Japan forced Sony founder and Chmn. Akio Morita to defend purchase at Tokyo news conference last week. On Capital Hill, Rep. Bentley (R-Md.) urged Bush Administration to investigate deal under antitrust laws.

Morita denied accusations that Sony is "invading" U.S. through acquisitions and said company will try to develop mutual prosperity between U.S. and Japan. He said Sony would leave Columbia to American managers, with exception of several board members. "We would certainly like to avoid giving any impression that a Japanese company has invaded the American business," he said. Acquisition of software company has been long-term Sony goal, and it covets Columbia's vast library of films, Morita said.

Meanwhile, Sony started tender offers for Columbia Pictures Entertainment and Guber-Peters Entertainment last week as planned. Columbia offer, set to expire Oct. 31, began Oct. 3 -- day after studio's 49% owner Coca-Cola announced its board had agreed to sell its 53.8 million shares for after-tax gain of \$530 million in 1989.

Proposed Guber-Peters acquisition -- valued at \$200 million -- is part of agreement under which producers Peter Guber and Jon Peters will run merged version of Guber-Peters and Columbia. However, SEC filing reveals Sony can terminate merger agreement if partners, who have exclusive production deal with Warner Bros., aren't released from that obligation by Oct. 25. If merger occurs, filing says Guber and Peters would receive equity stakes in studio and their compensation would be tied to increases in value of Columbia over 5 years. Annual salaries would be \$2.75-\$2.9 million each if Columbia acquisition occurs, \$2-\$2.15 million if it doesn't. Last week, Wall St. Journal reported Sony talks with Warner center on trading Columbia's 35% stake in Burbank studios -- whose remaining 65% is owned by Warner -- for waiving Guber-Peters obligations.

Sony first tried to buy 49% Columbia stake owned by Coke, filing said, but opted to buy public shares after Coca-Cola said it would sell its shares only in offer for entire company. Total cost of deal, including fees and expenses, will be \$3.55 billion, with loans provided by U.S. branches of 5 major Japanese banks, Sony said. Filing also disclosed Sony America Vice Chmn. Michael Schulhof first approached Columbia about acquisition in Nov. 1988.

Filing provided Columbia financial projections for next 3 years ending Feb. 28. Studio expects revenues will increase 25% to \$2 billion in fiscal 1990 from \$1.6 billion in 1989, with further increases of 14% to \$2.28 billion for 1991 and 7% to \$2.45 billion for 1992. Operating income is expected to rise 60% to \$236.4 million in 1990 from \$147.6 million in 1989, with 4% drop to \$225.9 million in 1991 and 42% increase to \$320.1 million in 1992. Net income is projected to increase 46% to \$31.6 million in 1990 from previous year's \$21.7 million, 12% to \$35.5 million in 1991, triple to \$120.5 million in 1992. Apparently referring to 1986 Sony license to market RCA/Columbia titles on 8mm, filing said: "Sony and certain of its affiliates have engaged in certain limited transactions with [Columbia] and its affiliates involving sales and services related to videocassettes, the dubbing of video tapes, the purchase and sale of video software and certain licensing arrangements. However, those transactions amounted to less than 1% of Columbia sales for the year in which they occurred."

Entertainment industry speculated on how Columbia -- and its 50%-owned RCA/Columbia Pictures Home Video -- would be integrated with Sony's SVS film and video operation and CBS Music Video Enterprises. Responding to "many rumors" about SVS, Pres. Michael Holzman said company is "pleased that Sony has acquired Columbia Pictures and fully anticipate many professional synergies to exist within the new enterprise." On home video side, Columbia films are destined for distribution via RCA/Columbia joint venture with GE, he said. However, Sony apparently plans to drop out of venture when it expires in 1992.

Newsweek poll, reported as part of Oct. 9 cover story under headline "Japan Invades Hollywood," found that 43% of Americans surveyed on Sony purchase of Columbia consider deal "a bad thing," while only 19% said it was good. More than half (52%) of respondents consider economic power of Japan to be greater threat to U.S. than military power of Soviet Union. Same percentage believes Japan has unfair trade policy with U.S., and 60% would seriously consider boycotting Japanese products if Japan doesn't make its trade practices with U.S. more fair.

Other findings in poll: 42% said U.S. has trade deficit with Japan because Japanese products are better in value and quality than American products, while 31% blamed deficit on unfair Japanese trade practices; 44% said Bush Administration isn't doing enough to make Japan adopt more fair-trade practices, 18% said it's doing enough; 53% believe U.S. govt. should spend more to subsidize and protect U.S. firms that directly compete with Japanese companies, 37% said U.S. shouldn't spend more; 64% view such Japanese purchases as Sony/Columbia deal as about the same as similar purchases from other countries, 21% view them as worse, 8% better.

Newsweek poll and general criticism of deal in U.S. was reported heavily in Japan, virtually every major Tokyo newspaper carrying articles. Critics of deal there said Sony's action could worsen trade friction between U.S. and Japan and even lead to eventual boycott of Japanese products by U.S. consumers.

Japan Audio Fair exhibit featured 1988 Mark III Chevy Van equipped with \$25,000, 3,300-w car audio/video system from Alpine. System was built and installed at Alpine's Torrance, Cal., facility, and shipped to Japan to "educate and further develop the expertise of the Japanese designers on installation techniques," Alpine said. Among components: Two 5" Alpine LCD TVs, one mounted in dash and other in console at rear of van, 8mm VCR, TV tuner, AM/FM full-logic cassette deck with CD, 12 power amps, 3 pairs of 2-way satellite speakers with custom-built, fiberglass speaker enclosures.

Sony's first Clearvision color TVs with ghost-reduction tuner will be introduced in Japan in Nov. and Dec. First set will be 30" digital frame-memory color TV due in Nov., with larger screen-size sets to follow. NEC and Toshiba already have introduced ghost-reduction TVs designed for Clearvision broadcasts. Sony plans monthly production of 2,000 30" TVs, about \$2,680 in Japan.

Mergers & Acquisitions: Mitsubishi said it's in discussions to sell its one million shares (37.9%) of common stock of ElectroSound Group. Mitsubishi said other shareholders also are in discussions to sell their shares to 3rd party, which wasn't identified... Asahi of Japan acquired PhoneMate, maker of phone answering machines, for \$16.3 million (\$7.50 per share).

DUAL-DECK DAT FROM GO-VIDEO? Go-Video, which took on Japanese and Korean hardware manufacturers in antitrust suit accusing them of blocking company from producing dual-deck VCR, is hoping to expand into digital audio tape (DAT) recorders -- including possible dual-deck version. Scottsdale, Ariz.-based company has begun seeking DAT manufacturing licenses, OEM arrangements and products from major equipment companies, Pres. Terren Dunlap told us.

"There's nothing legal to stop DAT from coming into the United States," he said. "It's an improved product that records and works better in a car than a CD." While he criticized Japanese manufacturers such as Sony and Matsushita for keeping DAT out of U.S. in effort to protect CD market here, he said it's "too early" to say whether their conduct is grounds for lawsuit. "We have begun making inquiries on where the licenses are held," he said. "At this point, we've only had a couple of responses, none of which indicate who holds the licenses and who'd be interested in licensing or manufacturing [DAT technology]." He said Go-Video "certainly" is interested in dual-deck DAT recorder-player but "would be content with a single-deck version for introductory purposes."

Even before Go-Video dual-deck VCR case goes to trial, it has had results in form of settlement in which Samsung agreed to manufacture machine (TVD March 6 p11). VCR-2 is expected to hit market in limited quantities in Dec. through D&H Distributing, Savage, Md. Go-Video has reached financial settlements with several other defendants and dropped MPAA from suit after agreeing to include anticopy circuitry in VCR-2 (TVD Oct 3/88 p16). Dunlap expects trial date for remaining defendants -- JVC, Matsushita, Sharp, Sanyo and Sony -- to be set within next few months.

Japanese production of VCR decks increased 5.8% to 2.3 million in Aug., while worldwide sales of Japanese-made decks rose 8.6% to 2.5 million, Ministry of International Trade & Industry (MITI) said. Shipments in Japan declined 12.4% to 366,000, EIAJ reported. Through year's first 8 months, deck production gained 8.3% to 19 million and worldwide shipments 7.2% to 18.4 million, while Japan shipments fell 7.6% to 4.1 million. Color TV production in month dropped 5.9% to 836,000, worldwide shipments 11.4% to 814,000 and Japan sales 0.9% to 632,000. In 8 months, TV production fell 1.4% to 8.2 million, world shipments 1.9% to 7.8 million and Japan shipments 0.3% to 5.9 million.

Sharp formed joint venture with Indian manufacturing firm, Bharat Forge, to produce and sell color TVs and VCRs in India. Bharat Forge has been assembling Sharp TVs in India since 1986, using parts supplied from Japan. New venture, Kalyani Sharp India, will begin production in early 1990. Estimate is for 80,000 20" color TVs and 40,000 VCRs in first year of operation, all for Indian market. Sharp and Bharat Forge own 40% of company each, with other 20% held by local investors. Total investment to date is \$249 million.

Sears posted decline in same-store sales for 3rd straight month in Sept., and overall sales rose only 0.4% to \$3.01 billion. Retailer said electronics sales were up, but Sears Mktg. Vp Thomas Morris was quoted in Wall St. Journal as saying Sears' everyday low-pricing strategy and new Brand Central electronics departments have generated sales "below where we want them to be." He said Sears will stick to strategy, which it began earlier this year (TVD Feb 27 p13), and will "fine-tune the presentation" to customers.

Over-55 age group buys nearly 1/3 of all TV/VCR combinations, NPD Group, Port Washington, N.Y., reported. In survey conducted last Feb., research firm found over-65 group accounted for 16.9% of TV/VCR combination purchases in previous 12 months and 55-64 group 13.7%. "These products offer the benefit of a VCR without the wiring difficulties of the traditionally separate pieces," NPD said. "If manufacturers can harness technology and offer it in more convenient packages, they may find older consumers more willing to purchase their products." Only 21% of VCRs, 26.8% of color TVs, 6% of home audio equipment and 14% of personal computers were bought by consumers over 55, research showed. However, NPD pointed out older customers will become "increasingly important factor in the electronics market" as "current middle-aged consumer, who is comfortable with electronics technology, becomes older." Research can be purchased from NPD. Details: Clark Johnson, NPD Group, 900 W. Shore Road, Port Washington, N.Y. 11050 (516-625-2310.)

Commtron posted 1.2% decrease in consumer electronics revenues to \$28.2 million in fiscal 4th quarter ended Aug. 31. Prerecorded video sales rose 8% to \$100.2 million, outpacing overall 6% revenue increase to \$128.4 million in quarter. Net earnings for quarter rose 93% to \$1.7 million. Prerecorded video category accounted for 78.1% of total sales, up from 76.6%. Home video sales increased 18% to \$430.4 million due to improved new release sales to rental and sellthrough markets, company said. With 16% gain in total sales to \$550 million from \$475.1 million, home video share rose to 78.3% from 76.5%. Consumer electronics revenues were up 7% to \$119.6 million on improved office and communication electronics, computer hardware and cellular telephone sales. Commtron said net income in year more than doubled to \$7.9 million, reflecting "improved asset management and a significantly lower operating expense rate as a percentage of sales."

Motorola announced plan to cut work force of 105,000 by about 2,500 through voluntary severance program that company said is primarily for salaried workers. Program takes effect immediately and affects mostly U.S. operations, Motorola said. Move is to "bring some of the company's businesses into balance with changing business and market conditions." It said pretax provision of about \$43 million to cover severance costs will be reflected in 3rd-quarter results. Meanwhile, Motorola and Toshiba formed joint marketing venture to sell Motorola semiconductors in Japan. New firm, Nippon Motorola Micro Electronics Corp., is follow-up to technology exchange and manufacturing agreements.

Japanese govt. searched offices of Canon Sales and Apple Computer Japan as part of investigation into whether companies illegally impeded sales of Apple Macintosh computers by independent importers. Two companies denied antitrust allegations by Japan's Fair Trade Commission. Canon Sales, subsidiary of Canon that distributes Apple personal computers in Japan, is suspected of pressuring 4 computer magazines to suspend ads from independent importers selling Apple computers at huge discount, trade commission spokesman said. Apple's Japanese affiliate is accused of pressuring shops not to provide service on computers sold by independents.

Japanese trade officials in Tokyo said govt. is considering plan to offer special tax credits to companies that increase imports of certain products, including semiconductors, in attempt to boost foreign suppliers' access to market there. Plan was discussed in trade talks with U.S. officials.

NINTENDO FINANCIAL NETWORK: Nintendo, which has been negotiating with AT&T to develop nationwide entertainment and information service using standard phone lines, is entering financial services business through joint network offering with Fidelity Investments, Boston-based discount brokerage house. Companies will develop and market service that will allow stock trading and access to financial information through Nintendo Entertainment System videogame.

Details of arrangement haven't been worked out, but agreement calls for Nintendo to develop and produce modem and special controller for attachment to ordinary NES videogame. Hardware additions are expected to cost less than \$200. Fidelity will develop software cartridges.

Financial service would be part of vast interactive network Nintendo plans to introduce here by 1991 (TVD Aug 21 p11). Network would be modeled after one already offered by Nintendo in Japan, and would use AT&T communications facilities. Deal still hasn't been worked out with AT&T, however, Nintendo Network Products Vp Jerry Ruttenbur said. In Aug., he had said he expected agreement within 60-90 days.

In Japan, Nintendo CEO-Pres. Hiroshi Yamauchi said, "AT&T is quite rational and ultimately will cooperate," *Journal of Commerce* reported. He said Nintendo intends to become global electronic communications giant providing wide variety of services, rather than limiting itself to games. "We learned our lessons well from Atari. We are able to understand very clearly why Atari failed. No toy company ever became a big company successfully by remaining a toy company," he said. Sales of Nintendo's Gameboy portable videogame (TVD June 12 p11) have been brisk and product is expected to be hit toy of Christmas selling season. Nintendo said supplies could fall short of demand by more than 2 million units. Shipments will total 1.1 million this year and 4-5 million in 1990, company said.

Sony will sell S-VHS VCR decks in Japan before year-end, report there said. Company has completed prototype of S-VHS deck and is ready for mass production at Japanese factory capable of making 40,000-50,000 decks monthly. First product will feature horizontal resolution of 400 lines and editing capabilities. Sony spokesman in Japan said there's no concrete plan for S-VHS deck production, and no plans to demonstrate such decks at upcoming Japan Electronics Show in Tokyo.

MGM Lion brand of video and audio tapes debuts this month from American Electronics & Entertainment, Edgewater, N.J., which has been licensed by MGM/UA to use MGM Lion trademark on consumer products. Blank T-120 videocassettes will be available in high grade and extra high grade. Meanwhile, 3M launched new Scotch brand of videocassettes, called All My Soaps, aimed at consumers who record TV soap operas.

JAPANESE LCD PROJECTS: Two joint govt.-industry HDTV R&D consortiums in Japan independently have begun development of large-sized LCDs, reports there said. JTV, which consists of 17 companies and has support of Japan's Ministry of International Trade and Industry (MITI), is developing fundamental technology for direct-view 40" LCD (TVD Sept 26/88 p13). Other group, HDTEC, which has 5 member firms and backing of Post Ministry, is developing 50" LCD rear projector.

JTV plans to build active-matrix display within 5 years at cost of \$20 million. Lab will study technology of multicrystal silicon TFT transistor, rather than amorphous silicon. End result of research is expected to be ultrathin, lightweight 40" LCD with 6 million-pixel resolution.

HDTEC is developing active-matrix 50" rear-projection LCD with 2 million-pixel resolution and light source said to be 4 times as bright as conventional source. It will invest \$24.5 million in project. Lab also is working on HDTV computer graphics.

* * * * *

Sanyo introduced LCD projection system in Japan at \$3,410. Projector is equipped with TV tuner, audio amp and speaker and can be placed either lengthwise or sideways by use of optional mirror (\$340). It has 3.3" thin-film transistor (TFT) active matrix LCD with 89,856 pixels, can project 21"-100" image using electronic zoom-focus lens that operates by remote control. Sanyo plans monthly production of 500 projectors at start, has no immediate plans to export product.

Seiko Epson said it will begin sample shipments of new LCD projector in Japan by year-end. Projector has 1.4" TFT-format LCD panel, will be aimed at consumer market. Company was first to market LCD projection, selling under own name in Japan and on OEM basis to Eastman Kodak here.

Toshiba established new division in Irvine, Cal., to handle product planning, marketing, sales and distribution of fax equipment. Facsimile Products Div. will come under Toshiba America Information Systems subsidiary, and consolidates existing business/personal facsimile products from Toshiba's Copier Products Div. and Telecommunications Systems Div. Toshiba shifted production of fax machines to Irvine plant from Japan in Aug. It also created office in London to oversee 4 manufacturing companies and 27 sales operations in Europe. Office will be responsible for PR, ads, planning, market research, and some negotiations, Toshiba said. It's prelude to formation of subsidiary in Europe in April 1992 to coordinate all Toshiba business there, company said.

Ads & Promotions: Pioneer promotion offers consumers who buy selected Pioneer car or home Compact Disc players free limited-edition "Super Stars Super CD" featuring Jackson Browne, Roy Orbison, Randy Travis, Donna Summer, others... Clarion is sponsor of Rolling Stones' Steel Wheels tour.

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Consumer Electronics Personals

Additions at Marantz: Thomas Shaeffer, ex-Sherwood, as vp-mktg. and product development; Irwin Zucker, ex-Sherwood, Altec Lansing, Yamaha, as mktg. dir.; Gary Sedan, ex-NEC, as product development mgr.; Daniel Cloud, former Dynascan business development group, as project administrator... Martha Whitely, ex-Lederle Labs, named Technics PR mgr., succeeding John Kasle, now heading Mitsubishi account at Manning, Selvage & Lee, L.A.... Herbert Johnson, ex-NEC Facsimile Div., joins Toshiba America Information Systems' newly formed Facsimile Products Div., Irvine, Cal., as vp-gen. mgr... John McPherson, former Communications Products mktg. vp, moves to Sony Business & Professional Products Group as mktg. vp... Charles Evans, former TV Systems Div. zone mgr., named JVC Professional Products midwest regional sales mgr.

George Scala, Lechmere chmn.-CEO, elected BLACK Buying Corp. pres. at shareholders meeting; Macy Block, Sun TV pres., named vp; Jack Luskin, Luskin's chmn., elected secy.-treas.; named to NATM exec. committee: Richard Lewis, Newmark & Lewis pres.; Ivan Steinberg, Steinberg's pres.; Charles Lubetkin, Brick Church pres... William Gsand, former Hitachi Semiconductor & IC Div. gen. mgr., named exec. vp-Hitachi America... Jack Kilby and Robert Noyce awarded first international Charles Stark Draper Prize by National Academy of Engineering, for invention of integrated circuit... James McGrody appointed Radio Shack educational sales and mktg. vp... Peter Miller, ex-Autosound & Communications publisher (International Thomson), joins CurtCo Publishing, L.A., as vp.

Changes at Republic Pictures: Vallery Kountze advanced to Home Video pres.; Dawn Holding, ex-RCA/Columbia, named product mgr.; Michele Blackwell, ex-American Film Technologies, joins as ad mgr... Changes at IVE: Rodney Trovinger promoted to chief financial officer; Steven Mangel promoted to senior legal and business affairs vp; Stephanie Meckler, Cleveland entertainment and intellectual property attorney, joins as legal and business affairs dir.; Patty Matlen advanced to production dir... Joe Fleischman to depart as PKO Home Video vp Oct. 31 as result of plan to move operations to N.Y. hq; he can be reached at 818-762-9792... Trisha Robinson, ex-Lorimar, named acquisitions dir., Academy Entertainment.

Appointments at Artrec: Robert Huntoon, ex-Art Directions, as creative services mgr.; Ron Redmond, ex-Quantum Educational Discoveries and Burlington Free Press, as PR mgr.; Vincent Spagnolo, ex-Hercules Aerospace, as telecommunications mgr... Joel Schoenfeld resigns as RIAA exec. vp-gen. counsel to join Bertlesmann Music Group as senior vp-gen. counsel... Wherehouse Entertainment selects Orion Home Video Western Regional Sales Mgr. Kari Difani as outstanding video salesperson of year... Hap Hoover, ex-North Castle Partners Advertising in Stamford, joins Leonard & Assoc. as Atlantic region vp-managing dir... Lisa Hooks, senior legal aide to FCC Comr. Marshall and onetime asst. to Chmn. Patrick, joins Time Warner in N.Y. Nov. 6 to work on development of new products.

Citizen Watch 2.2" LCD color TV will be shipped in Japan in Dec. at about \$140. TV has Citizen Super Matrix LCD panel with 52,320 pixels. Monthly sales of 4,000 are expected in Japan, 6,000 overseas, although no export plans were disclosed.

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U.S. and Mexico signed broad economic agreement to expand trade and investment between 2 countries. Under pact, U.S. and Mexico will begin negotiations in Nov. to determine which specific industry sectors will be considered for such actions as reduced trade tariffs, increased investment, technology exchange. Electronic products were said to be among product sectors under consideration. Mexico has been by far leading supplier of color TVs to U.S. in last 2 years. Commerce Secy. Robert Mosbacher predicted U.S.-Mexican trade in 1989 will reach record \$50 billion.

Matsushita ranked 17th on Wall St. Journal's list of world's 100 largest public companies, based on market value June 30. Matsushita had value of \$33.3 billion, based on Dec. 31, 1988, exchange rate. Others with consumer electronics interests to make list, with rank and market value: Hitachi (18th) \$32.4 billion, Toshiba (24th) \$28.9 billion, NEC (45th) \$20.1 billion, Mitsubishi Electric (62nd) \$16.9 billion, 3M (70th) \$15.7 billion, Sony (81st) \$15.1 billion.

U.K. TV-maker Hinari "appears to be insolvent" and is seeking buyer, Financial Times said. Hinari was founded in 1985 as marketer of color TVs, VCRs and audio equipment, most of which it imports from Far East. Firm was given Japanese-sounding name by founder Brian Palmer to boost consumer acceptance. Palmer recently resigned as chmn.-managing dir., report said.

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OCTOBER 16, 1989

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

CONGRESS LASHES OUT at European TV content code. House Trade unit condemns plan as retaliatory while proposal involving FCC gets Telecom Subcommittee's attention. Richardson considering public TV imports ban. USTR plans GATT complaint. (P. 1)

HOUSE OPENS CABLE INQUIRY: Telecom unit plans fall hearing on cable-telco cross-ownership, other cable issues, as part of effort for comprehensive telecommunications policy. (P. 2)

JOINT VENTURES SOUGHT: U.S.-Europe co-productions in MIPCOM spotlight. Several deals announced. U.S. cable major presence at show. (P. 4)

CBS NET SLIPS: Company reports net income down 11% in 3rd quarter to \$61.8 million, despite improved Broadcast Group earnings. NBC parent GE, others report. (P. 5)

SARNOFF LABS, PHILIPS TALK: HDTV cooperative venture discussed, but both say reports of deal premature. Other consortium members possible. (P. 5)

CAMPAIGN AD SPENDING UP: TvB says expenditures will nearly double last election off-year, reach \$42 million. Trend is same in cable. (P. 6)

NBC MAY HELP QINTEX: NBC considered helping planned Qintex takeover of MGM/UA. Studio sues Qintex for not finalizing deal. (P. 6)

CONGRESS LASHES OUT AT EUROPEAN TV RESTRICTIONS: Congress is boiling over at European Community decision last week to restrict U.S. TV-film imports (TVD Oct 9 p5), and momentum is seen building for passage of retaliatory legislation. First steps came last week when Rep. Richardson (D-N.M.) threatened ban on imported public TV fare and in separate House Trade and Telecom Subcommittee actions. Outburst of activity followed announcement earlier in week by Bush Administration that U.S. will file trade complaint with General Agreement on Tariffs & Trade (GATT).

Storm began brewing when EC in 10-2 vote established guidelines requiring that TV programming on public stations in its member countries be at least 50% European-produced, "where practicable." House Trade Subcommittee denounced Europeans' action in resolution (H. Res. 257) that's on fast track for full House attention. Panel adopted resolution unanimously with little discussion. It would put Congress on record as supporting GATT complaint by U.S. Subcommittee said EC proposal is "restrictive and discriminatory" and "inconsistent with claims by EC officials that the 'EC 1992' program is not a program of protectionism and will not deny market access to non-European entities." Resolution said EC plan would have "adverse consequences" for U.S.-EC bilateral relations and for GATT. It urged Administration to take every possible step to avert EC plan, including considering retaliatory Sec. 301 action under 1974 trade law.

Consumer Electronics

RECORD TV SALES for any month reported for Sept., thanks to all-time high final week. Camcorder sales up, decks and projection TV down in month. (P. 9)

ZENITH'S OPPORTUNITY for major new success in consumer electronics as only significant 2-step marketer is appraised by Jack Sauter. (P. 10)

S-VHS AND VHS-C SOFTWARE are top objectives of JVC, as both systems lag on U.S. market. High priority given to movie-length compact cassette. (P. 10)

PIONEER IS TOP BRAND in hi-fi receiver market, with Sony and Technics tied as runners-up, first annual Audio Week market share survey discloses. (P. 12)

EIA AUDIO DATA to be released monthly starting next year. Hitachi's Schoenegge heads Video Div. (P. 12)

SEARS, PENNEY CHRISTMAS catalogs feature name brand video products. Sears adds 8mm. (P. 13)

VHS LOGO 'CRACKDOWN' by JVC involves friendly persuasion and education, with legal action last resort. Movie and OEM companies are held responsible. (P. 14)

ERASABLE VIDEODISC system by Pioneer and KDD uses laserdisc principles, magneto-optical recording. First players will cost about \$21,000. (P. 14)

MPAA strongly urged Subcommittee to act in letter from Pres. Jack Valenti. "The approval by the European Community of an artificial barrier to the free entry of American entertainment programs on television is a sorry way to begin a magnificent adventure in Western Europe," Valenti wrote. "It is a decision with no connection to reality" and is grounded in "delusion" that "if a nation's government can build a fence around the local television industry... that local industry will, by some unexplained miracle, develop an enticement for local audiences. This theory depends for its life on the belief that political leaders can command great films to be made."

Subcommittee also took cue from U.S. Trade Representative Carla Hills, who issued unusually strong statement for govt., saying Administration "deplored" EC decision as "blatantly protectionist and unjustifiable." Hills said plan "conflicts with international efforts to increase the free flow of information and ideas to all peoples around the world," and called Europeans' cultural integrity argument "fallacious... It is an unpersuasive excuse. We do not understand why the Spanish culture is more protected by a film produced in Germany by 'Europeans' than by a Spanish film of Mexican origin." Hills concluded: "The definition of 'European works' is economic, not cultural." U.S. is concerned by news reports that EC plans heavy subsidies for European producers and writers to fill gap left by reduced U.S. imports, Hills said. She said subsidies would violate GATT and "enable European productions to gain an unfair advantage over nonsubsidized, non-EC productions."

It's not clear yet how U.S. might fare in 97-member GATT. Only Belgium and Denmark of 12-member EC opposed plan.

Meanwhile, House Commerce Committee will be asked in coming weeks to consider proposal by Richardson to involve FCC in U.S. retaliatory actions against EC. He broached proposal as possible amendment to FCC's FY 1990-1991 budget reauthorization, which was marked up Oct. 12 by Telecom panel (see separate story elsewhere in this issue). Richardson is member of panel. His proposal would give Commission statutory reciprocal trade authority by having FCC consider foreign nation's treatment of U.S. telecommunications companies, products and services when its local companies make license or other applications, petitions and filings with agency.

Commission would have to consult with USTR in determining how American telecommunications companies are treated abroad before acting on applications or denying requests from any company whose home country engages in discriminatory or other unfair telecommunications trade practices. Richardson said proposal was intended as response to EC action, which he characterized as "the most recent and most public example of protectionism, but certainly not an isolated example... We must send a strong signal that, until a foreign country's telecommunications markets are truly open to U.S. companies, we will insist on reciprocal treatment of that country's telecommunications ventures in the U.S."

Subcommittee put off consideration of Richardson proposal until parent Commerce Committee markup, although Chmn. Markey (D-Mass.) and Rep. Rinaldo (R-N.J.), ranking Republican, expressed sympathy with its objectives. They promised to work with Richardson and suggested possibility that compromise could be developed. Faster action was rejected because Richardson proposal came at last min., and draft left many questions unanswered. Aides said high among them was Richardson's definition of "foreign company," which one draft of proposal indicated could include Sony and others with major U.S. facilities. Richardson aide said measure merely proposes using FCC's existing 20% cap on foreign stock ownership in broadcast industry.

Richardson also is considering offering legislation that would bar CPB-funded stations from buying BBC and other EC programming for U.S. public TV stations. "Any support from taxpayer-supported institutions in furthering the European entertainment industry is unacceptable as long as the EC broadcast initiative is in effect," he said in floor statement. Aide admitted that legislator may not have considered negative impact that lost foreign programs could have on PBS. But aide said proposal reflects depth of Richardson's feeling about what lawmaker called EC's "blatantly anti-U.S. action," and that he's determined to press for strong U.S. response.

CABLE-TELCO DEBATE TAKES NEW TURN IN HOUSE: Opening door to intensified cable-telco battle, House Telecom Subcommittee Chmn. Markey (D-Mass.) said Oct. 13 that his panel will hold hearing in Dec. on cross-ownership as part of fall hearings on cable-related matters. Announcement follows decision week earlier by Senate Communications Subcommittee to hold hearing Oct. 18 on extending proposed over-air kidvid TV ad curbs to cable (TVD Oct 9 p2). That move is expected to lead to markup that could produce cable reregulatory proposals.

Markey's announcement came at FCBA luncheon where he bemoaned lack of direction in U.S. telecommunications policy. He criticized Executive Branch, industry and Congress itself for failing to recognize interrelationships that must exist between technologies. He cited sale of Zenith's computer business to focus on TV receivers as example of implications of policy short-sightedness and warned HDTV could prove "the seminal example of how far we can fall behind." (For another view of Zenith action, see Consumer Electronics section.)

U.S. needs to heed "the first law of holes, which is when you're in one, you ought to stop digging," he said. But American mass media, entertainment and telecommunications industries "are perfectly willing to accept this bold new era so long as their industry is grandfathered," he said. "We really face the prospect in the year 2000 when we will not be first or 2nd or even 3rd in global telecommunications industry."

Markey wants Subcommittee to craft comprehensive strategy, will open process within 2 weeks with hearing on international issues largely on media conglomerates such as recent Sony-Columbia Pictures and Time Warner mergers, he said. Other issues sure to come up include his proposed limits on foreign ownership of U.S. cable and European Community's planned TV content restrictions, he said.

Subcommittee's cable undertaking would be taken as step toward developing comprehensive policy, Markey said. He conceded that hearing was being called because of increasing pressure from "many" House members for attention to cable-telco issue. But he suggested that question is central to telecommunications policy questions, must be settled.

Markey said Subcommittee also is pursuing cable policy on other fronts. He said he has submitted request for another, comprehensive cable rate study to General Accounting Office with specific instructions for agency to examine implications of cable system "trafficking" or sales on cable rates. Foreign ownership question also is likely to be raised in hearings, he said. "A recession is coming, sometime, perhaps soon," he said. "We have to be prepared to consider the consequences of highly leveraged cable companies that might be easy takeover targets in a cash crunch."

Also coming shortly is Markey's promised measure proposing strategy for spurring U.S. high-technology development that will include HDTV. He hasn't revealed much about bill, although he disclosed to FCBA that it will cover waterfront -- touching on antitrust, regulation, taxes. Bill will be designed to promote development of integrated voice and data services, skimming same issues at heart of debate on easing entry of RHCs into competitive ventures, he indicated. We're told bill is virtually ready except for tax incentive issues.

Markey also repeated that there's broad consensus in Telecom Subcommittee for moving forward now on separate legislation to ease business constraints on telephone Regional Holding Cos. That momentum, combined with new interest in cable questions, could spell reregulatory or competitive trouble for cabling. Markey confirmed that Subcommittee members will be asked this week to join him in closed meeting to discuss draft bill options prepared by staff. We understand that major hurdle remaining in drafting involves issue of whether to take structural separations or another tactic as route to competitive and consumer safeguards.

Also on Subcommittee plate for fall, Markey said: (1) Completion of children's TV legislation. He expects measure to be on President Bush's desk by end of year. (2) Fairness doctrine. He predicted provision reinstating policy won't be pulled out of budget reconciliation package when House and Senate meet to develop compromise conference bill. (3) Radio improvements. Markey confirmed that Subcommittee plans hearing Oct. 26 to review regulatory and technical issues.

(4) Sports pay TV. Markey promised hearing in early to mid Nov., as urged by group of mostly Republican members of parent Commerce Committee, led by ranking Republican Lent (N.Y.). (6) Spectrum reallocation. Bill by Commerce Committee Chmn. Dingell (D-Mich.) will get airing in Subcommittee, probably in Nov., Markey said. (7) Mobile radio in drug trade. Subcommittee in Nov. will examine use of mobile radio in drug trade -- issue covered in Senate's FCC budget reauthorization measure.

U.S. Appeals Court, D.C., has extended oral argument period on FCC's syndicated exclusivity (syndex) rules. Court gave each side 30 min. for argument, instead of customary 20 min. Arguments begin at 9:30 a.m. today (Oct. 16). Court has said it won't act on cable industry's request for stay of FCC syndex rule until after oral argument.

Jones Intercable has completed \$340 million purchase from Centel Cable of suburban Chicago and central Ill. systems serving 126,000 subscribers. Acquisition, which Jones said is 2nd largest in its history in terms of subscribers, gives it 150,000 in Chicago area, 1.3 million in systems it owns or manages.

U.S. SEEKS JOINT VENTURES: Co-productions of TV programming by U.S. and European companies captured spotlight at MIPCOM convention in Cannes, France, last week. Several deals were announced, and more were said to be in works. Driving force, we're told by U.S. and European programmers, is "voluntary" quota requiring 50% European content on TV stations in 12 nations that are members of European Community (EC). Joint ventures are seen as way to get around restrictions.

Interest was highlighted by fact that most major U.S. cable companies -- more than 20 -- were exhibiting programming at international program-buying show for first time, with Turner Bestg. System (TBS), as might be expected, having one of largest booths in Palais des Festivals. U.S. cable companies were in Cannes this year as sellers, change from past when those few who came primarily were buying programs. HBO had its first international booth, and TBS contingent included 5 subsidiaries and 3 dozen staffers. Other U.S. cable programmers at MIPCOM included: Arts & Entertainment, Bravo, Discovery, Disney, ESPN, Family, MTV, Nashville, Nickelodeon, Showtime, Sports, 21st Century, USA.

ABC Enterprises had news conference scheduled over weekend at which it was expected to announce co-production deals with European companies. SelecTV also was seeking deals, as were several Canadian companies. Canadian executive said main reason for seeking co-producing aid is cost of developing shows, which he said has more than tripled in decade.

One of biggest deals was announced by Warner, which joined 2 Swedish companies -- Svensk Filmindustri and Tidnings Marieberg -- to establish SF Succé, which plans start of pay-TV programming on Swedish cable systems in Dec. Michael Solomon, pres. of Warner Bros. International Distribution, said EC quota had "absolutely nothing to do with us making the [Swedish] deal," but he was critical of French Culture Minister Jack Lang, telling news conference that Lang is "ignorant" about programming matters. Solomon predicted Warner will do as much business in Europe after quotas are in place but objected to "psychological impact" they will have on business. He said other joint co-production agreements in Europe are in works.

Time Warner plans to diversify rapidly overseas, Solomon said, noting combined companies already are building theaters in U.K. and Australia and will open Australian theme park in Dec. 1990. Future growth of TV will come from "offshore," he said -- point made by Time and Warner during long fight against Paramount's attempt to acquire Time. Warner also announced it's returning to animation with Steven Spielberg-produced Tiny Teens Adventures. Film will have many of same characters -- rabbit, duck, etc. -- as Warner's Looney Tunes-Merrie Melodies cartoons.

Pierre Meyrat, dir.-gen. of Luxembourg's Astra satellite, told news conference company has created "a cable in the sky across Europe," providing 32 channels after Astra 1-B, soon to be launched, enters service with additional 16 channels. He said Astra has reached "break-even in its first year of operation" despite predictions to contrary, 18-month launch delay, cost increases.

Noncabled European viewers are buying home dishes "in mass" numbers and 140,000 such receivers are installed in U.K. alone, Meyrat said. He claimed total Astra penetration of 10.98 million homes -- Netherlands leading with 2.4 million, followed by Belgium with 2.3 million, W. Germany

with 1.5 million, as of Aug. 31. He was critical of efforts of competitor Eutelsat satellites, saying their channel capacity is limited. For various reasons, Meyrat claimed, Eutelsat II won't become "a new major system for satellite TV programmers."

BICID said its business is booming, with 400% increase over last spring's MIP-TV in projects seeking co-production deals. (MIPCOM is in 5th year as offshoot of April MIP-TV; both shows are owned by Reed Exhibition Cos., which purchased them last spring. Company also owns MIDEM, Jan. music show also held in Cannes.) MIPCOM attendance was approaching that of spring MIP-TV with 1,097 companies preregistered this year, up 32.6% from 1988, said Xavier Roy, exec. dir. of MIP-TV and MIPCOM. MIPCOM has grown from 2,503 participants at first show in 1985 to 5,302 last year, and several hundred more were expected this year. Show was to end Sun. with seminar on Spanish TV programming.

U.S. Dist. Court, Atlanta, has upheld property access rights of traditional cable systems in case involving replacement by private cable (SMATV). Court ruled Smyrna Cable TV has right to use all of easements granted to SMATV operator ODC Communications in 2 Ga. apartment complexes. Apartment owners had called easements licenses, saying Cable Act didn't require them to allow Smyrna Cable to piggyback on ODC licenses. Smyrna Cable had served apartment complexes until 1985, when owners signed exclusive contract with ODC, but traditional cable operator wanted to resume serving apartments. John Davis, attorney with Dow, Lohnes & Albertson, which represented ODC, said decision is first time federal court has said Cable Act easement provisions also apply to easements granted private cable operators. Court also said so-called license granted to ODC for access to properties is legally identical to easement and easement applies both inside and outside building. Decision applies only in 11th Circuit, but is considered important because circuit includes Fla., where several overbuilds are being considered. It also is likely to have precedential value in several other areas where right-of-access cases are in progress, Davis said. Court also ruled that since easement is private, Smyrna Cable must make "just compensation" for its use and told parties to begin negotiations on amount.

FCC budget bill largely same as measure approved recently by Senate Commerce Committee (TVD Sept 18 p5), emerged from House Telecom Subcommittee last week. Only exception between bills: House version doesn't contain language on stolen mobile radio units or their use in illegal drug trade, aide said. Bill would provide \$109.8 million for FCC in FY 1990 (fiscal year that began Oct. 1) and \$121.5 million for FY 1991. That includes \$2 million for modernization of FCC's Laurel, Md., testing lab. House figure is higher than \$119 million level in Senate's bill. Also passed by House unit was NTIA budget reauthorization for FY 1990 as introduced -- \$14.5 million in FY 1990, \$14.7 million in FY 1991.

House has accepted House-Senate conference agreement on funding for CPB, approving \$251.03 million for FY 1992. Also in package is \$76.25 million for satellite replacement project that year, \$15 million for FY 1990 continuation of Star Schools educational telecommunications program, \$1 million for WGBH-TV Boston-developed Descriptive Video Service for visually impaired. House decision came in 364-56 vote last week. Senate still must act. Funding is part of appropriations bill (HR-2990) for Labor and Health & Human Services Depts.

CBS NET SLIPS: CBS net income was down 11% in 3rd quarter to \$61.8 million, despite improved Broadcast Group earnings, CEO Laurence Tisch reported. He said he was particularly pleased with CBS TV network results, where "robust advertising market and better ratings," contrasted with last year's strike-disrupted schedule, generated better results. He said network expects improved profitability for rest of year.

Broadcast Group sales were up 4% in quarter to \$593.2 million, and operating profits were up 2% to \$50 million as result of increased ad demand and of higher 1988 costs of covering election campaigns. Reduced election costs were partly offset by higher spending on prime-time programming and promotion, Tisch said. Broadcast gains were offset by drop in joint venture income, where profits fell to \$1.2 million from \$6.9 million year ago. Joint venture results were hurt by lower income from CBS/Fox joint venture to market home videocassettes.

Meanwhile, in other broadcast industry financial news: NBC parent GE 3rd-quarter earnings grew 16% to \$945 million, Chmn. John Welch reported. Company doesn't break out earnings by unit, but said Broadcast Group's operating profits were about same as last year's 3rd quarter, despite lower revenues because of impact of Olympics in 1988. GE also cited growth in international mobile communications and said aerospace operations, including GE Astro and GE Americom, had more than \$4 billion in orders in first 9 months. It said full-year international aerospace orders are expected to top \$1 billion, more than double year ago.

Pulitzer Publishing said profits were up 2.6% to \$3.2 million in 3rd quarter ended Sept. 30, despite 15% drop in TV cash flow. TV revenues were down 4.1% for quarter. Its Phoenix radio stations had 42.6% higher cash flow... Decreased profits in Westinghouse's Best. Div. helped hold down overall company profit levels. Exact figures weren't broken out, but it said revenues decreased at Group W TV and Group W Productions. Westinghouse had \$234 million profit in quarter ended Sept. 30, vs. \$219 million year earlier.

Gannett profits rose 9.5% to \$270 million in 3rd quarter, despite 0.1% decline in broadcast revenues. Main gains were in newspaper activities, including USA Today... News Corp. Chmn. Richard Searby told stockholders to expect profit decline in 3rd quarter ended Sept. 30 because of high interest rates and high costs of launching Sky TV. Owner Rupert Murdoch said 3rd-quarter decline could mean full-year profits won't improve in 1989.

Westwood One had \$13.5 million net loss in 3rd quarter ended Aug. 31. More than \$6 million of loss resulted from settlement of lawsuit in which shareholder claimed company had provided inadequate financial information, it said... Great American Communications traded \$50 million of its debt for 3.65 million shares of common stock at \$12 per share. Transaction dilutes American Financial Corp.'s ownership to 64% from 71%.

Cable charity: Jones International gave \$1 million grant to Library of Congress for Global Library Project to link Library with basic cable TV service of Mind Extension U. Project will produce information and instructional programming for librarians and public to be carried one hour per day beginning Jan. 1... Meadville Master Antenna founder George Barco and his daughter Yolanda each gave \$50,000 to National Cable TV Center and Museum, Pa. State U.

SARNOFF LABS, PHILIPS TALK: Predictions that Philips and Sarnoff Labs will agree on joint HDTV transmission proposal are "highly premature," said Philips Vp-Technology Peter Bingham. Sarnoff Labs Pres. James Tietjen agreed they're "by no means close to a deal." But both told us they have been holding HDTV talks for some time and are likely to continue. Both also held open possibility other HDTV transmission system proponents would be brought into any consortium that emerges.

Philips will "leave no stone unturned" in efforts to form HDTV transmission consortium, Bingham said, because company always has been "warm supporter of industry cooperation" on standards. He said cooperation would eliminate waste of time and energy on "blind alleys" and avoid possibility of "bitter-end struggle" among HDTV proponents. Bingham said: "There's an awful lot of work to be done" before agreement among proponents can be reached.

It would be "in the public interest" to get agreement between Sarnoff Labs and Philips, and possibly with other proponents, Tietjen said. If systems are complementary, he said, it would simplify selection process. Sarnoff Labs and NBC are developing 2-step Advanced Compatible TV (ACTV-1 and ACTV-2), while Philips recently said it's working on 6-MHz simulcast system (TVD Sept 11 p4). Neither Philips nor Sarnoff Labs would discuss how consortium would work, but obvious possibility is that latter would take lead on improved NTSC system such as its ACTV-1, while Philips' proposed new simulcast system would form basis of true HDTV system.

Reaching consortium agreement is likely to be difficult because it could mean one partner would be giving up expensive technology, Philips Labs Pres. Mark Rockkind said. But he said Philips has been pushing aggressively for partnerships, calling it "a win-win situation." Alternative, Rockkind said, could be ending up with "no piece of the action." Philips may be positioned better than most for consortium membership because it's developing technology for both augmentation and simulcast approaches -- its original plan was for standard 6 MHz NTSC channel to be augmented by 3 MHz HDTV signal.

Local sources generated 77.9% of total ad time for average radio station in 1987 and 1988, according to 1989 Radio Financial Report compiled by NAB and Best. Financial Management Assn. National and regional ads produced 20.4%, network compensation 1.7%, study found. Report said general and administrative costs accounted for 41% of expenses, program and production 21.3%, sales 19.4%, ads and promotion 9.9%, engineering 4.4%, news 3.9%. Report, at \$125, is available by calling 800-368-5644. Meanwhile, NAB has scheduled roundtable for general managers of small- and medium-market radio stations Nov. 18 at Airport Marriott, Kansas City. Registration is \$125 for NAB members, \$225 for nonmembers. Details: 202-429-5402.

Joel Chaseman is giving up responsibilities as CEO of Post-Newsweek Stations, Washington Post Co. announced, but will remain vp of parent firm. Chaseman will be replaced at end of year by William Ryan, who has been pres. of Post-Newsweek Stations since March 1988. Chaseman, CEO for 16 years, will continue to represent stations on industry organizations, including Ad Council, Assn. of Maximum Service Telecasters, TV Operators Caucus and as chmn. of Advanced TV Test Center. He said he also "plans to pursue some entrepreneurial ventures of my own." Ryan, before becoming Post-Newsweek Stations pres., was gen. mgr. of WPLG Miami and WFSB Hartford.

CAMPAIGN AD SPENDING UP: TV political ad spending this year will be nearly double level in last political "off-election year" (1987, when they're also were no congressional or presidential races), TV Bureau of Advertising (TvB) estimated. Based on sales in first 6 months, TvB predicted that over-air broadcasters will carry \$42.2 million in political advertising this year, up from \$24.9 million in 1987 and average of \$23.9 million in last 4 off years. Cabletelevision Ad Bureau (CAB) said it's seeing similar trend, but didn't have figures available.

Hot political campaigns have meant boom for TV stations in several major markets, including Chicago, N.Y., New Orleans, Philadelphia, Pittsburgh, St. Louis, Washington and Va. cities of Norfolk, Richmond and Roanoke, said Harold Simpson, TvB dir.-information services. He said political ad growth has had major impact in those markets, even though spending won't affect total TV industry significantly. Even though figures show major growth for off year, they won't come close to \$227.9 million spent on TV political ads last year.

Awareness of political importance of TV is seeping down to local level, Simpson said. He cited large spending in hot Chicago mayoral election in first quarter of year, as well as in current governor races in N.J. and Va. If races stay hot, he said, \$42 million could be conservative. It's too early to tell whether 1989 figures are aberration or will be repeated in 1991, Simpson said, but they "may bode well" for 1990 election year. Democratic National Committee media adviser Robert Squires will discuss likely political ad buys in 1990 on Nov. 13 at TvB annual meeting at Century Plaza Hotel, L.A.

CAB is predicting similar political ad growth for cable, Pres. Robert Alter said. CAB doesn't track actual local ad billings, he said, but hopes to in future. He said there's "anecdotal" evidence of high growth rates in cable political ads: "We're seeing growing activity in a lot of places. Many of the candidates can't afford areawide ads on broadcast stations and are finding that cable franchises often match their political boundaries much better, so there is less waste." Many candidates also are using cable local origination channels for longer form ads, he said. In at least one case, heavy cable user isn't even running this year -- Sen. Bradley (D-N.J.) won't seek reelection until 1990, Alter said, but is making extensive use of cable now to explain his stands on issues.

New 24-hour satellite-delivered news service for home-satellite TV market and local broadcasters was named last week as All News Channel (ANC), Viacom Network Enterprises Pres. Ron Bernard and Hubbard Bestg. Vp Stanley Hubbard announced. Service will be joint venture of Viacom Satellite News, Conus Communications, Showtime Networks. ANC programming will consist of news, weather, sports, business, features. Venture will market service to broadcasters, and Showtime Satellite Networks to home satellite dish owners and other satellite programmers. ANC will premiere on Satcom 2R satellite in late Nov. Channel then will be encrypted and offered for subscription in 1990.

C-SPAN moved up street over weekend to new offices at 444 N. Capitol St., Washington, in building to be named after network. New site has about same space as old one at 440 N. Capitol, spokesman said, but is newly remodeled and will be more efficient. C-SPAN also is completing work on new studio at 444 N. Capitol that officials said will give network more permanent look. Telephone numbers are unchanged.

NBC MAY HELP QINTEX: In latest twist in Qintex's effort to take over MGM/UA, NBC has indicated it may be willing to weigh in on Qintex's side. Network has had talks with Qintex about equity stake if Australian entertainment firm takes over MGM/UA, spokeswoman confirmed, but NBC wouldn't say whether deal is final. On Oct. 10, MGM/UA said it had sued Qintex and terminated deal to take over studio because suitor failed to deliver \$50 million credit letter due Sept. 22.

NBC said Qintex approached network on equity participation in takeover before MGM/UA unilaterally scrubbed it, and spokeswoman said she believes parties continue to consider all options. NBC last year had reached agreement giving it option to buy up to 15% of Qintex. MGM/UA hasn't commented on whether NBC participation would revive agreement, but said it's "considering its alternatives" on Qintex, including "sale of the company to other parties." Rupert Murdoch, whose News Corp. was outbid by Qintex for MGM/UA, indicated he's cool to idea of reopening bidding. He said he still wants MGM, "but we're not negotiating. We're not lusting after it."

Meanwhile, Sony is moving ahead with plan to appoint producers Peter Guber and Jon Peters as Columbia Pictures co-chmn. Company said last week it's "satisfied" it won't need to modify Guber and Peters exclusive Warner Bros. contract in order to buy their company, Guber-Peters Entertainment. As result, Sony has waived Oct. 25 deadline for pair to be released from obligations to Warner and is proceeding with tender offer set to expire Nov. 6. CBS Records Pres. Walter Yetnikoff reportedly will head new Sony Entertainment Committee with overall supervisory responsibility for both record company and Columbia Pictures. Committee also will include Guber, Peters and Sony America Vice Chmn. Michael Schulhof.

HBO plans to launch The Comedy Channel basic service Nov. 15 in systems serving "nearly" 10 million households, officials said. While parent Time Warner has 5.6 million subscribers, HBO said not all of its systems would be charter affiliates. HBO said it has signed up 6 charter advertisers, but expects total to be higher when first formal announcement on sponsor commitments is released shortly. MTV Networks reportedly has 14 charter advertisers for its rival comedy network, HA, set to launch April 1, as well as "soft" MSO commitments representing 2 million subscribers. Charter Comedy Channel affiliate operators HBO listed: Americable, Cablevision Industries, Douglas Communications, Greater Media, Group W Cable, Mission Cable, Nortel, Service Electric, Star, Summit, Susquehanna Cable, TeleCable, Warner, West Star.

Govt. will make all journalistic decisions if fairness doctrine is reimposed, according to advance text of speech by RTNDA Pres. David Bartlett over weekend to RTNDA Region 3 conference in Salt Lake City. Fairness doctrine "has nothing to do with fairness," Bartlett said. "It is about control... raw government control of radio and television news." If govt. doesn't agree with station's news judgment, he said, station faces fines or loss of license: "This kind of political intimidation has... a chilling effect on journalism."

Cable transactions: Jones Intercable completed acquisition of systems in Chicago and central Ill. Systems, previously owned by Centel, have 126,000 subscribers. Purchase gives Jones 1.3 million subscribers... Nationwide Communications purchased private cable system in Houston from Gulf American Cable Group. System has 9,600 subscribers. Broker: Communications Equity Assoc.

VIDEO JUKEBOX GROWTH: Video Jukebox Network (VJN) has added 30 interactive video systems so far this year, and expects about 9 more to be operational before end of year, Pres. Andrew Orgel said. New installations this year are expected to give VJN nearly 5 times total number of jukeboxes it had when Orgel took over helm year ago. He said he expects to install about 40 jukeboxes next year in mix of cable systems and low-power TV (LPTV) stations.

Significant portion of growth has been among LPTV stations, even though VJN generally is perceived as cable network. VJN concept has been boon for some LPTV stations, which have found it difficult to finance cost of fulltime programming, Vp William Stacy said. In at least one case, in Jacksonville, VJN expects to have jukeboxes working on cable system and LPTV station. "We'll be watching that closely to see how it works," Orgel said.

VJN installs jukebox, which carries videos of 100 current hit songs, in LPTV station, in effect making station local interactive equivalent of MTV. Viewers call, order video to be played, are billed \$2-\$3 per video by telco. System essentially eliminates programming and employee costs since it's fully automated. VJN installs and pays for all operations of jukebox, while station owner pays for tower and transmitter. VJN splits revenues above \$6,000 per month with station owner, and average monthly revenue is about \$10,000 per station, Orgel said. Station owner also can sell 3 min. of ad time per hour.

VJN is operational in 10 LPTV stations, and Orgel said he's negotiating with others in about 20 markets. Most current LPTV VJNs are in such medium-to-large markets as Atlanta, Des Moines, Jacksonville, Memphis, Orlando, Syracuse. Orgel wouldn't predict future mix between cable-delivered and LPTV-delivered VJN. He said cable is likely to be dominant for immediate future, simply because there are more cable systems and industry is more mature.

Network still is losing money -- \$750,000 on revenues of \$850,000 in 2nd quarter, but Orgel said it could reach break-even with as few as 50 operational jukeboxes if expenditures remain steady. Break-even is likely to be somewhat farther in future, he said, because VJN expects to continue investing in growth.

Media General is going ahead with planned rate boost in Washington, D.C., suburb of Fairfax County, Va., despite pleas by some cable officials that increases be moderated in area that's home to many federal govt. officials (TVD Oct 9 p1). Main change, effective Jan. 1, is \$3-per-month increase for basic cable service, to \$21.95. There also will be \$1-per-month rise for first premium service and \$1 jump for both Disney and Bravo. Media General said it will throw in free cable-delivered FM stereo for all full-service basic subscribers who take at least one premium channel, but there's \$29.95 fee for hookup, and stereo must be within 8 ft. of TV. Operator said overall increase will amount to less than 6% of average revenue per subscriber and points out that system has added more than 30 basic channels since 1983. It also cited Sept. 1987 Consumer Reports article listing Fairfax system as best in country in overall service.

CBN is refusing to confirm or deny reports that it's interested in selling 40% stake in Family Channel to major media company. Reports are coming from Europe, where CBN Pres. Timothy Robertson is attending MIPCOM in Cannes, France. Reports indicate prime candidates to buy part of network include NBC, Chicago Tribune and Fox. CBN spokesman said there will be no comment at least until Robertson returns from Europe this week.

HDTV CINEMA CHAIN ROLLOUT: Newly established HDTV-based cinema chain expects to have 14 theaters connected by fiber optic network within year, and eventually as many as 5,000 franchised sites, according to Club Theatre Network (CTN) Pres. Ronald Ratner. CTN has opened first theater, using enhanced NTSC system, and expects to have full-fledged HDTV on line within 3 months, after Rank Cintel-built HDTV flying spot telecine is delivered, Ratner said.

CTN has commitment from Southern Bell to set up fiber network connecting CTN cinemas, Ratner told us, and full network is expected to be in place within year. Fiber will be used to relay video picture from central projectionist to all cinemas, eliminating need for each to have its own projectionist and to store films. CTN will use Barco-built projection HDTV system to display movies. About 80% of programming will be first-run movies that company transcribes to 1,125/60 HDTV, Ratner said. Rest will be special events such as auctions and sports, as well as such events as closed-circuit fashion shows for department store buyers.

HDTV system means higher cost, however, and CTN is targeting upscale, older audience willing to pay more for security of avoiding movie crowds. Ratner said most of CTN facilities will be in country clubs, upscale hotels, similar places. CTN is privately funded by group of south Fla. investors that Ratner said has \$2 million of financing in place, with additional funding expected. He said CTN expects to make public stock offering in 12-18 months.

Israeli TV programming made debut Oct. 1 on Time Warner's Brooklyn cable system and will be added Oct. 22 in its Manhattan system. Programming was relayed by new Shalom America TV, privately financed venture with goal of becoming nationwide Israeli-Jewish cable network. Programming comes from Israel Best. Authority (IBA), which provides children's shows, documentaries, newscasts and news magazine-type programming in Israel. Shalom America Pres. Shay Bar-Lavi told us network is seeking more carriage agreements in meetings with MSOs, and Time Warner may add it to other systems if N.Y. experiments are successful. Shalom America will be pay service, Bar-Lavi said. Network's program costs are minimal because it pays "nominal" fee to IBA, but Shalom also plans to produce own programming. Network recently completed own studio in Manhattan and expects to launch first magazine-style program in Nov., Bar-Lavi said. Shalom America programs are relayed by tape now, resulting in one-day delay, but network expects eventually to acquire satellite capacity for transatlantic relay and distribution here. Bar-Lavi said Shalom is negotiating for domestic transponder and expects to have fiber optic link to Manhattan Cable's uplink by end of year.

Canadian govt. is pushing again for more Canadian TV programming on domestic networks. Govt. again introduced bill into House of Commons providing financial incentives for networks to exceed current quota of 50% Canadian programming. Bill is nearly identical to one approved by Canadian House last year that didn't get through Senate. It says Canadian Bestg. Corp. (CBC) programming should be "predominantly and distinctively Canadian." CBC recently had to scale back plan to increase amount of Canada-originated programming because of lack of funds. Finally, bill instructs cable systems to give preference to Canadian programming and opens door for them to begin own productions. Proposals have been opposed by U.S. industry in past.

Personals

Walter Yetnikoff, pres., Sony-owned CBS Records, reportedly will be named chmn. of new Entertainment Committee overseeing that unit and Columbia Pictures Entertainment, being acquired by Sony... James Joyella promoted to pres., TV Bureau of Advertising, succeeding William Moll, who becomes vp-gen. mgr., WNBC-TV N.Y.... Producer David Kirschner named pres., Hanna-Barbera Productions. Co-founders William Hanna and Joseph Barbera become co-chmn... FCC calendar -- Oct. 18: Comr. Marshall speaks at general membership meeting in L.A. of Caucus for Producers, Writers and Directors, 7:45 p.m., Chasen's Restaurant, 9039 Beverly Blvd. Oct. 19: Roy Stewart, Mass Media Bureau chief, speaks on current radio issues at Ky. Assn. of Bcstrs. convention in Lexington, 1 p.m.

Paul Green appointed senior vp-ad sales, Mizlou Communications... Roger Goodman promoted to senior dir., ABC News... Kenneth Bleakley advanced to senior deputy coordinator-deputy dir., State Dept.'s Bureau of International Communications & Information Policy, succeeding Parker Borg... Joseph Taussig, exec. vp, UPI parent Infotechnology, adds post of vice chmn., UPI... New officers, public TV's Organization of State Bestg. Execs. (OSBE): Chmn. Paul Norton, Wis. Educational Communications Board; Vice Chmn. Robert Ottenhoff, N.J. Network... Richard Austin, acting administrator, General Services Administration, will be nominated for permanent post by President Bush.

Promotions at WGN-TV Chicago: John Reardon to dir.-sales, succeeding Peter Walker, who becomes vp-station mgr., KTLA L.A. Oct. 13; David Tynan from national sales mgr. to local sales mgr., succeeding William Bradley, who becomes sales dir., WCCO-TV Minneapolis-St. Paul; Deborah Burfisher to local sales mgr... Jeffrey Shulman, ex-Wold, named Medialink sales mgr., L.A. regional office.

Robert Swift moves from vp-corporate accounts, Turner Bestg. Sales, to vp-sales and mktg., new post... Richard Rexroat promoted to dir.-fiber optic technology, TCI... John Milne advanced to L.A. sales mgr., Group W Satellite... Peter Kellner, ex-Gamma Liaison, joins Showtime Networks as dir.-photographic services... Richard Sjoberg, Thief River Falls, Minn., elected pres., Minn. Cable Communications Assn.

Albert Halprin, former FCC Common Carrier Bureau chief, joins law firm Verner, Liipfert, Bernhard, McPherson & Hand as partner... Kevin Arquit moves from FTC gen. counsel to dir., Bureau of Competition... Former FCC Gen. Counsel Diane Killory joins Washington office of law firm Morrison & Foerster as partner in mid-Nov... Lynn Wilson, ex-Tracor Aerospace, named vp-information management, Scientific-Atlanta... Bruce Thomas, ex-Jerrold Distribution Systems Div., joins C-COR as central account exec., U.S. LAN group... Robin Dahlberg, ex-Cullinet Software, joins Aion Corp. as gen. mgr.-European operations, new post... Chuck Evans zone mgr.-TV systems unit, JVC Professional Products, moves to midwest regional sales mgr.

Changes at WNET N.Y.-Newark: Gary Knell, senior vp-gen. counsel-secy., joins Children's TV Workshop in Nov. as vp-dir.-legal affairs-secy. Promotions: Andrea Traubner to dir.-program acquisitions, Kathy Dobkin to senior mgr.-program scheduling... Dean Boal, dir.-arts and performance programs, National Public Radio, joins Interlochen (Mich.) Center for the Arts Dec. 3 as pres... Changes at WILL-TV-AM-FM Urbana-Champaign, Ill.: Terry Bush, ex-principal, T.M. Bush Assoc., joins as

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community relations dir.; Paula Gray advanced to membership dir... Donald Scott, ex-PR and public information dir., WTVI Charlotte, named mktg. dir., WOSU-TV-AM-FM Columbus, O... Chris Oshikata, ex-exec. dir., San Francisco area March of Dimes, named dir.-mktg. and communications, Minn. Public Radio.

Advanced at Tracey-Locke: Sharon Honeycutt to vp-assoc. media dir., Jan Haney to vp-dir.-client services... Vicki Draper, ex-WETA-FM Washington, appointed development dir., KCOS El Paso... Ann Stanton promoted to public information dir., WGBY-TV Springfield, Mass... Dia Stein joins Westwood One's Source Network as program mgr.

Federal regulation and programming will be key issues at annual Community Bestrs. Assn. conference Nov. 5-8, Riviera Hotel, Las Vegas. CBA Pres. John Kompas said program will include one congressman and one senator (to be announced later), as well as Keith Larson, chief of Low-Power TV Branch of FCC Mass Media Bureau. Session on legal issues of LPTV will be led by CBA Gen. Counsel Peter Tannenwald. Main programming session will feature presentations by representatives of Capitol TV Network, Channel America, Country Music TV, FamilyNet, Home Shopping Network, Learning Channel, Republic Pictures, RFD-TV, Trinity Bestg., Video Jukebox. Tentative program also includes sessions on TV ratings and finance. Details: 800-225-8183.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 5th and final statistical week of Sept. and year to date:

	SEPT. 23-29	1988 WEEK	% CHANGE	SEPT. 16-22	9 MONTHS 1989	9 MONTHS 1988	% CHANGE
TOTAL COLOR.....	890,873**	650,631	+36.9	496,121	15,893,766*	14,401,076	+10.4
DIRECT-VIEW...	873,658**	636,442	+37.3	489,052	15,727,814*	14,202,710	+10.7
PROJECTION....	17,338**	14,189	+22.2	7,069	165,952	198,366	-16.3
TOTAL VCR.....	585,741**	496,374	+18.0	249,522	7,916,245	8,402,298	- 5.8
DECKS.....	481,873	423,123	+13.9	201,987	6,466,361	7,074,185	- 9.5
CAMCORDERS....	103,868**	73,251	+41.8	47,535	1,449,884*	1,328,113	+ 9.2

Color TV 5-week moving average: 1989--526,132**; 1988--486,721 (up 8.1%).

VCR deck 5-week moving average: 1989--249,711; 1988--265,234 (down 5.9%).

Camcorder 5-week moving average: 1989--55,844*; 1988--48,932* (up 14.1%).

* Record for period. ** Record for any week.

COLOR TV POSTED ALL-TIME SALES HIGH IN SEPT.: Record-breaking final week of Sept. turned what could have been disastrous month for video equipment sales into blockbuster for color TV. Sales to dealers soared 37.3% in month's last week to all-time record, surpassing previous weekly peak by more than 175,000 sets and pushing total to highest of any month. With exception of camcorders, which also had strong finish, sales of other major video products declined in Sept., EIA figures showed.

Total of 2,630,658 direct-view color TVs were sold to dealers in month, highest of any month ever and up 8.1% from Sept. 1988, which held previous record of 2,433,606. Sales were down in 3 of 5 Sept. weeks, but showed huge increases to set records in first and last weeks. Through first 39 weeks of 1989, color TV sales were up 10.7%. In Sept., they were at seasonally adjusted annual rate of 23.5 million, up 18.7% from Aug. rate. Annual rate for 3rd quarter was 21.5 million, down from 23.3 in million in 2nd quarter because of lower sales in July and Aug. Rate for first 9 months of year was 22.3 million, which would represent 10.4% increase over 1988's 20.2 million (TVD Jan 23 p12).

Other bright spot in month was camcorders, which rose 14.1% to 279,219, record for Sept. but short of all-time monthly high of 293,336 in Dec. 1988. As with color TV, camcorder sales fell in middle 3 weeks but rose by huge margins in first and final weeks. Sales through first 39 weeks were up 9.2%. Annual rate for Sept. was 2.4 million, up 4.3% from Aug. rate. Quarterly rate was 2.2 million, off 12% from 2nd quarter and 15.4% from first quarter. Cumulative annual rate was 2.4 million, same as rate after 8 months and representing 20% increase over 1988.

VCR decks slumped after brief recovery in Aug., with Sept. sales down 5.9% to 1.2 million. However, Sept. total still was highest of any month in 1989. Decks were selling at annual rate of 11.2 million in month, down 15.2% from 13.2 million in Aug., which was highest rate of year. Third quarter was strong for decks, with 10.9 million sales rate exceeding 2nd quarter by 21.1%. Annual rate for 9 months was 9.9 million.

Projection TV sales declined for 7th straight month, dropping 8.7%, but total of 40,778 was highest of any month this year and year-earlier total of 44,676 was highest ever. Projection TV sales set records in first and last weeks of Sept. but fell sharply in middle 3. Despite decrease, Sept. sales were at seasonally adjusted annual rate of 322,866, easily highest of year and up 37.3% from Aug. Rate for quarter was 286,824, up huge 54.1% from 2nd quarter, and rate for 9 months was 252,207. Sales to dealers in 1988 totaled 301,784.

Final week of Sept. was remarkable, with every product except VCR decks setting all-time weekly records (see State of the Industry), but even so, deck sales were best for any week since 1987. Direct-view

color TV sales of 873,535 broke record of Oct. 1988's final week by 175,684 TVs. Camcorders topped 100,000 mark for only 2nd time in history. EIA figures for month:

Product	Sept. 1989	Sept. 1988	% Change	Sept. 1987
Total color.....	2,671,436**	2,478,282	+ 7.8	2,204,069
Direct-view...	2,630,658**	2,433,606	+ 8.1	2,169,344
Projection....	40,778	44,676**	- 8.7	34,725
Total home VCR..	1,527,772	1,570,830*	- 2.7	1,523,528
Decks.....	1,248,553	1,326,170	- 5.9	1,331,965*
Camcorders....	279,219*	244,660	+14.1	191,563

* Record for any Sept. **Record for any month.

ZENITH HAS MAJOR OPPORTUNITY NOW--SAUTER: As only significant company in consumer electronics industry with widespread 2-step distribution, Zenith has "excellent opportunity" for profitable operation, particularly in this day of turmoil among superretailers, veteran industry marketer Jack Sauter said. "It's a niche," he said, "but it's a huge niche."

Sauter, who retired in 1987 after 25 years in consumer electronics, was RCA Group Vp responsible for consumer electronics, picture tubes, distributor products. He guided RCA brand to first place (displacing Zenith), later pushed brand to No. 1 in VCR ranks. He was asked for his thoughts on Zenith's agreement to sell its computer business to Groupe Bull and concentrate on consumer electronics (TVD Oct 9 p9).

Sale of computer business "will lift the black cloud from over their head," Sauter said, "if they will stop showing their books to everybody and start selling." Zenith now is in good position because it has "veteran people and a good quality product," he said. Sauter noted that he has predicted for years that many "power retailers would be taken over, consolidated or disappear," providing more opportunities for 2-step distribution, "and it's now happening."

"I think Zenith could make money while everyone else decides to sell 150 accounts direct," Sauter said. "Some of the others are going to get hurt. Zenith should continue selling direct to those [national accounts] it has to, but emphasize its talent as the only 2-step marketer. They've got a good chance of making it because they're the only ones working that kind of strategy. Properly motivated, dealers and distributors have got to support them because nobody else is going to give them the kind of backing the average dealer needs to survive in this business."

"There are thousands of dealers who still want to be able to talk to somebody on the phone," said Sauter, who forecast Zenith could develop profitable niche similar to one occupied 30 years ago by Magnavox under founder Frank Freimann, who developed strong retail franchises.

"You don't have to innovate or sit on a huge R&D lab in this business," Sauter commented, noting that "nobody keeps an advantage long," and innovations by any companies spread across industry in short time. "If Zenith has good people and the head man supports them, they don't have to reinvent HDTV. I would tell Jerry [Pearlman, Zenith pres.] to stay out of Washington" and concentrate on realizing potential of company's current products and distribution. (RCA brand, which formerly sold nationwide through distributors, under Thomson ownership now sells direct to dealers in all major areas, relying on 10 remaining distributors primarily in rural regions.)

JVC PUSHES FOR S-VHS, VHS-C SOFTWARE: JVC's 2 variations on VHS theme -- Super and Compact -- are doing well almost everywhere except in VCR's top market, the U.S. Interviews with many JVC officials reveal that S-VHS and VHS-C are highest priority products here, and widespread availability of prerecorded software in both subformats is among major goals.

JVC officials seem to sense great urgency to assure survival of VHS-C in U.S. market. For that reason, they hope to have combination F/C recorder, which will play C cassettes without adaptor, as midline product early next year, and to introduce Concept C minimodular S-VHS-C TV/VCR system (TVD June 26 p15, June 5 p11) in spring. Minisoftware for minisystems is under strong study now by JVC -- but before feature films can be put on compact cassette, playing time has to be stretched from current 90 min. (recently stretched from 60) to 2 hours in EP mode (S-VHS-C version of 90-min. cassette was introduced formally in U.S. last week at \$17).

Since JVC is both hardware and software company, it has some in-house differences of opinion. Seiichira Niwa, JVC senior managing dir. and Audio & Video Software Group gen. mgr., told us: "We are now making an extensive study of where VHS-C will be used and whether it will require software and if so what type -- perhaps how-tos, news, music -- but we're not sure there will be a demand for software."

However, JVC Magnetic Products Div. has given top priority to development of VHS-C cassette that can play for 2 hours, Gen. Mgr. Masani Hoshino told us. He didn't say when or how this would be accomplished, but said such a tape would have to be 11-12 microns thick rather than 15.5 microns for new TC-30 cassette that records 90 min. in EP mode -- "we are still not sure whether we can do it." JVC's 2nd highest ranking official, Exec. Vp Shizuo Takano -- known as "father of VHS" -- was much more positive: "If I were general manager of the Video Products Division," he told us, "the first thing I would do is make a 2-hour compact VHS [VHS-C] cassette. I wouldn't care if people said it was impossible."

Unhappy with comparison of VHS-C and 8mm, Hoshino called them "completely different concepts." He debunked claims that 8mm is "next generation" of videocassette -- "we think the next generation of videotape will be digital" -- but Compact VHS is just variation of standard format. "It is necessary to develop [VHS-C] tape which will hold a full-length feature film," he said.

As for Super VHS, Takano noted with some bitterness: "VHS owes a great deal to manufacturers, broadcasters and film producers," and introduction of S-VHS was JVC's way of repaying them. "S-VHS provides a whole new opportunity for TV manufacturers, who can sell new sets with the S-terminal, and a great selling opportunity for the movie people by letting them provide better quality, and that's a great advantage for the software people. I just wish I could get that idea across."

Although S-VHS population in Japan now totals about 1.5 million and JVC forecasts this will rise to 2 million by year-end, only 20 movie titles are available there on cassette, with 20 more planned -- all distributed by JVC and its affiliates and all subsidized by VCR hardware industry. "We need more movies on S-VHS, and one way we will get them is to start our own production company," said Software Group's Niwa.

As first Japanese entrant into U.S. movie production business through formation of joint venture Largo Entertainment with producer Lawrence Gordon (TVD Aug 28 p13), JVC has no current plans to follow Sony into studio ownership, but may change its mind after it develops more experience in Hollywood, Niwa indicated. He called purchase one of several moves by JVC to develop Super VHS as major software medium. "Hollywood is the mecca of movie production, and since we wanted to learn more about the movie business, we felt it was important to produce our own movies."

Niwa, also chmn. of JVC Entertainment Inc., which controls Largo, told us that "putting movies on cassettes is our main business," and although Largo will concentrate on theatrical movies, its products are destined for S-VHS cassettes. "Our conclusion was that buying a film studio was really too big for a first step," Niwa said. "When we have more experience, if we feel we need to buy studios or theaters we might consider it," he added, "but for now we will put all our efforts into Largo Entertainment."

Niwa indicated that JVC has no plans to subsidize S-VHS software in other countries. "In the United States," he said, "we have sold several hundred duplicating systems" to companies that he expects to underwrite their own software. In separate interview, JVC Managing Dir. Yoshihiro Ueno, who is Video Products Div. gen. mgr., indicated he would like to see more subsidized software because it "helps sell sets." Nevertheless, he said, 25% of VCRs now being sold in Japan are S-VHS (JVC's percentage is about 35%, or 50% of its sales volume), with 35% of camcorder sales in S-VHS format (45% of JVC's unit sales). He said JVC continually was talking with software firms about S-VHS cassettes.

Asked about U.S. marketers' complaints that S-VHS decks are priced unnecessarily high, Ueno said development of system required considerable investment that must be recouped, and some funds are needed for promotion. "We would like to get into the promotion of software in the American market as well," he said. "We feel that pricing of conventional [VHS] decks has come down too far [in U.S.]. We would like all American brands to support us in promotion of S-VHS. The price [of S-VHS decks] is high if they just buy and sell, but we feel S-VHS should be supported with promotion, which would help sell higher quality tapes and higher quality TVs as well -- in Japan, we can't sell a TV without a Y/C input."

Takano sprang to defense of Sony's proposed purchase of Columbia Pictures, despite Niwa's concern that it could lead to more Japan-bashing ("it won't be accepted well by Americans"). Noting that video now brings movie companies more revenues than theaters, Takano said people tend to forget that Japanese-developed VHS "brought prosperity to the film companies and created a whole new industry."

HI-FI BRAND SHARES: Pioneer is No. 1 brand in hi-fi receiver market share, archrivals Sony and Technics finishing in virtual dead heat for 2nd place. Those were among major findings of Audio Week's first annual market share survey of component hi-fi receivers. Poll also revealed bulk of business is distributed evenly across wide group of specialty and mass-oriented manufacturers.

Survey was conducted using same methodology employed for years by Television Digest to measure color TV and VCR shares. Findings cover only hi-fi receivers sold separately to dealers (not as part of factory-assembled rack systems or ensembles) in model year July 1, 1988-June 30, 1989.

Median estimates are based on input from respondents, who were asked to estimate competitors' market shares. Key finding was that Pioneer, manufacturer that aggressively has merchandised audio-video receiver category in recent years, commanded dominant position with 13.1% share. Standing was significantly better than closest rivals, Sony and Technics, each of which controlled approximately 10% of market in separate receivers.

In echelons below top 3, survey found little or no dominating share. JVC, with 8.1%, was nearly 2 percentage points behind 2nd-place finishers, while Kenwood, which was 5th, was only other company with share of 7% or more. In fact, 26 brands in 11th place or lower comprised less than 20% of total pie.

Common denominator among companies with shares of 3% or less is their positioning as marketers of limited distribution gear to small independents with fewer outlets than mass-oriented competitors. But there were some significant exceptions. Majors such as Sharp, Mitsubishi and others only recently have begun positioning themselves as upscale audio component marketers. As result, such companies finished behind some specialty manufacturers that may lack majors' distribution but have had many more years to nurture market.

Above all, survey confirmed that market dominance of hi-fi receivers is vested in top 10 finishers, which commanded whopping 72.5% share of total pie. Table below lists all companies with more than 1% of market. For complimentary copy of Oct. 9 Audio Week, which lists top 36 brands, please call our Washington office (202-872-9200).

Rank	Company	% Share	Range
1.	Pioneer.....	13.10	8.00-21.00
2.	Sony.....	10.00	8.00-16.00
3.	Technics.....	10.00	8.00-12.00
4.	JVC.....	8.11	4.00-12.00
5.	Kenwood.....	7.77	5.00-11.00
6.	Realistic.....	6.89	4.00-12.00
7.	Onkyo.....	5.33	4.00-9.00
8.	Yamaha.....	4.90	2.00-9.00
9.	Denon.....	3.29	2.00-5.00
10.	Sansui.....	3.14	1.00-6.00
11.	Fisher.....	3.13	1.00-8.00
12.	Sherwood.....	2.14	1.00-4.00
13.	Harman Kardon....	2.13	1.00-4.00
14.	Scott.....	2.13	1.00-5.00
15.	Marantz.....	1.50	0.50-3.00
16.	NAD.....	1.50	0.50-3.00
17.	Philips.....	1.33	0.50-2.00
18.	Hitachi.....	1.29	1.00-2.00
19.	Sharp.....	1.21	0.50-3.00
TOTAL, 36 brands		98.50	
All other brands		1.50	

EIA PLANS AUDIO DATA: EIA Consumer Electronics Group (CEG), meeting at Annual Fall Conference in L.A., agreed to begin release of data on audio equipment sales to dealers in Jan. It plans monthly release of figures on portable audio, components and systems, aftermarket autosound and total audio dollar volume -- some of data currently supplied only to audio research participants.

EIA board adopted overall statement of mission for decade of the '90s: "EIA -- Committed to Increased Competitiveness of the American Producer."

In elections and appointments, Gary Shapiro was named vp-gen. counsel-secy. of EIA parent organization (see Personals). In only major CEG divisional chairmanship change for 1990, Hitachi's Bruce Schoenegge was elected chmn. of Video Div., succeeding Panasonic's Ralph Wolfe, who remains on CEG exec. committee. Larry Israel, VTEK, was named chmn. of new Assistive Devices Div. that will work with Electronic Industries Foundation (EIF) on electronic aids for the handicapped.

Reelected were William Little, Quaam-Nichols, EIA chmn., and Frank Myers, Wells-Gardner, vice chmn.; Myers also was reelected industry vp on CEG Exec. Committee. Also reelected was Richard James, Thomson, as CEG chmn. All other CEG officials were reelected. Dynascan's Jerry Kalov was elected chmn. of new Home Automation Subdiv. within Home Information Equipment (HIE) Div.; Panasonic's William Kopp heads new HIE Home Office Subdiv. Kalov and Schoenegge were newly elected to CEG Exec. Committee. Newly named to CEG board was Sanyo Fisher's Paul D'Arcy.

EIA Engineering Award was presented to Canon Bradley, EG&G Frequency Products, for achievement in crystal technology. Marketing Services Award went to Ron Stier, Cooper Industries-Belden Wire & Cable, for leadership in EIA statistical programs.

Serial Copy Management System (SCMS) to limit digital copying is "just another way cartels get together to control the market... [to] determine whether we should have this product," said Go-Video Pres. Terren Dunlap last week. Although he said company hadn't yet decided whether to bring suit, he said: "There have been secret meetings throughout the world on SCMS. I'm not convinced it works. We believe in a solution to protect copyrights but I'm not sure this is it. Why can't the public buy DAT? Because Japan hasn't yet milked the market for CDs. People want digital recording, which is better than CD... A decision in Japan is leading the consumer down the path again."

Matsushita will build manufacturing complex at undisclosed Tex. site to produce personal computers, fax machines and phones for U.S. market. It's investing more than \$700 million in new plants, expected to begin operating in 1992. Establishment of U.S. facility for those products will help Japanese company meet growing demand in U.S. and avoid trade friction, Japan report said. Matsushita said it will try to increase local production share of overseas sales to 50% by 1993, from current 25%.

Lechmere, Woburn, Mass.-based retail chain, will discontinue 8 of its 10 stores in southeastern U.S. -- 3 in Ga., 2 in Fla., one each in Ala., N.C., S.C. Another due to open in Ala. in Feb. won't, Lechmere said. Company will continue to operate 18 Northeast stores and plans to expand in region. Lechmere Chmn.-CEO George Scala, in announcing closings, called Southeast market "very challenging."

1989 CHRISTMAS CATALOGS: Sears Christmas catalog for first time in recent years includes 8mm camcorder, following debut of 8mm camcorders in Penney and Tandy catalogs this fall (TVD Aug 7 p14). Both Sears and J.C. Penney Christmas books feature camcorders on back covers. Color TV section of Sears Wish Book lists products from RCA, Zenith, Magnavox and Casio in addition to own brand, with basically same prices as fall catalog.

Color TVs in Sears book include Casio 2" color LCD model at \$200, Casio 2.7" at \$250, Zenith 9" portable color TV \$256; Sears brand 13" color receiver/monitor \$330, Sears 20" stereo receiver \$500, Zenith 25" stereo console \$640, Zenith 26" console \$540, RCA 26" stereo console \$600, RCA 26" stereo swivel TV with 50-function remote \$700, Sears 27" stereo swivel model \$700, Zenith 27" stereo console \$750, RCA 27" stereo TV \$800, RCA 27" swivel console with 4-speaker stereo sound and 560 lines of resolution \$880, Sears 27" console with 10-w sound system and 55-function remote \$900, Sears 31" table model with picture-in-picture \$1,800, Sears 31" stereo console with bi-fold doors \$1,999, Sears 46" TV with 2-w stereo system \$1,900, Magnavox 46" stereo console with Dolby surround sound \$3,400.

VCR decks featured are Sears 2-head model with one year 8 event timer \$266, 2-head with one year 4 event \$246, 4-head model with variable slow motion \$295, VCR with Dolby stereo \$295, RCA deck with one year 4 event timer \$295, Panasonic one month 2 event model \$317, Panasonic 4-head with one month 4-event timer \$370, RCA 4-head with one year 8 event timer \$375, Sears stereo VCR \$400, Panasonic stereo VCR \$470.

Camcorders include Sony 8mm Handycam \$1,000, Panasonic full-size model \$1,246, RCA full-size camcorder with flying erase head \$1,000, RCA full-size model with video editing system \$1,200. On back cover is Sears brand full-size model with flying erase head and 6x zoom \$995.

Also in Sears book: Hitachi color video printer at \$1,000; Videonics video editor \$550; 13 pages of videogame hardware, software and accessories from Atari, Nintendo and Sega; personal computers from Bondwell, Commodore and Magnavox; Sharp Wizard hand-held computer; audio equipment from Fisher, GE, Magnavox, Panasonic, Pioneer, Soundesign, RCA, Sharp, Sony.

Video software section features more than 200 titles from Best Film, CBS/Fox, Congress, Disney, Family Home Entertainment, Forum, Fox Hills, Goodtimes, Hanna-Barbera, HBO, Hi-Tops, IVE, Kids Classics, KVC Kartes, MCA, MGM/UA, MPI, Nelson Entertainment, New World, Orion, Parade, Paramount, Playhouse, Random House, RCA/Columbia Pictures, Republic Pictures, Touchstone, Turner, Vestron, Video Treasures, Warner, Western Publishing, Wood Knapp.

J.C. Penney Christmas book features video products from Goldstar, NEC, Nintendo, Panasonic and Zenith, in addition to Penney brand, advertises \$20-\$150 savings on color TVs, \$40-\$80 on VCR decks. For 2nd straight year, Penney book features video product on back cover. This year it's Penney brand VHS full-size camcorder with 6:1 zoom, 3-lux sensitivity, \$850.

Penney book features Goldstar combination VCP and 5" color set at \$400, 5.5" portable color TV with AM/FM radio \$200, combination VCR and 13" color set \$540, Quasar 19" remote color set \$300, Panasonic 20" stereo monitor receiver \$430, 25" color TV with remote \$400, 25" stereo

console with VCR storage compartment \$600, 25" swivel console \$440 (up \$40 from previous catalog), 26" stereo monitor receiver \$450; 27" stereo monitor console \$650 (down \$100), NEC 27" stereo monitor receiver \$800, Zenith 31" stereo console \$1,800, Panasonic 51" stereo projection TV \$2,500, 45" projection set \$1,900, 12" monochrome TV from Canadian-Chinese-Hong Kong venture MTC (TVD May 29 p18) \$70.

Leader VCR has 4 day 4 event timer at \$210, other 2-head model has one-year, 8-event timer, MTS stereo \$280; 4-head model with digital special effects is \$300, 4-head with stereo sound \$400; Panasonic VCR with barcode programming is \$795. Videocassette player is \$170.

Panasonic full-size camcorder with digital effects, 8:1 zoom, case and accessories is \$1,550; Penney brand full-size model with 6:1 zoom \$950. Penney book lists 8mm camcorders in camera section. Minolta 8mm model with 4-lux sensitivity is \$1,000, Yashica camcorder with 2-title superimposer \$900, Nikon unit with high-speed shutter is \$1,100 (down \$300).

PAL videodisc player by Pioneer that can play NTSC discs through PAL TV sets (TVD Sept 25 p14) gets good review from British magazine CD Video on basis of tests. "We auditioned a variety of NTSC discs," Steve May writes in Nov. issue, "and the results were uniformly excellent." However, he says he doesn't believe "software suppliers are right to be afraid of this new player" because: (1) "It's not possible to copy NTSC discs on the [model] 1450 onto tape... While the modified NTSC signal can be understood by modern TVs, it remains quite incomprehensible to a [PAL] VCR. Dubs made from the player are unwatchable." (2) "The U.K.'s stringent Video Recordings Act will make it impossible for dealers to import movie titles from the U.S. and Japan. Heavy penalties await all those who try to sell discs that do not sport a British Board of Film Classification certificate."

S-VHS wins one, loses one: (1) Japanese govt. has ruled it's not deceptive to use word "super" when applied to S-VHS, so full "Super VHS" name can be used there for first time. (2) S-VHS logo has been changed under agreement between JVC and Seat, Volkswagen Spanish subsidiary. By coincidence, S-VHS "S" logo was nearly identical to Seat's stylized "S" with fine diagonal lines on slanted part of letter. As result, VHS makers quietly switched logo to solid "S" without fine lines.

Hitachi added editing VCR deck to U.S. video product line. It features title and date recording, synchro edit, double VCR control that allows editing between 2 Hitachi VCRs using remote, is available at \$450. Hitachi also introduced Studio Edit, S-VHS Hi-Fi editing VCR deck with flying erase head, jog-shuttle, at \$1,200, 4-head hi-fi VCR with Hitachi Video Brain remote at \$650.

Philips Consumer Electronics has begun shipping Philips-brand color TVs from U.S. to Japan. PCE expects to export about 1,500 27" table model color TVs from Greeneville, Tenn., plant this year, and will "significantly" increase exports in 1990s. Company said it will add projection TVs to export lineup.

Acclaim Entertainment signed agreement with Nintendo to publish videogame software for Nintendo's Game Boy portable videogame. Acclaim, which will deliver first title in Jan., is licensed software supplier for Nintendo Entertainment System home videogame.

GENTLE VHS 'CRACKDOWN': Friendly persuasion and education have been hallmarks so far of JVC's efforts to enforce standards of quality in cassettes using VHS logo and to eliminate logo's unlicensed use. This approach has resulted in addition of 10 more licensed tape manufacturers and another 10 in negotiation for licenses, we're told by Yoshitaka Honda, licensing mgr. in JVC's Patent Dept.

Ultimate enforcement tool is lawsuit, Honda told us in interview in Japan, and JVC already has sued 20 manufacturers in Hong Kong and Taiwan (TVD June 6/88 p14). "But our main policy now is not to sue at once," he said. "Many companies are ignorant that they may be violating our franchise by just putting the VHS logo on [cassettes]." He said major campaign really started in U.S. when Larry Finley Assoc. was retained last year to map campaign (TVD May 30/88 p10).

"We are concentrating primarily on the U.S. first because that is where the biggest software industry is," Honda said. "We feel that many duplicators hadn't realized the importance or realized what they have to do to use the logo legally. Movie companies are now beginning to ask duplicators to specify licensed tapes."

"There is no such thing as a licensed shell or tape," Honda said. "We only license the end product -- the finished cassette -- because that's what the consumer uses. We test cassettes to make sure they perform to the VHS standard -- that has always been our policy."

In effect, company whose name is on box is responsible for policing proper use of logo, he said. Software maker that distributes movie in box with VHS logo must make sure cassette is licensed, he said. Same is true for firm that buys tape and sells it under own name, as many OEM VCR brands do; "it must make certain it buys from a licensed manufacturer before it puts the logo on the box."

What's to prevent manufacturer or software distributor from buying few licensed tapes, having them tested by JVC and then switching to cheaper, unlicensed source? Honda said tapes continually are tested at random from samples purchased at retail by APEL Labs in U.S.: "We retest when we receive complaints or when we suspect there's been a change in the product."

As for license fees for cassettes and VCRs, Honda said that's "top secret." Hong Kong manufacturers have been quoted as saying royalty is 15 yen per cassette (currently a little over 10¢), but there's some reason to believe royalties aren't uniform worldwide.

Asked about splicing local commercials into rental cassettes -- already subject of controversy (TVD Aug 14 p15) -- he said it constitutes outright violation of VHS license. "We're discussing with our lawyers what we can do about the dealer who splices," Honda said, suggesting JVC might take leaf from Surgeon General's book and require warning on cassette that reads: "Splices may be hazardous to your VCR."

Warning was echoed by Masani Hoshino, gen. mgr. of JVC's Magnetic Products Div., who told us: "VCRs are not designed to play spliced tape. A splice can damage the hardware directly, or dust can stick to the splice and damage the head."

Nokia has joined Eureka team developing HDTV for Europe. Finland-based Nokia is considered Europe's 3rd largest TV manufacturer.

ERASIBLE VIDEODISC: Erasible videodisc recorder developed by Pioneer and KDD, leading Japanese international phone company (TVD Oct 9 p12), is claimed to be first to employ rewritable 12" disc capable of storing up to 30 min. of moving pictures and stereo sound. As in conventional read-only laserdisc system, it can be accessed in still mode for total of 54,000 individual frames.

System employs magneto-optical recording system that magnetizes minute spots on surface of discs that deflect light, similar to pits on surface of standard laserdisc, Pioneer and KDD said. Previous optomagnetic discs, companies said, either couldn't be erased or could record for only extremely short periods (5 min. on 12" disc). Unlike them, new technique is analog, rather than digital. Although system uses many of same parameters as laserdisc (disc speed, size, etc.), it uses special pickup and discs that presumably aren't compatible with standard laserdisc players.

Although developers described system as having consumer potential, they said they would prepare for "production of recorder/players and discs on a commercial basis in the near future" for sale to "video professionals and industrial and commercial users." Companies estimate recorders at outset will sell for less than 3 million yen (\$21,000) and discs 200,000 yen each (\$1,400).

MAGNAVOX ADDS COMPUTERS: Philips last week entered Magnavox brand in personal computer race with 2 series aimed at home office market -- same market targeted by Philips' recently acquired Headstart Technologies (TVD Sept 18 p17).

Unlike Headstart's Taiwan-made computers (built by Daewoo to Headstart specs), Magnavox PCs are made in Philips' Canadian computer plant. Two separate product lines of Magnavox IBM-compatible units are being introduced, for shipment this month: (1) Basic line, to be handled by mass merchants, with 4 models at \$999, \$1,499, \$2,499 and \$3,499. (2) Maxstation line, sold through specialists, with 3 models at \$1,195, \$1,695 and \$2,795. David Berger, vp-Philips Consumer Electronics Marketing & Information Systems, said Magnavox computers are "targeted at customers who may be intimidated by computer stores and would prefer to shop in a more familiar environment."

Matsushita Electronics' color picture tube plant in Troy, O., will start full production by end of month, reaching annual capacity of 400,000 31" tubes, Pres. Fumio Kanazawa said in interview with Japanese press. Plant, scheduled for formal dedication next year (TVD Sept 25 p10), will export 2,000-3,000 tubes monthly to Japan. Article says plant will step up output ahead of schedule to add production of 27" tubes, reaching goal of million annually in 2-3 years. Company boosted 31" tube production in Japan to 18,000 monthly, plans no further increases but will raise output at U.S. plant to meet Japanese demands in future. Company's Beijing joint venture tube plant is beginning full-scale production of 800,000 tubes annually. Matsushita Electronics, owned 35% by Philips, produces 8 million color tubes annually in Japan -- 8.5% of worldwide supply -- exporting 30% of them, article said.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 144 yen = \$1, except where noted.

GHOSTBUSTERS ON SALE: With start of Clearvision EDTV broadcasting in Japan (TVD Oct 9 p12), ghost-canceling black boxes are being introduced to take advantage of ghostbusting signal sent out by broadcasters. These can be used with or without Clearvision receivers. In U.S., Advanced TV Systems Committee is looking into similar antighosting systems (TVD July 17 p12, July 10 p7).

Only a few ghost-reducing black boxes have been introduced so far, but more -- and at declining prices -- are expected beginning this week at Japan Electronics Show in Osaka. JVC's first antighosting attachment sells for equivalent of \$1,895, but Toshiba has announced own add-on at around \$750, and Sony plans complete 28" Clearvision receiver including ghost canceler at \$2,680 (TVD Oct 9 p13).

Ghost-canceling reference signal is transmitted by station on line 18 in vertical blanking interval every other field. It represents waveform of transmitted signal. Ghost canceler at receiver compares received waveform with reference signal and makes corrections. Corrections are visible on screen as ghost slowly vanishes.

Compatible Clearvision signals are being sent out by many Japanese stations 5 hours daily in "Phase I" format (standard 4:3 aspect ratio). At studio, improvements involve: (1) Improved camera performance -- high-definition camera, progressive scan, etc.; these improved signals are downconverted to standard interlaced NTSC-compatible signal. (2) Gamma correction to improve color, particularly at high saturation levels. (3) Picture sharpness and signal-to-noise ratio are improved by "adaptive emphasis" method. (4) Ghost-canceling reference signal.

Clearvision receivers have digital memory and improved signal by using 3D comb filter for Y/C separation, converting interlaced picture to progressive scan, with optional ghost-reduction circuit that utilizes transmitted reference signal.

Broadcasting Technology Assn. (BTA) has started work on Clearvision Phase II, but still has no target date for air. Second-phase improvements are expected to include: (1) 16:9 aspect ratio. (2) Extension of chrominance and luminance signal bandwidth. (3) PCM digital audio. BTA's goals are to maintain compatibility with current NTSC transmission and receivers and to coordinate standards with American and European systems.

Sept. retail report: Highland Superstores posted sales of \$71.8 million in month, up 13% from \$63.4 million in Sept. 1988. Same-store sales rose 3%. In 8 months ended Sept. 30, sales inched up 2% to \$536.6 million, same-store sales were down 9%... Best Buy sales increased 9% to \$38 million from \$35 million in same 1988 month, with same-store sales up 7%. In quarter ended Sept. 30, sales rose 1% to \$118 million from \$117 million in same year-earlier period, same-store sales were down 1%.

Large color LCDs, measuring 10.4" diagonally, will be produced by both Hitachi and Sharp in Japan starting in spring. Destined originally for computer displays, active matrix units at start will cost \$1,400-\$2,000. Sharp also plans production of 14" active matrix displays in spring, to sell at \$3,000-\$4,000 each.

Memorex Computer Supplies added "4mm" data storage digital audio tape (DAT) cassettes to line of computer tape products.

B&W, STEREO TV SALES: Aug. saw more monochrome TV sets sold to dealers than any other month in 1989, but fewer than any month of 1988 except July. B&w sales for Aug. 1989 totaled 177,117, down only 2% from 180,755 sets in Aug. 1988 -- but 7-month 1989 total of 985,324 was 37% below comparable 1988 figure of 1,564,143.

Adding monochrome figures to previously published color TV data for Aug. (TVD Sept 11 p9) gives total TV sales (including projection) of 1,752,754 for that month, down 0.1% from 1,763,396 in Aug. 1988. (Color TV sales for month were up less than 0.1%, but b&w's 2% dip brought total TV below 1988 figure.) For year's first 7 months, total TV sales came to record 15,107,654 in 1989, up 5.3% from 13,486,837 in 1988.

MTS stereo set record for 1989 in Aug. in terms of percentage of total direct-view color sets sold to dealers -- 28.1% -- but that was below figures for Sept. and Oct. 1988 (TVD Feb 13 p13). Aug. saw 437,837 stereo-equipped sets sold, up 3.6% from 422,424 (27.2% of color sales) in Aug. 1988. For first 7 months, 3,526,601 stereo sets were sold, representing 26.9% of color sales, up 28.5% from 2,745,429 (23.3% of color) in same 1988 period.

VCR that greets user with cheery messages was demonstrated by Panasonic at recent Japan Audio Fair. When turned on, fluorescent readout spells out "good morning," "good afternoon" or "good evening" in moving letters; when turned off, it reads "see you again." On proper day, it wishes viewer "Happy New Year." However, principal feature of new \$1,270 recorder is use of 3 separate chassis for audio, video and power supply to minimize interference. It can go from stop to play in 1/2 sec., claimed to be fastest in industry, and has own picture and color controls, so adjustments need not be made on TV. Also new from Panasonic is VHS-C camcorder with 1.1" color LCD viewfinder, with 2x snap-on magnifying enlarger so it can be used as monitor, at \$895 in Japan. S-VHS-C Hi-Fi camcorder at \$1,400 has 390,000-pixel CCD that eliminates halo around bright objects, macro autofocus, 8:1 optical zoom plus new 2:1 electronic zoom.

Movie studios suffered setback last week in fight against local ads on rental cassettes. U.S. Dist. Judge Sam Crow in Wichita denied Paramount request for preliminary injunction against Video Bestg. Systems (VBS). Paramount suit accused Wichita-based VBS of copyright infringement for placing local spots on its cassettes, claiming they sometimes run over coming attractions and some national ads. If Paramount had obtained injunction, VBS Pres. Tim Mead told us, "it would have put us out of business." He said company usually dubs ads onto 10-120 sec. of blank leader tape. Although several suppliers have reduced leader to prevent unauthorized ads, Mead said VBS also could splice spots onto tape. That's method used by Video Air Time, based in Midland, Tex., which launched its local ad-on-cassette franchise program at Video Software Dealers Assn. convention (TVD Aug 14 p15).

Ads & Promotions: Commodore International will spend \$15 million on ad campaign for Amiga personal computer through year-end, aimed at consumer and education markets. Messner Vetere Berger Carey Schmetterer is agency... Mitsubishi 3 Diamond Card nationwide promotion for large-screen TVs generated \$6.6 million in sales in 2 weeks in Sept. Next card promotion, Nov. 9-20, allows customers to buy Mitsubishi audio or video product interest-free for 6 months... JVC launches fall ad campaign for VHS-C camcorders.

Consumer Electronics Personals

Walter Yetnikoff, CBS Records pres., reportedly will head new Sony Entertainment Committee with overall supervisory responsibility for both record company and Columbia Pictures, which Sony is purchasing; Peter Guber and Jon Peters, to be named co-chairmen of Columbia, also will be on committee, along with Sony America Vice Chmn. Michael Schulhof... Gary Shapiro appointed EIA vp, gen. counsel-secy., succeeding James Riley, who retires Nov. 1; Shapiro formerly was asst. gen. counsel as well as Consumer Electronics Group govt. and legal affairs vp (for other EIA officers, see separate report, this issue).

David Mondry retires as Highland Superstores chmn., continuing on board and as senior adviser, is succeeded by brother Eugene Mondry, pres.-CEO; Ira Mondry, exec. vp-COO, named pres.-CEO; Yale Levin, finance and administration senior vp, moves to exec. vp, continues as chief financial officer; Mitchell Mondry, customer service vp, advanced to stores and customer service vp; George Buick, information systems vp, appointed distribution and information systems vp; Judith Thomas, administrative services vp, named administrative and repair services vp... Stewart Kassen, ex-Carter Hawley Hale Stores, joins Best Buy as pres.-COO.

Gary Illman, special mktg. mgr., promoted to Panasonic Communications & Systems Audio Video & Systems Group mktg. mgr., still image video products... Larry Kofsky, ex-Innovative Distributors, joins Recoton as west coast mktg. mgr... Paul Newman resigns as Code-A-Phone mktg. vp to start U.S. marketing firm specializing in consumer electronics from Asian and European manufacturers; he's succeeded by Allan Elliot, who retains national sales mgr. position... Frank Foster, customer service engineer, appointed Ampex videotape product mgr... Arthur Sisk, ex-Prescription Learning Corp., named pres. of Franklin Computer's Learning Services Div.

Edwin Friendly promoted to Vestron International Group senior sales and distribution vp... Andrew Schofer, ex-Legal Software Solutions and one-time SVS, joins Praxis Media as home video sales and mktg. vp... Judith McGuinn becomes vp-international and home entertainment communications, Management Co. Entertainment Group (MCEG); Debra Stein, MCEG consultant, named vp-corporate, theatrical and management communications... Colin Medlock, ex-East Coast Video Show and Capitol-EMI Europe, joins City Lights successor company Westport Entertainment Group as vp... Andrew Svenson, ex-Grolier, named Special Interest Video mktg. and fulfillment dir... Doug Dohmen, ex-Commtron, joins Republic Pictures Home Video as midwestern regional sales mgr.

Mergers & Acquisitions: Polygram, record company controlled by Philips, has agreed to buy privately owned A&M Records for \$500 million. Purchase includes A&M's record operations, music video interests, L.A. offices and recording studio, but not its music publishing interests... Odyssey Partners will acquire Caldor operations of May Dept. Stores Co. for \$500 million in cash plus assumption of \$52 million in debt and capitalized lease obligations.

"Video Cameras & Camcorders" is new technical book by industry veteran Marvin Hobbs, geared to service technicians and engineers, published by Prentice-Hall, Englewood Cliffs, N.J. 07632.

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
Audiovox			
1989-9 mo. to Aug. 31	212,143,000	(1,060,000)	—
1988-9 mo. to Aug. 31	239,525,000	2,045,000	.23
1989-qtr. to Aug. 31	73,909,000	339,000	.04
1988-qtr. to Aug. 31	78,766,000	195,000	.02
CBS			
1989-9 mo. to Sept. 30	2,095,900,000	236,700,000	9.20
1988-9 mo. to Sept. 30	2,005,400,000	1,109,800,000	43.16 ^a
1989-qtr. to Sept. 30	593,500,000	61,800,000	2.40
1988-qtr. to Sept. 30	568,000,000	69,800,000	2.72
C-COR Electronics			
1989-qtr. to Sept. 29	13,227,000	1,113,000	.26
1988-qtr. to Sept. 30	12,219,000	1,066,000	.25 ^b
Commtron			
1989-year to Aug. 31	549,974,000	7,904,000	.78
1988-year to Aug. 31	475,076,000	3,739,000	.37
1989-qtr. to Aug. 31	128,394,000	1,733,000	.17
1988-qtr. to Aug. 31	121,721,000	897,000	.09
Gannett			
1989-39 wk. to Sept. 24	2,549,615,000	270,140,000	1.68 ^a
1988-39 wk. to Sept. 25	2,409,202,000	246,618,000	1.52 ^a
1989-13 wk. to Sept. 24	827,882,000	83,135,000	.52
1988-13 wk. to Sept. 25	804,314,000	75,121,000	.47
General Electric			
1989-9 mo. to Sept. 30	38,400,000,000	2,766,000,000	3.06
1988-9 mo. to Sept. 30	34,600,000,000	2,375,000,000	2.63
1989-qtr. to Sept. 30	13,000,000,000	945,000,000	1.04
1988-qtr. to Sept. 30	12,200,000,000	815,000,000	.90
Motorola			
1989-9 mo. to Sept. 30	6,968,000,000	366,000,000	2.82
1988-9 mo. to Oct. 1	6,057,000,000	321,000,000	2.48 ^c
1989-qtr. to Sept. 30	2,408,000,000	89,000,000	.69
1988-qtr. to Oct. 1	2,007,000,000	87,000,000	.67 ^c
Orion Pictures			
1989-6 mo. to Aug. 31	244,291,000	6,695,000	.30
1988-6 mo. to Aug. 31	215,122,000	5,080,000	.28
1989-qtr. to Aug. 31	155,450,000	2,669,000	.12
1988-qtr. to Aug. 31	103,874,000	2,563,000	.14
Raytheon			
1989-9 mo. to Oct. 1	6,552,000,000	391,900,000	5.94
1988-9 mo. to Oct. 2	5,983,000,000	362,300,000	5.43
1989-qtr. to Oct. 1	2,189,000,000	137,400,000	2.08
1988-qtr. to Oct. 2	1,993,000,000	126,700,000	1.91
Westinghouse Electric			
1989-9 mo. to Sept. 30	9,192,700,000	651,700,000	4.46
1988-9 mo. to Sept. 30	8,851,300,000	615,100,000	4.23 ^c
1989-qtr. to Sept. 30	3,127,800,000	234,400,000	1.60
1988-qtr. to Sept. 30	3,057,000,000	219,300,000	1.51 ^c

Notes: ^aIncludes special credit. ^bAdjusted. ^cRestated.

Semiconductor business resumed slowdown in Sept., after rising slightly in Aug., Semiconductor Industry Assn. (SIA) said. Trade group's preliminary book-to-bill ratio in Sept. was 0.90% (\$90 in new orders for every \$100 of products shipped), down from 0.94% in Aug., 0.92% in July and 0.99% in Sept. 1988. Sept. shipments totaled \$1.45 billion, up 16.7% from Aug. and 13.2% from Sept. 1988. Average monthly bookings for 3-month period ended Sept. 30 were \$1.15 billion, down 0.2% from 3 months to end of Aug. and off 1.4% from same year-earlier period.

World Semiconductor Trade Statistics Organization revised its 1989 estimate for worldwide semiconductor demand downward by 5%, now predicting \$49 billion, 9% increase compared with 1988 shipments. Revision was attributed to sluggish demand for dynamic random access memory (DRAM) chips.

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OCTOBER 23, 1989

SUMMARY-INDEX OF WEEK'S NEWS

VOL. 29, NO. 43

Broadcast - Cable

BROADCASTERS RECOVER QUICKLY from Cal. earthquake. Almost all have power outages, but country gets extensive news coverage. Most San Francisco stations in good shape. Cable suffers little damage. (P. 1)

SYNDEX DELAY REJECTED by Appeals Court. Decision read as strong indication court will uphold FCC rules. No flurry of orders for syndex-related equipment with time running out on Jan. 1 start. (P. 3)

TCI-SHOWTIME UPSETS CONGRESS: TCI buys 50% of programmer, adding fuel to Hill discontent over cable concentration. TCI and Viacom say \$225-million deal will promote competition. (P. 5)

ROGERS QUESTIONS FINSYN TALKS: Foreign studio ownership could lead to less-than-best result for U.S., NBC official says. Marshall continues to back negotiating process. (P. 6)

KIDVID ON SENATE FAST TRACK: NCTA says cable won't oppose it. Must-carry hearing seen key. (P. 7)

CABLE OVERBUILDS FEARED: Worries more important than reality, speakers say. Pace growing, but numbers still small. Concerns spur improved service, raise cost of financing. (P. 8)

WARNER BOOSTS FINANCIALS: Profits from Warner Cable sale huge lift to Chris-Craft and United TV. (P. 9)

BROADCASTERS PERFORM IN QUAKE AFTERMATH: Despite great confusion at outset -- along with power outages at practically every TV and radio station in San Francisco Bay area -- broadcasters recovered quickly to present U.S. viewers with extended coverage of aftermath of Oct. 17 earthquake. Of networks, ABC was in best position because it had just started pregame coverage of scheduled 3rd game of World Series from Candlestick Park, and had Goodyear blimp aloft, although ABC also was knocked off air for several min. until standby generator kicked in. NBC didn't go to live coverage until some 90 min. after quake hit at 5:04 p.m. PDT -- blaming loss of power at affiliate KRON-TV San Francisco and failure of backup generator.

On down side, networks and local stations presented much conflicting and confusing information, generally failing to focus on collapse of Nimitz Highway in Oakland where most of deaths occurred. Highway leads to Bay Bridge, section of which also collapsed and which was shown repeatedly on TV. But praise of their efforts nevertheless was widespread. Washington Post's Tom Shales had ambivalent report -- saying that while aspects of networks' coverage "was impressive, it was full of conflicting information and vague reports." He was critical because CBS had no reporters to back up Dan Rather for what he thought was too long a time. Financial Times of London praised networks for bringing "an American tragedy live to

Consumer Electronics

VCRs NOW COMING from Thailand, Malaysia, Singapore. TV, VCR, camcorder imports up in July. 8mm represents 1/3 of camcorder shipments. (P. 12)

SAP IS RISING, with first major use of MTS 2nd audio program set by N.Y. PBS outlet, aiming at full-time TV-related and nonrelated broadcasting on '13 FM.' (P. 13)

DEMAND FOR 2 CE SHOWS annually expressed by 68% of retailers and most exhibitors in survey. (P. 14) Seminar schedule announced for Las Vegas show. (P. 17)

ADVANCED TV DOMINATES Japan Electronics Show, with HDTV widescreen receivers, Clearvision in spotlight, along with LCD TV, IC card photography. (P. 14)

CHINA PLANS to boost exports of electronic goods 15% annually through expansion of China National Electronics Import & Export Corp. overseas. (P. 15)

PIONEER BUYING DISCOVISION Assoc., which holds more than 1,000 patents on laserdisc and CD systems, for \$200 million from MCA and IBM. (P. 16)

NINTENDO SALES UP 43% in fiscal 1989, shortage of new handheld game seen. Wells-Gardner reports loss for 3rd quarter. Corning profit up. Commodore faces loss. (P. 16)

U.S. ELECTRONICS SALES rose 7% in first 3 quarters to \$193.3 billion at factory level, EIA reports. (P. 17)

the world. It was a peculiarly contemporary tragedy... live on television as the horrors emerged in a confused pattern. For many Americans, there was no delay."

N.Y. Times commented on "how the networks coped with scant information." Paper cited lack of details and pictures available to networks (including CNN and C-SPAN) and their lack of control of situation, with anchors coming "across in unaccustomed disarray." However, Times said coverage "proved compelling in its insular way." Commented USA Today: "Television doing what it does best... Amid the ash and rubble, the networks gave it all they've got... ABC News and Ted Koppel stood out as the team to watch in a crisis."

And that evaluation proved out in ratings, probably because ABC already was on air from San Francisco when quake hit. For prime-time coverage Tues. night, ABC had 35% share of audience, NBC 19.5%, CBS 18%. CNN had its 2nd-best night ever with its quake coverage, reaching more than 2.5 million households and achieving 7% share. After late start (anchor Tom Brokaw didn't go on air with quake coverage until 9:43 p.m. EDT), NBC stayed with story straight through until noon Oct. 18 -- including expanded 5-hour Today show. All 3 network anchors were in San Francisco by Wed. and all aired live specials that night. CBS aired 2-hour special next night.

During all quake aftermath, World Series was shoved into background: "There is a substantial disarray in [San Francisco] and baseball is not a top priority," Baseball Comr. Fay Vincent said. Third game of World Series now is scheduled for Oct. 24 -- to be played at Candlestick Park if it's declared safe. ABC said it doesn't expect to suffer financially from delay. Network said it made no attempt to influence decision as to when or where Series would resume, had been making preparations for shift of San Francisco Giants' home games to San Diego. If that had happened, CBS had offered loan of its equipment already in place there for telecast of Sun. NFL game. Note: First 2 games of World Series helped ABC knock NBC from No. 1 in prime time -- spot NBC had held record 68 straight weeks.

Generally speaking, San Francisco area stations survived quake in good shape, losing only short periods of air time, although there were exceptions. Towers of many San Francisco TV-radio stations are on Mt. Sutro and all located there appeared to survive without serious damage. Report we received that KATD(FM) Los Gatos had been "totally destroyed" proved false. Station received only minor damage, was off air only briefly. (It has been sold to broker Thomas Gammons, who takes over this week.) Three TV stations were off air for several hours -- KQED and KBHK-TV San Francisco and KCBA Salinas-Monterey -- but returned next day. Antenna tower of KEEN(AM)-KBAY(FM) San Jose -- located at epicenter of quake in Santa Cruz Mountains -- survived undamaged. However, stations remained dark for some time because fuel line to auxiliary transmitter was ruptured.

According to NAB survey of San Francisco area stations (and our own telephone calls) most fared very well. "Power is the major problem... Equipment problems are only minor," said Vic Biondi, exec.-dir. of Cal. Bestrs. Assn., with no reports of any major damage or cable employee injuries. Among exceptions to equipment problems was ABC's KGO(AM), which lost 2 of its 3 towers but continued at reduced power, giving ABC radio affiliates updated reports every hour. KCBS(AM) was off air for about hour, returned with commercial-free, wall-to-wall all-night coverage of quake aftermath. Companion KRQR(FM) simulcast coverage with KCBS, sent hourly reports to CBS Radio Network.

Clear-channel KNBR(AM), which broadcasts Giants' games, was on air from Candlestick Park when quake hit and was knocked out for 60 sec. It then continued broadcasting from stadium. KFOG(FM) was off air all night, while KOME(FM) San Jose lost only 30 sec. of air time. Station remained on air throughout night broadcasting "information as fast as we could get it and taking information from any source we could get," said disc jockey Frank Bennett, who was doing remote from Bay Bridge when part of it crumpled. KOME Gen. Mgr. James Hardy said he was in parking garage when quake hit: "Car [burglar] alarms went off... It was like walking on a waterbed [with] trees and cars bouncing around."

KSCO(AM)-KLRS(FM) Santa Cruz, 12 miles from quake's epicenter, did fairly well using standby generator, said technician Randy Cone, with no damage to facility. Stations were off air about 5 min. Towers of 3 AMs and one FM there survived undamaged; stations remained on air all night Tues. KLRS(FM) Santa Cruz was off air all night, returning at 11 a.m. Wed. Information from other Santa Cruz-area stations was sketchy at our press time.

Area newspapers fared well, too, and cooperated much as broadcasters do during disasters. Morning Santa Cruz Sentinel lost all power, came out as afternoon paper Wed. using facilities of San Jose Mercury 45 miles away. San Francisco Chronicle, working from building with no power, produced 16-page edition. Wall

St. Journal printed only 50,000 of its usual 130,000 copies in area. Printing plants of USA Today and N.Y. Times weren't affected.

Cable systems survived quake with little damage, according to our survey of area operators. In virtually all cases, only major problems were electrical power outages. Even Falcon systems in Hollister, which is virtually on top of fault, suffered little damage, Regional Mgr. James Schroeder said. Only handful of poles were down and one feeder line was cut, he said. Main earthquake damage was in downtown Hollister, but Falcon has relatively few cable lines there and they're underground, so system wasn't affected, he said. Same was true with TCI, which operates 8 systems in Bay Area. Spokesman said there was only minor damage that was repaired quickly, and all systems went back into service as soon as power was available.

In Oakland, where most of deaths occurred, part of system never shut down and rest returned to operation when power was restored 24 hours later. Viacom, which has San Francisco franchise, had few problems outside Marina area, Viacom official said. Heritage Cable in San Jose was "very fortunate" Gen. Mgr. Steve Reifschneider said. He said system was shut down by power outages 12-14 hours, but was 95% back in operation within 24 hours. Less noticed was another minor cable disaster in Midwest, which was hit by unusually early snowstorm that dropped 3-5" of snow in parts of Ohio and Ill. and 7" in Ind. Warner spokesman said cable systems in some parts of area were affected by power outages -- since leaves still were on trees and branches were more likely break power lines.

Big 3 long distance companies reported continued blockage of calls and unusually high calling traffic to and from northern Cal. into weekend following quake. Carriers continued to urge customers to make only emergency calls to San Francisco so outgoing calls could get through. Pacific Bell and interexchange carriers reported damage to their networks ranged from virtually none to minor. GTE spokeswoman said only 10-20% of calls were getting through to Los Gatos, Cal., where GTE is local exchange carrier for 67,000 lines. Spokeswoman said telco couldn't carry more calls because it had reached capacity.

James Nelson, dir. of AT&T's main network operations center in Bedminster, N.J., told media that TV coverage of earthquake -- prime-time event for most of U.S. -- contributed heavily to increased calling volume. "Since this was a televised event, demand [for calls] went straight up," Nelson said. "The World Series had a lot to do with that," noting that millions of viewers were tuned in to game when quake hit at 5:04 p.m. PDT (8:04 p.m. EDT). Company said that after earthquake struck, and just as World Series was supposed to start, it was hit by flood of 47.1 million calling attempts, compared with 17.7 million in normal 8 p.m.-midnight time slot. MCI Vp-Network Operations William Richards told us carrier blocked about 2 million calls 8 p.m.-3:15 a.m. EST Oct. 17-18 to and from Bay area. He said MCI network from time of earthquake to late Oct 18 was handling calls 130-150% over capacity, requiring blockage. Richards said MCI network wasn't harmed by quake, but carrier's San Francisco building had cracked walls. No injuries were reported. Sprint Dir.-Network Management & Control Al Butson told us about 40% of calls beyond capacity to San Francisco area were being blocked, but calls going out of Bay Area weren't being blocked, nor were international calls into Bay Area because "we can handle that."

APPEALS COURT REJECTS SYNDEX DELAY: U.S. Appeals Court, D.C., denied request for stay of implementation of FCC's syndicated exclusivity (syndex) rules. Decision was read by most in industry as strong indication that Court eventually would uphold FCC decision restoring syndex, beginning Jan. 1, though they cautioned that reading wasn't positive. One-sentence order gave no reasoning for turning down request, which cable industry had argued is needed to give systems time to prepare for new copyright regime. Observers expect actual syndex decision in next few weeks, although full opinion may lag by months.

Manufacturers say there has been no flurry of orders for cable switching equipment that many systems will need to comply with syndex, despite Appeals Court ruling -- issued day after oral argument Oct. 16. They estimated that to date orders have been placed for only enough equipment to serve about 100 of 9,456 cable systems. "We've had a few more calls" since decision, Quanta Mktg. Dir. Kenneth Lawson said. (Quanta is one of 2 major manufacturers of switchers.) "They're seeking information, but they're not placing orders," he said. Spokesman for other major switcher producer, Monroe Electronics, said there didn't seem to be any change in volume of calls since decision: "Our impression is that they probably won't place final orders until the decision is final."

Decision on delay probably will have no effect on cable system action, NCTA spokesman said. He said NCTA has been urging operators since summer to act as if syndex would take effect on schedule, and Assn. believes most of them are moving. Low number of switcher orders isn't that significant, he said, because many systems already have units, either to deal with sports blackouts or for ad insertions. Others are finding

they don't face syndex-related blackouts, he said, and many simply are deciding to drop distant channels that are subject to blackouts.

Syndex reactions have varied widely among MSOs. For example, TCI has made no decisions on whether and what type of switchers its systems will use, spokeswoman said. ATC has been assuming all along that syndex delay wouldn't be granted, spokesman said, but is leaving all decisions up to local managers. Warner prepared thick information packet for all managers, and especially on how to inform community and subscribers as to effects of syndex. Spokesman said Warner is in process of ordering equipment and has acted all along as if syndex would become effective as scheduled.

Deadline is approaching rapidly for switcher orders, manufacturers said. At Quanta, it's already too late to obtain units to be installed by Jan. 1, Lawson said. Company has orders for equipment for about 20 cable headends, but won't begin production until Dec., and then on only limited basis. Production rate can build up quickly after that if demand justifies, he said, and Quanta will be able to meet just about any demand by March. Monroe can take orders for another 2-3 weeks for systems to be installed by Jan. 1, official said, in part because "orders have been softer than expected." Monroe offers basic switcher that can serve 4 channels for \$2,200 per headend (most cable systems have 4 or fewer syndex-affected channels). Quanta's system, which also inserts alphanumeric information on why programming isn't available and suggestions on other channels, sells for \$5,700 for 4 channels.

Public will be ultimate loser from syndex, CATA Exec. Vp James Ewalt said. In many cases, he said, local operators simply are deleting syndex-affected channels: "It's just not worth it to the cable operator." Since most so-called superstations have national rights to their programs and aren't subject to syndex, most blackouts will involve regional independent stations that are carried on cable systems, Ewalt said. CATA is advising members to accelerate syndex-related activities. "I suspect some had been holding back," he said, "but there's no reason to hold back now."

Cable industry doesn't plan appeal to U.S. Supreme Court if Appeals Court ultimately rules in favor of syndex, officials said. Some big MSOs were less than enthusiastic about first appeal, we're told, since they believed syndex wouldn't really hurt their industry. One senior cable official said syndex would encourage operators to eliminate broadcast signals, leaving room for more cable-originated programming: "That's the direction we should be going anyway."

After oral argument Oct. 16, betting on court's syndex decision had been leaning, at least somewhat, in favor of overturn, according to lawyers and observers who attended session. Even broadcasters who supported syndex said it appeared clear at least one member of 3-judge panel, Judge Harry Edwards, almost certainly would vote against syndex.

Key issue was whether FCC had authority to impose syndex rules. Lawyers for cable industry argued that there's no explicit language either in Communications Act or Cable Act giving agency such authority, but attorneys for Commission and broadcasters said 2 acts together imply authority. "Judge Edwards never got past that issue," one broadcast attorney said. "It was obvious that he had made up his mind already" that FCC didn't have authority.

Judge Laurence Silberman seemed at opposite pole from Edwards, attorneys said. When FCC Assoc. Gen. Counsel Daniel Armstrong said broadcasters want same rights to exclusivity as such cable programmers as HBO, Silberman said: "That's exactly the point I was trying to make." Judge also asked repeatedly about congressional language indicating support for syndex for satellite TV. Satellite TV bill, approved after FCC okayed syndex, "strikes me as being as close to a legislative ratification of a rulemaking as you can get," Silberman said.

Chief Judge Patricia Wald appeared to be swing vote, attorneys said. "She didn't show her hand much," cable official said. She asked Armstrong for hard evidence that syndex rules would encourage program diversity, saying she "couldn't find any figures" in briefs. Questions prompted several lawyers present to speculate that Wald might seek middle ground of remanding case to FCC for further hearings to bolster arguments on economic need. After hearing, CATA Pres. Stephen Effros said remand would be as good as victory for cable interests because FCC would have great difficulty mustering adequate economic argument.

Even if FCC has right to impose syndex from procedural point of view, syndex violates cable operators' First Amendment rights, United Video attorney John Cole told Court. He said Commission can't use copyright law as justification to regulate free speech. However, he said, Court doesn't have to rule on First Amendment issues because rule is wrong procedurally. Most other arguments by attorneys generally followed those in extensive legal briefs (TVD Sept 4 p3).

CONGRESS UPSET BY TCI-SHOWTIME DEAL: TCI purchase of 50% of Showtime Networks is adding fuel to congressional discontent over cable industry concentration, key Senate officials said. However, TCI and Viacom said \$225-million deal announced Oct. 17 is meant to promote competitive marketplace by assuring at least 2 major cable movie pay networks would stay in operation.

Capitol Hill foes are promising stepped-up efforts to reregulate cable in wake of deal. "This is an alarming development... the latest example of runaway vertical integration," and "a final straw," said Senate Communications Subcommittee member Gore (D-Tenn.). "It raises the same problems as Time Warner," said spokeswoman for Senate Antitrust Subcommittee Chmn. Metzenbaum (D-O.). TCI's role in cable transmission and programming is certain to come up at industry oversight hearing by Communications Subcommittee Nov. 16-17, aides said.

"TCI has become not only the largest MSO in number of cable homes controlled, but it's becoming the dominant factor in programming," Gore said. "If the Congress needs a final straw to provide evidence for legislation, this may be it." He pledged to bring up issue at oversight hearing, saying he planned careful examination of what he called "this latest example of runaway vertical integration by the industry's most dominant force." Gore is pressing bill that would force cable programmers to sell to noncable distributors and permit telco competition.

Metzenbaum hasn't decided on course of action, although TCI's stake in yet another major cable network clearly will exacerbate his concerns, spokeswoman said. "This is further concentration and further vertical integration of an industry that already is a concern," she said. "The senator will certainly want to look into it."

TCI already owns stakes in 12 cable programmers, although it says it controls only handful of regional networks. TCI investments include 50% of American Movie Classics, 14.3% of Black Entertainment TV, 36.4% of Discovery Channel, 43.6% of Fashion Channel, 60% of Home Sports Entertainment, 80% of Netlink, 35% of Prime Time Tonight, 60% of Rocky Mountain Prime Sports Network, 37.5% of Think Entertainment, 11.5% of Turner Bcstg., small holdings in 2 shopping channels.

TCI deal also is likely to be among competitiveness issues raised at House Telecom Subcommittee's hearing later in fall on cable-telco debate, aides said. Subcommittee member Boucher (D-Va.), author of companion to Gore bill, is certain to bring it up, we're told. But prospects are slim this year for any cable competitiveness bill in House or Senate, Hill aides and observers agree. Time is short and Telecom Subcommittee is committed to dealing first with measure seeking to undo Modified Final Judgment, sources said.

Justice Dept. isn't likely to block deal, industry officials said. "We haven't had an Antitrust Division for 9 years now," one cable executive said, "I doubt that they would pick up on this." TCI Vp-Govt. Affairs Robert Thomson said company has no doubt Showtime purchase will pass Justice muster, saying it "clearly doesn't have the scope of previous deals," particularly Time Warner. But he admitted there's likely to be some reaction on Capitol Hill.

Viacom will continue to manage both Showtime and The Movie Channel (TMC), which is part of Showtime Networks, under agreement. Thomson said TCI role will be

"noncontrolling" and "a somewhat passive investment." Deal still is subject to reaching definitive agreement on variety of factors, including form of payment, and to regulatory approvals. Preliminary agreement reportedly calls for TCI to pay half of \$225 million in cash, with method of paying balance still to be determined. TCI also said it may sell part of its Showtime holding to other investors.

Purchase assures continued viability of Showtime in face of stronger competition from HBO, officials said. Thomson said TCI had been discussing purchase with Viacom for more than 3 years, but never was very interested in deal until Time Warner merger. "Our sense was that HBO became even more powerful after the merger," he said. TCI didn't want HBO to become so strong that it dominated pay-TV market, giving it leverage over MSOs, he said.

Viacom saw deal as strategic move to strengthen networks, Showtime Pres. Winston Cox said. He said Viacom at first was interested in selling part of network to raise money to help finance leveraged buyout of Viacom by group led by Sumner Redstone 2 years ago. But Viacom financial results since buyout, as well as \$1.5 billion refinancing last month, have eased financial pressure, he said. Cox said Showtime already is carried on most TCI cable systems, although "TMC could use some help." Main benefit of being partly owned by largest MSO is that TCI will market networks more aggressively, probably resulting in higher penetration in existing systems. Viacom hasn't decided what it will do with \$225 million, Cox said.

Controlling cable rates is "critical to the long-term business and political interests" of cable industry, NCTA Chmn. Robert Miron told Washington Cable Club. Miron, head of Newhouse Bcstg., said controlling rate increases obviously is necessary to avoid political repercussions, but it's also important to business because boosts hurt existing subscribers and "create a barrier to our goals for increasing penetration." Miron cited Consumer Price Index (CPI) numbers released last week showing cable rate increase of 2.3% so far in 1989 vs. overall CPI rise of 3.7%. He said CEOs must take ultimate responsibility for controlling rates, even though most decisions are made at local level. Cash flow and financial performance objectives set by chief executives can virtually force local managers to increase rates, he said. On other issues, Miron admitted must-carry issue "at times seems to be intractable," but said cable industry remains willing to resolve it and "I must believe it can be resolved." Many problems are result of "tremendous job" cable has done, he said, and "it is much better to be an industry under fire because consumers like what we're giving them." When asked about vertical integration concerns in TCI purchase of 50% of Showtime Networks (see story elsewhere this issue), Miron said vertical integration has been healthy for cable industry thus far and has greatly helped some services such as Discovery Channel and C-SPAN. "If the deal receives Justice Department approval, I have no problem," he said.

McCaw Cellular Communications has asked LIN Bcstg. to conduct "fair auction" of company and "take no further actions that favor BellSouth," which has agreed with LIN to merge their respective cellular telephone operations. McCaw made statements in letter to LIN in which it sought to clarify its revised \$125-per-share offer to acquire 50.3% of LIN and allow rest of company to remain in hands of shareholders. McCaw spokesman said auction means LIN should be impartial in dealing with BellSouth and McCaw. BellSouth said it will counter McCaw's offer "at an appropriate time." LIN couldn't be reached for comment.

FINSYN TALKS QUESTIONED: Negotiations on financial interest and syndication (finsyn) rules may not lead to "resolution that is in the best interest of the country," said Tom Rogers, pres.-NBC cable and new business. He told Media Institute lunch in Washington last week problem is that govt. is forcing broadcasters to negotiate with foreign-owned studios. Despite that, he said NBC hopes negotiations will be successful. On other hand, FCC Comr. Marshall said in L.A. speech that industry negotiations are indeed best way to resolve finsyn situation.

"This is a rather bizarre situation," Rogers said of finsyn negotiations. He noted 2 of 7 major studios already are foreign-owned and 2 others may be soon, yet govt. is asking networks to find solution that is best for U.S. exports: "I question whether this is a process that serves the national interest." Focus of finsyn debate, he said, should be on foreign trade implications.

Rogers stopped short of saying govt. should take over job of finding finsyn solution, although he told us after speech govt. officials should "think long and hard" about whether they should continue to rely on industry talks. He said NBC plans to pursue negotiations, but Congress and FCC should be aware that "other side of the table" includes foreign entities that would prefer not to have networks' inhibitions removed. Finsyn "dynamics" have changed since govt.'s original decision to rely on industry negotiations, he said, because "foreign entities have every reason in the world to see that the barriers are not lifted."

Eliminating finsyn rules would encourage NBC to invest more in its broadcast operations, Rogers said. He said network remains "as committed as ever" to broadcasting, but "any well-positioned" company has to invest in areas that are likely to grow faster than broadcasting, including cable. NBC remains interested in investing in film studio, Rogers said in reply to question about possibility it would join in Qintex bid for MGM/UA (TVD Oct 16 p6): "We were, and remain, interested in an opportunity, whether this or another, that would allow us to participate [in studio ownership] on a limited basis."

Cable Act is working and reregulation would be counterproductive, Rogers said. Goal of Act was to encourage cable program diversity, he said, and "we have accomplished that." Rogers, who was one of drafters of bill when he was House staff member, said program diversity would be one of first victims of rate reregulation, as cable industry cuts back spending in response to declines in revenue.

Cable vertical integration hasn't been problem, he said. CNBC is test of vertical integration problems, he told us: "If NBC makes it on cable, with all the political animosities, that is as clear an example as the cable industry could offer." CNBC has carriage commitments from more than 90 MSOs and will reach 20 million potential audience within couple of years, he said, although "jury is still out" on whether some cable operators are blocking CNBC intentionally.

Meanwhile, FCC Comr. Marshall told Caucus of Producers, Writers & Directors she believes industry negotiations are best way to resolve finsyn dispute. She said she's still developing her position on finsyn, like most other issues, and is seeking answers to several questions: (1) Whether networks really want to produce in-house. (2) Whether networks should get back-end participation. (3) What role independent stations should play. (4) Whether Time Warner and Sony-Columbia deals make rules

prohibiting networks from owning studios "anachronistic." (5) How NBC's proposed stake in Qintex-MGM/UA deal would affect finsyn talks. Marshall was to fly from L.A. to San Francisco for USTA speech same day, then back to L.A. for Caucus speech, but stayed in L.A. because of earthquake. Comr. Barrett was in San Francisco during quake but suffered no ill effects, FCC spokeswoman said.

Europeans could undermine development of global telecommunications network by setting regionalized standards, NTIA Dir. Janice Obuchowski warned last week at Annenberg School forum in Montreux, Switzerland. She said trend to regional equipment standards was viewed "with concern" by U.S. govt.: "Public policies should actively promote free entry and competition in telecommunications markets." New NTIA head called for greater "transparency" (involvement) of non-European nations in developing standards in Europe. European Community (EC) efforts to restructure its 12 nation-markets into single unit are laudable, Obuchowski said, but she suggested effort had gone too far in EC's proposal to limit foreign content of TV programs to 50%, which she said would hurt film imports, terming it "incipient protectionism." However, Kenneth Robinson, senior adviser to FCC Chmn. Sikes, told seminar that EC's unification efforts will have "considerable felicitous effects... under nearly any set of conditions reasonably imaginable" for U.S. and Europe. Robinson saw little reason to believe that EC TV constraints or U.S. efforts to block them would work. "There is... a sort of competitive and deregulatory imperative at work here, and there isn't much reason to think that Europeans will prove any more adroit at blocking it [than] the United States," he said.

"Future Video Shock" is subject of Oct. 25 seminar, 3:30-7 p.m., Washington Marriott Hotel, sponsored by FCBA Continuing Legal Education Committee and ABA Forum on Communications. Keynote address will be by FCC Comr. Marshall, followed by panels on "Regulations and the New Video Marketplace," "Converging Video Industries," "New Delivery Technologies and the New Video Marketplace" and HDTV. Details: Peggy Greene, 202-632-7020, or Patricia Reilly, 202-429-7285. FCBA and Practising Law Institute will host conference Nov. 30-Dec. 1 at Grand Hyatt Hotel, Washington, "Telecommunications Policy and Regulations in the New Administration." Speakers include FCC Chmn. Sikes, Comr. Barrett, Asst. Attorney Gen. James Rill, NTIA chief Janice Obuchowski, Rep. Cooper (D-Tenn.). Several panels -- each followed by Q&A -- will have govt. staffers, industry officials. FCBA luncheon schedule through June (all at Washington Marriott): Nov. 9, MPAA Pres. Jack Valenti; Jan. 11, Obuchowski; Feb. 13, Ameritech Chmn. William Weiss; March 7, Marshall; April 12, Barrett; May 8, Gene Kimmelman, Consumer Federation of America legislative dir.; June 14, "new agency appointee."

TV station salaries are up only modestly over year ago, NAB and Best. Financial Management Assn. said in latest study. Gen. mgrs. had biggest gain -- 5% to average of \$103,316, study said. Average program dir. base salary March 31 was up 4.5% from year ago to \$41,326, chief engineer up 1.5% to \$44,157, news dir. up 1.3% to \$51,150. Year-ago figures weren't available for other positions, but 1989 base salaries for news anchors ranged from average of \$23,392 for smallest stations to \$139,447 for top 10 markets. Gen. sales mgrs. averaged \$84,334, account executives \$42,757. Figures are based on reports from 540 commercial stations. Full report is available from NAB, 800-368-5644.

NCTA WON'T OPPOSE CABLE KIDVID BILL: With Senate sentiment growing for passage of cable kidvid regulations, NCTA announced last week it wouldn't oppose legislation in works to limit so-called program-length commercials and ads in children's shows on cable. "NCTA has no objection in principle," Pres. James Mooney said in letter to Senate Communications Subcommittee. However, he hastened to add that cable kidvid already meets highest expectations and that regulation "for practical purposes [is] unnecessary."

Cable kidvid regulation is on fast track in Subcommittee, and should go before full Senate next month, aides said. Proposal by Sen. Danforth (R-Mo.) emerged at earlier hearing on kidvid regulations for over-air broadcasters that already have been approved by parent Commerce Committee (TVD Oct 9 p2). NCTA announcement clears way for quick action on companion cable proposal. Measure may even skip step, going straight to Senate floor as amendment to kidvid bill (S-707), bypassing Committee markup stage, aides said.

Course of action won't be decided until after Subcommittee hearing Oct. 25 on must-carry rules. However, several senators at hearing made clear their support for extending proposed kidvid ad limits to cable, with Gore adding that he saw move as likely to set precedent for additional cable reregulation. Absent from last week's hearing: Subcommittee Chmn. Inouye (D-Hawaii), who was reported ill, and parent Commerce Committee Chmn. Hollings (D-S.C.), whom aides said was tied up with legislation related to San Francisco earthquake.

Importance of must-carry debate to cable kidvid was clear in questioning by several senators, notably Danforth and Burns (R-Mont.). They hammered at point of regulatory and competitive equity made by NAB when cable kidvid first arose. Witnesses repeatedly were asked whether equal regulatory treatment should be accorded over-air and cable TV on kidvid; they agreed it should. "Legislation should be consistently applied to broadcasting and cable when it comes to children's TV," Discovery Channel Chmn. John Hendricks said. Also testifying were Geraldine Laybourne, Nickelodeon pres.-gen. mgr., and Brian Wilcox, American Psychological Assn.

Laybourne described what she called higher standards of cable kidvid, in part because pay-TV viewers are less tolerant of ad breaks. Nickelodeon runs only 7 min. per hour of national ads (more time is set aside for "local avails"), she said, "because we feel this offers an uncluttered environment to both our viewers and our advertisers." Ad time also is limited on Discovery Channel, Hendricks said -- national commercials to 7-1/2 min. per hour, plus 2 min. for local ads. He was cautious on legislation, suggesting limits on ads would hamper competitors seeking to provide fresh program alternatives to overcommercialized fare. He suggested lawmakers hold off on legislation until Congress determines in study that marketplace competition has failed. As alternative, he suggested bill be limited to program providers in communities where public broadcasting service is unavailable or noncommercial station's signal is weak.

"Cable television already is subject to many of the same programming obligations and regulations that are required of television broadcasters," Mooney said, indicating kidvid rules would follow in same vein. However, he cautioned that operators shouldn't be made responsible for ad cap violations in retransmission of over-air programming, which operators are required to carry unchanged. Seeking to blunt regulatory

equity arguments, Mooney also described what he called "some fundamental distinctions" between broadcasting and cable, such as FCC licensing, and cable industry's reputation for carrying quality kidvid.

ANA submitted written statement opposing cable kidvid proposal as "arbitrary" and likely to compound constitutional conundrum of TV content debate. "The controlling issue is not creating a 'level playing field' for the media but creating a productive and constructive marketplace to increase the quantity and improve the quality of children's programs," ANA Pres. DeWitt Helm said. "Bad policy is not somehow magically transformed into something constructive and constitutional by being applied across the board."

Stripped-down budget reconciliation package has emerged from Senate, producing new dispute between House and Senate on spending priorities. Among issues: Senate package was stripped of all legislative language and doesn't contain fairness doctrine provision. Senate stayed with bare-bones deficit reduction plan to avoid long debate, removing hundreds of tax breaks and spending increases and other legislative provisions leading to what Democratic leader called "scorched-earth" deficit-cutting scheme. Issue is in House-Senate conference committee. Meanwhile, Congress's failure to meet mandatory deficit reductions target by Oct. 16 forced Office of Management & Budget to withhold about 5.3% in scheduled funding for most federal agencies, including FCC and NTIA; for most discretionary spending, including CPB, and for some defense programs. But word on Capitol Hill is that damage probably will be undone later in year. FCC spokesman said it was business as usual for most part, although Commission was showing restraint in its spending. For example, it was authorizing only necessary travel and making no major program expenditures until budget question is settled.

NAB asked members to contact colleges and universities in their area to protest proposed restrictions on beer commercials in next network TV contract for NCAA basketball tournament. NAB Pres. Edward Fritts urged stations to oppose reported NCAA plan to limit beer commercials to 60 sec. per hour and to restrict them to "educational messages." He said "this type of restriction against the advertising of a legal product threatens to set a dangerous precedent which would have potentially serious economic repercussions for broadcasters. Should such restrictions be duplicated with other sports, we could see millions of dollars of ad revenue flow out of sports broadcasting." NCAA's current contract with CBS, which has been paying \$55.3 million per year, expires after 1990 tournament. NCAA reportedly is seeking 2-network deal, and executives of all 3 networks met with Assn. in Indianapolis last week. Actual bidding will be Nov. 15-20 in Kansas City.

Revenue growth in 1988 for TV stations in top 10 markets was only 2.61%, compared with 7.63% for those in markets smaller than top 100, according to annual analysis by NAB and Best. Financial Management Assn. (BFM). Report includes figures for 118 markets, compares 1987 figures with 1988 where available, plus 5-year trend. Nearly 75% of stations receiving questionnaire responded, NAB-BFM said. Revenue growth in TV markets 11-25 was 6.08%; 26-50, 6.07%; 51-75, 3.8%; 76-100, 4.87%. Yakima, Wash. (market 127), showed largest increase at 21.17%, followed by Midland-Odessa, Tex. (144), with 19.56%. Full report is available from NAB (\$200 for members, \$400 nonmembers), 1-800-368-5644.

CABLE OVERBUILDS FEARED: Cable overbuilds have more impact as psychological factor in industry than as reality, speakers said at overbuild/telco seminar in N.Y. last week sponsored by Kagan group. Even though pace of overbuilds is almost certain to grow, they still affect less than 1% of cable systems, speakers said, and most of those are small, nonurban systems. Only 50 cable overbuilds actually are in progress this year, up from 32 last year and 16 in 1983, speakers said, and 114 have been proposed, up from 90 last year and 22 in 1983.

Despite small number, fear of overbuilds has encouraged rest of industry to increase spending on system upgrades and customer service, as well as to limit rate boosts, speakers said. Fear of competition from overbuilders and other technologies also is making it harder for cable operators to get financing, said attorney Leonard Baxt of Dow, Lohnes & Albertson.

Question whether overbuilds make economic sense generated much of debate. Drexel Burnham Lambert Managing Dir. Arthur Phillips said overbuilds can be constructed for \$1,500-\$1,600 per subscriber, which is "a hell of a lot cheaper than buying." But "almost no" overbuilds are economically viable, said Malarkey-Taylor Research Dir. Samuel Book, author of firm's studies on subject. They can work only when there's high density and strong demand, fixed costs are relatively low and incumbent cable operator provides poor service for high prices, he said: "Those 4 factors don't come together in most markets." Telesat Cablevision Pres. Harry Cushing replied that Malarkey-Taylor studies are "very biased."

Cable industry consolidation is main factor discouraging more overbuilds, Phillips said. "You've got to have a really strong stomach and really deep pockets to take on TCI," he said. Overbuilders still have trouble getting financing, Baxt said, because of lack of successful track record, and as result they usually need more equity to get started than traditional cable operators. Overbuilders also cited problems in getting programming from networks that have strong corporate ties to MSOs. Hogan & Hartson partner David Saylor said he would be "astonished" if antitrust laws were interpreted to force programmers to sell to everyone on same terms.

Alternative technologies also are frightening some cable lenders, speakers said. They estimated that multichannel multipoint distribution services (MMDS), SMATV and satellite home dishes already account for nearly 3.5% of multichannel video customers, and percentage is likely to grow. Speakers said bankers will look at cable systems' vulnerability to such competition to determine whether cash flow would continue to grow enough to meet interest costs.

One-quarter of cable homes are likely to drop system if direct broadcast satellites (DBS) carrying appropriate programming were operating, Hubbard Bestg. Pres. Stanley Hubbard predicted. DBS could have even more affect on premium cable, he said. Latest research showed as many as 60% of subscribers said they would be likely to drop premium channels if DBS were available, Hubbard said. Broadcasters and cable operators "must leave their emotional baggage behind" when evaluating DBS, he said. He compared situation with transition from radio to TV, when radio owners believed TV would never succeed. "As a person who owns 7 TV stations... I believe I have to position my company for the future," he said.

Video Services Corp. has completed acquisition of TVC Video, N.Y.-based postproduction facility.

European Community (EC) TV quota is "like a cancer," MPAA Pres. Jack Valenti said at Ernst & Young entertainment symposium in N.Y. last week. His sentiments echoed those expressed in Congress, which is discussing retaliatory steps after EC decided to require minimum 50% European-produced programming on public stations in its 12 member countries. "I was saddened by what the European Community did," Valenti said. "I can't qualify the damage, but this quota will hurt. Count on it. In my 23 years in this business, I've yet to see a quota go down. They only go up." On issue of Japanese investment in U.S. hardware and software in wake of Sony's \$3.4 billion purchase of Columbia Pictures, he advised against trade barriers: "If we can't compete, we ought to get out of the business. The basic problem is a lack of competitiveness in this country. The fact that we don't make enough TVs or VCRs here is a disgrace. The science and the technology began here and we frittered it away." Japanese investment in production companies such as Columbia calls for even more understanding between 2 very different business communities, other speakers said. If 2 nations are to work together, Japanese corporate giants will have to learn to tolerate Hollywood's unorthodox practices, they said. "The U.S. entertainment industry is so changeable," said Shigeru Masuda, chmn. of Japanese investor Zeron Group. "The man we talk to today may be gone next week." Educating Japanese on workings of entertainment industry is most difficult aspect of relationship, O'Melveny & Meyers partner David Weil agreed: "Quite often they listen to what we say and then do the things we suggested they not do. But there's only so much you can do."

Tampa stations WTVT and WTSP-TV have reached settlement in case arising out of actions by 2 former WTSP-TV news employees (both since fired) who illegally tapped into WTVT's newsroom computer. Terms of settlement weren't announced, but it was said to be equal or above \$400,000 paid by WTSP-TV to state assistance program for victims of crime, plus \$100,000 in state attorney's legal fees (TVD June 5 p5). WTSP-TV also agreed to air public service spots valued at \$250,000. WTSP-TV news staffers involved -- one of whom was former WTVT employee who helped set up that station's computer system -- pleaded no contest to state charges; each received 5-year probation. "We can now put this matter behind us and carry out our important role of serving the needs, concerns and interests of the [Tampa] Bay area viewing public," said WTVT Chmn.-Pres. Clarence McKee and WTSP-TV Vp-Gen. Mgr. Vincent Barresi.

Three TV stations have gone on air recently, raising operating U.S. total to 1,437 -- of which 1,087 are commercial, 350 noncommercial. New stations, all independents: (1) KDMD (Ch. 33) Anchorage, licensed to Echonet Corp., which has interest in KUBD Denver and LPTVs. Charles and Candy Ergen each owns 40% of Echonet, David Drucker 20%; Steve Gaasch is KDMD gen. mgr., Edmond Ausman chief engineer. (2) KTFH (Ch. 49) Conroe, Tex., licensed to San Jacinto TV Corp., 80% owned by Timothy Crosby, 20% by Florence Coazum; Hugh Van Eaton is gen. mgr., H.C. Hill gen. sales mgr., Calvin Smith chief engineer, Scott Rogers program dir. (3) KDVA-TV (Ch. 60) San Antonio, licensed to Nueva Vista Productions, 51% owned by gen. partner David Davila; Arthur Rojas is gen. mgr., Roger Topping chief engineer.

KOCR (Ch. 28) Cedar Rapids independent violated FCC regulations by operating at unauthorized location, Commission said. TV station is liable for maximum fine of \$20,000, agency said. FCC said it found station's antenna was 25.4 miles from site authorized.

WARNER BOOSTS FINANCIALS: Profits from Warner Cable sale to Time gave big lift to at least 2 companies reporting financial results last week. **Chris-Craft Industries** reported record net of \$462.87 million (\$18.74 per share) reflecting pretax gain of \$1.3 billion on its Warner shares. Net compares with \$1.14 million (\$.04) in same period last year. TV Div. operating income drop of 60% to \$3.56 million was attributed to "substantially" increased programming costs.

United TV had \$59.1 million profit in 3rd quarter ended Sept. 30, up from \$2 million loss year ago, including \$105.9 million pretax gain on sale of 57% of company's Warner stock to Time. United TV had actual operating loss of \$343,000, compared with \$1.6 million profit year ago, with operating revenues virtually flat at \$23.7 million.

Viacom said it had cut loss 46% to \$21.7 million in quarter. For Showtime, revenues were up 14% over year ago on gain of 240,000 customers; operating profit was \$8 million, vs. \$2.9 million loss in year-earlier period. MTV revenues rose 22%, profits 35%. Total Viacom revenues climbed 11% to \$345.5 million in quarter, despite 13% drop in cable revenues as result of sale of Long Island and Cleveland systems. Broadcasting operating profits were down 10% to \$7.4 million, caused by loss of 1988 revenues from Olympics. Viacom had net loss due to \$70 million interest expense.

N.Y. Times earnings ballooned to \$210.8 million (\$2.68 per share) from \$26.7 million (33¢) year earlier, boosted by after-tax gain of \$193.3 million on sale of cable systems. Excluding that gain, and \$1.1 million from discontinued operations, company said earnings fell 34.9% in period to \$16.4 million (21¢). Revenues rose 6.4% overall to \$415.3 million, while broadcast and information services group operating profits increased 4% to \$2.6 million.

Multimedia net profit was up 73% in quarter to \$7.7 million, mainly because of growth in Cable and Entertainment Divs. Cable revenues gained 7.6% to \$27.3 million and entertainment 20% to \$19 million, but broadcasting revenues dipped 0.4% to \$33.3 million. Media General profit fell to \$3.9 million from \$10.8 million year earlier. Main drop was in broadcast operations, where revenues were off \$33.6 million from \$40.6 million on sale of broadcast services unit. For continuing broadcast operations, profit margins improved, mainly because of cable growth.

MCA net fell 6.3% to \$50.82 million (69¢), primarily on increased interest expenses, while revenues rose 13.8% to \$918.37 million. Company said net reflected estimated effective annual income tax rate of 37%, vs. 35% in same period last year. Broadcasting/cable operating income fell 17.7% to \$4.96 million and TV revenues 22.7% to \$161.45 million. Home video/pay TV revenues were up 25.7% to \$119.14 million. **Tribune Co.** said net profit jumped 21% to \$62.7 million, primarily on 52% growth in broadcast and entertainment operating profits to \$41.6 million. Broadcast

revenues rose 17% to \$161 million, including 12% gain in TV, 9% in broadcasting, 39% in entertainment.

E.W. Scripps profits were up 35% to \$18 million, in part from 41% operating profit growth of cable properties, to \$5 million. Broadcast profits were down 4% to \$9.9 million because of weak ad market, Pres. Lawrence Leser said, but broadcast revenues were up 2.7% to \$50.1 million. Year-ago quarter had been boosted by \$1.2 million political ad revenues and carriage of Olympics. Cable revenues rose 15.9% to \$44.7 million.

Other cable financials: **Century Communications** had \$14.4 million net loss in quarter ending Aug. 31, compared with \$2.2 million year ago. Despite loss, Chmn. Leonard Tow said cash flow improved over year ago. Revenues were up 21% to \$52.9 million and operating profit before depreciation up 10.7% to \$26.5 million... **TCI** filed \$1.5-billion shelf debt offering with SEC to issue senior, subordinated or convertible debt. Vp Bernard Schotters said TCI has no immediate plans to use debt, but filing will allow it to move quickly if conditions warrant... **Tele-Media** acquired \$64 million financing for expansion of cable systems in La., Ohio, Tex. Brokers were Salomon Bros. and Daniels... **Prudential Capital** completed \$100 million private placement for **TCA Cable** to help fund previously announced purchase of 5 Cooke Cablevision systems.

U.S. should establish Presidential Commission to analyze intellectual property policies and establish mechanisms to implement them, **Annenberg Washington Program** report said. Report was prepared by Annenberg committee including in-house staff and outside experts. It cited U.S. International Trade Commission figures that intellectual piracy, which includes videocassettes and satellite TV, costs U.S. \$23.8 billion per year, including \$2.3 billion for electronics industry, \$2.1 billion for entertainment industry. Report includes case studies of estimated 1,000 pirate video parlors in Taiwan and "hundreds of thousands" of illegally modified satellite TV decoders. Group also recommended congressional action to expand criminal penalties for piracy, establishment of worldwide minimum standards to guide national govts., setting of prices for intellectual property goods at levels affordable by foreign consumers.

Fox TV Stations is buying **KSTU** Salt Lake City (Ch. 13), independent owned by Mountain West Communications, price not announced. Buy will give Fox its 4th owned VHF station. Group recently sold **WFXT** (Ch. 25) Boston to Boston Celtics Ltd. Partnership to comply with FCC cross-ownership rule (Fox parent News Corp. owns Boston Herald). **KSTU** already is affiliated with Fox TV Network.

Resolution criticizing European Community's planned foreign TV content constraints is scheduled to go before full House today (Oct. 23), spokesman for House Ways & Means Committee said. H. Res. 257 passed Committee last week on unanimous vote after brief discussion (TVD Oct 16 p1).

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VIDEO JOINS TELCO TOP 10: Entering video business officially became one of top 10 "Foundations for the 1990s" issues for telephone industry at U.S. Telephone Assn. (USTA) convention last week in San Francisco. Top 10 issues, identified by USTA long-range planning committee, range from preservation of local franchises to entering video businesses. List is described as "framework for the future activities" of Assn.

Cable-telco appeared to be favorite issue at convention. Issue is "moving along faster than we thought," USTA Pres. John Sodolski said, calling for "continuing activity" on issue by telcos with their far-reaching resources: "We are everywhere." Included as part of that program is expanded USTA lobbying department, including hiring of staff for "advocacy and coalition" activities.

Rep. Boucher (D-Va.) made strong pitch to USTA to support his bill (HR-4327) that would allow telcos into cable business. He urged industry to put aside individual business strategies and "speak with one voice" on cable-telco issues. He asked industry to form task force to coordinate positions on issues and work at local level to help secure co-sponsors for bill. Boucher said telcos could win goodwill of broadcasters by promising to pay for programming that would be put on telco-owned cable system -- significant change from current compulsory license arrangement that Boucher said has outlived its usefulness.

United Telecom Chmn. Paul Henson, also calling for telco entry into cable, asked in keynote address whether FCC, cable industry and Justice Dept. "understand that we, as a nation, simply cannot afford to tie up our capital to install more than one fiber to the nation's homes and offices." He said he has been trying to reach accord with cable operators, "with notable lack of success." He asked that local exchange companies "be permitted to carry broadband signals -- without the distinction as to the type of signal -- within our local service area."

Conservative author George Gilder raised cable-bashing to new level of cable annihilation. Speaking on panel on high-tech planning for telephone companies, he had blunt advice as to how telcos should act to enter video entertainment services: "You've got to kill cable." USTA staff has determined that name of issue, which generally has been phrased as "cable-telco," will be referred to now as "telco-cable." Attorney Lawrence Sidman, ex-chief of staff of House Telecom Subcommittee, said at breakfast for executives that telephone industry must make certain that telco-cable isn't just "an antidote to perceived misbehavior of the cable industry," but is "positive in itself."

Telcos can "win, and win big" in cable-telco battle if they take "high road," INTV Pres. Preston Padden said. First step, he said in speech prepared for session (it wasn't delivered because of earthquake), is to facilitate continued free access to TV stations as part of lifeline service. His 2nd suggestion: Don't push for vertical integration into programming. "Position yourself, in contrast to cable, as the nonvertically integrated, open-access conduit," Padden said. "If it appears that you want to charge the American people to see the 6 o'clock news and you want to control both conduit and content, then you will be perceived as just a bigger and badder version of the existing cable mess."

Unrelated to earthquake, telephone numbers for FCC's San Francisco office have changed: New regular numbers are 415-705-1101 or -1102; recording number is 415-705-1100. Office hours are 8 a.m.-4:30 p.m.

COMSAT TO BUY NUGGETS? Comsat Video Enterprises (CVE) is negotiating to buy Denver Nuggets pro basketball team for estimated \$65 million. CVE described move as bid to diversify and step up competition with Spectradyne for hotel pay-per-view market. Comsat spokesman wouldn't say whether deal was intended to make Nuggets centerpiece of new cable program service. Deal was put together by new CVE Pres. Robert Wussler, former senior exec. vp of Turner Bestg. and pres., CBS TV Network. CVE directors were expected to vote on deal after our deadline Oct. 20, Comsat said.

CVE would be majority member of partnership including managing partners Bertram Lee and Peter Bynoe of Chicago. Purchase would make Lee and Bynoe first black owners of major league sports franchise. Comsat spokesman said CVE pursued deal because "it allows us to differentiate from our competition -- Spectradyne -- and to capitalize on the distribution of live sports programming via satellite. We're the only ones who can do that with a private network like we have."

Comsat said opportunity came up since Wussler arrived at his new post in Aug.: "His strength is in programming. He has experience in sports with the [Atlanta] Hawks [of National Basketball Assn.] and the [Atlanta] Braves [of National Baseball League]. He knows programming, distribution and sports, and we won't confine him to the hotel-room business." Wussler told Rocky Mountain News that Comsat "is in for a large majority. We're by far the majority owners. But that doesn't mean anything. Peter and Bertram are the general partners. They will run the show. I'll just kibbitz with them." Comsat spokesman stressed that CVE "isn't regulated, it's competitive, and it has nothing to do with our regulated businesses. It will have no impact on Comsat's congressional charter or our other regulated businesses."

U.K. House of Commons began rehearsing telecasting of proceedings last week -- although Parliament doesn't go back into session until Nov. 21. Already, Conservative leaders have conceded that rules on televising proceedings may be too restrictive. They prohibit cutaways and closeups by 8 unmanned cameras and severely restrict wide-angle shots of floor. Actual coverage -- to be aired by BBC -- starts Nov. 21. Parliament's upper body, House of Lords, still doesn't permit TV coverage. Meanwhile, in U.S., C-SPAN said it will be among first to televise Commons debate live on opening day. C-SPAN plans week of live programming from London beginning Nov. 14, Chmn. Brian Lamb said. Nov. 21 broadcast will include Queen's annual address to Parliament. Long-term plan is to carry Prime Minister's question time in Parliament twice weekly, as well as debates of interest to U.S.

People meters are missing millions of TV sets, particularly 25 million available for out-of-home viewing, Cap/ABC Vp-Market Research Richard Montesano said. He told TV Research International Symposium in Tarrytown, N.Y., last week that TV sets being missed include many on college campuses and in hotels, workplaces, bars, restaurants. Montesano estimated there are 10 million battery-operated sets that people meters also could miss: "Such widespread availability of TV sets out of the home indicates that millions of potential viewers are not being counted by the current system of measuring at-home audiences. The marketplace has been ignoring these statistics." Study commissioned by Cap/ABC showed out-of-home audience is younger, more likely to be single, better educated and more affluent than total adult population.

Personals

White House announced last week that **Bradley Holmes**, chief, FCC Mass Media Bureau's Policy & Rules Div., will be nominated by President Bush to be State Dept. coordinator-international communications and information policy, succeeding **Sonia Landau**... FCC Comr. **Quello** received Keystone Award from Pa. Assn. of Bcstrs., first time Award has been given in 5 years... **Robert Pettit**, FCC gen. counsel, moderates Oct. 25 ABA session on Video Shock, 4:15 p.m., Washington Marriott... Appointments to staff of FCC Comr. **Barrett**: **Byron Marchant**, ex-Sidley & Austin, adviser for mass media; **Cindy Schonhaut**, special counsel for Federal-State Joint Board matters in Common Carrier Bureau, common carrier adviser.

Richard Spinner, pres.-gen. mgr., WPVI-TV Philadelphia, named senior vp-managing dir.-European operations, Cap/ABC... **John Ertmann**, ex-vp-legal counsel, N.Y. Yankees, named vp-negotiations, NBC Sports... **Jennifer Lawson**, CPB Program Fund dir., joins PBS Nov. 27 as exec. vp-national programming and promotion services, new post... **Donna Zapata**, gen. mgr., KREM-TV Spokane, appointed senior vp-sales and mktg., WWOR-TV N.Y.-Secaucus... **Eric Land**, ex-gen. sales mgr., KTSP-TV Phoenix, joins WEYI-TV Saginaw as vp-gen. mgr., succeeding **Robert Epstein**, appointed to same position at WBRE-TV Wilkes-Barre-Scranton.

Appointments at Pulitzer Bestg.: **David Summers**, ex-WXII Winston-Salem, joins KETV Omaha as gen. mgr., succeeding **John Carpenter**, who becomes gen. mgr., WDSU-TV New Orleans... **Joseph Barnes**, ex-own news/promotion consultancy, joins KTTV L.A. as vp-news and news programming... **Al Goldstein** advanced to news dir., KRON-TV San Francisco... **Steve Dirksmeier** named product mgr.-video switching and effects systems, Sony Communications Products... **Rita Rubin** promoted to business mgr.-international product licensing, Children's TV Workshop, new post.

Jeff Silberman, ex-vp-business affairs, Alive Films, joins Showtime Networks in same capacity... **Lisa Pagnato**, ex-Showtime Networks, named vp-creative affairs, Jim Henson Productions... White House announced that **Harry Manbeck**, gen. patent counsel, GE, will be nominated commissioner of patents and trademarks, succeeding **Donald Quigg**... **Michelle Wallace**, ex-WVUE New Orleans, joins Medialink as network operations mgr.

Kathryn Gregoryk promoted to vp-finance, Prime Ticket Network... Appointments at HBO's The Comedy Channel, to launch Nov. 15: **Arthur Bell** advanced to vp-programming operations, new post; **John Fisher**, ex-MTV, as vp-production; **Ben Zurier** promoted to dir.-scheduling; **Nina Hahn**, ex-Jim Henson Productions, as mgr.-programming operations; **Juli Parl**, ex-Viacom Productions, mgr.-clip programming.

Andrew Armstrong promoted to pres.-COO, Waller Capital, **Richard Patterson** to senior vp... **Karl Witbeck**, ex-RFI Electronics, named vp-engineering, ISS Engineering, manufacturer of satellite and cable TV equipment... Promotions at Ampex: **George Merrick** to vp-mgr., Recording Systems Div., succeeding **Ron Ritchie**, who was advanced to Ampex exec. vp-COO in Aug.; **William Heye** succeeds **Merrick** as vp-gen. mgr., Video Systems; **Neil Selvin** advanced to COO, Video Systems, succeeding **Heye**; **Robert Atchison** named COO, Recording Systems Div.

Larry Blum promoted to pres.-gen. mgr., WUPW Toledo... **Lou Isakoff** joins Family Channel as vp-gen.

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counsel... **Thomas Holleron** promoted to acting gen. mgr., WBPY-TV Huntington, W.Va., succeeding **Dale Rhodes**... **Socorro Swan**, ex-KCOP L.A., joins KTTV there as dir.-community relations... **Suzi Montes de Oca** advanced to dir.-facilities mktg., BizNet... **Charles Jacobs**, ex-partner, law firm Saperston & Day, joins new Buffalo office of Nixon, Hargrave, Devans & Doyle as partner-in-charge.

Startup of audio counterpart to closed captioning is expected to be announced soon by WGBH-TV Boston. Station, which had pioneering role in development of closed captioning for hearing impaired, is expected to announce that it will begin providing Descriptive Video Service (DVS) for sight impaired for 5 hours of weekly public TV programming. DVS, which uses 2nd audio program (SAP) channel, provides brief audio descriptions of actions on TV screen to help sight impaired keep abreast of program. Although Senate-House conference committee approved \$1 million FY 1990 appropriation for DVS, startup money has been obtained from another undisclosed source, we're told.

FCC Consumer Assistance & Small Business Div. will host seminar Oct. 27 on "Privacy: Issues to Consider in the Emerging Telecommunications Industry," noon, Rm. 856. **Kenneth Robinson**, senior policy adviser to FCC Chmn. **Sikes**, is featured speaker. Details: **Barbara Moran**, 202-632-7260.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	SEPT.30- OCT. 6	1988 WEEK	% CHANGE	SEPT. 23-29	40 WEEKS 1989	40 WEEKS 1988	% CHANGE
TOTAL COLOR....	362,442	399,508*	- 8.7	890,873**	16,258,208*	14,800,584	+ 9.8
DIRECT-VIEW..	360,557	395,318*	- 8.8	873,658**	16,088,371*	14,598,028	+10.2
PROJECTION...	3,885	4,190	- 7.3	17,338**	169,837	202,556	-16.2
TOTAL VCR.....	158,301	250,215	-36.7	585,741**	8,074,546	8,652,513	- 6.7
DECKS.....	128,864	216,187	-40.4	481,873	6,595,235	7,290,372	- 9.5
CAMCORDERS...	29,437	34,028*	-13.5	103,868**	1,479,321*	1,362,141	+ 8.6

Color TV 5-week moving average: 1989--478,612; 1988--487,920* (down 1.9%).

VCR deck 5-week moving average: 1989--215,076; 1988--265,557 (down 18.9%).

Camcorder 5-week moving average: 1989--45,872; 1988--48,333* (down 5.1%).

* Record for period. ** Record for any week.

VCRs FROM THAILAND, MALAYSIA, SINGAPORE: New sources for VCRs are opening up in addition to traditional Japan, Korea, Taiwan. In July, first mass shipments of VCRs arrived here from Malaysia. In year's first 7 months, nearly 250,000 video recorders were imported from Thailand, and Singapore was source of 20,000. Meanwhile, almost 1/3 of all camcorders shipped to U.S. in July were 8mm, Commerce Dept. reported.

The 13,400 VCRs imported from Malaysia in July presumably represent first batch from JVC's new plant there, which is making low-end machines for U.S. market with parts currently imported from Japan (TVD Aug 14 p12), possibly some from Hitachi Malaysia plant (Sony also is building VHS plant in Malaysia that will export to U.S.). All 235,000 machines from Thailand were made at plant owned by Orion of Japan that went into operation early this year; most or all of them were supplied to Emerson. Although 20,000 VCRs arrived from Singapore in 7 months, July total was only 400, exporter unknown.

Rough idea of price relationship of VCR imports from different source countries is obtained by reconstructing average dutiable price (dividing dollar volume by units as given by Commerce Dept.). Although we don't vouch for these figures, they show Japanese VCRs as most expensive at average of \$230, followed by Singapore \$197, Malaysia \$186, Taiwan \$182, Thailand \$175.

Total camcorder shipments were up from previous months as manufacturers began preparing for what they hope will be strong selling season, and color TV imports rose for 8th straight month in July, while VCR deck shipments were higher mainly because of new sources. Some 202,700 camcorders entered U.S. market in July, up from 190,500 in June and 187,000 in May. Of total, 62,800 (31%) were in 8mm, and 139,800 (69%) were full-size or compact VHS. Through first 7 months of 1989, foreign sources shipped 1,281,200 camcorders here, 341,700 (26.7%) 8mm, 939,500 (73.3%) VHS. Camcorder sales to dealers in July totaled just 138,202 (TVD Aug 14 p10), indicating oversupply may have been increased substantially.

VCR deck imports rose 4.9% to 991,800, despite fact that shipments from 2 major suppliers, Japan and Korea, declined. Japan's shipments fell 0.9% to 675,600, Korea's 7.2% to 183,700. Taiwan increased shipments 10.6% to 63,300, and Thailand was significant source with 55,200 in month. Malaysia sent 13,400 in July. In Jan.-July period, VCR deck imports rose 12.1% to 6,681,300. Japan shipments were up 2.3% to 4,603,300, Korea 28% to 1,396,600, Taiwan 15.3% to 411,000.

Imports of complete color TV sets increased 11% to 783,900 in July, as Japan, Singapore, Hong Kong and China hiked exports. B&w TV imports fell 2% to 265,500, putting total TV imports at 1,049,400, up 7.4%. In first 7 months of year, total TV imports jumped 20% to 7,504,800, complete color sets 23.4% to 5,691,200,

monochrome TV 10.5% to 1,813,600. Last year's complete color set figures have been adjusted to include color kit imports, since Commerce Dept. includes kits with complete sets in latest figures.

Projection TV shipments to U.S. soared 135.4% to 11,200 in July, and 182.1% to 96,500 in 7 months. Flat panel (LCD) TV imports of 35,000 were highest of any month this year, but total was 22.5% below July 1988. In first 7 months, flat panel sets dropped 6.2% to 60,500. Imports of color TV cameras fell 45.2% to 7,100 in month, 41.6% to 46,900 in 7 months. B&w cameras rose 12.9% to 26,900 in July, but dropped 11.6% to 175,700 in Jan.-July. Videocassette players jumped 78.4% to 93,700 in July, 135% to 527,100 in full period. Most VCPs were shipped from Korea.

Compact Disc player imports increased 23.1% to 501,200 in July. Japan was major supplier with 372,300, followed by Singapore 54,200, Korea 22,300, Belgium 7,500, Austria 6,800, Mexico 6,000. CD players totaled 2,945,400 in 7 months, up 28.8%. Japan shipped 2,178,700, Singapore 275,800, Korea 161,900, Mexico 114,100.

FIRST MAJOR USE OF SAP SET FOR N.Y.: That part of multichannel TV sound (MTS) that once seemed most attractive -- but never lived up to its promise -- now is scheduled for first significant exposure to general public, as N.Y. PBS flagship WNET (Ch. 13) aims at full-time secondary audio program (SAP) of both TV-related and nonrelated broadcasting.

In 5 years since authorization of MTS, only few stations have dabbled in SAP -- principally for bilingual programming. SAP channel is separate from stereo, is single mono channel (that can be broadcast at same time as stereo sound) with frequency response out to 10 kHz. Under FCC rules, SAP programming need not be related to video portion of station's transmission. First SAP programs on WNET will be program-related and are backed by grants from Sansui and Stereo Review magazine.

Stressing its characteristics as self-contained audio service, WNET tentatively is calling its SAP "13 FM," name it says is subject to FCC approval. First SAP broadcast will be presentation of Show Boat on its Great Performances series, with descriptive narration for visually-impaired taken directly from "audio describers" at Paper Mill Playhouse where musical was taped. Probably first regular DAT offering will be Spanish-language translation of MacNeil-Lehrer NewsHour. Nancy Tanney, managing dir. of 13 FM, said 2-3 hours of descriptive video programming will be broadcast weekly beginning in Dec.

WNET also plans to offer programming for those who might listen with picture turned down. Tanney and Donald Sussman, senior vp-dir., broadcast operations and engineering, listed some audio programming plans for 24-hour TV station. Sussman said station plans repeats of classic radio programs, book readings, aural guides to station's video programming, music programs (for example, audio continuation of TV concerts), artistic and educational narration as optional accompaniment to TV programs for viewers who want greater depth of information, public hearings, events.

Sussman demonstrated Criterion videodisc of Singing in the Rain as example of type of programming WNET might present, although he said station hadn't talked yet with Criterion. Disc is one of series of classic movies with SAP soundtrack describing how each scene was shot, problems of directors, stars, etc., for movie buffs. Of course, SAP track may be played along with regular video sound or by itself -- or video sound may be played without SAP.

Another feature WNET may try is assistance for VCR owners who might want to tape TV shows. Example cited by Sussman was station's fund-raising drives, when extremely attractive programs are offered but fund appeals frequently delay start of programs. He suggested station might give VCR owners information as to when program would start, perhaps even countdown to tell them to push record button at right time.

Station will run public service announcements to inform viewers of their stereo TVs' capability and how to activate SAP (or to deactivate it if SAP is on in error). Sussman said station will send representatives to Consumer Electronics Show in Las Vegas in Jan. to talk with set manufacturers in hopes of reaching some agreement on standardization of nomenclature of SAP channel (some say SAP, some Audio 2, etc.) and presumably to request more of them to locate SAP button on remote control.

Total of 26 PBS stations now have SAP equipment, Sussman said, and many are expected take WNET SAP programs or possibly originate their own. Beginning this month, all national PBS programs have stereo soundtracks. Of more than 500 TV stations broadcasting in MTS, only a little more than 10-15% are believed

to be equipped for SAP, although addition of SAP equipment can cost station as little as \$5,000. At least 13 million stereo TV sets are believed to be in use in U.S., along with about 5 million stereo VCRs, virtually all of which have SAP. Totalling these and scattering of MTS converters and adaptors indicates about 20% of homes now can receive stereo and SAP. Sussman quoted EIA estimate of about 25% penetration by year-end.

When MTS broadcasting was approved by FCC, many TV manufacturers believed SAP would become first popular feature because of large foreign-speaking population in country. Several manufacturers developed SAP-only (nonstereo) models for low and middle parts of their lines in 1984 to appeal to that audience. Quasar actually introduced low-end bilingual 19" -- way ahead of any bilingual broadcasts -- that bombed and had to be liquidated. Among stations that have used SAP heavily are KTLA L.A., pioneer in bilingual news; WTIC-TV Hartford, which tested many types of SAP programming; N.J. Educational TV for talking books; KATV Little Rock, which at one time broadcast news on its SAP channel for pickup by local radio stations.

SURVEY FINDS DEMAND FOR 2 CES TRADE SHOWS A YEAR: Majority of retailers and exhibitors prefer existing system of 2 Consumer Electronics Shows annually, according to preliminary results of 18-month "benchmark" survey summarized last week by EIA CES Vp Dennis Corcoran.

Although he said results haven't been analyzed fully, he indicated survey gave definitive answer to perennial complaint that 2 shows are one too many. Biggest surprise, said Corcoran, was that 68% of retailers saw "definite need for 2 shows." Exhibitors generally also favored 2 shows -- particularly largest and smallest exhibitors, while middle-sized ones tended to prefer one.

Survey indicated that, given choice, retailers preferred Chicago summer show, while exhibitors liked winter show and Las Vegas better. Asked about other possible sites, some retailers preferred Atlanta for summer show, exhibitors suggesting winter show in Anaheim. However, Corcoran pointed out that neither city currently has facilities to accommodate CES.

Surprising "percentage of exhibitors in the 30s" proposed opening show to public -- enough for discussion of idea with CES Advisory Committee and Exec. Committee. "The consensus was that it was not a good idea without much more serious thought," Corcoran said. "There would have to be a substantial change in the way the show does business." He said exhaustive analysis of survey probably will result in changes.

Once again at winter show in Las Vegas, major software producers will be sparsely represented among exhibitors. However, Corcoran said he met recently with major movie studio officials in L.A. and "we are talking to them about the summer CES, trying to figure out how we can best help them market their product." Main problem, he said, is that hardware retailers who attend CES aren't customers of movie companies, which deal with rackjobbers. Noting that movie majors traditionally send representatives to show (though not as exhibitors), he said: "We're trying to determine how we can fit them in."

Upcoming Las Vegas show opening Jan. 6 is sellout, with requests for 855,000 sq. ft. vs. 729,000 available -- plus 30,000 more at new home theater exhibits at Mirage hotel -- Corcoran said. Biggest exhibitor once again: Nintendo, "which wanted 60,000 sq. ft., but we could only assign 30,000." Booming videogame company will increase floor space by making its exhibit largely double-decker. (For seminar keynoters and other CES highlights, see separate report in this issue.)

ATV DOMINATES JAPAN ELECTRONICS SHOW: Advanced video products of all kinds once again were spotlighted at Japan Electronics Show that opened last week in Osaka. Widescreen picture tubes and projection systems, compact MUSE HDTV satellite decoders and MUSE/NTSC downconverters were featured in abundance, with prices (where quoted) still phenomenal. Closer to present was whole generation of EDTV receivers and ghost cancelers for Clearvision system now being transmitted by Japanese TV stations (TVD Oct 16 p15).

LCD projection systems, personal video and electronic still photography also were areas where new products either were debuted or previewed. Show followed Japan Audio Fair in Tokyo (TVD Oct 9 p11), had few audio innovations, with no DAT products shown incorporating new Serial Copy Management System (SCMS). Sharp showed prototypes of non-SCMS midi components including both DAT and CD player, as well as very small DAT headphone stereo (5.5x3.4x1.5") that company said could be fitted easily with SCMS circuitry.

Formally introduced in time for show was production model of LCD video projector jointly developed by JVC and Seiko and previewed at last June's Consumer Electronics Show (CES) (TVD June 12 p11). With highest resolution of any production LCD projector (350 lines horizontal, 440 lines vertical) and using 2 active matrix LCD panels of 210,000 pixels (vs. Sharp's 89,505), system can accommodate optional anamorphic lens for widescreen picture from camcorder also equipped with special lens. It will be offered by both JVC and Epson under respective brand names at about \$6,850 in Japan. Meanwhile, Sharp said it was doubling production of its LCD projection system to 6,000 monthly; it sells at \$5,000 in U.S.

Panasonic showed latest version of its Beam Matrix flat tube in 6" and 14" sizes, demonstrated first at Matsushita technology exhibit last spring (TVD April 3 p10) and later at CES, with 6" called almost completed prototype. Its thickness has been reduced to less than 2" -- and company said final version would be even thinner -- with resolution put at 103,400 pixels.

Recordable CD system was demonstrated by Fujitsu General, which said it was designed for consumer use but wouldn't be produced until copyright issue was settled. Taiyo Yuden also displayed its previously shown CD-R system, and official said it could be produced to sell at about \$1,400 in mass production, but of course there are no plans to do so. Panasonic offered prototype of smallest, lightest S-VHS-C camcorder, weighing around 2 lb. JVC demonstrated working model of its Concept C miniature video component system with color camera, S-VHS-C deck, LCD monitor (TVD June 5 p11).

In major surprise, Toshiba and Fuji announced marketing of professional version of their IC card still camera (TVD March 27 p9) will start in Japan in Dec. under both brands. Also surprising was price, estimated at about 4 million yen (\$28,000) for complete system consisting of camera, player and digital picture file that stores 1,000 still pictures on single DAT cassette. Manufacturers claim horizontal resolution of more than 400 lines vs. average of 300 for floppy disc still cameras. Companies said they hoped to propose standardization of system to Japanese and foreign manufacturers in March.

Some samples of HDTV equipment prices, where given: Toshiba 36" widescreen color monitor, \$32,500; Toshiba 50" rear projector, \$70,000; Sony 55" rear projector, \$45,000; Sony videodisc player, \$23,000. Mitsubishi demonstrated 35" direct-view and 60" rear-projection sets, unpriced.

CHINA PLANS EXPORT HIKE: China's major exporter of electronic products is "poised for an ambitious expansion program, aimed at increasing its exports by an annual 15%" over next several years, China Daily reported.

China National Electronics Import and Export Corp. (CEIEC), Beijing, will launch nationwide conglomerate for exports and exploration of new overseas markets. Group, to be head by CEIEC Pres. Ouyang Zhongmou, will consist of export enterprises from "economically more advanced areas of eastern, southern and southwestern China," report said.

CEIEC, which has set up representative offices in Bangkok, Frankfurt, Hong Kong and N.Y. to promote foreign trade, will try to boost shipments to Eastern and Western Europe, N. America, USSR. TV sets and audio equipment will be key export items, Ouyang said.

Meanwhile, He Guangyuan, deputy Minister of Machinery and Electronics Industry, said China needs to improve efficiency in electronics production. Redundant investments, confused management and general low level of technology have hampered growth for years, he said. China has 113 color TV set production lines, capable of producing 16 million sets annually, but most make fewer than 100,000 sets yearly, he said.

Amstrad is closing audio operation -- its original business in U.K. -- to specialize in video, digital TV and satellite TV receivers. Company is reorganizing after reporting sharp dip in profits for year ended June 30 -- down to equivalent of about \$121.3 million from last year's \$255.4 million on virtually unchanged revenues of \$999 million.

Warner filed \$1 billion suit against Sony last week to stop it from hiring producers Peter Guber and Jon Peters to run Columbia in wake of Sony's purchase of studio. Warner says Sony's hiring of producers would violate Warner's 5-year exclusive production pact with Guber-Peters and seeks injunction to block move. Sony previously had said it was satisfied it didn't need to modify Guber-Peters contracts to complete acquisition, given producers' verbal agreement with Warner that they could be released from exclusivity if necessary. Sony and Guber-Peters filed countersuit against Warner.

Caption decoder chip will be developed and produced by ITT under \$1 million contract with National Captioning Institute. Single LSI will make it possible for manufacturers of TVs, VCRs and cable converters to offer built-in caption decoding at reasonable price by mid-1990s, NCI Pres. John Ball said. NCI is seeking funding support for chip development from TV makers, networks, foundations.

Ads & Promotions: Hitachi multimillion-dollar ad campaign on network TV and magazines features Jamie Lee Curtis and plugs projection and direct-view TVs, VCRs and audio products... Sharp features Wilt Chamberlain in \$10-million TV and magazine campaign for its LCD projector at \$5,000.

THIS WEEK'S YEN RATE

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

PIONEER BUYING DVA: Pioneer is increasing stake as leader in videodisc field -- and establishing major position in CDs -- with purchase of optical disc pioneer DiscoVision Assoc. (DVA) from IBM and MCA for \$200 million. DVA, one of developers of optical videodisc, now is worldwide patent licensing organization that claims some 1,000 patents in optical recording and playback technology.

DVA receives royalties of 12¢ per side on videodiscs, plus royalties on players. For CDs, it gets 3¢ per disc and 1.5% of player factory price. Last year, DVA signed agreement giving Philips worldwide license under all its present and future patents (TVD March 14/88 p13). At that time, DVA Pres. James Fiedler said that meant producers of optical hardware and software -- including CD, CD-Video and CD-I -- would require DVA license as well as one from Philips-Sony joint licensing office that has been administering CD patents.

Pioneer, world's largest manufacturer of videodiscs and players, announced that U.S. subsidiaries Pioneer Electronics Capital and Pioneer Electronics (USA) will acquire DVA on approvals by U.S. and Japanese govts. In Japan, Pioneer said purchase would let it "take advantage of anticipated growth in the use of audio and video discs, not only in home entertainment but also in the areas of data storage and retrieval." Fiedler told us companies hope to conclude purchase by end of Oct.

Pioneer said it had "no intention whatsoever of changing the management of DVA [and will] leave the management totally as it is and will never make any interference into or control over the activities of DVA." Asked whether he would continue as DVA pres., Fiedler told us decision "has not been reached yet."

DVA was founded as subsidiary of MCA, which developed optical disc system in early 1970s, at same time Philips came up with remarkably similar system. In 1974, DVA and Philips established joint patent office to license players. IBM bought 50% of DVA in 1979 in unsuccessful attempt to salvage DVA's U.S. videodisc manufacturing operation in Carson, Cal., which was sold to Pioneer in 1982 and recently has been expanded. At same time, DVA sold its 50% interest in Japanese software firm Universal Pioneer to Pioneer.

Philips Taiwan's sales have tripled to \$1.1 billion in last 5 years, best performance of any foreign-funded conglomerate on island, govt.'s Free China Journal reported. Company's first major plant was established in 1970 to make monochrome picture tubes, now ranks as one of world's largest tube manufacturers. Another of Philips' 5 Taiwan plants makes more than 2 million color TVs annually, article said. Philips, in partnership with Taiwan govt., is developing digital TV and high-resolution monitor tubes there, and is major shareholder in Taiwan Semiconductor Mfg. Co., maker of submicron wafers for ICs. With increasing per capita income in Taiwan, Philips sells appliances and TVs on local market. Y.C. Lo, who started with company 20 years ago as junior engineer, last year became first Chinese pres. of Philips Taiwan.

Canon adds 8mm camcorder -- its 8th this year -- with simplified point-and-shoot operation, 6x zoom, 7 lux sensitivity, rotating viewfinder, fade, title and date generator, at \$1,199.

Goldstar digital effects VCR with picture in picture is advertised in catalog of liquidator C.O.M.B. at \$299.

NINTENDO SALES UP 43%: Nintendo's sales for fiscal 1989 to Aug. 31 passed \$2 billion, increase of 43%, and net income rose 14% (see financial table). Company credited much of growth to continued expansion of home videogame market in U.S., which it dominates. It said new handheld Game Boy system contributed substantially to sales gains in Japan and strong early orders in U.S. indicate it will be among top-selling Christmas toys here, with demand outstripping deliveries for first few months.

Wells-Gardner reported loss for 3rd quarter and 9 months to Sept. 30, with sales down 39% from last year in 3rd quarter and 2% for 3 quarters. Company said principal factors in decline were shipment delay on major data display contract and "pricing pressures from foreign competitors negatively impacting our video monitor sales." Strength of U.S. dollar and foreign competitors' increased market share in low-end monitors through price competition resulted in 36% decline in this segment. Company said it recently contracted with alternative component sources in move to regain position in low-end market. "We are also hopeful," statement said, "that picture tube prices have topped out as a result of reduced demand from China, which has banned tube imports." Pres. Frank Myers expressed resolve to establish company as "supplier of video monitors beyond the game industry," noting its development of sophisticated high-resolution monitors for video graphics. He called company's financial health "excellent."

Corning reported 3rd-quarter net income gain of 20% after excluding one-time after-tax gains of \$59.9 million; sales for quarter were up 14%. Income from equity companies was basically same as year earlier due principally to "slow recovery" at Korea's Samsung-Corning following strike at "major customer" and disruption of shipments to China. Among nonoperating income items was \$4.2 million pretax (\$2.6 million after-tax) gain on sale of 3.2% interest in Corning Asahi Video products to Asahi Glass in first quarter.

Commodore said it will report loss for first quarter to Sept. 30 because of weak market for home computers in some countries.

Mergers & Acquisitions: K mart has agreed to purchase all outstanding shares of PACE Membership Warehouse, 41-store operation based in Aurora, Colo., for \$23 a share in \$322 million transaction... Selectronics and Microlytics, related companies in handheld reference field, will merge through exchange of stock; resulting company will be 1/3 owned by Xerox, which is 38% owner of privately held Microlytics... Tandy has signed agreement to buy Victor microcomputer and Micronic handheld computer subsidiaries of Datatronic, Stockholm, for undisclosed amount estimated at \$100-\$200 million... Mediagenic announced it plans to divest its nonentertainment software lines (Activision Presentation Tools and TenPointO) to concentrate on videogame and computer entertainment products.

Philips Chmn. Cor van der Klugt attacked U.S. last week for barring foreign companies from govt.-private Sematach consortium. In address to Royal Institute of International Affairs in London, he urged Europe not to retaliate by keeping U.S. firms out of its similar Joint European Submicron Silicon Initiative (JESSI).

Sharp is marketing portable hi-fi VHS VCR deck that can be used either vertically or horizontally. Product is \$685 in Japan. Sharp said it expects 3,000 sales monthly.

Consumer Electronics Personals

Mitsuru (Mits) Ohki, deputy managing dir., Sony Best. & Communications in U.K. and onetime Sony America corporate communications mgr., to return to Tokyo where he will be secy. to Sony Chmn. Akio Morita... Joseph Marziotto, ex-New World Entertainment and RCA, appointed vp, American Electronics & Entertainment, Edgewater, N.J., responsible for new MGM Lion blank videocassette line... Anna Kimlin, ex-Adler-Royal Business Machines, joins Panasonic as national facsimile product mgr... Colin Stewart, ex-EMI America Records, named vp-Western Div., New England Digital... John Ostertag appointed Ampex industrial tape product mgr... James Madson promoted to vp-asst. gen. mgr., Phelps-Dodge, to become gen. mgr. on retirement of Gen. Mgr. Arthur Himebaugh Feb. 1... Philip Vertin, ex-mktg. vp, Toshiba America Information Systems, joins Samsung Informations Systems as senior vp, sales and mktg.

Melvin Wilmore, ex-Alberts Hosiery and Zale Jewelry Store Div., named Live Specialty Retail Group pres.-CEO... Stephanie Long, ex-Buena Vista Home Video, joins Media Home Entertainment as vp-PR, replacing Barbara Hodgson, resigned... Norman Solomon, ex-Pickwick Entertainment and J2 Communications, joins D.H. Blair as senior corporate finance vp, working with current and potential clients in entertainment industry... Nolan Bushnell, founder of Aaps Corp., Atari and Axlon, to make Oct. 31 luncheon speech at Intertainment '89 convention at Marriott Marquis, N.Y.C... David Evans resigns as Quintex Entertainment pres.-CEO and dir., will remain as consultant until successor is named; Roger Kimmel departs from board... Vans Stevenson, ex-Blockbuster Entertainment and Erol's, reportedly will join MPAA next month in undisclosed post.

Correction: Richard Schulze remains pres.-CEO of Best Buy, as he has been for 26 years; we regret the error.

VCR penetration, which rose 10% to 65.8% in July from year earlier, is at 88% in households with more than \$20,000 annual income, nearly 100% in those with \$50,000 or more, Nielsen Media Research Vp-Product Mgr. Paul Lindstrom told Kagan seminar in N.Y. last week. "There's not room for growth except among lower-income households," he said. Other demographics also are changing, with 18-34 age group declining 24% in VCR households in last 4 years, while 35-49 rose 17% and 50-plus 20%. "Going after the youth market won't work," Lindstrom said. Cassette rental volume rose only 15% in 2nd quarter 1989 from first quarter 1987, he said, far behind 40% growth rate of VCR households. Average number of tapes rented monthly fell this year to 2.24 in 2nd quarter from 2.71 in comparable 1987 period, he said. On other hand, 15.6% of VCR owners bought tape in 4th quarter, up from 9% in 1987 and 6.2% in 1988.

Sales to dealers resumed declines in first week of Oct. after one-week rise that helped make Sept. best month ever for sales of direct-view TV, projection TV and camcorders, along with total VCRs (TVD Oct 16 p9). Declines for color TV, camcorders and VCR decks were 7th in 9 weeks; projection had 6th decline in 8 weeks (see State of the Industry).

EIA and EIA Korea signed agreement in Seoul to hold joint meetings annually "to enhance mutual understanding" between electronics industries and trade associations in the 2 countries.

CES KEYNOTERS: Opening session of Winter Consumer Electronics Show Jan. 6 in Las Vegas will be keynoted by Montgomery Ward Pres.-CEO Barnard Brennan. Wells-Gardner Pres. Frank Myers will join Brennan in same session for economic overview and forecast. Audio overview session Jan. 6 will be keynoted by Leonard Feldman, Feldman Electronic Labs. Post-Newsweek Stations Chmn.-CEO Joel Chaseman will keynote video overview Jan. 7.

Home office overview Jan. 8 will feature panel discussion, while first CES home automation overview same day will be highlighted by Sundel Research Vp Rusty Campos. Panels will discuss interactive TV, adult video, videogames, home theater, warranties, mobile electronics, cellular radio, custom audio.

Two HDTV sessions will cover industry activity, by EIA Pres. Peter McCloskey, and congressional activity, by EIA Vp-Gen. Counsel Gary Shapiro. Other sessions will discuss EIA Multiport and CEBus standards.

Behind scenes, there has been minor flap over one publisher's claims that EIA asked it to publish show daily because others weren't "credible." After considerable negotiation last week, CES Vp Dennis Corcoran and Publisher Marcia Grand of Twice Publishing said claims arose from "misunderstanding," without further elaboration. Presumably, prospective daily will drop use of CES logo and slogan "The Show Daily of WCES."

ELECTRONICS SALES UP 7%: U.S. factory sales of electronic products totaled \$193.3 billion in first 3 quarters of 1989, increase of 7% over nearly \$181 billion last year, EIA said. Miscellaneous "other" category -- including electronic portion of automotive, aerospace and integrated software products -- paced growth with almost 20% increase. Components showed 2nd largest gain -- 6.1%. EIA estimated defense electronics at 21% of total, about \$40 billion.

Consumer electronics gained 4.6% to \$23.7 billion. Unlike other categories, consumer includes imports, which are excluded from totals in table below. Totals have been adjusted to eliminate overlap and are based on current value of dollar. Consumer category includes telephones and home computers, in addition to traditional products.

U.S. FACTORY ELECTRONICS SALES, FIRST 9 MONTHS (in millions of dollars)

Sector	1989	1988	% Change
Communications.....	\$49,542	\$47,814	+ 3.6
Components.....	39,026	36,797	+ 6.1
Computers & Industrial	61,922	59,986	+ 3.2
Consumer Electronics..	23,733	22,698	+ 4.6
Other related.....	39,140	32,650	+19.9
TOTAL	\$193,281	\$180,733	7.0

DAT legislation draft that would mandate serial copy management system (SCMS) in digital audio tape recorders arrived on Capitol Hill last week, EIA Vp-Gen. Counsel Gary Shapiro said. He offered no guess as to when bill, which awaits official congressional sponsor, would make it to hopper or to committee for hearings. But Shapiro repeated expectation that it would draw widespread support from members who in past have taken opposing stances on home taping and related issues.

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
AT&T			
1989-9 mo. to Sept. 30	26,811,000,000	1,992,000,000	1.85
1988-9 mo. to Sept. 30	26,003,000,000	1,673,000,000	1.56 ^a
1989-qtr. to Sept. 30	8,896,000,000	699,000,000	.65
1988-qtr. to Sept. 30	8,812,000,000	587,000,000	.55 ^a
Best Buy			
1989-6 mo. to Sept. 30	225,464,000	(697,000)	—
1988-6 mo. to Sept. 30	228,942,000	864,000	.10
1989-qtr. to Sept. 30	118,304,000	550,000	.07
1988-qtr. to Sept. 30	117,162,000	1,098,000	.13
Chris-Craft Industries			
1989-9 mo. to Sept. 30	192,901,000	467,599,000	19.07 ^b
1988-9 mo. to Sept. 30	179,243,000	10,343,000	.42 ^c
1989-qtr. to Sept. 30	62,974,000	462,877,000	18.74 ^b
1988-qtr. to Sept. 30	58,656,000	1,141,000	.04 ^c
Corning			
1989-40 wk. to Oct. 8	1,828,300,000	187,700,000	2.03 ^b
1988-40 wk. to Oct. 9	1,578,500,000	159,100,000	1.76 ^d
1989-16 wk. to Oct. 8	715,000,000	76,500,000	.80 ^b
1988-16 wk. to Oct. 9	625,000,000	123,900,000	1.37 ^c
GTE			
1989-9 mo. to Sept. 30	12,799,630,000	1,025,556,000	3.01
1988-9 mo. to Sept. 30	12,150,694,000	898,432,000	2.62
1989-qtr. to Sept. 30	4,353,536,000	367,557,000	1.06
1988-qtr. to Sept. 30	4,000,562,000	312,713,000	.91
Koss			
1989-qtr. to Sept. 30	8,739,035	705,621	.19 ^b
1988-qtr. to Sept. 30	7,550,312	662,978	.17 ^b
MCA			
1989-9 mo. to Sept. 30	2,515,082,000	120,137,000	1.64
1988-9 mo. to Sept. 30	2,061,561,000	89,202,000	1.22
1989-qtr. to Sept. 30	918,371,000	50,824,000	.69
1988-qtr. to Sept. 30	806,727,000	54,260,000	.74
Meredith			
1989-qtr. to Sept. 30	195,721,000	9,317,000	.50
1988-qtr. to Sept. 30	190,505,000	10,659,000	.56
3M Co.			
1989-9 mo. to Oct. 1	9,036,000,000	952,000,000	4.29
1988-9 mo. to Oct. 2	8,571,000,000	882,000,000	3.88 ^a
1989-qtr. to Oct. 1	2,994,000,000	307,000,000	1.37
1988-qtr. to Oct. 2	2,862,000,000	296,000,000	1.30 ^a
Multimedia			
1989-9 mo. to Sept. 30	340,177,000	23,121,000	1.86
1988-9 mo. to Sept. 30	322,218,000	13,784,000	1.13 ^b
1989-qtr. to Sept. 30	112,860,000	7,694,000	.62
1988-qtr. to Sept. 30	107,952,000	4,455,000	.36
New York Times			
1989-9 mo. to Sept. 30	1,298,715,000	285,607,000	3.63 ^b
1988-9 mo. to Sept. 30	1,250,022,000	117,238,000	1.44 ^a
1989-qtr. to Sept. 30	415,340,000	210,779,000	2.68 ^b
1988-qtr. to Sept. 30	390,477,000	26,682,000	.33 ^a
Nintendo^a			
1989-year to Aug. 31	291,200,000,000	34,271,000,000	—
1988-year to Aug. 31	203,301,000,000	30,109,000,000	—
Park Communications			
1989-9 mo. to Sept. 30	119,056,000	12,535,000	.61
1988-9 mo. to Sept. 30	117,377,000	12,703,000	.61 ^f
1989-qtr. to Sept. 30	39,260,000	3,861,000	.19
1988-qtr. to Sept. 30	39,112,000	3,947,000	.19 ^f
Pulitzer Publishing			
1989-9 mo. to Sept. 30	292,025,000	13,181,000	1.26
1988-9 mo. to Sept. 30	284,991,000	11,991,000	1.15
1989-qtr. to Sept. 30	94,610,000	3,214,000	.31
1988-qtr. to Sept. 30	94,408,000	3,132,000	.30
Scripps Howard Bcstg.			
1989-9 mo. to Sept. 30	217,026,000	12,050,000	1.17
1988-9 mo. to Sept. 30	195,171,000	8,295,000	.80
1989-qtr. to Sept. 30	69,923,000	2,869,000	.28
1988-qtr. to Sept. 30	64,915,000	2,450,000	.24

Company & Period	Revenues	Net Earnings	Per Share
Tribune Co.			
1989-39 wk. to Sept. 24	1,786,747,000	174,821,000	2.21
1988-39 wk. to Sept. 25	1,710,121,000	147,463,000	1.94
1989-13 wk. to Sept. 24	590,678,000	62,723,000	.77
1988-13 wk. to Sept. 25	575,124,000	51,636,000	.69
TRW			
1989-9 mo. to Sept. 30	5,421,000,000	199,000,000	3.27
1988-9 mo. to Sept. 30	5,270,000,000	205,000,000	3.38
1989-qtr. to Sept. 30	1,792,000,000	60,000,000	1.00
1988-qtr. to Sept. 30	1,654,000,000	68,000,000	1.12
Viacom			
1989-9 mo. to Sept. 30	1,050,567,000	160,224,000	2.67 ^b
1988-9 mo. to Sept. 30	903,134,000	(114,487,000)	—
1989-qtr. to Sept. 30	345,528,000	(21,669,000)	—
1988-qtr. to Sept. 30	311,561,000	(39,968,000)	—
Wells-Gardner			
1989-9 mo. to Sept. 30	25,324,000	(697,000)	—
1988-9 mo. to Sept. 30	25,796,000	951,000	.25
1989-qtr. to Sept. 30	5,940,000	(881,000)	—
1988-qtr. to Sept. 30	9,748,000	392,000	.10

Notes: ^aRestated. ^bIncludes special credit. ^cAdjusted & restated. ^dIncludes special items. ^eIn Japanese yen. ^fAdjusted.

COLOR PRICES CONTINUE CLIMB: Average color set sold for 15% more last July than in July 1988, according to ELCAP survey by Elrick & Lavidge. Average price in July 1989 was \$375.51, up from \$326.77 in July 1988 in stores participating in survey -- mostly mass market retailers. This was more than double 7% increase reported in June ELCAP survey (TVD Oct 2 p13).

Average VCR price rose only 2.8% to \$298.37 from \$296.70. In camcorders, VHS-C accounted for only 1% of mix for 2nd straight month, 8mm rising to new high of 26.8% and full-size VHS remaining steady at 69.6%. Just one year earlier, VHS-C was 8.7%, 8mm 10.7%, full-size 80.5%.

In color TV last July, 19.5% of sales were at \$500 or more (vs. 10.7% year earlier); 7.1% were \$400-\$499 (vs. 8.8%), 60.3% at \$200-\$399 (58.4%), 13.1% at less than \$200 (vs. 22.1%). In July 1989, 31.7% of color sets sold had MTS stereo, compared with only 17.5% in July 1988. Both stereo and mono sets were up in price -- average stereo set sold for \$593.97 (up from \$590.73), average mono for \$269.11 (up from \$244.80). Some 87.1% of July 1989 sales had remote control, up from 84.1% year earlier.

CopyCam, introduced by Videolink, Sylmar, Cal., is \$60 "audio-video enhancer" that boosts and clarifies weak camcorder sound, adapts mono sound to 2 channels for stereo VCRs and sharpens picture details, manufacturer said. Videolink has purchased "Detailer" trademark from Vidicraft Corp., Portland, Ore., and will use it on upcoming products. James Karlock, one of Vidicraft's founders, has been retained by Videolink to design video signal processing products, his first being CopyCam.

"Everyday low price" formula apparently has been "a bust" for Sears, which is "quietly edging back toward its previous reliance on frequent sales," Advertising Age reported, noting that sales in Sept. were almost flat for 3rd straight month, showing Merchandise Group up 0.4% from year earlier at \$3 billion, while same-store sales were down 1.8%. "Sears is now seeking solution somewhere between its old weekly sales strategy and the everyday low-price no-sale formula," says Ad Age.

TELEVISION DIGEST®

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

MUST-CARRY DEAL OFFERED: Inouye suggest FCC handle channel positioning. Cable and broadcast industry optimistic, but INTV wants guarantees that cable opposes. (P. 1)

FCC OPENS INDECENCY INQUIRY: Commission cites 8 stations for violations, issues notice of inquiry on 24-hour ban. 87 complaints dismissed. Broadcasters united in opposition. (P. 3)

RADIO BILL MEETS SKEPTICISM: Markey says broadcasters haven't shown enough support for radio licensing reform. (P. 5)

PHILIPS ENDORSES EDTV: Two-step approach, with enhanced-definition (EDTV) first, followed by HDTV, backed by Philips. Firm previously sought direct move to compatible HDTV. (P. 5)

TIME-WARNER DEAL CUTS PROFITS of both. Broadcasting leads Cap/ABC growth. Washington Post, ATC up. Times Mirror, Jones down. (P. 6)

BELO SAYS ITS NOT GUILTY of using WFAA-TV to acquire UPS features for Dallas morning News. Bryant asks for full FCC airing of Dallas Times Herald charges against Belo. (P. 7)

INTV PRODS FCC ON CABLE, seeks oversight of cable program activities. (P. 8)

INOUE OFFERS CHANNEL POSITIONING SOLUTION: Dispute on cable channel positioning would end up on FCC doorstep under compromise being considered by Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) as way to unblock jammed must-carry agreement for final Senate consideration before Congress recesses later this year. Inouye said at Oct. 25 Subcommittee hearing on must-carry that he would pursue legislation to codify an industry-accepted must-carry rule with language temporarily grandfathering broadcasters' existing cable channel positions while FCC conducts proceeding to sort out more permanent solution.

Resulting package would be added to children's TV bill (S-707) already slated for final floor action, senator said. He saw compromise as alleviating constitutional concerns about legislated channel positioning rules. Senate action on must-carry wouldn't be contingent upon Congress's success in restoring fairness doctrine as law.

"I am not going to wait for them," Inouye told reporters, referring to broadcasting and cable industries, which have been unsuccessful in crafting own must-carry scheme because of differences on channel positioning. He said that "if they cannot come to terms, we will come to terms" for them. "I will not wait

Consumer Electronics

OTA HOME TAPING STUDY finds no clearcut danger to recording industry, sees harm to public if taping is banned, but calls problem political, not technical. (P. 10)

RCA/GE CONSUMER ELECTRONICS loss put at \$45 million in parent TCE's annual report. American sales higher than European for worldwide manufacturer. (P. 11)

ZENITH REPORTS \$9.1 million 3rd-quarter loss from continuing operations, including consumer electronics. Computer operation, being sold, also in red. (P. 12)

MITSUBISHI 70" TV stalled by patent problem, presumably involving projection tube coatings developed by both Mitsubishi and Philips. (P. 12)

PHILIPS PROFIT UP 41% in 3rd quarter on 7% higher sales. Tandy net down 3.3% in first quarter, sales up 5%. Sears cites soft appliance sales. (P. 13)

AIWA ADDS VHS RECORDERS in U.S., but postpones TV entry because of chaotic marketing situation. (P. 13)

DARPA HDTV AWARDS for processors dominated by Sarnoff Center. Philips says it's ready to make EDTV sets. Lawmakers urged to push govt. HDTV aid. (P. 14)

SONY AND TOSHIBA emphasize high-end TVs in Christmas ad push. Toshiba will concentrate efforts on Supertube for 10 months. (P. 15)

forever for them to come to terms." However, he stressed that his preference would be for industries to accept his proposal and come back to him with draft of accord that could be used as basis for legislation.

Inouye made clear that offer hinged on inclusion of his compromise in controversial children's TV measure, leaving implication that success of his channel positioning plan would rest heavily on commercial over-air TV. NAB already has committed to fighting kidvid bill because of changes unfavorable to industry that were made earlier this month, Pres. Edward Fritts told us. Inouye is key advocate of kidvid bill.

But cable and broadcast industry representatives showed optimism at hearing that they would be able to sell compromise to their stations and cable operators, with cable networks thought likely to be segment most unhappy about proposed solution.

"Generally speaking, we support the concept," Fritts told us. "We congratulate Senator Inouye for attempting to break the logjam on channel positioning and we look forward to learning more about the specifics of his proposal." INTV Pres. Preston Padden called Inouye move "a giant step forward," but Assn. next day took only cautionary step toward endorsing idea. In letter to Inouye, Padden indicated promised compromise might be acceptable fallback position for independents. However, his Assn. would prefer to await outcome of TV Operators Caucus (TOC) must-carry talks before making commitment, he said.

Inouye plan also would have to contain strong language forcing FCC to ensure favorable channel assignments for independent stations, Padden said. INTV letter was attacked by CATA Pres. Stephen Effros as inadequate basis for compromise. CATA can't accept guidelines that Padden wants, Effros said. INTV wants FCC directed to: (1) Assure that all local broadcast stations are on cable channels that are accessible to all cable homes. (2) "Prevent cable system owners from cross-subsidizing or otherwise favoring" their own program services that compete with independents for ads. (3) "Assure fair and equitable treatment of locally competitive broadcast stations." Padden said INTV will do its best to be "flexible," but it couldn't support legislation without specific guidelines for FCC.

"A court of last resort in the FCC would be good," said David Brugger, pres. of National Assn. of Public TV Stations (NAPTS). NCTA Pres. James Mooney said: "We would prefer that it be settled here [in Congress]. But if it's the desire of the Committee, we would go along with it."

Inouye suggested at hearing that his proposal would grandfather TV station assignments on cable at their current location as of Oct. 25 without backdating assignments to July 1985, before landmark Quincy Cable decision that undid FCC's must-carry requirements for cable operators. He said grandfathering wouldn't last longer than 1-2 years, during which FCC would be charged with dealing with complaints on assignments. Staffers clarified afterward that Inouye intends that FCC use 1-2-year period to conduct general proceeding on whether so-called "off-channel" positioning (cable assignments that don't match FCC assignments for stations) should continue and if so under what conditions.

Inouye was adamant about advancing must-carry legislation this year, saying there's strong support in parent Senate Commerce Committee for moving "a straight must-carry bill." Statement appeared to leave little room for any of add-ons sought by cable networks, LPTV industry and others at hearing. Indeed, Inouye said he wasn't optimistic that carriage preferences for more programs could meet constitutional muster. "I'm just not sure it can be done," he told reporters. However, he said Subcommittee would consider expanding must-carry requirements to encompass alternative programmers: "If it's possible, we'll do it."

Subcommittee may take resulting must-carry package directly to Senate floor for consideration as amendment to kidvid bill, Inouye said. He had no comment on implications that move might have on kidvid measure's support by other senators, notably Sen. Wirth (D-Colo.). Wirth had held up consideration of kidvid legislation in 100th Congress while seeking stronger proposal, and his intentions toward S-707 remain unclear.

CATA, INTV, NAB and NCTA were represented at hearing, where officials outlined what they saw as hang-ups in industry negotiations on new must-carry agreement. Their points generally were familiar, with broadcasters arguing for equity and claiming economic future of their business may depend on guarantee of carriage by cable. Fritts urged Congress to move unilaterally on must-carry legislation if industries failed to agree. NAPTS' Brugger said taxpayers have right to watch any local public TV outlet they wish, and cable operators should be required to carry all PTV signals available in community.

Mooney outlined further ground NCTA would be willing to concede to reach must-carry agreement with broadcasters. Not only is industry willing to restore must-carry, he said, NCTA also could support phasing out entirely old exemption from rules for small systems. Assn. also is willing to: (1) Forbid channel shifts

during sweeps rating periods. (2) Require all cable operators to give broadcasters notice of planned channel shifts. (3) End "leapfrogging" and require cabling to carry TV network affiliates in their area first. (4) Give broadcasters legal, enforceable right to on-channel cable assignments that could be used to end disputes.

CATA's Effros said preferential channel treatment for broadcasters was likely to encounter constitutional difficulties in courts. In agreeing, Mooney pointed to cable networks, which would have no carriage guarantees under planned bill. View was borne out later in hearing when Robert Johnson, pres. of Black Entertainment TV (BET), complained that over-air broadcasters were receiving preferential treatment over cable programmers. He called for revision in must-carry approach to allow cable operators to select signals they would offer to meet must-carry obligations. Johnson's proposal would let operators choose between signals that would serve local needs and interests of community or that would provide minority programming. BET provides programming geared to minorities, principally blacks.

Community Bestrs. Assn. called for application of must-carry to LPTV, contending that LPTV stations are "bedrock of the American broadcasting system." Pres. John Kompas complained that "many stations have run into serious roadblocks to obtaining cable carriage, especially in the case of large MSOs." He cited TCI, Storer and Warner, called on Congress to reregulate cable, returning authority to municipalities.

Also calling for place in must-carry agreement was Paul Crouch, pres. of Trinity Bestg. Network of religious stations and head of new Cable Access Legal Action Council (CALAC). He accused cable of anticompetitive actions as unregulated monopoly, warning: "Free TV isn't threatened, it is dying. In some places, it is comatose right now and ready to be buried."

ANA Exec. Dir. Daniel Jaffe said must-carry rules allowed advertisers to reach consumers in most cost-effective manner, and that without rules, competition to cable has faded.

FCC STARTS INQUIRY ON INDECENCY, CITES 8 STATIONS: Doing the expected in face of court remand of 2 indecency cases, FCC Oct. 26 issued notice of inquiry (NOI) looking toward banning "indecent" broadcast programming 24 hours a day. This was mandated year ago in appropriations bill but later declared unconstitutional by U.S. Supreme Court. Also at meeting, Commission's Mass Media Bureau cleared its docket of pending indecency complaints, citing 8 stations for possible violations (including 4 for fines) and dismissing 87 other complaints. FCC Chmn. Sikes has made indecency one of his major projects and situation has become very muddled because of legislation and overlapping court decisions, Commission officials conceded. Nearly all facets of broadcast industry -- including PBS -- are united in opposing any FCC rules as violation of First Amendment.

In issuing NOI, Commission defined indecency as "language or material that, in context, depicts or describes, in terms patently offensive as measured by contemporary standards for the broadcast medium, sexual or excretory activities or organs." Such broadcasts are actionable, FCC said, when there's reasonable risk that children may be in audience. By seeking comments, agency hopes to compile record "relative to a judicial determination of the validity of a 24-hour ban on broadcast indecency." In dismissing slew of complaints, FCC excluded broadcasts after 8 p.m. and before 6 a.m. Majority of those dismissed were against TV stations, Mass Media Bureau said.

FCC is seeking comments on: (1) How pervasive and accessible broadcast media are to children 17 and under. (2) Actual viewing and listening habits of children. (3) Alternatives to 24-hour ban, including limiting broadcasts considered indecent to time of day when children aren't likely to be listening, establishing program rating codes or prebroadcast warnings, use of technologies to restrict access to indecent broadcasts by children. (4) Availability of indecent material to adults through nonbroadcast means. Deadline for comments hasn't been set.

Through attorney Timothy Dyk, broadcast groups had asked FCC earlier in week not to start inquiry until U.S. Appeals Court, D.C., acted on their request for rehearing of remand of indecency case to Commission. Court had retained jurisdiction in remanding case, telling FCC to conduct "full and fair hearing" on question of indecent programming (TVD Sept 18 p4). Dyk argued that Commission wouldn't have jurisdiction to conduct "full-blown" inquiry if court granted rehearing. Broadcasters' request didn't come up at FCC meeting, at which Sikes asked media to give "complete" coverage of citations against stations to help inform public of alleged indecent broadcasts. He has called on broadcasters to reinstitute voluntary code as means of controlling indecent programming (TVD Sept 18 p1).

Commissioners praised Mass Media Bureau for acting on 95 indecency complaints that were on file before Aug. "All of a sudden, they're all out," said Comr. Quello. Of indecency inquiry, he said: "I'm delighted... Onward and upward." Comr. Marshall expressed hope comments would focus on risk of unsupervised children in audience 24 hours daily, as well as whether children are taping indecent programs while they're asleep and how many take transistor radios to bed. Sikes said inquiry was released because "today, we face legislative orders. We face judicial orders." He called FCC move "measured, thoughtful action to protect children." Asked why no action was taken against programs broadcast between 8 p.m.-6 a.m., FCC Gen. Counsel Robert Pettit said agency has interpreted those time periods as exempt from obscene rules under current court actions: "You have to draw some lines... Some of these things are pretty much up in the air" because Commission is operating under constraints of Congress and courts.

In actions against stations, FCC issued fine notices to 4: WIOD(AM) Miami (\$10,000), WZTA(FM) Miami (\$2,000), KLUC(FM) Las Vegas (\$2,000), KFI(AM) L.A. (\$6,000). Four others were asked to respond to complaints: KCCL(AM-FM) Paris, Ark., KSD(FM) St. Louis, WWWE(AM) Cleveland and WXRK(FM) N.Y. -- whose Howard Stern program was hit for 2nd time for alleged indecency. Mass Media Bureau dismissed 51 complaints against 40 stations, saying it didn't have enforcement authority when programs were aired (after 8 p.m.). Another 14 were dismissed as defective (not enough information) and one as moot. Remaining 21 were dismissed because they didn't meet legal standards defining indecency.

KLUC(FM) was fined for airing song Erotic City by Prince at 7:53 p.m. According to FCC, lyrics read: "We can fuck into the dawn. Making love till cherries gone. Erotic City can't you see, fuck so pretty you and me." Ark. AM-FM was cited for talk show, aired at 7 p.m., that FCC said included: "To all you listeners in Paris, Arkansas, don't bend over in front of my dad. Gene Williams [gen. mgr. of stations] will fuck you in the ass." According to FCC, telephone was unplugged by station employe but Williams phoned his son back on the air stating: "You fucking asshole, I told you we were on the air."

WWWE(AM) got in trouble for this exchange on Gary Dee Show (2-6 p.m.): Caller: "My comment is Lou told me that Chris James gives fellatio, okay... Now, my dream is to get in Chris James' pants." Dee: "Well, why don't you be a man and go down there and say that to her face. You know, you are just like a little kid masturbating in public. You've got no class, you've got no taste." Stern got in trouble 2nd time for ridiculing homosexuals and discussing sexual organs.

Wall St. Journal, Washington Post and AP ignored Sikes' request for "complete" coverage to inform public, didn't use any of words FCC labels obscene. Said Journal: "Erotic City... is certainly hot -- too hot for this newspaper to reproduce." Indecency was major issue at joint Senate confirmation hearing for Sikes, Marshall and Comr. Barrett (TVD Aug 7 p1). FCC NOI generally received approval on Hill, with Sen. Helms (R-N.C.) -- prime advocate of 24-hour ban against indecency -- stating: "It is heartening that the new commissioners have so quickly made clear that it is important to protect our children from this garbage."

Comsat Video Enterprises (CVE) will own 62.5% of NBA's Denver Nuggets basketball team, in deal announced Oct. 21 by CVE Pres.-CEO Robert Wussler and partners, Chicago businessmen Bertram Lee and Peter Bynoe. Purchase is "clear statement" that CVE intends to be serious player in distribution of sports programming, Wussler said. He said there will be no impact on existing distribution of Nuggets games, and Bynoe said franchise won't be moved from Denver. Wussler, former CBS-TV Network pres., was pres. of Turner's TBS until Sept. 1. At TBS, he also supervised operation of Turner's professional basketball and baseball teams. CVE is provider of in-room entertainment services to 300,000 hotel rooms, with pay-per-view and free-to-guest programming, as well as other electronic guest services and video conferencing.

FCC Comr. Quello will be keynote speaker at Community Bests. Assn. (CBA) conference Nov. 5-8 at Las Vegas Riviera Hotel. Preregistration indicates attendance and exhibitors already are more than double last year, CBA Pres. John Kompas said. CBA primarily represents LPTV stations. It said more than 700 LPTVs are on air, with average of 17 added per month and more than 1,800 having CPs. Key conference issues include access to programming and carriage on local cable systems. Details: 800-225-8183.

New-old entry in DBS antipiracy encryption race is Teleglobe Pay-TV System, pay-per-view pioneer headed by Solomon Sagall. Sagall said Teleglobe recently filed for patents on "innovative and sophisticated concepts." It already has 14 patents, he said, and cable operator ATC last year settled Teleglobe infringement claim. Sagall says Teleglobe engineers have developed several "novel alternative encryption methods." Encryption developments are budgeted at \$3 million, he said. He added that Teleglobe is seeking affiliation with telecommunications company or private financing. Details: Teleglobe, Suite 415, 40 W. 57 St., N.Y. 10019, 212-245-2490.

PTL founder Jim Bakker was sentenced to 45 years in prison and \$500,000 fine as result of fraud and conspiracy convictions. U.S. Dist. Judge Robert Potter in Charlotte, N.C., court set fine at highest level law allowed, but could have sentenced Bakker to 120 years for conviction on 21 charges.

Sony takeover of Columbia Pictures may "bring back decency and good taste" to movies, ex-President Reagan said in interview with Japan's Fuji TV. Reagan was in Japan on tour sponsored by Fuji's parent, Fujisankei Communications, which is paying him reported \$2 million.

RADIO BILL MEETS SKEPTICISM: Broadcasters will need to push harder for radio licensing reforms before Congress is likely to take up legislation, House Telecom Subcommittee Chmn. Markey (D-Mass.) indicated Oct. 26. His panel would consider issue. "I have grave concerns about wholesale reformation of the comparative renewal process," Markey said. "I am far from convinced that legislating significant changes in the renewal process is needed or warranted in the absence of significant evidence of abuse."

Markey's comments came at Subcommittee hearing on radio industry oversight. Lawmakers had been asked by ranking Republican on panel, Rep. Rinaldo (R-N.J.), to review case for legislation providing incentives for technical improvements and license reforms in radio (HR-1136 and -2714, respectively), which he has authored. HR-1136 reportedly has bare majority of Subcommittee as co-sponsors. Democrats, led by Markey, were skeptical of proposals, giving every indication that Subcommittee is unlikely to take them up soon. However, fact that panel finally was willing to hold hearing at all was taken by some broadcasters as sign of hope.

"I continue to have concerns about the casino marketplace for broadcasting properties" in wake of FCC order several years ago dropping 3-year antitrafficking rule, Markey said. "You are [seeking legislated reforms] out of a sense of paranoia," said Rep. Swift (D-Wash.), advocate of license reform. He saw industry's unwillingness to accept return of some abandoned FCC regulations as "awfully selfish." Rep. Cooper (D-Tenn.) said: "I am surprised that the radio industry wants the intrusion of the FCC to listen to all its broadcasts to get a real record" of its performance for renewal reviews. "I know of no broadcasters in my district who want the FCC on their case for 7 years."

Panel's Democrats displayed unwillingness to move any legislation unless it contains elements to slow station trading and possibly to set character requirements, codify agency's controversial ownership and preference rules for minorities and women, and toughen EEO, among other suggestions.

Rep. Tauke (R-Ia.) and other Republicans were more sympathetic to broadcasters, agreeing that current licensing system encourages irresponsible and burdensome challenges. Reforms were backed by Ronald Davenport, chmn. of Sheridan Bestg., minority broadcaster; John Dille, pres., Federated Media; Art Suberbielle, pres.-gen. mgr., KANE(AM) New Iberia, La.; Lois Wright, vp-corp. counsel to another minority firm, Inner City Bestg.

Contending that "broadcasters don't make money simply by playing music," Dille said radio provides important service to public that shouldn't be measured at renewal time against challenger's promises. He called existing licensing "archaic" and stressed that industry call for reforms isn't aimed at gaining new relief. High cost of license challenge is major threat to station viability, Davenport said, noting crimp in station's capital investment that legal cases can produce.

Suberbielle focused on technical questions, saying FCC rules permit too much interference. AM will be lost, he warned, if legislation like Rinaldo's to mandate manufacture of AM-FM stereo receivers isn't adopted by Congress, along with rules to curb interference, eliminate misuse of FM translators and expand AM band to allow daytimers into 24-hour market. Proposals are components of HR-2714.

Taking opposite view was Andrew Schwartzman, exec. dir., Media Access Project. He said renewal reform for

radio would be wrong step in era of investors as broadcasters. "A new breed of broadcaster has emerged, concerned only about short-term profitability," he said. For them, "the only difference between a broadcast license and a hamburger franchise is that the one from Burger King isn't free." Schwartzman was particularly concerned about end of use of character rules in license reviews, saying that convicted felons now can have their radio licenses renewed without hearing.

PHILIPS ENDORSES EDTV: "Two-pronged approach" to ATV -- with enhanced-definition (EDTV) first, followed by HDTV -- was backed by Philips last week as quickest way to bring ATV to viewers. This appeared to be marked change from company's previous policy of calling for direct move from present system to compatible HDTV transmissions and made its position identical to that of rival Sarnoff Research Center in some respects. Sarnoff and Philips have been discussing possibility of joint HDTV proposal (TVD Oct 16 p5).

Speaking at Electrical Engineering Times Conference in Washington last week, Philips Consumer Electronics Technology Vp Peter Bingham called for industry cooperation to bring ATV to viewers with minimum of delay and said it could introduce ATV sets "very quickly." EDTV could provide picture enhancements, including more detail, and perhaps wider image, Bingham said. Sarnoff proposal envisions 2 stages -- ACTV I, providing more detail and wide picture in single channel, and ACTV II, true HDTV using wider bandwidth.

Meanwhile, bipartisan group of House and Senate members sought to revive interest in govt. action on HDTV, Pentagon announced 3 more projects it would fund, and American Electronics Assn. fine-tuned its policy toward high definition by saying it really didn't mean TV at all. Details will be found in Consumer Electronics section.

Revenue growth in 1988 for TV stations in top 10 markets was only 2.61%, compared with 7.63% for those in markets smaller than top 100, NAB and Best. Financial Management Assn. (BFM) reported. Study includes figures for 118 markets, comparing 1987 figures with 1988 where available, plus 5-year trend. Nearly 75% of stations that received questionnaire responded. Revenue growth in TV markets 11-25 was 6.08%; 26-50, 6.07%; 51-75, 3.8%; 76-100, 4.87%. Yakima, Wash. (market 127), showed largest increase at 21.17%, followed by Midland-Odessa, Tex., with 19.56%. Full report is available from NAB (\$200 for members, \$400 for nonmembers), 1-800-368-5644.

House was unable to override President Bush's veto of measure containing CPB forward funding, falling 51 short of 2/3 needed. Bush had vetoed bill because it included federal funding for abortions for poor women who are victims of rape or incest. Bill also contained FY 1992 appropriations of \$251.03 million for CPB, \$76.25 million for public broadcasting's satellite replacement project, FY 1990 spending of \$15 million for Star Schools educational telecommunications program, \$1 million for WGBH-TV Boston-developed Descriptive Video Service.

Cox Cable is buying group of home video stores from Southeastern Retail Management (SRM). Stores, franchisees of Blockbuster Entertainment, will become part of Cox Home Video, said Cox Pres. James Robbins. Cox Home Video was formed last month when Cox made \$15 million investment in Blockbuster and signed letter of intent to operate 100 Blockbuster stores by end of 1991. SRM owns 10 video stores in Ala. and Ga., has rights to build 8 more.

TIME WARNER DEAL CUTS PROFITS: Time Warner said net loss reached \$176 million in 3rd quarter, mainly because of cost of merger of Time and Warner. Loss compares with Time profit of \$81 million in same period year ago. Time Warner stressed that operating cash flow more than doubled after merger to \$526 million, and revenue, which includes 2 months of Time Warner's 59.7% ownership of Warner Communications, doubled to \$2.2 billion. Time Cable Div. cash flow jumped 77% to \$166 million, but cash flow declined at Home Box Office and in Magazine and Books Divs.

Warner, meanwhile, separately reported \$106 million net loss for quarter, including \$100 million of merger expenses and \$120 million for stock-based employee compensation plans. Warner said Batman success contributed to cutting loss from \$113 million year ago.

Improved broadcasting results led Cap/ABC to 29% profit growth to \$80.8 million in 3rd quarter. Profits also were boosted by accounting change. Broadcast revenues climbed 11.3% to \$838 million and operating profit was up 18% to \$134.9 million. TV network had significantly higher ad revenues, and revenue growth was strong at TV stations and ESPN, Cap/ABC said. Owned TV stations and ESPN led operating profit gains, while ABC-TV profits were "moderated" by higher programming and newsgathering costs. Total Cap/ABC revenues rose 9% to \$1.1 billion in quarter, but newspaper revenues gained only 3%.

Washington Post profits were up nearly 18% to \$44.8 million in quarter. TV revenue rose 3% and cable revenue 10%. Newspaper revenue was up 6%, for total revenue growth of 5% to \$346 million... Times Mirror net was down 13% to \$70 million, primarily because of asset sales last year. Chmn. Robert Erburu cited "strong results" in cable business, with 70% operating profit growth, and "some improvement" in broadcast TV... Knight-Ridder had \$37.8 million net profit in 3rd quarter, up from \$32 million year ago, despite \$316,000 loss on TV operations. It sold last of its 8 TV stations, WTEN Albany, N.Y., this month.

ATC more than doubled net profit for 3rd quarter, to \$22.4 million. Revenues were up 19% to \$244 million and operating cash flow of \$108.9 million soared 63.6%... Jones Spacelink and Jones Intercable subsidiary posted higher net losses in fiscal first quarter ended Aug. 31. Both attributed losses to higher depreciation, amortization and interest associated with acquisition of cable systems. Spacelink's net loss grew 35% to \$2.5 million, even though revenues were up 39% to \$22.1 million. Intercable's loss of \$9.8 million was 88% higher than year earlier despite 34% revenue growth to \$19.4 million. Results included \$2 million extraordinary loss as result of redemption of debt.

LIN Bcstg. net profit jumped nearly 20% in 3rd quarter to \$24.6 million, despite nearly \$3.4 million legal and financial costs involved in merger situations with McCaw Cellular and BellSouth. LIN media results were nearly flat, with revenues up 3.6% to \$38.6 million and operating profit up 0.5% to \$16.3 million... A.H. Belo had \$3 million net profit in 3rd quarter, vs. \$663,000 year ago, in part because of growth at 5 TV stations. Belo said broadcast revenues rose 16% to \$42.2 million, with all 5 stations reporting improvements.

Pay-TV sports hearing scheduled Nov. 1 has been postponed by Senate Antitrust Subcommittee because of "scheduling problems," aide said. No new date was set.

Cable transactions, terms reported when available:
Falcon Cable will buy systems serving 54,000 subscribers in Ala., Ga. and Miss. from First Carolina Cable TV. Systems will be owned by new limited partnership including Falcon and First National Bank of Chicago. Falcon also said it will form 2 new entities to acquire other First Carolina systems with 44,000 subscribers in N.H., N.Y., Vt. Brokers: Waller and Kilpatrick & Cody...
Galaxy Cablevision is selling 23 cable systems in central Tex. to Capital Cable for \$23.7 million. Systems were among 132 Galaxy acquired in March 1987, Galaxy Chmn. Tommy Gleason said. Galaxy had said earlier they would be sold to Douglas Communications, but sale didn't go through. Systems pass 30,000 homes...
Sutton Capital sold Landmark Cablevision to Tele-Media. Landmark has 22,000 subscribers in Salem and Lisbon, O. Broker: Denver Group...
Nationwide Insurance subsidiary bought private cable companies serving 120 apartment complexes in Houston area with 38,000 subscribers from Gulf American Cable... Cablevision of N.Y.C. acquired Group W's CATV Enterprises system, serving 7,000 subscribers in Riverdale section of Bronx...
Command Cable acquired cable assets of Joe McCorkle Inc., which has systems with 1,000 subscribers in Sonora, Upton and Whitesville, Ky. Broker: Cable Investments...
Tele-Media purchased assets of CER Cablevision of Tex., which has 625 subscribers near Mauriceville. Broker: Communications Equity Assoc...
Planned Cable Systems, Dallas, bought majority interest in 3 U.K. cable systems owned by Robert Maxwell. Franchises are in Cardiff, E. Hampshire, Guildford-W. Surrey.

TV networks aren't asking for "special treatment, only that we are not unfairly penalized and hampered" by financial syndication (finsyn) restrictions and other govt. regulations, CBS Pres. Laurence Tisch said. Speaking at recent media and entertainment conference in Tucson sponsored by Bear Stearns, he said that by any marketplace standard (such as ratings or demographics), networks "should end up with a very healthy portion of the profits derived from American television." But, he said, that just isn't case: In 1988, ABC and CBS TV networks together earned only about \$100 million on almost \$5 billion in revenues; one Hollywood studio made \$200 million on just \$600 million in sales of syndicated programming. He asked: "Why do some cable networks, with rating levels 1/20th of the broadcast networks, earn \$100 million on revenues of just \$250 million?... Cable and syndication have both been built on the backs of the networks and they both continue to depend on us for essential sustenance." Transfer of "billions of dollars" from networks and affiliates "to these other industries is distorting the competitive environment and it will ultimately damage the viability of the network-affiliate system," he said. He charged finsyn rule "is clearly anticompetitive and merely strengthens the power of the major [Hollywood] studios... Sooner or later, the economic realities will force a collision with outmoded, irrational and inefficient regulatory structures."

House rapped new European Community (EC) TV content restrictions in sharply worded resolution (H. Res. 257)(TVD Oct 16 p1) passed by 342-0 vote Oct. 23. "I say the issue... is censorship, the issue is restrictive trade practices," said House Trade Subcommittee Chmn. Gibbons (D-Fla.). It was apparent in floor debate that H. Res. 257 doesn't go far enough for some, but members generally agreed it was good start. "This resolution today is as if the captain of the Titanic was warned there was a small chunk of ice ahead," said Rep. Gejdenson (D-Conn.). "This is simply the tip of the iceberg as the [EC] proceeds to integrate its own economy, [raising] walls to American products."

BELO SAYS IT'S NOT GUILTY: A.H. Belo Corp. told FCC last week "there is not a shred of evidence to support" charges of Dallas Times Herald (DTH) that Belo -- which owns rival Dallas Morning News (DMN) as well as WFAA-TV there -- used TV station to acquire joint production deal with United Press Syndicate (UPS). Agreement resulted in UPS's shifting 26 newspaper features and comics from DTH to DMN and caused former to file petition at FCC seeking revocation of WFAA-TV license (TVD Oct 9 p6). Times Herald told FCC it "believes that Belo made it happen by leveraging its ownership of WFAA-TV to benefit its newspaper."

Belo said it "has done nothing unfair, unethical or unlawful to improve its position or to injure DTH. In particular, it did not exploit its ownership of WFAA-TV to encourage UPS to move its features to DMN."

DTH allegations at FCC against Belo of alleged anticompetitive conduct and violation of antitrust laws "are the same factually inaccurate and legally deficient allegations currently pending" in suit against Belo and transfer of newspaper features in Tex. state court, Belo told FCC. Following 2-day hearing, Tex. court denied DTH's request for injunction to prohibit shift of features to DMN "without even requiring Belo to put on its defense," Belo told FCC.

Meanwhile, on Capitol Hill, House Telecom Subcommittee member Bryant (D-Tex.) in statement on House floor Oct. 26 urged FCC to hold full hearing on dispute. "Inasmuch as the termination of the Times Herald's rights to these popular features may have seriously undermined its ability to survive... this is a very serious matter that is worthy of careful examination by the FCC," Bryant said.

National Captioning Institute (NCI) has awarded \$1 million contract to ITT to develop low-cost decoder chip that could be built into TVs, VCRs and cable converters to allow carriage of closed captions for hearing impaired. NCI Pres. John Ball estimated chips would add \$20 to cost of each TV set at outset, but said mass production eventually would reduce that to negligible amount. Closed captions are available now only by adding separate \$180 decoder to TV set. Ball said decoder chips could be available to manufacturers by late 1990, and TVs could be on market in 1991 or 1992. Decoders also could help children and others learn to read by seeing printed words along with sound, he said. NCI said it will continue to manufacture separate decoders through end of century. It said about 250,000 are in use.

Pacific Telesis acquired 2 more cable TV franchises in U.K., giving it potential for 200,000 more subscribers, said Lee Cox, head of Pacific Telesis International. Pac Tel bought 100% of Bolton Telecable from National Telecable Management in swap for Manchester area franchise. In separate deal, East London Telecommunications (ELT) won franchise for Waltham Forest, adjacent to ELT's London franchise with 85,000 potential subscribers. ELT is owned principally by Pac Tel and Jones Intercable.

NAB will present annual "Service to Children" awards in 14 categories in Nov. 8 ceremony at Library of Congress, Washington. Entries in regularly scheduled programs category will be eligible for \$5,000 award from Post-Newsweek Stations. Tapes of entries will be donated to Soaring Spirits program of AWRT for showing in children's hospitals.

Resolving that development and standardization of terrestrial advanced TV (ATV) is of highest priority, broadcasters from U.S., Canada and Mexico agreed to cooperate in several areas. Groups will seek single ATV standard for N. America and take steps to implement standard. Resolutions covering several other areas of joint interest also were adopted at 3-day meeting in Williamsburg, Va., of NAB, Canadian Assn. of Bcstrs. (CAB) and Mexico's La Camara Nacional de la Industria de Radio & TV (CIRT). On ATV, broadcasters of 3 countries agreed to: (1) Exchange technical information on VHF and UHF assignments. (2) Cooperate "in all appropriate forums to assure a unified and consistent view of ATV standard-setting for terrestrial broadcasting." (3) Collaborate on implementation of ATV in N. America after testing is completed and standards have been set. (4) Cooperate "specifically" in consumer research in acceptance of ATV. Resolution dealing with joint efforts on AM improvement urged all AMs to broadcast in stereo and to work to implement AM "quality" certification for receivers. On Class A FM upgrades (where U.S. has granted power increase to 6 kw except within 200 miles of border), NAB, CAB and CIRT agreed to review with their govts. changes that would permit U.S. Class A FMs within 200 miles of borders to increase power. Referring to new Canadian law extending copyright liability to retransmission of broadcast signals even when prior approval hasn't been received, 3 groups urged Ottawa govt. to absolve broadcasters of any retransmission liability. Extending music performance rights to sound recordings "would have profound negative implications" on relationship between broadcasting and recording industries and "would result in a significant new additional financial burden on private broadcasters," groups concluded.

Congressional wrangling over fairness doctrine could come to head this week, sources said. Political maneuvering last week had White House sending veto signals to Congress on variety of differences that President Bush has with legislators on budget reconciliation package, which includes codification of fairness doctrine. Taking cue from White House aides, who had told reporters of Bush's interest in testing legality of line item veto, broadcasters were pushing last week for experiment on fairness. However, reports late in week indicated that Bush may be more concerned about viability of budget reconciliation package since word on Capitol Hill was that lawmakers probably would move soon to "undo" damage done to agency bottom lines earlier in month when mandatory "sequestration" (withdrawal of appropriations) occurred, as required under Gramm-Rudman-Hollings balanced-budget law. Bush was reported considering rejecting package on that ground, to keep heat on Congress. Meanwhile, sources said congressional leaders involved in budget reconciliation talks also were considering removing fairness doctrine from package because Senate had voted for "clean" bill without any legislative provisions. Move in that direction was advocated by RTNDA Pres. David Bartlett in 4-page letter to conferees. He stressed that doctrine "enforced through imposition of fines on journalistic expression is both unconstitutional and unwise."

Cablevision of Central Fla. will cooperate with affiliates of all 3 networks to produce news broadcasts: (1) NBC affiliate WESH Daytona-Orlando will provide newsbriefs for Cablevision's CNN and ESPN channels throughout day. (2) Cablevision is teaming with ABC affiliate WFTV Orlando to produce 5-min. newscasts within Headline News, every half hour 8:54 a.m.-10:54 p.m. Local news is taped at WFTV, sent by microwave to Cablevision. (3) Cablevision will rebroadcast 6 p.m. newscast of CBS affiliate WCPX-TV Orlando at 9 p.m. on community channel. Cablevision is unit of ATC.

INTV PRODS FCC ON CABLE: INTV wants extensive FCC oversight of cable programming activities, it said in petition for rulemaking. Among other things, rules that INTV suggested almost certainly would require MSOs to divest most of their national program services and offer "significant portion" of cable system channels on common carrier basis. INTV also wants FCC to take more active role in must-carry.

Petition is response to new cable channel in Rochester, N.Y. Greater Rochester Cablevision channel, WGRC, is being programmed like independent TV station and is expected to compete with local outlets. INTV had said before station was launched that it planned to use WGRC as test case (TVD Sept 25 p2).

FCC Chmn. Sikes has endorsed local origination channels such as WGRC, saying it's "good" that cable is providing more of its own programming (TVD Oct 2 p5). When asked about likelihood FCC would act positively on petition in light of Sikes' statement, INTV spokesman Lawrence Laurent said: "I suspect his education is not complete at this point." NCTA was relatively unperturbed by INTV filing. Assn. said: "Their basic problem is that they hate the idea of a local cable channel competing with them. However they dress it up, that's going to come through, and they won't win this fight." CATA Pres. Stephen Effros dismissed lengthy INTV filing, saying: "It's an affront to the environment that they would kill trees for this."

Rules proposed by INTV would limit cable systems to carrying one program channel in which system's owner has attributable interest. MSOs almost certainly would have to divest holdings in program channels, rather than leave cable systems without access to most of popular ones, INTV officials said at news conference announcing petition filing. FCC also should take over regulation of what broadcast programs cable systems will carry and channel assignment practices of cable systems, giving agency almost total authority over must-carry, petition said. Other rules INTV seeks include: (1) Restrict cable system to programming no more than one commercial channel. (2) Operator could sell ads on only one cable channel. (3) "Significant portion" of cable system's channels should be available for leasing to other programmers on common carrier basis.

Rules are only way to prevent cable systems' abuses of competitive position, INTV said. It said WGRC can "control and even eliminate competition for viewing audience, programming and advertising" by dropping TV stations' signals or just moving them to new channel positions. Key question is whether cable has crossed threshold set by 1984 Cable Act. INTV said threshold means that once 70% of U.S. homes are passed by cable and 70% of those passed take it, FCC can regulate cable as common carrier. NCTA said cable industry still falls well short of penetration levels. NCTA spokesman pointed out Act requires that 70% of homes be passed by systems with at least 36 activated channels, but average U.S. cable system has only 32 channels. Cable now passes about 86% of U.S. homes, but only 59% are customers, NCTA said.

Showtime signed 60-picture deal with Columbia Pictures, said Showtime Chmn. Winston Cox and Columbia Exec. Vp Arnold Messer. Deal gives Showtime nonexclusive rights to air movies made by Tri-Star and Columbia beginning late this year, as well as to "classic" films from both studios. Financial details weren't disclosed. Showtime also said Manhattan Cable will add service to its program lineup Nov. 1, making it available to 230,000 additional subscribers.

MARSHALL SETS TV 'GUIDEPOSTS': Preservation of diversity and widespread availability of TV programming to American public "must be the FCC's guideposts in setting and pursuing our video agenda," FCC Comr. Marshall told bar association seminar in Washington last week. She also floated idea that convergence of broadcasting and cable may cause FCC "at some point" to consider eliminating some restrictions on broadcasters.

Few anticipated convergence of broadcast and cable industries, she said, citing broadcast programming efforts in cable -- "yet these 2 converging industries are regulated under different regimes... Add to that mix the fact that the telephone companies, which are regulated under yet another regime, also want to get into the video business and you have a regulatory nightmare in the making." Marshall told us later she wasn't making policy statement, just saying that "if the convergence between broadcast and cable continues, at some point this is something the FCC may want to look into." She said she's concerned about increasing concentration in cable industry: "I haven't reached any conclusions, but I will look closely at the dangers and the benefits, if any."

NAB Exec. Vp John Abel said no telco customers are "clamoring for fiber" and NCTA Vp Brenda Fox called telco plans for fiber to home "gold plating." CBS Senior Vp George Vradenburg agreed fiber "won't add much to available video service or increase viewership appreciably." Jerry Lederer, USTA exec. dir.-govt. relations, denied telcos want fiber to increase their cost basis as justification for higher profits, saying they're trying to eliminate rate base regulation by moving to price caps, but NCTA opposes that. Argument that no customers are asking for fiber is same candlemakers made in early days of electricity, he claimed: "The consumers are asking for fiber, they just don't verbalize it. They are asking for cheaper prices and better service."

Broadcasting is inefficient use of spectrum to reach consumers at home, said Peter Huber of Manhattan Institute, whose report 2 years ago formed basis of Justice Dept. recommendations to U.S. Dist. Judge Harold Greene on Modified Final Judgment. Huber said "most of our video future is landline," and broadcast spectrum is economically more valuable for mobile communications. He described HDTV as "the tail on the dog. It shouldn't shape our choice of video delivery systems since it's clear that any delivery system can interact with HDTV."

Rupert Murdoch has set 5-year deadline for his Sky TV to become successful, he said in interview on London's Channel 4 TV. He said that after 5 years "we'll either have a few million people with dishes or we'll have to admit we were wrong." Interviewer asked if that meant he might shut down Sky TV, and Murdoch replied: "Oh, absolutely, unless someone else would like to buy it and try again." This winter is key period, Murdoch said, because that's when many consumers make TV equipment decisions. He remained confident of eventual success of Sky TV, saying it's "beginning to move," although it's "by no means a success yet." Murdoch said Sky TV reaches 500,000 U.K. cable homes, expects to have audience of one million by Feb.

Scientific-Atlanta has started marketing addressable subscriber products in Japan, introducing Model 8591 set-top terminal and System Manager V at Tokyo Festival CATV 89 Oct. 12-14. Both products include Japanese-language character interface. Set-top unit is derivative of 8590 terminal, said Dir.-Subscriber Systems Stephen Necessary.

Personals

Former president Ronald Reagan speaks of "Unfinished Business of His Presidency" at Nov. 7 HRTS lunch, Beverly Wilshire Hotel... Cal. Gov. George Deukmejian (R) speaks Nov. 15 at TvB convention, L.A. Century Plaza Hotel... Amy Adelson, dir.-motion pictures for TV, NBC, moves to ABC Productions as vp-development.

FCC personnel actions: **Lorrie Secrest**, pres.-Washington AWRT Washington chapter and ex-USIA, FTC, FBI and Warner-Amex QUBE, becomes dir., FCC Office of Public Affairs, Nov. 6; **James Warwick**, engineering aide to ex-FCC Comr. Washburn and currently head of own technology firm EM-TEC, will rejoin Commission as acting inspector gen., succeeding **John Kamp**, now vp-regulatory affairs, AAAA Washington office; **Stevenson Kaminer**, ex-deputy chief, Policy & Rules Div., FCC Mass Media Bureau, appointed senior legal adviser to Marshall, succeeding **Lisa Hook**, now with Time Warner in N.Y.; **Rebecca Dent**, confidential asst. to ex-FCC Chmn. Patrick, moves to Private Radio Bureau as management analyst; Engineer **Alex Felker**, ex-chief, FCC Mass Media Bureau, joins Washington law firm Wiley, Rein & Fielding in mid-Nov. as technology-engineering consultant.

Harold Crump, ex-co-owner, WCSC-TV Charleston, S.C., named gen. mgr., KSTP-TV St. Paul and vp of parent Hubbard Bestg... **Rick Blangiardi**, vp-gen. mgr., KHNH Honolulu, joins co-owned KING-TV Seattle in same capacity... **David Godbout**, vp-gen. mgr., WDKY-TV Danville, Ky., joins WAWS-TV Jacksonville in same capacity... **Bill Ferrell** promoted to gen. mgr., WAPT Jackson, Miss... Newly elected INTV board members: **William Frank**, Chris-Craft/KCOP L.A.; **Edward Karlik**, Chase Bestg. TV Div./WTIC-TV Hartford.

Promoted to vps in restructuring of Eastern Educational TV Network's programming services: **William Dale** to vp-Interregional Program Service National; **Pat Faust** to vp-programming and mgr., Premium Service and National Program Partners I; **Niki Scher** to asst. dir.-programming; **Gene Nichols** to vp-program administration... **Mark Lowden**, ex-Group W Satellite Communications, returns to Atlantic Satellite Communications as mgr.-operations... FCC Chmn. **Sikes** addresses American Newspaper Publishers Assn. dinner Nov. 2, City Club, Washington, 8:30 p.m.

Joan Turner promoted to local sales mgr., WDBJ Roanoke... **Dawn Rodriguez** joins WJXT Jacksonville as sales promotion dir... **Helen Kennedy**, ex-KCET L.A., joins Ore. Public Bestg. Foundation as dir.-membership... **Joan Kohn**, ex-KCTV Kansas City and Ia. Public Bestg. Network, appointed promotions dir., WEWS Cleveland... **Richard Lehner**, WUFT-TV-FM Gainesville, elected chmn., Southern Educational Communications Assn., succeeding **Henry Cauthen**, S.C. Educational TV; **Wayne Godwin**, WKNO-TV-FM Memphis, was elected vice chmn., but post will have to be refilled since he's moving to WCET Cincinnati Jan. 1 as pres.-gen. mgr.

Arthur Cohen, ex-Revlon, named pres.-mktg., Paramount Motion Pictures Group... Changes at Group W Satellite: **Lynn Price** promoted to gen. mgr.-affiliate relations, Western Div.; **Frank Russo**, ex-United Cable, named affiliate rep... **Robert Miggins**, ex-Petry, named TeleRep vp-west coast mgr... Changes at Rocky Mountain Div., United Artists Cablesystems: **Mario Dieckmann** advanced to vp-gen. mgr., Tulsa Cable; **Dave Born** promoted to mktg. mgr.; **Bradley Moore** joins as business mktg. mgr., United Cable TV of Wyo... **Donna Collins** advanced to

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vp-sales and mktg., Conn. PTV... **Jodi Hooper** promoted to asst. dir., NCTA Cable Signal Theft Office.

Torey Southwick, pres.-gen. mgr., WEOA Akron/WNEO-TV Alliance, O., retires April 1... **Ann Bojack** advanced to head, Titan Entertainment's international and pay-per-view operations, succeeding **Jim Troy**, who remains consultant... **Jerry Rice** joins WITF-TV-FM Harrisburg as vp-chief financial officer.

Sony and **Warner Bros.** are locked in lawsuits over men Sony picked to head Columbia Pictures. Sony filed \$100 million suit against Warner as counter to Warner's effort to keep Sony from hiring Peter Guber and Jon Peters to head Columbia. Warner, which has 5-year production deal with Guber and Peters, had sued Sony earlier for \$1 billion over hiring. Sony officials said they had been trying to negotiate settlement, and it's "very regretful" that Warner sued. Negotiations will continue, spokesman said. Warner Chmn. Steven Ross accused Sony of "illegally and willfully raiding key talent under exclusive contract to a competitor." Guber-Peters Entertainment, meanwhile, reported \$5.8 million profit in fiscal first quarter ended Aug. 31, compared with \$6.9 million loss year earlier. Revenues more than doubled to \$10.9 million, primarily on success of Batman, which Guber-Peters produced for Warner. Warner predicted Batman will generate more than \$1 billion.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	OCT. 7-13	1988 WEEK	% CHANGE	SEPT.30- OCT. 6	41 WEEKS 1989	41 WEEKS 1988	% CHANGE
TOTAL COLOR.....	440,294*	402,016	+ 9.5	362,442	16,698,502*	15,202,600	+ 9.8
DIRECT-VIEW...	433,151*	395,424	+ 9.5	360,557	16,521,522*	14,993,452	+10.2
PROJECTION....	7,143	6,592	+ 8.4	3,885	176,980	209,148	-15.4
TOTAL VCR.....	236,031	244,702	- 3.5	158,301	8,310,577	8,897,215	- 6.6
DECKS.....	200,829	214,771	- 6.5	128,864	6,796,054	7,505,143	- 9.4
CAMCORDERS....	35,202*	29,931	+17.6	29,437	1,514,523*	1,392,072	+ 8.8

Color TV 5-week moving average: 1989--514,968*; 1988--499,139 (up 3.2%).

VCR deck 5-week moving average: 1989--233,665; 1988--277,034 (down 15.7%).

Camcorder 5-week moving average: 1989--49,128; 1988--49,358* (down 0.5%).

* Record for period.

OTA STUDY FINDS NO CLEARCUT HOME TAPE DANGER: Two-year study of home taping, made at request of congressional committees (TVD May 18/87 p11), found that while home taping can displace some sales of recorded music, it also can stimulate sales, and that ban on home taping would be harmful to consumers and to tape industry.

Carefully balanced study by congressional Office of Technology Assessment (OTA), expected to serve as framework for Capitol Hill action for years to come, reached no specific conclusion except that whether or how to restrict or encourage home taping "is a political decision, not a technical one, in which the public has a stake." It noted that any decision could well serve as precedent for other technologies, such as video or computer software.

Document covers 300 pages, and largely is evenhanded in its treatment of long-standing Recording Industry Assn. of America (RIAA) and EIA viewpoints. Important exceptions include conclusion that "consistent loss in consumers' economic welfare and in society's net economic welfare" would result from any ban on home taping.

Report used complicated series of econometric models to show that most significant of economic consequences that would result from prohibition on home taping "is that consumers will be less well off as a result of the ban." Analysis by economist Fred Mannering, contracted by OTA for purpose of report, suggested that social costs of home taping ban "can be significant in the short term." Report interpreted his analysis this way: "Although home taping may reduce the recording industry's revenues, a ban... would be even more harmful to consumers, and would result in an outright loss of benefits to society, at least in the short term, of billions of dollars."

Report pointed out that there are several "harms" and "benefits" in home taping picture -- presumably meaning that harm to recording and music industries isn't only one to be considered. "Instead, because consumer benefits from home taping appear to be so large, a ban would result in a large net loss of benefits to society. These net effects should be considered in policy formulation."

Much of report drew on survey of cross-section of public in 1,501 interviews. Report estimated 578-600 million home tapings from prerecorded sources yearly, as opposed to 750-885 million purchases of recordings. Nearly 6 in 10 of adults rated concept of royalty on blank tape or hardware as "unfair." Moreover, said OTA, 63% of national sample thought it perfectly fair that "current home taping practices should be left unchanged." More than 25% of respondents who taped said they were copying own recordings for car, Walkman or other type of tape player. Some 21% made tapes for friends. Although it was suggested

that as many as 22% of most recent tapings displaced sales of recordings, report said survey results "suggested that if people were unable to make tapes, over 3/4 of the tapes that would not have been made would not be replaced by sales of recorded music."

Survey also had questions dealing with home videotaping that found basic difference between audio and video copying -- latter was mainly for time-shift purposes and programs then were erased, as opposed to audio tapes that were kept permanently. Most videotaping was done from TV, rather than from other tapes. Presumably principal reason (not mentioned in report) is that few families have 2 VCRs.

Although study was prompted by dispute over introduction of digital audio tape (DAT) recorders and possible effect of perfect copies on music industry, survey gave "reason to doubt whether... DAT recorders will inevitably lead to a significant change in copying behavior."

Preliminary response from EIA and RIAA camps was predictable. EIA Vp Gary Shapiro went so far as to describe report as "100% vindication of the HRRC's [Home Recording Rights Coalition] position on home taping." He said OTA document effectively killed hope of getting Congress to approve royalties. RIAA Senior Vp-Govt. Affairs Hilary Rosen, on other hand, said she found extent of home taping documented in OTA survey to be "staggering." She added she was disturbed that OTA put higher priority on alleged losses to society at same time it agreed with RIAA position that home taping displaced some record industry sales.

Copies of report, "Copyright and Home Copying: Technology Challenges the Law," are available from U.S. Govt. Printing Office, Washington, D.C. 20402 (202-783-3238) for \$13. GPO Stock No. 052-003-02269-7.

RCA/GE CE LOSS PUT AT \$45 MILLION IN 1988: RCA/GE consumer electronics operation lost \$44.7 million last year, according to first annual report of parent Thomson Consumer Electronics (TCE), French subsidiary of Thomson S.A. Financial report gives U.S. consumer electronics subsidiary's loss as \$69.7 million, but Thomson source, in response to our inquiry, said this was offset by \$25 million profit on separate consumer electronics sales subsidiary in U.S.

Worldwide sales of what is now TCE totaled \$5.7 billion in 1988, of which \$2.8 billion (49%) came from the Americas, global company said in 1988 annual report, first since its founding by govt.-owned parent Thomson, covering first year of Thomson ownership of RCA and GE consumer electronics. TCE actually was founded Dec. 31, 1988, and report is pro forma, combining all elements that now comprise TCE.

Sales in Europe were slightly below those in Americas, at \$2.6 billion, report said, which indicates parent TCE had operating profit of about \$139 million, but interest, restructuring costs and taxes resulted in net loss of some \$34.7 million. European consumer electronics operations (Thomson Grand Public) had estimated \$58.2 million net income. For full year 1988, report lists TCE's ownership of TCE Inc. (U.S.) at 80.1% -- GE retained 19.9% at time of sale Dec. 31, 1987, to be turned over to Thomson gradually over undisclosed period. (Financial results, given in report in francs, have been converted to dollars at average rate prevailing during 1988 for pro forma financial statements, rate at year's end for balance sheet in keeping with Thomson policy.)

Book value of U.S. subsidiary is given as \$437.2 million, European consumer electronics operation (Thomson Grand Public) at \$311.3 million. TCE owns 49% (with JVC) of VCR manufacturer J2T in which its total investment was about \$32.7 million at end of 1988 and on which it realized some \$2 million in income for year. TCE also owns 97% of French tube maker Videocolor and 78% of Videocolor of Italy.

TCE is No. 1 in consumer electronics in U.S., No. 2 in Europe, No. 4 worldwide, Chmn.-CEO Pierre Garcin noted in annual report. In U.S. TV, Thomson improved market share (RCA and GE) by about 1% to 20% last year, report said. Demand for picture tubes exceeded production capacity worldwide and prices firmed, report said, adding that company sold 8.3 million tubes in 1988, about 45% of its total production going to other manufacturers. Thomson says it's world's 2nd-largest producer of large tubes. J2T assembled million VCRs in Berlin and produced same number of VCR mechanisms in France.

In audio, TCE's GE brand had about 20% of market in U.S. and Canada, report said, up more than one point from 1987, with sales up 10%. In communications, TCE said it was in "clear No. 2 position behind AT&T with 11% market share," and with sales up 20%, more than double industry's growth of 8%. "Strong sellers in the U.S. included headset audio and specialty products such as the Spacemaker line of kitchen audio products and a line of clock radios and recorders specially made for children." TCE had more than 30% share

of U.S. clock radio market, and under-\$40 answering machine was among its stars. TCE's first factory in China opened last year in Shenzhen, to gradually replace Hong Kong facility.

TCE filed 107 patent applications in U.S. last year, report said, 40 jointly with David Sarnoff Research Center relating to ACTV. Some 50 were for signal processing in such areas as picture-in-picture and tuning systems. Of Thomson's global work force of 54,300, some 20,000 are in Asia, 17,300 in Europe, 16,400 in Americas, 600 in Africa.

Breakdown of 1988 sales by country showed 45.1% in U.S., 3.8% Canada, 10.8% France, 13.6% W. Germany, 6.7% Italy, 3.2% Spain, 7% U.K., 4.5% elsewhere in W. Europe, 2.1% Far East, 3.1% other countries. Pro forma income statement for 1988 showed R&D expenses of \$163.9 million. Consolidated balance sheet indicated total assets of \$4.1 billion.

ZENITH'S CONTINUING OPERATIONS IN RED: Zenith reported \$9.1 million 3rd-quarter loss from continuing operations, which includes consumer electronics, color picture tubes and electronic components, but not computer business that Zenith is in process of selling to Groupe Bull of France for up to \$635 million (TVD Oct 9 p9). But computer business lost money, too. Sales of continuing operations rose 4.4% to \$377 million. In 3rd quarter of 1988, continuing operations had \$2 million profit, but that included \$2.5 million in nonrecurring gains on disposition of properties and \$2.1 million from patent litigation settlement. (See financial table.)

Consumer electronics results were affected by "variety of factors" in 3rd quarter, including sluggish sales, Zenith said. "In color TV, slightly higher average selling prices (compared with last year's 3rd quarter) were offset by a modest decline in unit shipments as the company reduced distributor inventory levels further in 1989," Zenith said. Costs were affected adversely by inflation, "but the effect was tempered by ongoing cost-reduction programs."

VCR deck sales to dealers were "soft" in quarter, and industry continued to be plagued by oversupply of camcorders, Zenith said. At announcement of proposed sale of computer group earlier this month, Zenith Chmn.-Pres. Jerry Pearlman said camcorder glut is "a disaster for everyone in the industry." Still, Zenith said VCR profitability improved slightly because of margin improvements.

Zenith's continuing operations had loss of \$21 million in first 9 months of year, on 15.1% higher sales of \$1.1 billion, vs. \$18.5 million loss in same year-earlier period. Operating results for 9 months improved \$3 million, Zenith said. Nonoperating items and interest expenses increased \$6 million, mainly because of nonrecurring gains in 1988 from property dispositions and patent settlement. Zenith said 3rd-quarter operating results from picture tubes sold to other manufacturers, cable products and components were virtually unchanged from last year's quarter. Discontinued (computer) operations had 3rd-quarter loss of \$15 million, compared with \$1 million profit year earlier. In first 9 months, loss was \$20.1 million, vs. \$9.8 million profit in same 1988 period. Results for discontinued operations were hurt by adverse impact of foreign currency exchange contracts, Zenith said. Consumer electronics operating profits for full year are "expected to be better than last year's, but not as much as the \$15 million improvement we forecast earlier," Pearlman said.

Zenith has submitted proxy materials to SEC on sale of computer business to Groupe Bull. Company will seek stockholder approval of sale at special meeting in Dec., and transaction is expected to be completed by year-end.

Emerson reported 62.1% rise in consolidated net profit in fiscal 2nd quarter ended Sept. 30, on 25% higher sales. In first 6 months, net jumped 88.5%, on 29.3% higher sales. Pres. Stephen Lane said company expects improved operating results in 3rd quarter, and remains "cautiously optimistic about future." Philips, in reporting 7% rise in 3rd-quarter sales, said U.S. consumer electronics sales "grew faster than the market" (see separate report in this issue).

PATENT PROBLEM BLOCKS MITSUBISHI 70" TV: Biggest consumer projection TV set -- Mitsubishi's 70", introduced last spring (TVD May 8 p16) -- has been postponed, along with superbright version of its 60", currently largest home TV, because of "unresolved patent issues" involving internal reflective coating of projection tube. Philips has U.S. patents on tube that appear to be similar to ones used by Mitsubishi.

"We were informed very late in the initial CRT production cycle that Mitsubishi's use of a special optical coating found in our new CRT for [the 2 new models] is similar to technology of other manufacturers

who have approved U.S. patents," A/V Group Exec. Vp Terry O'Flynn wrote dealers last week. Interim new 60" TV model is being supplied, but 70" "will be delayed until further notice," dealers were told. O'Flynn expressed confidence that "we'll have free and clear patents on this CRT design in the future."

Both Philips' Internal Angular Reflection Coating (IARC) and Mitsubishi's Multi-Interference Coating accomplish same purpose of reflecting more usable light, which ordinarily would be scattered, to phosphor layer, as we noted at time of Mitsubishi introduction last May. Interestingly, Philips' IARC tube, although shown a year before Mitsubishi's (TVD June 6/88 p10), still isn't in mass production; Philips source said it's due in Jan. O'Flynn told us Mitsubishi is ready for mass output of tube, and yields in trial runs have been "acceptable."

Philips officials declined to comment on situation, but informally one company source said "many companies have patents" on internal tube coatings and "we are among them." Mitsubishi's O'Flynn indicated that talks with patent holders were in progress. Meanwhile, he said he expects substitute 70", presumably early next year, without coated tube, "as soon as one can be developed that meets our standards."

PHILIPS PROFIT UP: Philips net income rose 41% in 3rd quarter on 7% higher sales (see financial table). In first 9 months of year, Philips net increased 37% on 2% higher sales.

All product sectors contributed to sales gain in quarter, Dutch company said. "In the consumer products sector, the high rate of growth of previous years was continued, both in the field of consumer electronics and music," Philips said. In components sector, "significant sales increases were achieved with color picture tubes and passive components," but higher prices slowed chip sales. Inventories as percentage of sales were 26.2% at end of Sept., up 0.3% from year earlier.

Philips said it will file preliminary prospectus with SEC and Amsterdam Stock Exchange for worldwide public offering of approximately 20% of PolyGram's stock. Company said it won't be permitted to issue further statements on subject.

Tandy net fell 3.3% in first quarter ended Sept. 30 on 5% higher sales. Company cited sluggish sales of consumer electronic products at Radio Shack stores, in part because of lack of new star product. Tandy also said it won't join U.S. Memories, group formed to strengthen U.S. competition in world chip market.

Sears, in reporting 15.6% decline in net in 3rd quarter, cited soft market for durable goods including home appliances and higher interest costs in credit segment of Merchandise Group.

Best Buy net fell 49.9% in fiscal 2nd quarter ended Sept. 30, on 0.9% higher sales. Same-store sales dropped 1% in quarter. In first half, Best Buy reported net loss on 1.7% lower sales, compared with profit in year-earlier period.

Digital TV symposium sponsored by EIA Consumer Electronics Group is scheduled Nov. 6-7 at Ramada Renaissance Hotel in Washington in conjunction with Telecommunications Industry Assn.'s fiber optics seminar Nov. 8-9 at same hotel. Topics will include review of emerging digital video services, broadband networks, digital video interoperability, terminal applications, international R&D policy. Details: EIA Engineering Dept., 202-457-4979.

Toshiba will shift production of 13" and 14" color tubes from Japan to Thailand joint venture, which plans to produce 130,000 monthly for export to Japan and Southeast Asia. After full-scale production is reached at end of 1990, company's Japan tube plant will concentrate on larger sizes.

AIWA ADDS VHS HERE: Aiwa America, which has fielded Beta and 8mm VCRs in past, this week introduces its first VHS VCRs as first step in move back into mid-to-high end video to complement audio line. Sony affiliate is producing own VHS VCRs in Japan, Senior Vp Robert Pierce said.

As for planned expansion into across-board video products, including TV, as announced last spring (TVD April 18 p13), Pierce said that has been postponed -- announcement was predicated on pricing patterns that no longer prevail, he said. Since then, TV market has changed "dramatically," he said, compounded by excess inventory and tube shortages. He said Aiwa is eager to become major brand, with video progress eventually to match its soaring audio sales -- "40% ahead this year on top of 55% last year" -- but for time being would stay in 4-head VHS area so far as video is concerned. Will Aiwa America reenter camcorders? "That's a market where it's Halloween all the time," replied Pierce -- which presumably means no.

Aiwa America's first VHS recorders, both 4-head: On-screen program model with LCD remote at \$499; VHS Hi-Fi model with built-in MTS, Index Search, special effects at \$699.

Best LCD projector introduced so far, model jointly developed by JVC and Seiko Epson, which goes on sale in Japan in Nov. at equivalent of about \$6,900 (TVD Oct 23 p15), has three 1.67" LCDs (not 2 as we erroneously stated last week), each with 210,000 pixel resolution. It can provide pictures varying 35-120" diagonally, requires only 12.5-ft. throw distance for biggest picture. Optional anamorphic lens provides widescreen (16:9) picture. Light source is 250-w halogen bulb. Audio system uses Dolby Prologic surround sound. It will be sold in Japan under JVC and Epson brands -- former expects to sell 500 monthly, latter 100. It weighs about 44 lb., is 15" wide, 7.3" high, 19.2" deep, was previewed at this year's Summer Consumer Electronics Show (TVD June 12 p11).

Sharp LCD projection TV system will be assembled at company's Memphis plant beginning in March. First year's output will be 30,000-50,000, Vp Harry Nishitani said, with possible increase to 60,000-100,000 in 2nd year.

THIS WEEK'S YEN RATE

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

DARPA HDTV AWARDS: David Sarnoff Research Center seemed to be biggest winner in Defense Advanced Research Projects Agency (DARPA) selection of first contractor teams to develop processor technology as part of HDTV display program. Chosen were Sarnoff, with Sun Microsystems and Texas Instruments; Adams Russell Electronics, Waltham, Mass., with MIT; Qualcomm Inc., San Diego. Dollar value and duration of contracts is subject to negotiations, and other selections will be announced later, DARPA said.

Sarnoff group is to produce high-definition image workstation, DARPA said. Princeton-based Sarnoff, formerly RCA's research lab, will provide processor and software design while Sun will produce work station platform and architecture and TI will develop custom chip components and "work with other groups in the U.S. semiconductor and computer industries to achieve a standard system architecture specification."

Adams Russell/MIT team will develop advanced compression technology based on previous research at MIT Media Lab in spatio-temporal tradeoffs for high-definition moving images, DARPA said. Third contractor, Qualcomm, will develop alternative compression technology based on current digital communications.

DARPA also selected Sarnoff proposal to develop advanced computing technology in support of display processor design. Proposal is based on Sarnoff's "Princeton Engine," computer -- developed with assistance from Thomson Consumer Electronics -- that allows quick evaluation of new concepts in signal processing, including compression of signals for moving images. System will be assembled at National Institute of Standards & Technology (NIST) for use with HDTV display research, DARPA said.

DARPA in June selected 5 companies for display technology development, including NewCo, Photonics Technology, Projectavision Raychem, TI (TVD June 19 p11). Projectavision was first to sign contract, agreeing to 9-month, \$1-million pact earlier this month (TVD Oct 9 p12). Other contracts will be announced separately, DARPA said.

Philips Moves Toward Sarnoff Approach

Meanwhile, Philips Consumer Electronics Technology Vp Peter Bingham said his company was "ready to start building EDTV [enhanced-definition TV] sets very quickly," in endorsing 2-step approach to advanced TV (ATV). "We're only waiting for the TV industry to agree on uniform standards and get government approvals." Details of Bingham proposal -- which brings Philips position closer to that of rival proponent Sarnoff Center -- are in Broadcast/Cable section.

Bingham made his comments at HDTV conference in Washington last week sponsored by Electronic Engineering Times at which speakers agreed that U.S. may be positioned to become world HDTV leader because it will be first to develop system compatible with all broadcast media.

Conference also was notable for public debut of new buzzword -- High-Definition Systems (HDS) -- that appears to remove stigma of all-out technology push to give couch potatoes sharper view of grass on football field. Having suffered several reverses in attempt to get \$1 billion-plus govt. funding for HDTV, American Electronics Assn. (AEA) announced it didn't really have TV in mind in its proposal but was focusing on all segments of electronics and their

interrelationships. Thus, it renamed its HDTV Task Force to HDS Task Force and said initial focus in 1990 will be on flat panel displays. Ron Rosenzweig, Anadigics pres.-CEO, is Task Force chmn.

EIA ATV Committee Chmn. Sidney Topol, chmn. of Scientific-Atlanta, said U.S. could set de facto world standard for compatible HDTV, thereby possibly becoming net exporter of HDTV equipment. He said Japanese and Europeans already are beginning to see need for terrestrial compatible HDTV. FCC ATV Advisory Committee Chmn. Richard Wiley predicted consolidation among HDTV system proponents that would mean testing could be finished faster than scheduled.

Japan and Europe aren't far ahead of U.S., said Zenith Chmn. Jerry Pearlman. He said U.S.-designed 6-MHz systems are as good as or better than anything Japanese have conceived. Typical Japanese HDTV set, he said, requires \$2,000 worth of semiconductors, compared with \$100 for U.S. design. He predicted Zenith could offer HDTV sets for less than \$1,000 within 3-5 years after introduction.

Pearlman said FCC should consider royalty structure of proponents in selecting final HDTV transmission system. He suggested provision that anyone licensed to make HDTV sets using patents would have to pay royalty premium if less than 50% of content originates in U.S., premium going to fund for later R&D.

Several speakers supported wider definition of "U.S. manufacturer." Wiley, for example, said definition might have to be broadened to include foreign companies that manufacture and research here as well as those that are U.S.-owned.

Wide-aspect ratio HDTV may be Japanese plot to make U.S. manufacturing plants obsolete, half-joked Pearlman of Zenith, one of few companies pushing to retain current 4:3 ratio. He said Zenith can produce only 1/3 as many picture tubes in wide ratio as with current 4:3, which would mean significantly higher HDTV prices.

Capitol Hill Push on HDTV Policy

On Capitol Hill, bipartisan group of House and Senate members unveiled letter to Congress and White House by industry executives and lawmakers calling for federal HDTV policy. "Even the threat of benign neglect is too great a risk," letter said. It was spurred by Bush Administration's failure to make HDTV a top-priority program.

Letter was signed by 31 legislators and more than 100 industry leaders, including top executives of several unions and trade associations and of Ameritech, AT&T, Del Rey Group, Eaton, General Instrument, GTE, IBM, Motorola, Projectavision, Tektronix, 3M, Zenith. Rep. Levine (D-Cal.) said he plans to introduce companion measure to "civilian DARPA" bill by Sen. Glenn (D-O.).

"HDTV represents the single most important commercial opportunity in the field of electronics," news conference was told by Sen. Gore (D-Tenn.), chmn. of Science Subcommittee. He said implications go far beyond TV set manufacture to advanced semiconductor development. "This is the Battle of the Bulge for electronics," he said.

Goldstar Electronics International and parent Lucky-Goldstar Group move U.S. hq to 1000 Sylvan Ave., Englewood Cliffs, N.J. 07362, 201-816-2000.

PUSHING HIGH-END TV: As selling season moves into make-or-break Christmas home stretch, TV industry this year is emphasizing quality over quantity. On heels of RCA's advertising pitch as high-end line (TVD Sept 25 p12), Sony and Toshiba started their year-end drives, both emphasizing top of their lines virtually to exclusion of anything else.

Toshiba's \$4-million 5-week TV commercial drive, which starts tonight (Oct. 30), is geared entirely to its "Supertube" sets -- 30" and 32". Toshiba's picture tube plant in Horseheads, N.Y., first in U.S. to make supersizes (TVD Aug 28 p12), now is producing 10,000 monthly, will triple that rate in Jan. Toshiba America Senior Vp Thom Steckbeck says 3,000 Supertube sets (8 models at \$1,295-\$2,995) have been sold so far -- "all we could get" -- and 30"-&-up will be "the" whole focal point of the company for the next 10 months.

From 150,000 sets in 30"-&-up category last year, Toshiba sees industry sales doubling to 300,000 this year, to 500,000 in 1990, 800,000 in 1991, 1.2 million in 1992, 1.6 million in 1993. Forecasts are quite similar to those by Thomson's Tube Div. last spring (TVD June 5 p9). This year, Toshiba's Supertube sets are "hitting the right price points," with high-end models featuring Carver sound. Six models are 32" and 2 are 30". Toshiba expects about 60% of sets to be 32", favored for long run "because of the better distinction from 27-inch." As for 35", Steckbeck said Mitsubishi "has done a good job with it, [and] we'll be there, too."

Toshiba will sell 1.1 million color sets in U.S. this year, Steckbeck said, up from only 500,000 two years ago. Capacity next year will be 1.5 million. Except for 100,000 leader models imported from Singapore, all sets are made at company's Lebanon, Tenn., plant.

Sony also will be emphasizing 32" tube size -- Trinitron, that is -- in major ad and promotion campaign geared to 30 TV and radio markets, plus upscale magazines. "We see that as a new screen size which doesn't take business away from other sizes," said Sony Consumer Display Pres. James Palumbo. He said Sony has 25% share of entire 30-32" category. Ad campaign will push both XBR sets and Hughes Aircraft-developed SRS sound system.

"We want to build the XBR trademark into the premier high-end line," Palumbo said. He forecast 1989 industry color sales at 21.5-22 million units, with 2-3% increase in 1990 to 22.1-22.2 million, "but Sony will be up 10 to 12%." Next year's Sony line will be stronger in projection TV, he indicated. He said Sept. was company's best month in projection, and good sales are continuing into Oct. "So far, October is the best month of the year for TV" at Sony, he said.

Ads & Promotions: Vidikron of America (projection TV) appoints Daniel S. Roher, N.Y., PR firm... Memorex has 3 holiday promotions: (1) Coupons worth 25¢ off Orville Redenbacher popcorn products inside packages of HS and HG videotape. (2) \$2 consumer rebate with purchase of HBS II 90-min. and 100-min. 2-packs, through year-end. (3) \$3 discount on Compact Disc with purchase of HBS II 100-min. 4-pack... Fuji adds nationally syndicated and cable TV to ad schedule. New 30-sec. spot for Fuji videotape featuring Claymation characters was created by Hal Riney & Partners... Nintendo promotional contest with Pepsi-Cola awards 4,000 Gameboy portable videogames and videogame accessories through Dec. 31.

POLLY PECK BUYS SANSUI: Polly Peck International, U.K.-based multinational trading and manufacturing company with consumer electronics interests, last week purchased 51% of Sansui of Japan for \$111 million. Deal, which involves purchase of newly issued common stock, marks first time in years that non-Japanese firm has made major investment in Japanese company. Sansui said purchase will help it become full-line company, adding TV and VCR to product line.

Sansui news release said company was able to improve, "but not flourish," during "drastic change in the dollar/yen relationship" in recent years. Investment will allow immediate broadening of Sansui product line and, later, establishment of Sansui R&D Center in Tokyo and additions to engineering staff, Sansui said. "New technology and product designs that have languished on the shelf for want of development funds will begin to flow through the system," company said. Product range will include color TVs, VCRs, radio cassette recorders, facsimile machines. Sansui said its monthly VCR production will exceed 100,000 by mid-1990.

Sansui's Japanese and offshore factories will be expanded to meet new product demand and manufacturing "will be integrated as far as possible with Polly Peck's existing facilities in Taiwan, Turkey and Malaysia." Manufacturing of Compact Disc players, minicomponents and general audio products will be transferred to Polly Peck factories before end of 1990, with car audio manufacturing remaining in Japan. Marketing efforts will be "intensified on a worldwide basis," Sansui said. Purchase will allow Japanese company to restructure and expand its activities in 3 core business areas -- audio, image and information products, systems. Target market will continue to be upscale consumer, company said. Sansui said it has signed Kirschenbaum & Bond as ad agency to create brand image and awareness campaign.

Sansui said it granted stock subscription rights to Polly Peck for 39,130,000 shares "that Sansui will create by way of an increase of capital" on Jan. 6, 1990. New shares represent 51% of expanded capital of Sansui.

Polly Peck is huge conglomerate of more than 50 companies, including Del Monte fresh fruit operations it recently acquired for \$875 million. It's major consumer electronics manufacturer for other firms, with extensive production facilities in Turkey and elsewhere, in 1987 acquired Capetronic Group, major OEM manufacturer serving U.S. In 1988, 43% of total sales came from electronic goods made by plants in China, Hong Kong, Italy, Malaysia, Taiwan, Turkey, U.K. As part of group, "Sansui will enjoy significant cost benefits as a result of standardized parts and labor input," it said.

First CD-ROM changer has been developed by Pioneer, which says its 6-disc model -- displayed at last week's Tokyo Data Show -- provides random access to as much as 3.2 Gbps of data in average of 0.6 sec. Sample shipments start in Nov., with product introduction planned for March in U.S., April in Japan, May in Europe.

Microwave oven shipments rose 4.3% to 1.07 million in Sept., AHAM said. Third-quarter shipments increased 9.5% to 2.8 million, and through first 9 months of 1989 were up 9.8% to 8.2 million.

Sharp S-VHS-C camcorder with 16:1 electronic zoom will be sold in Japan starting Dec. 1 at \$1,500 with 1" color LCD viewfinder, \$1,400 with b&w LCD viewfinder.

JVC's CASSETTE PLANS: JVC intends to sell pancake duplication systems to tape duplicators in U.S. and is working on double-speed and high-speed systems. Company also has developed new S-VHS cassette shell combining 2 different materials that it's selling in Japan and hopes to export next year.

On recent visit to JVC duplicating plant in Mito City, Japan, we saw large battery of pancake duplicators operating unattended, along with big additional plant section where new duplicators were being installed. Each duplicator will record equivalent of 20 T-120 cassettes -- 40 hours -- unattended. Signal on tape denotes end of program and special machine automatically splices tape into T-0 cassette.

Although pancake duplication now is real time, JVC is experimenting with double speed on same machines. JVC also is selling pancake duplicators to other duplicating companies in Japan and plans eventually to export them. Company still uses in-cassette duplicators as well. Beta now represents 0.1% of its cassette replication.

JVC hopes to finish development of high-speed duplicator soon using magnetic transfer system -- direct contact printing without heat -- capable of duplicating cassettes at 1/200 real time, said Magnetic Products Div. Gen. Mgr. Masani Hoshino.

New cassette shell for S-VHS tape is being used in Japan. It involves "2-layer" mold that combines 2 different plastic materials, bonded together, with transparent window. JVC engineers said cassette has greater strength and is less susceptible to vibration.

U.S. electronics deficit with world rose 5.4% and electronics deficit with Japan 2.1% in first half of 1989, American Electronics Assn. (AEA) said. Deficit with world was \$3.9 billion, up from \$3.7 billion in Jan.-June 1988, and with Japan rose to \$9.8 billion from \$9.6 billion. U.S. electronics exports to all countries rose 7.4% to \$29.9 billion, while imports gained 7.3% to \$33.8 billion. U.S. exports to Japan jumped 22.1% to \$3.5 billion and imports increased 6.4% to \$13.3 billion.

New Korean plant to make picture tube bulbs and IC packages was dedicated last week in S. Korea by Samsung Corning. The \$270 million facility is joint venture's 2nd bulb plant and actually has been in operation since last spring. Founded in 1973, Samsung Corning reportedly plans to spend \$890 million more in new facilities over next 5 years.

Matsushita will triple monthly production of 1" color LCD panels for camcorder viewfinders to 15,000 at Japanese plant, beginning in Feb. LCD panels will be used in Matsushita-made camcorders and supplied to other manufacturers, including Sony and Canon.

Direct-view color TV sales rose to record in 2nd week of Oct. (see State of the Industry). Camcorder sales to dealers also set record in week, but VCR deck sales fell, EIA reported. Sales for first half of 4-week Oct.: Direct-view color TV up 0.4%, projection TV up 2.3%, total VCR down 20.3%, camcorders up 1.1%.

New LCD plant will be built in Japan by Alps Electric, construction to start in Nov., with operation scheduled next summer. At start, \$35 million plant will make panels for word processors, computers and pocket devices, also will conduct research on active matrix color LCD screens.

1989 AD LEADERS: Sony joined Tandy and Philips as only companies with major interests in consumer electronics industry to make Advertising Age's 1989 list of 100 leading advertisers.

Tandy ranked 46th with \$232 million in ad spending. That's down from 42nd place last year (TVD Oct 10 p13), but cost was up from \$225.1 million. Dutch Philips jumped to 68th from 82nd as spending rose to \$144.3 million from \$107.2 million. Sony, not on last year's list, ranked 81st with \$125.9 million. For 2nd straight year, nation's leading advertiser was Philip Morris, with \$2.06 billion. Totals include actual ad spending in measured media and estimates for promotion programs.

Retailers on list, in addition to Tandy, include Sears, 4th at \$1.05 billion; K mart, 12th at \$632 million; J.C. Penney, 22nd at \$426.6 million. Others are Eastman Kodak, 7th, \$735.9 million; Time Warner, 25th, \$409.7 million; MCA, 65th, \$153.7 million; Columbia Pictures, 85th, \$122.4 million.

Total ad spending in electronic entertainment category was \$312.4 million, Ad Age said, up from revised \$253.8 million in 1987. Breakdown of 1988 spending by type of advertising: Magazine \$88.4 million, spot TV \$86.2 million, network TV \$65 million, cable TV \$22.6 million, newspaper \$8.9 million, newspaper supplement \$7.7 million, outdoor \$1.3 million. Circuit City was 22nd among newspaper advertisers, with \$29.7 million. Sony was 3rd in supplements, 16th in magazines.

JVC '90 GOAL--3 MILLION TVs: JVC expects to sell 3 million color TV sets worldwide next year, with U.S. as leading market. As outlined recently at company's TV Div. in Iwai City, Japan, some 750,000 sets would be sold in U.S., 700,000 in Japan, 200,000 in Europe, 150,000 in Asia, Africa and Middle East, plus 1.2 million kits for shipment elsewhere in world -- places such as China and India -- where only kits are accepted.

JVC now has plants operated by itself and affiliates in 5 countries. Main plant, in Iwai, has monthly capacity of 80,000 complete TV sets, 40,000 kits, 30,000 video displays and monitors plus 9,000 other related devices, for total of 159,000 units monthly. JVC Mfg. Co., 100% owned American unit, has capacity of 40,000 TV sets at N.J. plant.

Taiwan joint venture, Kuang Yuan Co., opened in 1987, is 30% owned by JVC, has monthly capacity of 10,000 TVs, 15,000 TV kits, 5,000 monitors, for total of 30,000 monthly. It exports to U.S., Canada, S. America. U.K. facility, established in Jan. 1988 to replace Ferguson plant that formerly assembled JVC sets on contract basis, is 100% owned by JVC and can turn out 25,000 TVs monthly. JVC's newest TV facility, 100% owned venture in Thailand, was established last Feb. and is scheduled to start operation in Dec. It will be able to produce 25,000 TVs and 25,000 TV kits monthly for shipment to U.S., Asia, Middle East.

Call for technical papers has been issued by International Conference on Consumer Electronics (of IEEE) for 1990 event scheduled for June 6-8 in Chicago. Papers in all consumer electronics areas are requested, including video, home information systems, design and manufacturing, audio, components, emerging technologies. Details: Diane Williams, Conference Coordinator, 131 Ledgewood Dr. Rochester, N.Y. 14615, 716-865-2938.

RECORD SALES FLAT: Growth of audio recording sales was essentially flat in 1989's first 6 months compared with same 1988 period. Overall sales climbed 4.5% in units and dollar volume only 0.5%.

The 2 bright spots in Recording Industry Assn. of America (RIAA) tally were cassette singles, up 500.4% in units and 438.4% in dollars, and continued growth of CDs -- 37.5% in units and 16.2% in dollars. But performance of CD singles approached the catastrophic, dropping 61.6% in Jan.-June period to 170,000 units from 440,000 in same 1988 period. Dollar decline was even more significant, 78.4% to \$620,000 from \$2.9 million in Jan.-June 1988. Format's inability to win hearts of consumers comes despite CBS Records' strong promotional push for 3" CDs and fact that virtually all major hardware companies market CD players that can accommodate miniature discs without adapter.

CD boom showed no signs of displacing established cassettes. RIAA said latter "maintained their status as the configuration of choice" in year's first 6 months, when cassette units comprised 56% of overall unit pie, virtually unchanged from 57% share in 1988's first half. Where CD's claws were felt sharply was in vinyl configurations, which have declined consistently by double-digit rate each year since 1985. In LP/EP album sales clearly displaced by CD boom, declines were drastic -- 59.7% in units, 61.6% in dollars.

For first time, RIAA reported music videos as audio configuration. It estimated that 2.3 million units with value of \$51.7 million were shipped in 1989 first half. Here's breakdown of RIAA's first-half 1989 numbers, including comparisons with sales in same Jan.-June 1988 period (units and dollars in millions):

	Jan.-June 1989		Jan.-June 1988		% Change	
	Units	Value	Units	Value	Units	Value
Disc Singles.....	21.9	\$65.9	36.5	\$100.2	-39.7	-34.3
LPs/EPs.....	17.5	116.3	43.5	302.7	-59.7	-61.6
Compact Discs.....	96.9	1,172.7	70.5	1,009.3	+37.5	+16.2
CD Singles.....	0.2	0.6	0.4	2.9	-61.6	-78.4
Cassettes.....	211.3	1,541.7	208.1	1,531.6	+1.5	+0.7
Cassette Singles..	32.7	79.6	5.5	14.8	+500.4	+438.4
TOTALS.....	380.6	\$2,976.8	364.4	\$2,961.4	+4.4	+0.5

EIA vs. truckers: Proposal by trade group of trucking common carriers would require consumer electronic equipment to be packaged in "plain vanilla" cartons bearing only manufacturer's name and model number of product. Intent is to discourage theft by eliminating description of product on carton. Proposal was adopted by panel of National Classification Committee of National Motor Freight Traffic Assn. and is scheduled to be taken up at meeting of full NCC Nov. 7 in Washington at which EIA lawyers will be present. Measure is opposed by EIA as having potential "catastrophic" effect on industry inventorying and merchandising practices, Govt. Affairs Staff-Dir. Suzanne Heaton said. If approved by NCC and unchallenged by EIA, measure would become effective March 15. EIA has option of appealing rule to Interstate Commerce Commission, which would place burden of proof on truckers to show necessity for rule.

Philips and Century Research Center (CRC) jointly will promote Compact Disc-Interactive (CD-I) format in Asia. CRC agreed to market CD-I authoring systems and authoring tools in Japan and other Asian countries on exclusive basis, providing installation, after-sales service, maintenance, training. CRC expects to sell 500 systems in next 3 years to electronics firms, publishers, software houses, video production companies.

Consumer Electronics Personals

Marko Slusarczyk appointed HDTV program mgr. of Defense Dept.'s Defense Advanced Projects Agency (DARPA)... William Brin, ex-Tandberg Educational Inc., named COO, Interactive Media Technologies, spinoff from Go-Video; Brin continues on IMT board; Tadashi Morimoto, Alpha Enterprises vp, named to board... Raymond Rochelle, regional sales mgr., advanced to TDK midwest divisional sales mgr... Anthony Revis, ex-Keystone Camera Products and Polaroid, joins Concord Camera as worldwide sales vp... Ronald Lambert, ex-Polaroid, named Ampex Recording Media engineering vp... Penny Curtis appointed Alpine asst. mktg. mgr... Tracy Vojta, ex-Nakamichi, named national sales mgr., Teamco, U.S. distributor for Goodmans, Mordaunt-Short, other British-made audio products.

Bill Perrault resigns as Vestron Video national mktg. dir. to become RCA/Columbia Pictures Home Video mktg. vp, based in Burbank starting Nov. 13... Sue Cunningham promoted to Imperial Entertainment national sales mgr... George Feltenstein resigns as MGM/UA programming dir. to head Criterion Collection... Arthur Cohen, ex-Revlon and one-time pres. of ABC Video Enterprises' TeleFirst, appointed Paramount Motion Picture Group worldwide mktg. pres... Holly Kaplansky, ex-Doubleday Book & Music Clubs video and merchandise mktg. mgr., named operations dir., Special Interest Video... Joe Vertullo, ex-Baker & Taylor Video, joins Magnum Entertainment as southeastern regional sales mgr., replacing Cindy McIlwain, who relocates to Beverly Hills as western regional sales mgr.

Earthquake relief donations of \$1 million each were made by Sony and Matsushita. Other contributions: From Mitsubishi, \$100,000. From Toshiba America, 2 donations totaling \$200,000. From NEC, \$200,000 plus cellular phones for rescue crews. From Hitachi and affiliates, \$153,000. From Fujitsu, \$100,000 plus \$230,000 worth of cellular phones. From C. Itoh, \$70,000.

Pioneer will build factory in Japan to make videodisc players, Japan report said. Pioneer subsidiary Towada Electronics is acquiring 250,000-sq.-ft. site for plant near existing Towada facility, and plans to start construction in spring and production of parts for players by end of year. Factory eventually will produce 100% of Pioneer LD players.

Hitachi's picture tube plant in China will be delayed about 4 months because payment for construction was held up by Tiananmen Sq. turmoil earlier this year. Opening now is planned for April 1990. Hitachi's payment to China hasn't been completed because conditions have been made more stringent by export-insurers, Japan report said.

No Panamovie: "We, too, have been asked by Japanese banks to buy U.S. film companies, but we have refused offers because we thought the movie industry is something special to Americans." -- Matsushita Exec. Vp Shoji Sakuma, quoted by Japan Economic Journal in article on backlash to Sony-Columbia Pictures deal.

Matsushita will set up branch office in U.S. to oversee design and development of car audio equipment for market here. It wants to produce at least 30% of its car audio products overseas.

Scholastic Video, which produces "video yearbooks" for high schools, has purchased \$250,000 in Sony equipment, including 100 Hi8 camcorders, Hi8 feeders, U-matic editors, edit controllers.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
American TV & Communications			
1989-9 mo. to Sept. 30	717,052,000	65,462,000	.60
1988-9 mo. to Sept. 30	599,803,000	47,920,000	.44
1989-qtr. to Sept. 30	244,246,000	22,418,000	.20
1988-qtr. to Sept. 30	205,210,000	9,649,000	.09
Avnet			
1989-qtr. to Sept. 29	438,000,000	16,300,000	.45
1988-qtr. to Sept. 30	491,500,000	11,700,000	.33
A. H. Belo			
1989-9 mo. to Sept. 30	301,876,000	15,103,000	.74
1988-9 mo. to Sept. 30	279,787,000	7,624,000	.38
1989-qtr. to Sept. 30	101,549,000	3,064,000	.15
1988-qtr. to Sept. 30	91,221,000	663,000	.03
BMC Industries			
1989-9 mo. to Sept. 30	123,079,000	3,195,000	.56*
1988-9 mo. to Sept. 30	116,630,000	2,779,000	.52
1989-qtr. to Sept. 30	37,112,000	1,544,000	.27*
1988-qtr. to Sept. 30	37,871,000	1,127,000	.21
Capital Cities/ABC Inc.			
1989-39 wk. to Oct. 1	3,448,178,000	303,707,000	16.97
1988-39 wk. to Oct. 2	3,457,848,000	246,865,000	14.43
1989-13 wk. to Oct. 1	1,101,238,000	80,781,000	4.56
1988-13 wk. to Oct. 2	1,009,555,000	62,634,000	3.55
Cohu			
1989-9 mo. to Sept. 30	26,323,000	1,981,000	1.00
1988-9 mo. to Sept. 30	25,763,000	1,953,000	1.04
1989-qtr. to Sept. 30	9,389,000	628,000	.32
1988-qtr. to Sept. 30	8,767,000	715,000	.37
Comsat			
1989-9 mo. to Sept. 30	311,100,000	54,900,000	2.96
1988-9 mo. to Sept. 30	267,000,000	49,600,000	2.69
1989-qtr. to Sept. 30	110,900,000	20,100,000	1.08
1988-qtr. to Sept. 30	94,100,000	17,700,000	.96
CTS			
1989-39 wk. to Oct. 1	201,795,000	11,626,000	2.13
1988-39 wk. to Oct. 2	210,441,000	9,696,000	1.74 ^b
1989-13 wk. to Oct. 1	63,149,000	3,895,000	.71
1988-13 wk. to Oct. 2	66,813,000	2,766,000	.50 ^b
Emerson Radio			
1989-6 mo. to Sept. 30	483,218,000	8,782,000	.24
1988-6 mo. to Sept. 30	373,758,000	4,568,000	.13*
1989-qtr. to Sept. 30	262,022,000	5,275,000	.15
1988-qtr. to Sept. 30	210,402,000	3,255,000	.09
Jones Spacelink			
1989-qtr. to Aug. 31	22,086,000	(2,485,000)	—
1988-qtr. to Aug. 31	15,878,000	(1,845,000)	— ^c
Knight-Ridder			
1989-9 mo. to Sept. 30	1,660,417,000	185,171,000	3.53*
1988-9 mo. to Sept. 30	1,508,680,000	110,791,000	1.94 ^c
1989-qtr. to Sept. 30	540,973,000	37,829,000	.72*
1988-qtr. to Sept. 30	503,126,000	31,998,000	.57 ^c
LIN Bcstg.			
1989-9 mo. to Sept. 30	180,835,000	72,371,000	1.36
1988-9 mo. to Sept. 30	162,875,000	56,177,000	1.05 ^c
1989-qtr. to Sept. 30	61,702,000	24,591,000	.46
1988-qtr. to Sept. 30	54,837,000	20,590,000	.39 ^c
Media General			
1989-9 mo. to Sept. 30	441,469,000	21,888,000	.84*
1988-9 mo. to Sept. 30	564,385,000	38,439,000	1.34*
1989-qtr. to Sept. 30	142,291,000	3,941,000	.15
1988-qtr. to Sept. 30	181,820,000	10,787,000	.38
Philips NV^d			
1989-9 mo. to Sept. 30	19,200,000,000	312,600,000	.92
1988-9 mo. to Sept. 30	18,800,000,000	241,100,000	.85
1989-qtr. to Sept. 30	6,560,000,000	109,400,000	.41
1988-qtr. to Sept. 30	6,500,000,000	77,800,000	.30
Regency Electronics			
1989-qtr. to Sept. 30	6,246,000	(152,000)	—
1988-qtr. to Sept. 30	17,557,000	824,000	.07

Company & Period	Revenues	Net Earnings	Per Share
Tandy			
1989-qtr. to Sept. 30	985,977,000	62,754,000	.73
1988-qtr. to Sept. 30	936,953,000	64,909,000	.72
Texas Instruments			
1989-9 mo. to Sept. 30	4,663,100,000	255,800,000	2.70
1988-9 mo. to Sept. 30	4,602,700,000	271,000,000	3.01
1989-qtr. to Sept. 30	1,538,500,000	65,000,000	.67
1988-qtr. to Sept. 30	1,577,400,000	93,700,000	1.03
Thomson Consumer Electronics^e			
1988-year to Dec. 31	5,715,968,300	(34,700,000)	— ^f
Times Mirror			
1989-9 mo. to Oct. 1	2,582,096,000	223,915,000	1.73*
1988-9 mo. to Sept. 30	2,407,479,000	235,073,000	1.82*
1989-qtr. to Oct. 1	873,862,000	70,140,000	.54
1988-qtr. to Sept. 30	814,779,000	80,965,000	.62*
Time Warner			
1989-9 mo. to Sept. 30	4,548,000,000	(33,000,000)	—
1988-9 mo. to Sept. 30	3,300,000,000	231,000,000	4.00
1989-qtr. to Sept. 30	2,194,000,000	(176,000,000)	—
1988-qtr. to Sept. 30	1,133,000,000	81,000,000	1.42
United Television			
1989-9 mo. to Sept. 30	75,572,000	59,928,000	5.47*
1988-9 mo. to Sept. 30	73,376,000	(760,000)	— ^c
1989-qtr. to Sept. 30	23,763,000	59,076,000	5.39*
1988-qtr. to Sept. 30	23,628,000	(1,973,000)	— ^c
Time Warner			
1989-9 mo. to Sept. 30	4,548,000,000	(33,000,000)	—
1988-9 mo. to Sept. 30	3,300,000,000	231,000,000	4.00
1989-qtr. to Sept. 30	2,194,000,000	(176,000,000)	—
1988-qtr. to Sept. 30	1,133,000,000	81,000,000	1.42
Warner Communications			
1989-9 mo. to Sept. 30	4,263,800,000	77,800,000	.34
1988-9 mo. to Sept. 30	3,398,200,000	25,600,000	— ^c
1989-qtr. to Sept. 30	1,507,100,000	(106,200,000)	—
1988-qtr. to Sept. 30	1,097,900,000	(113,200,000)	— ^c
Washington Post			
1989-39 wk. to Oct. 1	1,062,675,000	146,764,000	11.44
1988-39 wk. to Oct. 2	996,856,000	232,184,000	18.04*
1989-13 wk. to Oct. 1	346,341,000	44,778,000	3.50
1988-13 wk. to Oct. 2	329,371,000	38,060,000	2.96
Zenith			
1989-9 mo. to Sept. 30	1,105,700,000	(41,100,000)	— ^a
1988-9 mo. to Oct. 1	961,200,000	(8,700,000)	— ^a
1989-qtr. to Sept. 30	376,800,000	(24,100,000)	—
1988-qtr. to Oct. 1	360,700,000	3,000,000	.11 ^a

Notes: ^aIncludes special credit. ^bAfter special charge. ^cRestated. ^dAt guildler's current rate. ^eAt franc's average rate. ^fPro forma. ^gRestated; includes special credit.

NINTENDO NETWORK DELAYS: Nintendo's interactive entertainment and information network (TVD Aug 21 p11) may take longer to develop than expected originally, NES Network Div. Vp Jerry Ruttenbur said. He said Nintendo negotiations are continuing with AT&T and other communications carriers, but no agreements were on horizon.

Nintendo plans to offer wide array of information services to homes with Nintendo Entertainment System (NES) videogame serving as terminal, using phone lines to transmit data. Ruttenbur said Nintendo-made modem attachable to NES was scheduled for introduction at Consumer Electronics Show in June 1990, but "may slip" to late that year.

"We're still quite a way from an announcement" of new service, he said, and first announcements of network last summer were premature. At that time, Nintendo (Japan) Pres. Hiroshi Yamauchi said: "We have reached the point where we have clarified what Nintendo should do and what AT&T should do for the project," and Ruttenbur predicted agreement with AT&T within 60-90 days. AT&T never has confirmed that it's talking with Nintendo about network.