

# TELEVISION DIGEST®

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With Consumer Electronics

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**MUST-CARRY CAUSES RIFT:** Cable-broadcast talks to continue, but some broadcasters want to abandon must-carry for retransmission fees. NCTA refuses channel position guarantees, INTV insists. (P. 2)

**NATPE CONFERENCE HEADLINERS:** Gathering in New Orleans Jan. 15-19 will feature NBC's Wright, all 4 FCC members, Jesse Jackson, others. (P. 4)

**SENATE UNIT PAVES WAY** for NTIA reauthorization. Communications Subcommittee quizzes agency's new dir. as preparations to advance NTIA budget begin. (P. 5)

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**CABLE AD EXPANSION** Bigger lobbying role on ad issues eyed for Ad Bureau. Board okays plans for more ad sales support, including 20% staff expansion and 10% budget growth. (P. 7)

**NBC IS EXPECTED TO RESPOND** this week to widespread criticism of its late start in covering San Francisco earthquake. (P. 7)

**ADMINISTRATION OPPOSES DINGELL SPECTRUM BILL:** White House opposes proposed reallocation of 200 MHz of govt. spectrum to commercial users, NTIA Dir. Janice Obuchowski told House Telecom Subcommittee last week. Bill (HR-2965) in current form raises national security concerns in seeking so much spectrum from govt., she said. Bush Administration also can't go along with bill's refusal to permit eventual use of auctions to license spectrum users, she said.

**FCC Chmn. Sikes also was hesitant on bill**, saying auctions must be considered. However, witnesses -- all 7 of whom at one time or other headed NTIA -- agreed govt.'s spectrum management needed improvement. Same conclusion was reached at last House hearing on spectrum reallocation and management -- held in June 1959, skeptical lawmakers noted.

**HR-2965 is designed to free up spectrum for HDTV and other new uses.** "Massive reallocation of spectrum could cause costs to the public that are not commensurate with possible benefits," Obuchowski said. She cited budget risks raised by bill, noting heavy investment that govt. makes in radio equipment, with 48% of all such equipment in this country sold to govt. Bill would require massive govt. retooling at high cost to taxpayer, Obuchowski said. "It's the notion of junking the whole system immediately which is draining to the federal government," she said.

### Consumer Electronics

**THOMSON CONSUMER ELECTRONICS** reaches outside industry to pick Bernard Isautier as next CEO. (P. 9)

**U.K.'S POLLY PECK** becoming world power in consumer electronics, gets brand name it needs by buying control of Sansui. Plans to make 1.2 million VCRs annually. (P. 9)

**JAPAN VIDEO EXPORTS DOWN** in Sept., marking first month of year in which color TV and VCR shipments decreased. Average Japanese VCR deck price and camcorder exports up. (P. 10)

**NEW CONSUMER ELECTRONICS** industry, financed with govt. guarantees, will be proposed by govt.-industry advisory committee in report to President. (P. 11)

**INTERACTIVE VCR** market faces uncertain near future, representatives of industry agree. Existing VCRs give tape advantage. (P. 12)

**BAN ON BLACK BOXES** used for illegal videocassette copying provided in bill introduced in House. (P. 13)

**MORE VIDEOGAME GROWTH** is forecast by industry representatives, who see interactive game market on 'brink of explosion' as 16-bit systems arrive. (P. 13)

**HOME TAPING STUDY** draws raves from HRRC, mixed reaction from RIAA, boos from music publishers and songwriters. Kastenmeier praises DAT accord. (P. 14)

Obuchowski called for imposing greater spectrum use efficiencies on govt. and for improving spectrum management. She said govt. already makes every effort to use spectrum efficiently, although she admitted there's "room for improvement," and pledged NTIA's cooperation with FCC in monitoring use. "We agree that emerging telecommunications technologies need to be encouraged" and that opening up spectrum to more commercial users may be one route, she said.

However, spectrum could be made available through greater efficiencies among existing users, she said. Obuchowski didn't rule out possibility of some reallocation of federal spectrum but said "specific terms" would have to be worked out in advance and "their consequences fully thought through" before govt. okay would be possible. She also called for improvements in FCC license processing that would speed service.

Sikes didn't agree that govt. was using spectrum efficiently, saying it doesn't have same economic incentives as commercial licensees. He indicated strong interest in spectrum bill, saying "it is no longer clear whether we can continue to look toward advances in technology alone to resolve all our radio frequency management challenges... Additional spectrum, such as HR-2965 envisions, could provide us the 'elbow room' needed to accommodate future demand." Sikes also applauded proposal's emphasis on encouraging innovation: "[It] could prove useful as we make the hard choices that radio spectrum management will increasingly entail."

However, Sikes tempered his enthusiasm for bill: "I do not mean to imply that the FCC necessarily endorses the proposal... We do not have sufficient information available to us to be able to state categorically that there is that much [200 MHz] spectrum which could be transferred. Nor do I want to leave the Committee with the impression that such action could be taken without cost to the government."

Both govt. witnesses noted importance of spectrum to federal security and financial needs. "Just as private enterprise relies on radio frequency-based assets to deliver efficiency gains," Sikes said, "so, too, do virtually all federal departments and agencies." He put value of the 200 MHz at \$100 billion. Sikes joined Obuchowski in suggesting that quid pro quo for shift of some spectrum should be auctions from which govt. would gain revenue.

"You are burning billions of dollars in front of 1919 M Street" (FCC hq location), said Henry Geller, one of former NTIA heads who now is dir. of Washington Center for Public Policy. He criticized comparative hearing process and said even broadcast licensees were engaged in something of private auction in resale of stations from which taxpayers deserved slice.

Geller endorsed bill, as did other former NTIA dirs.: David Markey, now vp, BellSouth; Dale Hatfield, pres. of Hatfield Assoc.; Rodney Joyce of Ginsburg, Feldman & Bress; Bernard Wunder of Wunder, Ryan, Cannon & Thelen. Geller called for regular, periodic reviews of federal use of spectrum to monitor efficiencies and determine who has what. Witnesses also generally supported auctions, with Geller suggesting they could be used not in determining spectrum use but in spectrum assignments. He also advocated changing licensing process to permit contingent licenses to be granted for new spectrum users, pending FCC consideration of whatever new technology is involved.

Bill's authors -- Subcommittee Chmn. Markey (D-Mass.) and parent Commerce Committee Chmn. Dingell (D-Mich.) -- have been dead set against auctions. But sentiment on auctions is mixed in Committee, with most Republicans lined up behind idea. Republicans turned out in force for hearing, largely to make that point.

Reps. Markey and Dingell made strong arguments for bill, with former stressing their commitment to advancing measure as quickly as possible. Dingell emphasized his displeasure with what he saw as govt.'s hoarding of spectrum when potential commercial users are in cutthroat competition for frequencies. "The alternative is to focus on federal users, who are licensed without public scrutiny, and without the discipline the FCC and its procedures impose on nongovernment users," he said. Federal users "are inhibiting growth and innovation," he said, "causing us to lag behind other countries in spectrum development... It is stifling and unwise use of the spectrum by the government."

Chmn. Markey promised another hearing with industry and local and state govt. witnesses. Date hasn't been set, but it could come before Congress recesses for year, aides said.

**SOME BROADCASTERS ABANDON MUST-CARRY:** Rift is developing among broadcasters on must-carry, threatening new round of negotiations between NCTA and TV Operators Caucus (TOC).

Disagreement is between broadcasters who still seek must-carry compromise and others, including CBS, that would prefer all-new regime in which cable systems would have to obtain retransmission consent from broadcasters before carrying their programs -- almost certainly after paying fee.

"Some broadcasters don't want to pursue any must-carry deal now because they want to proceed with getting payment for carriage," INTV Pres. Preston Padden said. INTV, which scuttled earlier must-carry agreement (TVD July 17 p2), supports continuing talks between NCTA and TOC. "We want to go ahead with must-carry as long as it provides real protection against channel shifting," Padden said. "But our board showed in July that it would walk away from any deal that doesn't include protection, and we'll do it again."

Channel positioning issue may be intractable unless both sides agree to proposal by Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) to shuffle issue off to FCC (TVD Oct 30 p1). INTV and others have said they won't accept must-carry without channel position guarantees, and NCTA said channel position guarantees absolutely aren't acceptable.

There's chance that broadcasters and cable can agree on must-carry itself and refer channel positioning issue to FCC, one participant in Oct. 31 meeting said. Meeting indicated TOC has "documented a lot of points in which cable and broadcast are in agreement," participant said. Progress may have been impeded by personality clash between NCTA Pres. James Mooney and George Castrucci, head of TOC's must-carry task force and pres. of Great American Bestg., participants on both sides said. They said Mooney and Castrucci flared up at each other over whether NCTA was making valid effort to resolve must-carry, and meeting ended with bitterness on both sides.

NCTA and TOC still are scheduled to discuss must-carry today (Nov. 6), officials said. TOC presented 5-page draft of must-carry proposal to NCTA Oct. 31 and expects reply today. TOC had hoped for reply last week, but Mooney was ill. Mooney already has told Castrucci that channel positioning section is unacceptable because it would virtually guarantee stations would remain on current cable channel slots.

There's still possibility of compromise, both sides said. "We're just asking them to mark it up and say what they can accept," TOC official said. "If they can live with everything but channel positioning, then we'll see what we [broadcasters] can live with." NCTA officials said door still is open to talk about issues other than channel position. However, outsiders believe deal is dead. Two broadcast officials used virtually same phrase, saying TOC plan was "slam-dunked by Mooney." Broadcasters said TOC was merely trying to save face by indicating talks would continue.

Broadcasters don't support TOC plan unanimously. For example, NAB was among those questioning constitutionality of channel-positioning provision. Castrucci told Mooney plan didn't even try to deal with constitutional issues. "If we agree on the principles, the lawyers can work out the constitutional issues," one TOC official said. NAB board, which would have to give its approval to TOC plan, which it hasn't considered. NAPTS also is dissatisfied with protections public TV stations would receive, officials confirmed.

Some broadcasters are dissatisfied with must-carry in general. NAB set up special task force this year to look at variety of issues, including requiring cable systems to pay for retransmission consent for carrying broadcast programming (TVD June 19 p9). CBS is among broadcasters that believe retransmission consent would be more attractive than must-carry in long run, officials said.

Budget authorizations for FCC and NTIA passed House on voice vote. Debate on both was brief, with House Commerce Committee members stressing that provision requiring FCC to assess foreign trade implications of its decisions wasn't expansion of Commission's authority. FCC would receive \$109.8 million for FY 1990, \$121 million in FY 1991, and NTIA \$14 million in FY 1990, which began Oct. 1. Meanwhile, Rep. Tauke (R-Ia.) decided not to add statement raising rural telecommunications concerns to Committee report on FCC bill. Instead, he said, he plans to write to Commission to encourage it to consider easing up on cross-ownership rules to allow telcos greater leeway in providing cable in rural areas.

WPAT(AM) Paterson, N.J., will receive 1990 Golden Mike Award from Best. Pioneers at March 19 banquet, Plaza Hotel, N.Y. Station is owned by Park Communications.

FCC scheduled 5 panels, 26 witnesses, for Nov. 16 en banc hearing (9:30 a.m.-3 p.m., Room 856) seeking ways to improve AM. Hearing was requested by NAB, and most of speakers have been provided by Assn., including: NAB Chmn. Lowry Mayes, Radio Chmn. William Sanders, ex-Chmn. Ted Snider, Group W Radio Chmn. Richard Harris, NAB Exec. Vp John Abel, NAB Office of Science & Technology head Michael Rau. Also participating will be representatives of radio receiver manufacturers. Details: William Hassinger, 202-632-6460.

On eve of convention of Community Bestrs. Assn. this week in Las Vegas, FCC opened 5-day window (Dec. 4-8) for filing of new applications for LPTV stations and for major changes in existing applications and stations. Single individual will be permitted to file up to 5 new LPTV applications during window.

**NATPE CONFERENCE HEADLINERS:** "Challenges of the Next Decade" is theme of 27th annual NATPE International Program Conference Jan. 15-19 in New Orleans, with NBC Pres. Robert Wright keynoter Jan. 16 and all 4 FCC members scheduled to participate. Just about every facet of TV programming industry will be covered -- from shows for minorities (featuring Jesse Jackson) to sessions on cable siphoning of sports, regulatory issues, "Fencing with the Censors."

FCC Chmn. Sikes speaks on first day, with panel of other 3 FCC members -- Quello, Marshall, Barrett -- next day. NATPE press release of Oct. 17 said: "Distinguished participants include Rev. Jesse Jackson, Candice Bergen, James Quello and Dick Ebersol [NBC Sports pres.]" -- didn't mention keynoter Wright, Sikes and other commissioners as "distinguished participants"; they were listed lower in release.

Singer Dionne Warwick will be among panelists at session led by Jackson, while actress-producer Bergen will moderate Jan. 17 panel on prime-time programming in 1990s. Robert Wussler, ex-CBS and Turner Bctg., now pres. of Comsat Video Enterprises, joins Jan. 19 sports panel headed by Ebersol. ABC commentator Jeff Greenfield will moderate Jan. 17 panel on "Regulation and Issues in the Next Decade," with ex-FCC Chmn. Patrick among panelists. Panel on censorship will be moderated by Ike Pappas, host of syndicated Crimewatch Tonight. Other panels are scheduled on "TV in the 90s," "Fighting Fragmentation," "Cable Opportunities for Broadcasters," "Syndication in 1995: Surprises, Changes or More of the Same," "Advertising: Is Free TV Losing It?" "You and Your Cable," "Sex in the 90s." Recently added to conference was session on "60 Something for viewers over 60, to be moderated by ex-NBC News and UPI Pres. William Small.

NATPE release last May said 132 programmers had signed up to exhibit, and association's PR firm Lippin Group told us last week no update of figure is available. In May, NATPE said 92% of space in New Orleans Convention Center had been sold. Starting with 1991 conference, NATPE will add much stricter rules covering programmers -- limiting size of exhibits, giveaways, open bars, free food. Overall size of exhibit space will be reduced in steps from 225,000 sq. ft. in 1990 to 205,000 sq. ft. in 1993. Starting in 1990, NATPE also will ban from floor "live" demonstrations -- such as very popular women wrestlers last few years -- and cartoon and show characters.

Broadcasters gave away free TVs on Capitol Hill to drum up support for Free TV campaign. In joint project, NAB and INTV gave 2" b&w Sony Watchman TVs, valued at less than congressional maximum of \$100, to 40 congressional offices. Sticker was affixed over part of Watchman logo on TVs to make it read "Watch Free TV." Distribution was part of NAB-INTV project to stir congressional awareness of what INTV is calling siphoning of sports from broadcast to cable TV. As part of project, representatives of 14 sports broadcasters visited 40 congressional offices. Broadcasters also placed full-page ad in Capitol Hill publication Roll Call showing their vision of TV sports in 1992 -- TV with slot for inserting quarters. INTV Pres. Preston Padden said arguments, as well as TVs, were well received on Hill.

Northwestern U. will receive more than \$20 million in grants from Annenberg Foundation, including \$15 million to support Annenberg Washington Program in communications policy studies through June 1996, University announced.

**RTNDA** is "very disappointed that the [U.S.] Supreme Court has once again failed to seize an opportunity to bring its operations into the 20th Century," Pres. David Bartlett said of Court's decision to continue ban on microphones and cameras in Court. Chief Justice William Renquist had written Timothy Dyk, attorney for media groups seeking Court access for broadcasters, last week stating that in Oct. 27 conference "majority" of justices favored retaining ban. Bartlett said justices "lament the public's lack of understanding of what the Supreme Court does and how it does it," but make no effort to make its processes more accessible. "Radio and TV coverage is not disruptive," Bartlett said. "Where radio and television enjoy access to the courts, the results have been overwhelmingly positive." Year ago, Supreme Court permitted demonstration by news media using newest technology. RTNDA said 44 state courts now allow TV-radio coverage of some sort. Of federal courts, only U.S. Court of Military Appeals permits broadcast coverage. Ad hoc committee of U.S. Judicial Conference in Sept. recommended against TV-radio coverage of federal courts; full Conference will consider recommendation in spring.

**Sen. Danforth (R-Mo.)** is likely to offer cable deregulation bill this week, aides confirmed. Legislation isn't unexpected as he had hinted at it at Senate hearing last month on must-carry. Bill's emergence also is consistent with Danforth's long-standing uneasiness with 1984 Cable Act; he had opposed it and since then has been on side of advocates of bills to ensure that satellite TV distributors have chance to compete with cable. Danforth also is known to have been sympathetic to calls of local municipal officials seeking greater authority over franchises. Much of municipal control was removed by Cable Act. Aides are keeping Danforth's bill under wraps, but we confirmed that it would impose new must-carry regime to guarantee local TV station carriage. There's speculation that it also may restore some authority to localities to control rates. Bill is expected to be offered with co-sponsors, some of whom are likely to be drawn from Republicans on Senate Communications Subcommittee who in recent must-carry hearing expressed dismay at cable practices. Danforth hopes to offer bill before Subcommittee conducts 2-day oversight hearing on cable Nov. 16-17.

**Cap/ABC, CBS and NBC** asked full FCC to review decision by Common Carrier Bureau allowing AT&T's rate increase for TV switch operation (TSO) to go into effect. Networks contended that 572% increase in rates is excessive and that Commission should have considered boost in context of AT&T's Sec. 214 plan to reduce TV service. Networks said Bureau violated price cap regulations by not investigating or suspending rates. First phase of TSO rate increase, from \$5.95 per switch operation to \$22.50, became effective Sept. 30, and 2nd step, to \$40, is to start Jan. 1. Networks asked that Commission suspend 2nd phase, enter accounting order and establish investigation into entire rate increase.

**Speeches & Seminars: FCC Radio Advisory Committee** special meeting is 10 a.m. Nov. 7 at NAB, 1771 N St. NW, Washington... ABA will sponsor forum on information services and cable TV Nov. 15-16, Washington's Mayflower Hotel. Details: 202-347-3000... 60 Minutes Exec. Producer Don Hewitt speaks at Edward R. Murrow Brotherhood Awards, Nov. 16, N.Y. Sheraton Centre. Details: 212-354-0019... International meeting on advanced TV systems, sponsored by Canadian govt., is June 25-29, Ottawa Congress Center. Details: 613-224-1741.

**ANOTHER CABLE COMPETITION CALL:** Clearing way for teleco competition to cable would be "preferable" to rate or program distribution regulation, NTIA Dir. Janice Obuchowski said at Senate oversight hearing Nov. 1. While saying NTIA would continue video dial tone policy advocated by her predecessor, she said cable's franchise "monopolies" probably should come to end eventually. Cable's record "is not all bad," she hastened to add.

Obuchowski appeared before Communications Subcommittee at brief hearing in anticipation of action later on new authorization for agency. Bill was introduced later in week by Senate Commerce Committee Chmn. Hollings (D-S.C.) and Communications Subcommittee Chmn. Inouye (D-Hawaii). It would set agency's budget at \$14.5 million in FY 1990, \$15 million in FY 1991.

Obuchowski said cable's growth in recent years reflects basic strength of U.S. market policies. But "cable's running close to the edge now with some of its price increases and service quality problems," she said. She said best way to check cable's "power" would be with competition. She didn't name likely competitor, saying only that govt. needed to study options. NTIA will maintain commitment to video dial tone policy, at least until policy toward telephone industries generally is settled, she said. NTIA advocates teleco provision of cable facilities but not content. She rejected notion of regulating cable as common carrier.

HDTV isn't dead issue with Administration, Obuchowski said. Although it's seen as having pulled back from high profile on HDTV R&D, Commerce Dept. still considers it important matter that needs to be pursued in context of larger high-technology development policy, she said.

Administration hasn't decided yet how to proceed on children's TV, Obuchowski reported. But she indicated her sympathies were with lawmakers seeking to clean up commercial kidvid: "I cannot for the life of me understand why they [parents] let their children see some of this stuff, or why advertisers support it." She said her "inclination" was to "listen to" case being made that children are different from adults in their ability to discriminate between ads and programming, and that special protections may be in public interest.

Obuchowski warned kidvid advocates on Senate panel that Bush White House was inclined to follow Reagan Administration's lead. Reagan's Justice Dept. recommended veto of earlier versions of children's TV legislation on First Amendment grounds. Same constitutional arguments are being reviewed by Bush officials, she said.

**FCC proposed creating Office of International Communications** that would report directly to chmn. Commission said new office would handle coordination of agency's international activities, much as Office of Plans & Policy reviews agenda items. Agency said "main technical expertise" still would be in FCC's offices that regularly deal with international affairs. Congress must approve action before it's final. Office would have staff of about 6.

**President Bush** plans series of radio interviews to be aired on Sats., White House Press Secy. Marlin Fitzwater said, in effort to make Bush more accessible. Interviews will be taped Fri. with single network or small group of reporters on "regular" basis -- but not necessarily every week, Fitzwater said. Reagan aired live Sat. radio show while in White House -- except for 1984, when he was candidate for reelection -- that was offered to all stations.

Director's Guild of America (DGA) found itself in an embarrassing spot last week. DGA Chmn. Elliot Silverstein wrote NAB Pres. Edward Fritts to seek broadcasting association's support for so-called "moral rights" legislation that directors want to prohibit film colorizing and other post-editing changes without authorization from directors and other creative artists. NAB opposes any constraints on TV's ability to convert films to fit small screen needs, its officials said in testimony last month to Senate Copyright Subcommittee. Silverstein's letter had asked Fritts to help directors in their effort to convince Sen. Simon (D-Ill.) to support moral rights initiative. Simon had written editorial for Ill. newspapers opposing legislation that would bar colorizing. Although senator said he doesn't like to see b&w classics converted to color, "with all of the other problems the federal government has, this is not a small, added burden we should take on." Simon also noted that he has received "only a handful of letters" from constituents or others on issue. Silverstein urged Fritts to help beef up Simon's mail count. Fritts responded dryly: "It is certainly our intention to stay in touch with Senator Simon and his staff. I must tell you, in all candor, that I found Senator Simon's view on the issue very persuasive. I certainly agree... that federal intervention is not warranted. The broadcasters of the United States share that position..." Directors Guild couldn't be reached for comment.

**Congressional leaders** were negotiating fate of budget reconciliation bill at our deadline, amid speculation that measure would be killed -- ending latest effort to restore fairness doctrine. Word was that lawmakers would push bill aside since Executive Branch already has "sequestered" or withheld up to 5.3% of FY 1990 appropriations from federal programs in order to meet mandatory budget reduction targets. Reconciliation bills are Capitol Hill's way of meeting same budget targets on paper. Package has been embroiled in controversy for weeks over future of capital gains tax and other policies it would change, in addition to budget matters. Bill also contains provisions to revive fairness doctrine and implement fines for violations, ban dial-a-porn services, increase FCC regulatory fees.

Sen. Gore (D-Tenn.) and Rep. Markey (D-Mass.) will keynote "HDTV and Fiber" seminar of Telecommunications Industry Assn. (TIA) in Washington Nov. 8-9. Gore is member of Senate Communications Subcommittee, Markey chairs House Telecom Subcommittee. Also scheduled to speak is Roy Stewart, chief of FCC Mass Media Bureau. Five panels are scheduled on status of HDTV technical tests, regulatory constraints on fiber deployment, specific RHC plans for bringing fiber to homes, supercomputer networks. Seminar will be at Ramada Renaissance Hotel-Techworld. Details: 202-447-4912.

### It's Against the Law . . .

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**SHOPPING NETWORK EYES LPTV:** Home Shopping Network (HSN) is launching aggressive move at Community Bcstrs. Assn. convention Nov. 5-8 at Riviera Hotel in Las Vegas to set up network of LPTV stations to widen programming distribution. HSN said it hopes to have 200-500 LPTV stations on line within 5 years and to own high percentage of them.

HSN will consider LPTV affiliation agreements, Vp-Best. Affiliations James Bocock said, "but we're more interested in buying." Company said it's buying LPTV CPs and stations in top 150 markets. "One [LPTV station] is not worth the trouble," Bocock told us. "But if you can have 100 or so, this is a viable way to go for LPTV." Since FCC allows CP owners to recoup only actual amount they invest in station, Bocock said, HSN should be able to buy LPTV CPs for \$2,000-\$5,000 each.

HSN expanded its 3rd satellite-delivered program service, called Spree, to 24-hour operation in summer. Network originally was set up to be overnight service on full-power stations, but Bocock said it was expanded to full-time primarily for LPTV market. First HSN network is carried only on cable, 2nd is primarily for HSN's 10 owned full-power stations, as well as full-power affiliates. HSN also sought its own LPTV licenses in last FCC application window and plans to seek more when window opens again Dec. 4-8, Bocock said, but it can apply for only 5 licenses at time. "If I could apply for 500, I would," he said.

Meanwhile, GTE Fla. and HSN said they reached out-of-court settlement of dispute over automatic telephone call distribution system installed by GTE. HSN had sued GTE for \$1.5 billion, saying inadequate system had caused HSN to lose sales. GTE countersued for libel and won \$100 million jury award from HSN and 2 senior officers (TVD Aug 7 p6). Settlement means that, instead of appealing award, HSN's insurance carrier will pay GTE undisclosed amount and both GTE and HSN will release all claims against each other and HSN officers. As result of settlement, GTE said, "our vindication is complete." HSN said deal won't affect its bottom line, since insurer is assuming all liability.

HSN also said it lost \$14.9 million in fiscal year ending Aug. 31, primarily because of \$28 million writeoff related to decision to focus on core shopping business. Chmn. Roy Speer said writeoff included goodwill related to subsidiary businesses, cost of discontinuing or reducing operations of some subsidiaries, writeoff of investment in Canadian Home Shopping Network. Speer said focus on core shopping network business contributed to sales gains in 4th quarter, with 11.5% rise to \$187.4 million. For full year, sales were up 6.1% to \$774.3 million.

Average cash flow margin (percentage of net revenues) was 38.5% for network-affiliated TV stations, compared with 9.6% for independent stations, according to 1988 TV Financial Report published by NAB and Best. Financial Management Assn. (BFM). Report includes breakout of different classes of stations (VHF, UHF, affiliates, independents) by market size, includes more than 100 tables comparing 1987 results with 1988. For average station, 51% of total time sales came from local advertisers, 45.3% from national, 3.7% from network compensation. On expense side, program and production costs led with 33.9%, followed by general and administrative 30.9%, news 14.4%, sales 8.4%, engineering 7.4%, advertising and promotion 5.2%. Full report is available from NAB Services (\$125 members, \$225 nonmembers), 1-800-368-5644.

NAB committee chmn. for 1989-1990: Advanced TV Task Force -- Leavitt Pope, WPIX N.Y.; AM Improvement -- Arthur Suberbielle, KANE(AM) New Iberia, La.; AM Receiver Task Force -- Ted Snider, Snider Corp.; Cable Relations -- Co-Chmn. Thomas Goodgame, Group W, and Cyril Vetter, WLVA Baton Rouge; Children's TV -- Glenn Wright, KIRO-TV Seattle; Congressional Relations -- Co-Chmn. John Dille, Federated Media, and Patricia Smullin, Cal.-Ore. Bestg.; Copyright -- Malcolm Potter, WBAL-TV Baltimore; Engineering Advisory -- Milford Smith, Greater Media; Engineering Conference -- Don Lockett, National Public Radio; Financial Advisory -- Michael Conly, Harte-Hanks; First Amendment -- Kenneth Elkins, Pulitzer Bestg.; FM Transmission -- John Marino, NewCity Communications; Group Radio -- Michael Osterhout, Edens Bestg.; Hundred-Plus TV Markets -- Judith Johnson, Meyer Bestg.; Insurance -- Eddie Kautzman, Meyer Bestg.; Local Carriage Task Force -- Cullie Tarleton, WBTV Charlotte; Medium Market Radio -- Thomas Kushak, WMAY(AM)-WNNS(FM) Springfield, Ill.; Minority Exec. Council -- Glenn Mahone, WPLZ-AM-FM Petersburg, Va.; On-Air Initiatives -- Jack Clements, Mutual; Radio Allocations and Regulatory Review -- Co-Chmn. Gary Crossman, KRKT-AM-FM Albany, Ore., and Denise Shobлом, KFWJ(AM)-KBBC(FM) Lake Havasu City, Ariz.; Radio Futures -- Co-Chmn. Jerry Lyman, Radio Ventures, and Dille; Radio Membership and Board Composition -- James Fox, KWIK(AM)-KPKY(FM) Pocatello, Ida.; Radio '90 Steering -- William Clark, Shamrock Bestg.; Research -- Donald Newberg, WGOW(AM)-WSKZ(FM) Chattanooga; COLRAM -- Jerry Lee, WEAZ-AM-FM Philadelphia; COLTAM -- Gary Chapman, LIN Bestg.; Small Market Radio -- Jerry Papenfuss, Result Radio Group; Telco Entry Task Force -- John Behnke, Fisher Bestg.; TV Membership -- Ronald Townsend, Gannett TV Group.

Former President Reagan's recent comments seemingly giving boost to Sony purchase of Columbia Pictures continue to draw fire on Capitol Hill. Sen. Bryan (D-Nev.), member of Communications Subcommittee, took to floor to blast Reagan's remarks "as an insult to our movie industry and to all Americans." Reagan had told Japanese audience that outsider such as Sony might be able to "bring back decency and good taste to some of the pictures that are being made" in Hollywood. "We need no lectures from the Japanese, or from former Presidents in their employ, on morals," Bryan declared, alluding to fact that Fujisankei was paying Reagan \$2 million for visit to Japan. "The former President's remarks would be amusing if the issues involving Sony's purchase of Columbia were not so serious," said Rep. Markey (D-Mass.), chmn. of House Telecom Subcommittee. "The real issue is whether foreign ownership of key elements of our motion picture industry poses a risk to the future of our nation's telecommunications industry," he said. His Subcommittee plans hearing next month on foreign investment in U.S. media.

Hollywood programmers and TV networks will meet Nov. 14-15 in L.A. in another effort to achieve agreement on relaxation of financial syndication strictures against networks. With urging of members of Congress -- who are pushing for voluntary agreement -- talks have been underway without much progress for some 3 years.

**KFBT (Ch. 33) Las Vegas** has gone on air as independent, raising operating U.S. TV stations to 1,438, of which 1,088 are commercial, 350 noncommercial. KFBT is owned by Lawrence and Teri DePaulis (50% each); Dan McGrath is gen. mgr., Sam Summer chief engineer.

**CABLE AD BUREAU EXPANDS:** Cabletelevision Ad Bureau (CAB) will become more active in helping sell cable as ad medium as result of series of decisions by its board last month. Decisions call for staff to grow about 20% and budget 10%, and for CAB to become "more vocal" in lobbying, Pres. Robert Alter said.

Main emphasis is on more ad sales support for cable systems and programmers. For example, CAB will market CableCume computer program that uses people meter data to provide more accurate information on audiences, including demographics. Alter said CableCume is planning tool, aimed at making it easier for ad agencies to understand effectiveness of cable. CAB also will participate in sales presentations in as many markets as possible next year. Alter called effort "major change" in CAB activities. Changes will be financed through normal growth of CAB membership and budget, he said. Alter said timing of decision was dictated largely by expansion of cable advertising and expected growth. CAB has set goal of \$4 billion annual cable ad sales by 1994, up from about \$1.4 billion in 1988.

Bureau will be more active in "articulating cable's positions" on ad issues, Alter said: "We're not going off on our own or setting up a Washington office. We'll work very closely with NCTA." He said CAB will focus on issues such as beer and wine ads, ad taxes, restrictions on children's TV. It also will work with other ad groups such as ANA and AAAA.

**Petition to deny Chicago Educational TV Assn.'s (CETA) renewal application for commercial classical music superstation WFMT-FM** there has been filed at FCC by Friends of WFMT. Group's filing contended that CETA, licensee also of WTTW Chicago, has violated "trust obligations" to operate WFMT-FM as fine arts station and has engaged in "fraudulent or deceptive" fund-raising. Claims are similar to those made by Friends in lawsuit filed against CETA in Cook County Circuit Court in June. CETA has said it "strongly disputes" allegations. Petition to deny contended that CETA "has tried to bleed WFMT of money and strip it of its assets." It pointed to sale of WFMT's former program guide that, Friends said, under transfer agreement with former WFMT-FM owner Tribune Co. should have been set aside as endowment for radio station. Group also charged that WFMT-FM "fraudulently" stated to listeners in first-ever fund drive in May that station was running deficit of \$400,000. Interest on \$9-million fund created from sale of guide "would easily have covered any \$400,000 deficit," group said.

**WROC-TV Rochester, N.Y., is seeking FCC cease-and-desist order to prevent Rochester cable system from using WGRC-TV label for its local origination channel.** WROC-TV attacked "patent unfairness of using broadcast-style call letters in an effort to convince the viewing public that a new licensed broadcast station" is on air. It said WGRC call letters have been assigned to Lewisburg, Pa., radio station, but Greater Rochester Cable said there are no restrictions on names that can be given to cable station.

**FCC Chmn. Sikes** asked newspaper industry to rethink its opposition to lifting of Modified Final Judgment bar to RHCs' provision of information services and to work more cooperatively with them. In speech to ANPA in Washington Nov. 2, Sikes said publishing companies should move into electronic delivery of product, and would be helped by FCC's Open Network Architecture policy.

**NBC News** reportedly will reply formally to widespread criticism -- much of it by affiliates -- for being some 90 min. late in airing coverage of Oct. 17 San Francisco earthquake. At time, network blamed inability of affiliates KRON-TV San Francisco and KCRA Sacramento to provide signal. Both stations have disputed NBC version -- KRON-TV with 6-page letter to NBC-TV Affiliates' Chmn. James Sefert, Cosmos Bestg., and copies to NBC executives. NBC's KNBC-TV L.A. reportedly was ready to go on air with coverage minutes after quake but network turned it down. According to Wall St. Journal, NBC News also will announce personnel changes -- none involving on-air talent. NBC News Pres. Michael Gartner was in London and unavailable for comment. Network official said only "it's an internal matter" and affiliates will be informed when any decisions are made. In another development, KRON-TV moved start of NBC's prime-time programming to 7 p.m. and aired its local news at 10 p.m., Oct. 23-26. Pres.-Gen. Mgr. Amy McCombs said action had nothing to do with request of NBC's west coast affiliates that network start prime time at 7 p.m. in Pacific time zone on regular basis. Instead, she said, it was effort to help inform commuters who were going to bed earlier and rising earlier because of much longer commute time. NBC had scheduled meeting with west coast affiliates on prime-time request week of earthquake; that session was postponed, now is scheduled Nov. 13 in Burbank to coincide with TvB convention in L.A.

**Annual FCBA dinner honoring FCC chmn.** is scheduled for Dec. 6, 7 p.m., Washington Marriott Hotel. Tickets are \$40, \$400 for table of 10. Details: Michelle Plotkin, 202-659-3494. Other FCBA activities: (1) "Meet the Common Carrier Bureau Officials," Nov. 7 and 16, 4-6 p.m., Marriott, with keynote by Richard Firestone, new chief of Bureau. Details: Randolph May, 202-371-5738. (2) Luncheon speech by MPAA Pres. Jack Valenti, Nov. 9, Marriott. (3) Young Lawyers Committee "facilities tour" of MultiVision Cable, Lanham, Md., 6 p.m. (4) Telecommunications Conference Nov. 30-Dec. 1, Grand Hyatt Hotel, Washington. Speakers include FCC Chmn. Sikes and Comr. Barrett, Asst. U.S. Attorney Gen. James Rill, NTIA Dir. Janice Obuchowski, Rep. Cooper (D-Tenn.), leading govt. and industry officials. (5) "Engineering for Lawyers: A Look at FM and TV Issues," 5:30-7:30 p.m. Dec. 13, NAB. Details: Peggy Greene, 202-632-7020. Meanwhile, FCBA is going all-out to recruit more govt. attorneys, lowering their annual dues to \$40 from \$65. After long dispute, FCBA amended bylaws in 1986 to permit govt. lawyers to join. FCC Deputy Gen. Counsel Renee Licht now is member of FCBA Exec. Committee.

**Backe Group and Susan Obrecht, pres. of ESS Ventures,** are buying Atlantic Publications, publisher of 30 newspapers (many of them seasonal) in Carolinas, Del., Md. and Va., terms not announced. At height of summer season, Atlantic papers have circulation of more than 225,000. Backe Group, headed by ex-CBS Pres. John Backe, owns Gulfstream Newspapers (13 weeklies with combined circulation of 250,000 in Fla.), 2 consumer magazines, trade magazines.

**"Talk radio"** isn't generic term, L.A. federal judge ruled, prohibiting KFI(AM) L.A. from using slogan of KABC(AM) there. KFI began using slogan in March and KABC went to court. U.S. Dist. Judge Richard Gadbois ruled that KABC offered evidence showing that L.A. listeners associated phrase with KABC, so "talk radio" couldn't be considered generic.

## Personals

**Walter Bartlett**, Multimedia pres., advanced to chmn., succeeding **Wilson Wearn**, who was elected chmn. emeritus and will remain chmn. of Exec. Committee... FCC Chmn. **Sikes** will be in London Nov. 30-Dec. 5 to participate in Financial Times World Telecommunications Conference; he's also appointed Federal-State Joint Board chmn.

**FCC calendar** -- Nov. 6: **Comr. Quello** is keynote speaker at Community Bestr. Assn.'s 2nd annual LPTV conference, 8:30 a.m., Riviera Hotel, Las Vegas. Nov. 7: **Richard Firestone**, Common Carrier Bureau chief, speaks at FCBA session, 4 p.m., Washington Marriott. Nov. 8: **Sikes** and **Roy Stewart**, Mass Media Bureau chief, address Telecommunications Industry Assn. lunch on HDTV and fiber optics, Ramada Renaissance Hotel-Techworld, Washington. **Firestone** speaks at Bellcore regulatory information forum, 11:15 a.m., 2101 L St.; **Mary Beth Hess**, chief, Common Carrier Bureau Enforcement Div., speaks at Bellcore forum, 1 p.m. Nov. 10: **Gerald Vaughan**, Common Carrier Bureau deputy chief, addresses Goldman Sachs telecommunications conference on changes in accounting treatment, 30th floor auditorium, 85 Broad St., N.Y.

**Patricia Dennis**, ex-FCC member, speaks on "Reflections on the FCC" at Nov. 8 meeting of Capitol Women & Men in Telecommunications, 6:30 p.m., L'Enfant Plaza Hotel, Washington... **Robert Wussler**, Comsat Video pres., speaks Nov. 29 at Private Cable Show, Caesar's Lake Tahoe, Nev... **Michael Checkland**, BBC dir.-gen., addresses IRTS lunch, Nov. 21, Waldorf-Astoria, N.Y.

**Isaac Hersly** promoted to pres., Chyron, succeeding **Alfred Leubert**, who remains chmn... **David Evans**, who resigned recently as pres., Qintex Entertainment, resumes post at year-end or until successor is named... **Greg Hartel**, Ky. Post reporter, joins Scripps Howard as mgr.-corporate communications... Changes at Washington law firm **Goldberg & Spector**: **Jonathan Wiener** advanced to partner, **Thomas Gherardi** becomes of counsel... **David Leibowitz**, ex-partner, Washington law firm Wiley, Rein & Fielding, joins Recording Industry Assn. of America as senior vp-gen. counsel, succeeding **Joel Schoenfeld**.

**George Falardeau** advanced at NBC to vp-facilities and services-operations and technical services, West Coast; **Michael Bevan**, ex-Barry & Enright Productions, joins NBC Entertainment as dir.-daytime development. Promotions at NBC Sports: **Kathleen Hurlie** to vp-finance and administration-Olympics, **Keith Handyside** to vp-production planning and operations... **David Goldsmith**, ex-Lorimar TV, joins Grant/Tribune Productions as senior vp-creative affairs... **Zach Horowitz** named exec. vp, MCA Music Entertainment Group.

**Leonard Goldenson**, ABC founder and chmn. of Cap/ABC Exec. Committee, elected honorary chmn., ATAS Foundation, new post... **Newton Minow**, former FCC chmn. and dir. of Annenberg Washington Program, named first Annenberg prof., Northwestern U... **Terry Phillips** promoted to vp-sales, Acclaim Entertainment, new post; **Kerry Moore**, ex-Koss, joins as western sales mgr., new post... **Joan Edgar**, ex-Tatham-Laird & Kudner ad agency, joins Arbitron as client service rep-TV ad agency sales.

**Edward Spray**, ex-dir.-bestg., KCBS-TV L.A., promoted to vp-program development, CBS TV Stations, new post... **Christopher Sarson**, ex-pres., Blue Penguin Productions, joins WNYC-TV N.Y. as dir.-programming... **Walt Baker**, KHJ-TV L.A., resigns as vp-dir.-programming... **Scott Smith**

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advanced to senior vp-chief financial officer, Tribune Co... **Rich Brase** promoted to dir.-broadcast operations, KSDK St. Louis... **Joyce Wanstreet**, ex-mktg. mgr., WMFE-TV-FM Orlando, joins WNPB-TV Morgantown, W.Va., as development dir.

**Arthur Price** resigns as pres., MTM Entertainment, acquired last year by U.K.'s TVS Entertainment... Promotions at Turner Bestg. System's Nonfiction & Documentary Program Div.: **Ira Miskin** to exec. vp, **John Savage** to vp-production, **Joel Westbrook** to vp-development, **Alison Fusell** to dir.-mktg., **Steven LeSage** to dir.-operations; **Maxine Wishner** joins as dir.-development... **Mark Huggins**, ex-Harte-Hanks Communications, joins Management Co. Entertainment Group as exec. vp-chief financial officer.

OBITUARY

**Bennet Korn**, 75, veteran broadcast executive who headed Metromedia TV stations in 1960s, died Oct. 31 of heart attack in his Walnut Creek, Cal., home. He also suffered from Lou Gehrig's disease. Korn entered broadcasting in early 1940s as promotion mgr. for N.Y. Times' WQXR(AM) N.Y., also was executive with DuMont TV Network. After retiring from Metromedia, he served as TV consultant and for last 5 years had been program consultant to Group W's KPIX San Francisco. Wife, stepdaughter survive.

WRH

# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

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

	OCT. 14-20	1988 WEEK	% CHANGE	OCT. 7-13	42 WEEKS 1989	42 WEEKS 1988	% CHANGE
TOTAL COLOR.....	488,904	459,796	+ 6.3	440,294*	17,187,406*	15,662,396	+ 9.7
DIRECT-VIEW...	479,904	450,893	+ 6.4	433,151*	17,001,426*	15,444,345	+10.1
PROJECTION....	9,000	8,903	+ 1.1	7,143	185,980	218,051	-14.7
TOTAL VCR.....	304,581	309,446	- 1.6	236,031	8,615,158	9,206,661	- 6.4
DECKS.....	242,387	269,006	- 9.9	200,829	7,038,441	7,774,149	- 9.5
CAMCORDERS....	62,194*	40,440	+53.8	35,202*	1,576,717*	1,432,512	+10.1

Color TV 5-week moving average: 1989--527,240\*; 1988--496,585 (up 6.2%).

VCR deck 5-week moving average: 1989--251,188; 1988--274,640 (down 8.5%).

Camcorder 5-week moving average: 1989--55,647\*; 1988--51,101 (up 8.9%).

\* Record for period.

**THOMSON CONSUMER ELECTRONICS TO GET NEW CEO:** Heir to Pierre Garcin as CEO of Thomson Consumer Electronics, world's 3rd largest consumer electronics company, is Bernard F. Isautier, 47, who has been pres. of Canada Development Corp. (CDC) and has background in energy industry. He officially joins TCE at Paris hq Jan. 2 as senior vp, corporate affairs, reporting to Garcin. Isautier is scheduled to become CEO next Oct., when Garcin will assume post of special adviser to Alain Gomez, chmn. of parent Thomson SA.

Isautier (pronounced "ee-so-tee-yay") has headed Canadian companies for 10 years; he was pres. of Aquitaine Co. of Canada before joining CDC, widely diversified \$7 billion conglomerate. Born in France, he earned technical and political science degrees, served with French Ministry of Industry, where he was instrumental in preparing energy program following OPEC oil embargo. He also served in govt. advisory posts for Republic of Niger, became gen. mgr. of Elf-Aquitaine's Tunisia operations in 1976, was transferred to Canada 2 years later.

Thomson reached outside company -- and outside industry -- to pick new chief for its worldwide consumer electronics operation after search that took "many months," Garcin said. Garcin, who will be 63 next year, described Isautier as "tough and energetic," with "the scope and vision to succeed in the international marketplace." Garcin, who joined Thomson in 1958, spent most of his career in consumer electronics.

**POLLY PECK BECOMING WORLD CE POWER:** Polly Peck International (PPI), which is buying 51% of Sansui for \$110 million (TVD Oct 30 p15), now has trade name it needs to become truly worldwide manufacturer and marketer of consumer electronics. PPI hopes to develop Sansui into power in color TV, VCR and communications products, including facsimile. At Tokyo news conference, British company said that by mid-1990 it will be manufacturing VCRs at rate of more than 1.2 million per year, but didn't give location.

Sansui will be PPI's showcase brand, specializing in large-screen color TV, Tokyo session was told by Norbert Wirsching, who heads PPI's Electronics Div. as well as U.S.-based subsidiary Capetronic, which operates many of PPI's Far East factories. In answer to question, he said construction of U.S. consumer electronics plant is among possibilities being weighed.

PPI plans to start production of VCRs and fax for sale under Sansui brand by next summer, Wirsching said, forecasting Sansui's annual sales will total some \$7 billion in 5 years, up from current \$176 million.

Sansui unsuccessfully attempted to market large-screen color monitor receivers and VCRs (made by JVC) in early 1980s. It has been buffeted severely by soaring yen and wounded by its failure to diversify and its concentration on production in Japan. Company has been criticized for its decision to fight for market share supremacy in unprofitable rack systems category in early and mid-1980s -- precisely at time that market growth was flat because of product oversaturation.

One report forecast that Sansui would post \$45 million loss for fiscal year ended Oct. 31, its liabilities exceeding assets by \$97.2 million, and that its listing on Tokyo Stock Exchange was threatened by its failure to declare dividend in 4 years. PPI is buying 39 million newly issued shares of Sansui common stock. Deal is expected to be finalized next month. Biggest surprise -- both within and outside trade -- was not that Sansui was sold, but that buyer was western company. Financial analysts said it was first time control of firm on Tokyo Stock Exchange has been acquired by non-Japanese company. One industry executive said rumors of possible Sansui purchaser had centered on Funai and Kyocera.

"Today's global market requires a comprehensive market range as well as a worldwide presence to ensure long-term survival and prosperity," PPI Chmn. and 25% owner Turkish Cypriot Asil Nadir told news conference. He said PPI has been primarily OEM manufacturer of such products as microwave ovens, TVs, VCRs, audio equipment and computer peripherals, but "until today, we have lacked a global brand whose name and reputation is in line with our own ideals of quality and expertise." He promised to maintain Sansui's quality reputation and utilize its technology while strengthening it as a competitor through PPI's "global, low-cost manufacturing facilities."

PPI announcement said Sansui's product range will be broadened as soon as possible after takeover, VCR production beginning by mid-1990 with monthly capacity of more than 100,000. It said manufacture of Sansui audio products, "including CD players, minicomponents and general audio products," will be transferred to PPI facilities in Malaysia, Taiwan and Turkey before end of 1990, while car audio and sophisticated audio products will continue to be made in Japan. Although PPI is retaining current Sansui top management, it named 30-year Toshiba veteran Tatsuya Inamiya as exec. vp-COO.

Hiro Higashiomori, pres. of Sansui's U.S. subsidiary, in letter to editors, said PPI planned to build new Sansui R&D center in Tokyo and add to engineering staff. "New technology and product designs that have languished on the shelf for want of development funds will begin to flow through the system," he said. Brand's target market will continue to be upscale consumer, he wrote, adding that prototypes of some new products might be displayed at Winter Consumer Electronics Show in Las Vegas in Jan. One "virtually immediate" benefit, he said, will be selection of Kirschenbaum & Bond ad agency "to create a brand image and awareness campaign."

One of fastest growing companies in U.K., PPI was built up from small fabric company by Chmn. Nadir to giant in fruit and food businesses, recently has been expanding in electronics, is said to produce million color sets annually. Its Vestel brand has nearly 1/3 of Turkish market, making more than 400,000 color TVs annually, and its Turkish plant supplies Britain's Bush TV sets. In Italy it acquired Imperial Electronics, once owned by Telefunken, with capacity of more than 200,000 sets. Its 1987 acquisition of American-owned Capetronic, successor to old Capehart Corp. and supplier of OEM products from Far Eastern plants (TVD Oct 19/87 p13), gave it significant facilities in Orient and it now has plants in China Hong Kong, Malaysia and Taiwan, as well as computer peripheral factory in U.S.

PPI, which last month acquired Del Monte brand, had pretax profits of \$177.5 million on \$1.2 billion sales in 1988. Electronics brought in \$659.6 million sales and \$47.6 million pretax profits, compared with \$674.4 million and \$172.9 million for agricultural products. Some 39.6% of its total sales last year were in Europe, 32.9% in Near and Middle East, 20.4% in North America. Company was listed as fastest-growing U.K. firm in 1987. It has more than 26,000 employees. In addition to fruit, clothing and textiles, PPI's new Leisure Div. holds national Pizza Hut franchise for Turkey and is building 400-room Sheraton hotel in southern Turkey.

**JAPAN VIDEO EXPORTS DOWN IN SEPT.:** Japanese video exports to U.S. took downward turn in Sept., first month this year in which both color TV and VCR deck shipments dipped below year-earlier figures, Japan Finance Ministry data showed. While deck exports were declining, average dollar price was up sharply from preceding month. Camcorders were exception, near-record number leaving Japan in month.

Total color TV exports from Japan dropped 25.6% to 18,890, with complete color sets down 35.3% to 15,301 and color chassis & kits up 108.1% to 3,589. It was first monthly decline for complete color sets since

Dec., and only 2nd increase for chassis & kits this year. Complete set total was lowest of any month in 1989, and lowest since 11,954 in Aug. 1988. Through first 9 months of 1989, total color TV exports rose 27.4% to 195,608 and complete sets 38% to 180,619, but color chassis and kits were down 33.7% to 14,989.

VCR deck shipments here from Japan totaled 977,724, off 3.8% from Sept. 1988 shipments but up 8.7% from previous month. Sept. total was 2nd highest of 1989, following 1,048,812 in March. Decrease was only 2nd of year for decks (other was in Feb.), and followed 6 straight monthly increases.

Average price of VCR deck shipped from Japan was \$241.28, based on 145 yen-to-dollar rate in effect for Sept., up \$13.49 from \$227.79 in Aug. but down \$12.62 from \$253.90 in Sept. 1988, when yen was 134 to dollar. Price year ago was highest of any month in last 2 years, according to export figures. Average yen price of deck in Sept. 1989 was 34,986, up 8.9% from Aug. price and up 2.8% from Sept. 1988. Average deck prices through first 9 months: Jan. \$229.20, Feb. \$232.48, March \$220.65, April \$231.65, May \$228.31, June \$231.15, July \$248.65, Aug. \$227.79, Sept. \$241.28.

Camcorder exports to U.S. rose 19.2% to 310,735 in Sept., while domestic sales to dealers here in same month totaled 279,219 (TVD Oct 16 p10). Total was down slightly from record 312,020 shipped in Aug. (TVD Oct 2 p12). In first 3 quarters of year, camcorder exports increased 2.6% to 1,989,822, while sales to dealers totaled 1,449,884, difference of 539,938. Average camcorder price in Sept. was \$601.50, down \$2.15 from \$603.65 in Aug.

Shipments of Compact Disc (CD) players rose 21.9% to 447,814 in month, and were up 13.8% to 2,978,663 in 9 months.

VCR deck exports to Canada from Japan totaled 113,148, up 37.2% from Sept. 1988. Shipments in first 9 months jumped 24.5% to 644,829. Complete color TV exports soared 84.4% to 2,100 in month, 64.1% to 12,660 in 9 months. Camcorder shipments rose 24.6% to 26,187 in Sept., but were down 6.1% to 112,134 in Jan.-Sept. Japan's worldwide TV exports increased 0.8% to 615,000 in Sept., with value down 7.6% to 20.5 billion yen. VCR deck exports rose 12.6% to 2,540,000 and value 7.8% to 91.1 billion yen. Camcorders gained 18.3% to 627,000 and value 11.7% to 58.1 billion.

**GOVT. URGED TO BUILD NEW CE INDUSTRY:** Formation of govt.-sponsored Consumer Electronics Capital Corp. (CECC) to finance new American entries in consumer electronics industry will be urged in report by official govt.-industry advisory committee on semiconductor issues, due to be delivered this week to President Bush.

Preliminary report by same group -- National Advisory Committee on Semiconductors (NACS), policy body created by last year's trade act -- had urged national HDTV initiative (TVD Sept 18 p14). Final report won't mention HDTV at all, instead will concentrate on consumer electronics industry, according to leaked versions. Change presumably is result of Administration's decision that its efforts to help American industry won't center on HDTV or other individual products.

CECC would be multibillion-dollar investment company operated for profit and privately managed to provide low-cost long-term capital for companies proposing to enter consumer electronics. Federal govt. wouldn't finance it directly but would provide loan guarantees; GECC would raise funds from private and institutional investors as well as local and state govts. Report also recommends: (1) Govt. consideration of requirement that products sold in U.S. contain specific amount of U.S. content. (2) Govt. help for U.S. companies in obtaining patent licenses from foreign companies. (3) Making R&D tax credit permanent, restoring investment tax credit, reducing capital gains tax, legalizing industry consortiums, promoting access to foreign markets. (4) Increasing federal financing for Sematech, industrywide semiconductor research consortium.

Chmn. of NACS is AT&T Bell Labs Pres. Ian Ross, who said in letter to President, to accompany report, that "the country needs bold and innovative action" toward "a national semiconductor strategy." Other industry members of committee, appointed last year by President Reagan, are IBM Vp John Armstrong, Martin Marietta Chmn. Norman Augustine, Motorola Chmn. Robert Galvin, Texas Instruments Chmn.-Pres. Jerry Junkins, Applied Materials Chmn. James Morgan, National Semiconductor Pres. Charles Sporck, Tandem Computers Pres. James Treybig. Govt. members are headed by DARPA program mgr. William Bandy, exec. secy.; Defense Undersecy. John Betti, National Science Foundation Dir. Erich Bloch, Presidential Science Adviser Allan Bromley, Office of Energy Research Dir. Robert Hunter, Deputy Commerce Secy. Thomas Mussin.

On Capitol Hill, report was hailed by Rep. Levine (D-Cal.), one of main backers of govt.-sponsored HDTV initiative, who forecast it would get serious consideration. He noted some of recommendations were similar to legislation he's preparing to create a Technology Corp. of America, which would receive direct federal financing.

**INTERACTIVE UNCERTAINTY:** Fraught with as many pitfalls as any videogame, current interactive videotape market must contend with unproven market demand, skepticism from investors and undefined licensing procedures, speakers admitted at 2nd annual Entertainment conference in N.Y. last week. On more optimistic note, panelists at event sponsored by Alexander & Assoc. and Nynex cited advantage of 60 million VCR households and efficiency of tape as storage medium.

Example of difficulties with interactive video is ISIX tape-based system -- better known as NEMO -- which Hasbro spent 2 years and \$25 million developing with Nolan Bushnell's Axlion before abandoning last year (TVD Oct 24/88 p15). Decision came after product evolved from low-end interactive system to more expensive and complex one incompatible with toy company's distribution network, said consultant John Perkins, formerly ISIX vp-R&D.

Hasbro wants to market ISIX technology to companies whose products are "more closely allied" to most recent version of ISIX. Staffers differed on optimal retail price, he said, some recommending \$200-\$300 range for mass market and others targeting technophiles at \$500-\$600. Hardware, which is hooked up between VCR and TV, is "ready for manufacture," with 33 patent applications approved by Patent Office, Perkins said. Hasbro also had developed 21 software programs running 3-45 min.

"There's really no market" for interactive video, Perkins said. "It would take someone with vision -- and lots of it -- to step up in any sense." Unlike home video or CD businesses, which derive programming from other media and therefore provide incremental revenues, interactive systems require programs created from scratch, he said. On other hand, ACTV has created 200 TV episodes with interactive audio and video that "haven't cost more than regular TV shows," Programming Dir. David Regal said. N.Y.-based company, which developed technology for View-Master Ideal InteractiveVision tape-based system (TVD Feb 22/88 p11), plans first broadcast test in early 1990, said Regal, who wouldn't elaborate further.

Rights issue is complicated in interactive entertainment because business is so new, said James Riley, principal designer, writer and director of ISIX. In fact, interactive media aren't even mentioned in AFTRA contract, Regal said. Another stumbling block is uncertain consumer market for interactivity, although Hasbro studies indicated some interest, Perkins said. View-Master Ideal's Ernie Cormier declined to discuss sales of InteractiveVision, which began shipping in Aug. and whose ad campaign has just started. He said product is targeted to 4-8 age group to avoid direct competition with videogames.

Videotape as viable interactive medium will last 3-4 years before emergence of more advanced videodisc-based technologies, Cormier predicted. He said InteractiveVision has advantage in that it targets sizable installed VCR base and is retailing for about \$85. "VCRs are what people are used to," said Paul Sullivan, who designed Video Smarts VCR add-on marketed by Connor Toy. He said 30-min. videotape can store 2.5 gigabytes of information, offering "low-cost memory, stereo, color and motion."

What constitutes successful interactive video program? Perkins said on-screen characters' acknowledgment of viewers, surprises during game play, clear directions and paths structured as complete show regardless of expertise level. He recommended shooting new footage unless archival footage can stand on its own without additions. Other pitfalls, he said, are requiring viewers to choose plot, which "violates the bond between the storyteller and the listener," and relying on "predictable" humor or horror that "gets old fast."

Sony offer for Columbia Pictures was completed last week with 90.3% of latter's common shares tendered by Oct. 31 deadline, and Sony expects to own 98.7% after acquired warrants are exercised. Sony appeared close to settlement in dispute with Warner Bros., which was seeking to enforce exclusive contract with Guber and Peters. Parties announced postponement of Nov. 2 hearing on Warner request for preliminary injunction to permit further talks. Meanwhile, anti-Japanese reaction kindled by Columbia deal was fed last week by proposed purchase of 51% stake in N.Y.'s Rockefeller Center by Mitsubishi Estate. Showpiece of Center is former RCA Bldg., named for skyscraper's long-time principal tenant and recently renamed GE Bldg.; landmark neon "RCA" sign atop structure has been replaced by "GE" in red capital letters.

Cordless phones, now in nearly 25% of U.S. homes, are major source of dissatisfaction, according to survey of readers reported in Nov. Consumer Reports. Almost 1/3 of respondents expressed some unhappiness -- "a very high level of discontent for a product." Sizable number of phones already had broken down. Two in 5 respondents were troubled by static and interference, one in 4 by "muffled or dull reception," one in 6 by shorter range than expected, same number by pickup of other conversations. Among full-featured models, \$250 AT&T phone received top rating. Of basic phones, Southwestern Bell Freedom Phone was No. 1.

European Commission (EC) said it's imposing antidumping duties of 10.2-19.6% on small color TVs from Korea because low-priced units were said to be undercutting sales by European suppliers. EC said investigation begun in Feb. 1988 showed Korean manufacturers broke General Agreement on Tariffs & Trade (GATT) rules. Europeans lost market share to Koreans as result of dumping, Commission said.

**New VCR feature:** "Rental switch." It's part of VHS Hi-Fi recorder Matsushita introduced in Japan. Model, called "Rentaro," is especially maximized for viewing movies, featuring "cinema sound," which expands bass notes (20-100 Hz) by 9dB. Matsushita says rental switch reduces picture noise commonly found in rented software. It's priced at about \$635 in Japan.

#### THIS WEEK'S YEN RATE

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

**ANTI-BLACK BOX BILL:** Legislation to ban "black boxes" used in illegal videocassette copying was introduced last week by Rep. Berman (D-Cal.), as expected (TVD Sept 18 p16), focusing new attention on taping issue in Congress. Bill (HR-3568) would prohibit manufacture, import, sale and distribution of equipment designed primarily for unauthorized copying of prerecorded cassettes. Machines being sold for purpose are designed to defeat Macrovision encoding.

Berman's bill, developed by Macrovision, would make copying violation of copyright law -- area that courts take more seriously than patent suits, under which Macrovision and other anticopy makers have been pursuing violators. Motion picture industry puts its losses from illegal copying in U.S. at \$600 million annually, with video retailers losing untold additional revenues, Berman said. "Until this legislation goes forward, those who manufacture and market black boxes whose purpose and function it is to violate copyright can do so with virtual impunity," he said.

Bill hasn't been promised hearing yet by House Copyright Subcommittee Chmn. Kastenmeier (D-Wis.), but it's expected to gain attention in Congress, in part because of endorsement by U.S. Register of Copyrights Ralph Oman, suggesting approval by Bush Administration. Measure also reportedly will have support of Subcommittee's ranking Republican, Rep. Moorhead (Cal.).

"If Congress is serious about protecting copyright, we should not stand by and allow the manufacture and marketing of devices which have no other real purpose than to infringe on copyright," Berman said. "Congress is not obligated to stay neutral between technologies which protect copyright and those which violate it."

"This legislation points a significant new direction for copyright systems," Oman said in Oct. 16 letter to Berman. Bill takes technology solution route to what has been vexing copyright question for Congress. Royalties and other alternatives have been studied by lawmakers in past, without success. "I believe the fundamental approach of the bill is compatible with U.S. copyright policies," Oman said.

Rights of feature film owners are limited to first sale, Oman said, making it important for govt. to come up with answer to help them prevent subsequent unauthorized reproductions at point of sale. "Unauthorized commercial copying of motion pictures in the video marketplace is an endemic problem for which effective copy control technologies can be a partial solution," he said. Commercial piracy already is illegal; adding technology control would be appropriate "complementary step," he said. Oman also commended legislation for creating new exclusive right under copyright, in which copyright holders would have right to require or prohibit manufacturers to encode their tapes to prevent copying.

**Newmark & Lewis** engaged in deceptive advertising by claiming it lowered prices on all items in campaign earlier this year, according to civil suit filed against retailer by N.Y. City Consumer Affairs Dept. Suit in N.Y. State Supreme Court said investigation found that prices of at least 50 items either increased or remained same during ad campaign, which began June 1. Newmark & Lewis announced program in May to cut prices 5-20% and scrap practice of negotiating prices with customers at N.Y. metro area stores (TVD June 5 p12). Suit seeks fines of \$1,000 per violation of N.Y. Consumer Protection Law, investigation costs, injunction to prohibit ad campaign.

**VIDEOGAME GROWTH SEEN:** Representatives of videogame industry, speaking at Intertainment '89 conference in N.Y. last week, predicted continued rapid growth for business in next few years as market broadens to include more adults and as new 16-bit videogame systems take hold.

Videogame market is on "brink of explosion," predicted Trip Hawkins, pres. of computer software developer Electronics Arts. "Nintendo proved there's tremendous consumer demand for interactive entertainment," but market will grow even more now that 16-bit machines are available. Those systems will be "foundation" of videogame market in next 20 years because they offer more memory, better sound and graphics and longer play, he said.

As 16-bit and Compact Disc-based entertainment systems gain popularity, more games designed for adults will be introduced, and videogames will become mass-market product, Hawkins said. CD offers greater storage capacity and will be key technology for videogames in future, he said. "We will see a lot of systems that use CD players for interactive entertainment," he said. Standardization will help expand market and leaders will emerge in next several years, he said.

New 16-bit games provide sense of "drama" by giving them story line, NEC Home Entertainment Vp Kenneth Wirt said. This also will make videogames more appealing to adults, he said. Games will compete with TV and other media for adults' entertainment dollars, Wirt said. NEC entered U.S. videogame market in June with introduction of 16-bit system (TVD May 29 p15).

Gregory Fischbach, Acclaim Entertainment pres., said there's still room for growth of 8-bit systems, such as top-selling Nintendo Entertainment System. He said 1989 videogame hardware unit sales will total about 9 million, then dip slightly in 1990 and 1991, and software sales will reach 50 million in 1989, 60-65 million next year, before declining in 1991. Videogame numbers may be somewhat understated because of growing rental business, he said.

**FTC is asking comments** on whether to amend or rescind 1974 trade regulation rules on audio amplifier power output claims (TVD May 6/74 p11). "Prior to the rule, sellers were making power, distortion and other performance claims based on many different technical test procedures," agency said, and "some sellers used no recognized test procedures." FTC posed 4 questions for public comment: (1) Has rule had a significant economic impact on substantial number of small businesses? (2) Is there continued need for rule? (3) What burdens does rule place on small businesses, and how can they be minimized? (4) To what extent does rule overlap, duplicate or conflict with other govt. rules? (5) Have technology, economic factors or other conditions changed in markets affected by rule since 1974, and what effect have such changes had?

**Ads & Promotions:** NEC dealers will show assortment of movie releases from Blockbuster Video on projection TVs and give away movie rental coupons at stores in 4 metropolitan areas as part of joint promotion of NEC and Blockbuster. Program runs through Nov. 26 in L.A., Miami, San Diego, San Francisco. Consumers get booklet of coupons good for one free Blockbuster Video rental per month for year, with purchase of NEC large-screen TV... Sharp TV-print ad campaign for SharpVision 100" LCD projection TV features former basketball star Wilt Chamberlain.

**OTA STUDY REACTION:** Response to report on home taping by congressional Office of Technology Assessment (TVD Oct 30 p10) followed predictable lines last week. Home Recording Rights Coalition (HRRC) partisans wasted little time in hailing it as nail in coffin of effort in Congress to win royalties for blank tape or hardware. But fiercest proponents of royalties in wake of last summer's digital audio tape (DAT) agreement, including National Music Publishers Assn. (NMPA), were undaunted by OTA study, which appeared to lean toward long-standing position of HRRC.

NMPA Pres. Edward Murphy released statement renewing pledge to fight Serial Copy Management System (SCMS) legislation. "What is very clear from the study is that Congress, in a comprehensive fashion, needs to legislatively resolve the recurring conflict between new audio technology and the legal protection owed music copyright holders," Murphy said. "The solution to this problem must recognize and respect the rights of songwriters and music publishers and provide just compensation to the rightful owners."

Murphy statement, endorsed by Songwriters Guild of America (SGA) Pres. George Weiss, said royalty proposals have widespread support among songwriters and music publisher groups in Canada, Japan and throughout Europe. "All agree that reasonable compensation must be an integral part of any effective solution to the home taping crisis. We strongly urge Congress not to pass any technical solution regarding DAT which does not address the legal copyright protections guaranteed under current law for songwriters and publishers."

Recording Industry Assn. of America (RIAA) Pres. Jay Berman cited OTA finding that home taping was twice as prevalent in 1988 survey as in similar study decade earlier. "I am pleased that the OTA report recognizes the serious threat posed by DAT and other digital recording technology, but I am disappointed at the OTA's lack of any positive recommendations on how to protect the American music industry against unauthorized copying," Berman said. Actually, OTA summary said advanced features "do not seem to have a dramatic effect on copying behavior. For instance, roughly similar proportions of people with many homemade tapes, or with few, or even none, seemed to own dual-cassette and high-speed-dubbing recorders." Thus, OTA said, "there is reason to doubt whether 'perfect' digital copies made with DAT recorders will inevitably lead to a significant change in copying behavior."

On portion of OTA report that found large majority of survey respondents strongly oppose home taping restrictions, Berman described results as "frightening -- just because the public is now copying music to the tune of \$1.5 billion per year does not make it right."

Despite fact that Berman statement contained harshest language on issue attributed to him since RIAA struck compromise DAT deal with EIA, official release contained no reference to royalties. As condition of compromise agreement, RIAA pledged not to pursue royalties in present Congress -- concession that has put it at sharp odds with NMPA and SGA, among others.

Most buoyant statement in reaction to OTA report was issued by HRRC and bore headline "... New OTA Study Should Finally Bury Royalty Tax Idea." Accompanying HRRC statement was 3-page annotated summary of mammoth 293-page OTA findings, with references to appropriate page numbers. "In light of the OTA results,"

HRRC Chmn. Thomas Friel said, "attacks on home taping are clearly unfounded and unsupported. Consumers have a right to use material they have purchased for private noncommercial use."

Rep. Kastenmeier (D-Wis.), one of 2 lawmakers who initiated study in spring of 1987, said in statement accompanying OTA report: "I am pleased to note that... hardware and software manufacturers have gotten together and negotiated a compromise on the DAT issue. The agreement is not entirely free of controversy itself. However, it is a major step toward conciliation on the issue of home taping. I commend the parties to their agreement for their efforts to resolve a seemingly intractable problem."

\* \* \* \* \*

First DAT releases from CBS Records will be 20 classical albums next spring in anticipation of possible hardware launch. But company's pop and jazz labels have no plans to follow suit. Market Development Vp Jerry Shulman told us last week that classical DAT titles should have more appeal to audiophiles likely to be among first hardware buyers. Target audience was identical for that of first rollout of Compact Disc players by Sony in spring of 1983. But strategy of CBS Records at CD launch was in stark contrast to DAT posture. In fact, at Jan. 1983 Consumer Electronics Show CBS announced it would distribute 16 titles through audio specialty dealers that carried hardware. But of 16 releases, 8 were classical, rest a mix of rock, pop and jazz titles.

**NEC MERGES OPERATIONS:** NEC has combined its Home Electronics and Information Systems operations into single entity called NEC Technologies, mainly to consolidate personal computer and peripheral sales organizations of 2 companies.

Move doesn't affect consumer electronics portion of business and no layoffs or transfers are planned, NEC spokeswoman said. Merger became necessary because sales forces of 2 units were overlapping and calling on same computer customers, she said, and "lines of demarcation had become blurred." NEC said combined companies have more than \$1 billion in annual sales.

NEC Technologies will develop, manufacture and market product line including color TVs, video and audio equipment, computers and related peripherals. Richard Underwood, NEC Information Systems pres.-CEO, was named chmn. of new firm, and Yuji Ohashi, NEC Home Electronics pres., was named pres.

**AM stereo battlefield bulletin:** U.S. Dist. Court, Chicago, dismissed Motorola's request for ruling that Kahn Labs' AM stereo patent is invalid. Kahn is suing GM in U.S. Dist. Court, N.Y., for alleged infringement of its AM stereo patent. Chicago court ruled that case involves GM, Motorola's customer, not Motorola.

**Investment group headed by Sampo Corp. of America,** affiliate of Taiwanese TV manufacturer Sampo, has purchased Payless Car Rental Co., St. Petersburg, Fla. Terms weren't disclosed. Sampo America manufactures high-end monitors at Norcross, Ga., plant that once turned out color TV sets.

**Harman International** reported 8% increase in net income in first quarter ended Sept. 30 on 5% higher sales. U.S. sales showed "healthy" increase over previous year's first quarter, said Chmn. Sidney Harman.

**CHINA GAINS IN IMPORTS:** China was 4th largest supplier of total (color and b&w) TVs to U.S. in July, shipping more sets than Japan, Malaysia, Singapore, Hong Kong or Canada, Commerce Dept. reported. Only Mexico, Korea and Taiwan sent more TVs here in month.

Most of China's shipments were b&w TVs, and country was 2nd largest source of monochrome sets, after Korea. Mexico easily was top supplier of complete color sets, ahead of Taiwan, Korea, Malaysia, although total was down slightly from July 1988. Japan was leading VCR deck source.

In first 7 months of 1989, Mexico shipped more than twice as many color TVs here as next largest supplier, Taiwan. Korea led monochrome TV, with Taiwan edging out China for 2nd place. With addition of Malaysia, Thailand and Singapore as source countries, non-Japanese countries shipped 31% of all VCRs in first 7 months (TVD Oct 23 p12).

Following are VCR and TV import totals by country for July and first 7 months of 1989:

	July	% Chg.	7 Months	% Chg.
<b>VCR Decks</b>				
Japan....	675,600	- 0.9	4,603,300	+ 2.3
Korea....	183,700	- 7.2	1,396,600	+28.0
Taiwan....	63,300	+10.5	411,000	+15.3
Thailand.	55,200	*	234,900	*
Malaysia.	13,400	*	13,400	*
Singapore	400	*	20,000	*
<b>TV Sets</b>				
<b>Mexico</b>				
color...	298,900	- 4.3	2,362,200	+73.8
<b>Korea</b>				
total...	201,000	-47.3	1,797,200	-18.7
color...	100,900	-38.3	897,400	-0.6
b&w....	100,000	-54.1	899,800	-31.2
<b>Taiwan</b>				
total...	213,000	- 6.8	1,291,800	+ 0.1
color...	167,000	-16.7	948,000	-18.2
b&w....	46,100	+62.7	343,800	+159.9
<b>Malaysia</b>				
color...	77,600	-10.1	537,600	+21.2
<b>Singapore</b>				
color...	69,100	+13.0	367,300	+ 3.5
<b>China</b>				
total...	114,100	*	523,600	*
color...	24,900	*	201,200	*
b&w....	89,200	*	322,300	*
<b>Japan</b>				
total...	34,600	+18.6	243,000	+ 9.6
color...	27,700	+38.7	184,800	+60.0
b&w....	6,900	-24.9	58,100	-45.2
<b>Hong Kong</b>				
total...	11,100	+23.0	221,700	+89.0
color...	5,900	+53.6	72,400	+19.1
b&w....	5,300	+ 0.7	149,400	+164.2
<b>Canada</b>				
color...	3,500	-54.4	26,600	-17.0

\* No significant shipments in 1988.

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

GE introduces camcorder with attached 10-w color enhancement light, 3-lux sensitivity, 8:1 zoom, high-speed shutter, flying erase, video and audio dub and Synchro Edit, at \$1,299.

**JAPANESE PROFITS UP:** Japanese companies reported strong profit increases in fiscal first half ended Sept. 30 in parent-only financial statements (excluding subsidiaries). For most companies, improvement resulted from strong demand for semiconductors, computers and related equipment, while consumer electronics sales were sluggish.

Sharp net profit jumped 59% to \$128.9 million in 6 months ended Sept. 30 on 8.9% higher sales of \$3.6 billion. Sales of information-processing products and electric parts rose 22% to \$1.7 billion, audio equipment sales were up 13% to \$312 million, electric appliances sales were "flat" and electronic equipment sales declined slightly, Sharp said. Company projects 45% increase in net and 7% higher sales for full year ending March 31.

NEC net rose 18% to \$208.7 million in fiscal first half ended Sept. 30 on 7.4% sales increase to \$8.8 billion. First-half home electronic products sales gained 3.7% to \$316.3 million, computers 11% to \$3.91 billion, electrical devices 13% to \$2 billion. NEC forecast increases of 25% in income and 27% in sales for full year ending March 31.

Mitsubishi net jumped 84.6% to \$178 million in first half on 12% higher sales of \$8.2 billion. Company benefited from strong computer chip sales. Consumer products dipped 2% to \$1.8 billion. Total exports rose 12% to \$1.8 billion.

Hitachi net was up 22% to \$385.5 million in period, on 12% higher sales of \$12.3 billion, also on strength of computer and component sales. Exports rose 1% to \$2.75 billion and accounted for 22% of total sales. Consumer product sales fell 8% to \$1.8 billion.

Toshiba first-half net gained 47% to \$339.2 million on 8% higher sales of \$10.2 billion. Total exports increased 11% to \$3.23 billion. Consumer product sales dropped 10% to \$2.44 billion, while intelligent communications and electronic devices rose 18% to \$5.7 billion.

JVC profit rose 16% to \$47.7 million, but sales declined 3% to \$2.1 billion. Total export sales dropped 1% to \$1.04 billion, video and related equipment fell 8% to \$1.04 billion, TV sales rose 2% to \$303.6 million, audio equipment sales were flat at \$448.2 million, information-related equipment and software sales increased 15% to \$186.3 million.

Alpine net soared 81% to \$3.9 million as sales rose 21% to \$248.4 million. Car audio sales were up 30% to \$204.4 million, home audio sales fell 6% to \$16.9 million. Exports gained 39% to \$144.8 million.

ITA Update Seminar Nov. 21 at Waldorf-Astoria, N.Y., will feature Ron Stoltenberg, Tandy, on blank audio and videotape; Cal Roberts, Disctronics, CDs; Sergio Mazza, Memorex, floppy discs and computer tape; Richard James, Thomson, video hardware; Nicholas Santrizos, TrylVideo, prerecorded video; William Smith, Allied Film & Video, video duplication; Robert Loranger, Loran, audio duplication -- music; Duane Lunde, Media International, audio duplication -- spoken word and custom; Don Winquist, Magnox, oxides and pigments. Session is open only to representatives of ITA member companies. Details: ITA, 505 Eighth Ave., N.Y. 10018, 212-643-0620.

Philips exported 250,000 personal computers from Canada in 1988, record for any Canadian company. Philips Electronics of Toronto received export award from Canadian govt. for feat.

**WHAT IS 'AMERICAN'?** Witnesses at House hearing last week generally agreed that location of production and research is more important than nationality of stockholders when it comes to govt. grants to companies to increase American competitiveness. Hearings were held jointly by Subcommittees on Science Research and on International Scientific Cooperation on question, "What is an American company?"

Philips Labs Pres. Mark Rochkind said definition of U.S. company has broadened with globalization of U.S. economy, and foreign-owned firm with extensive U.S. operations, such as North American Philips, should have access to some federal funding. "To deny our participation in U.S.-government-supported consortia or other programs would be unfair to our American workers and would overlook the vast amount of U.S.-based expertise, experience and resources that Philips brings to the U.S. consumer electronics industry," Rochkind said.

Sony America Pres. Neil Vander Dussen said Sony, "by virtue of its investment in this country, its 8,000 employees in this country and its history of manufacturing and R&D in this country -- must be considered an American company... A company's qualifications for participating should be judged on a case-by-case basis." U.S. should "take advantage of the best technology available, no matter what the source," he said.

IUE Pres. William Bywater, testifying for COMPACT labor-industry group, said fewer than 10,000 workers are employed now by American-owned companies in color TV industry and that "most important question is not who owns the stock of the companies that produce TV sets, but rather whether these producers are committed to domestic R&D and domestic production." Companies with history of dumping, he said, should be excluded from any govt. assistance.

"Return to the national U.S. economy is the crucial factor in deciding what companies can participate" in Commerce Dept. cooperative research programs, said Rep. Walgren (D.-Pa.), who chaired session. Iacocca Institute Exec. Dir. Laurence Hecht said that in HDTV, only U.S.-owned firms should be eligible for funding for signal processing technology, but foreign companies should be allowed funds for display components. Robert Cohen, economic consultant and Economic Policy Institute visiting scholar, said: "If Europe and Japan set eligibility requirements for participation in government-sponsored programs, we should develop similar conditions and only remove them when our own firms operate on a level playing field. In addition, in areas where we are falling behind, such as in advanced semiconductor technology and advanced TV, it would be significant if Congress pressed for a program of international cooperative consortia."

Worldwide market for consumer electronics will grow 29.5% to \$144.9 billion at retail in 1992, from \$111.9 billion in 1988, BIS Mackintosh Consumer Electronics Information Service predicted. Europe (34%), U.S. (21%) and Japan (21%) will continue to dominate market, BIS said, but rapid growth is expected in Pacific Basin and among industrializing countries. U.S. market will grow 26.8% to \$29.3 billion in 1992 from \$23.1 billion in 1988, BIS predicted. In 1988, video sector accounted for 57% of U.S. total, and was driven by increased sales of large-screen color TVs. Other major growth product was camcorders, which rose 21% in 1988. Compact Disc player sales were up 33%.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
<b>Andrea Radio</b> 1989-9 mo. to Sept. 30 1988-9 mo. to Sept. 30 1989-qtr. to Sept. 30 1988-qtr. to Sept. 30	3,028,589 3,077,523 1,078,043 1,084,240	161,173 203,390 27,906 70,765	.32 .40 .06 .14
<b>Harman International</b> 1989-qtr. to Sept. 30 1988-qtr. to Sept. 30	117,962,000 112,326,000	3,429,000 3,179,000	.40 .37
<b>Jones Intercable</b> 1989-qtr. to Aug. 31 1988-qtr. to Aug. 31	19,441,000 14,495,000	(9,799,000) (5,211,000)	-- <sup>a</sup> --
<b>Mediagenic</b> 1989-6 mo. to Sept. 30 1988-6 mo. to Oct. 1 1989-qtr. to Sept. 30 1988-qtr. to Oct. 1	30,406,000 26,372,000 16,843,000 12,893,000	(2,504,000) 474,000 (1,917,000) 117,000	-- <sup>a</sup> .12 <sup>b</sup> .06 <sup>a</sup> .03 <sup>b</sup>
<b>Reeves Communications</b> 1989-qtr. to Sept. 30 1988-qtr. to Sept. 30	10,582,000 9,530,000	(1,773,000) (2,928,000)	-- --

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

## Consumer Electronics Personals

**Bernard Isautier**, ex-pres. of Canada Development Corp., becomes senior vp of Thomson Consumer Electronics, Paris, Jan. 2, is scheduled to become CEO next Oct. when **Pierre Garcin** will assume duties as special adviser to Thomson Chmn. **Alain Gomez** (see separate report in this issue)... **Yuji Ohashi**, NEC Home Electronics (U.S.) pres., named pres. of newly formed NEC Technologies, merger of NEC Home Electronics and NEC Information Systems; **Richard Underwood**, Information Systems pres., is new NEC Technologies chmn... **Tatsuya Inamiya**, 30-year Toshiba veteran, named Sarsui (Japan) exec. vp- by **Polly Peck International**, which is buying 51% stake in Sansui (see separate report)... **Minoru Arakawa**, Nintendo of America pres., elected to Nintendo (Japan) board... **Dennis Candey**, ex-Packard Bell, joins Emerson Computer as mktg. dir... **Dean Shulman** named Brother Consumer Products Div. sales and mktg. vp.

**Terry Phillips**, sales dir., advanced to Acclaim Entertainment sales vp, new post; **Kerry Moore**, ex-Koss, joins Acclaim as western regional sales mgr., also new position... Appointments at Pioneer Trimble Inc.: **Morihiro Oshimi**, Pioneer (Japan) gen. mgr., to pres.; **Hiteyuki Torimoto**, Trimble Navigation (Japan) vp, to vp. Pioneer Trimble is Tokyo-based joint venture to market car navigation device in Japan... **Brenda Lynch**, ex-James Agency, joins Manning, Selvage & Lee, L.A., as senior account exec., handling Mitsubishi Audio/Video group account... **Brian Goldstein**, ex-Echospere Corp., named Chaparral Communications (home TVRO receivers) international business planning mgr... **Norman Ricken**, ex-Toys R Us pres., and **Frederick Deane**, Signet Banking Corp. chmn., named to Circuit City board.

**Robert Guerin** advanced to Blockbuster Entertainment senior vp... **David Jones**, ex-Garan apparel firm, joins Artec as sales dir. for nonvideo chain stores... **Lesli Rotenberg** promoted to Vestron Video publicity and promotion dir... **Andy Wickstrom**, ex-Dealerscope/Merchandising, joins Video Business as exec. editor, continuing as Philadelphia Inquirer home video columnist.

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NOVEMBER 13, 1989

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**CABLE'S WEEK IN HOT SEAT:** It faces several days of House and Senate hearings as Danforth prepares reregulatory bill. TCI, ATC would be hardest hit by his anticipated ownership cap plan. (P. 1)

**TvB TO HEAR EXPERTS** project into 1990s: 35th convention will focus on marketing in face of continuing drop in membership. It claims \$200 million in new TV advertising in last 18 months. (P. 3)

**TV NEWS VENTURE EYED:** KRON-TV and KQED studying all-news station, intended for carriage on cable. KQED awaiting review of renewal. (P. 4)

**QUELLO PRAISES LPTV**, says it's 'disturbing if true' that major MSO won't put LPTVs on cable. Low-powers called 'most rapidly growing segment' in broadcasting. (P. 4)

**SPORTS TV GROWTH:** Broadcasters carrying more TV sports, not less, despite cable competition, cable study shows. Malone says broadcasters worry about cost of sports rights, not effect on viewers. (P. 5)

**GTE BACKS TELCO CABLE:** Johnson seeks Wall St. support for telco video role, says cable is trying to keep monopoly. Says Cerritos project will prove telcos' cable capability. (P. 5)

**SONY CALLS FIBER KEY:** Fiber, not HDTV, should be focus of U.S. policy, Sony official says. (P. 6)

**CAPITOL HILL HEAT TURNING UP ON CABLE:** Impending cable reregulatory proposal from Sen. Danforth (R-Mo.) (TVD Nov 6 p4) is being taken as evidence that heat is turning up in Congress for cable reregulation. But planned new bill, which will join some dozen others pending in House and Senate, isn't expected to gain much ground in 101st Congress because political mass that would be necessary to prompt rewrite of 1984 Cable Act still hasn't been achieved, sources said.

**Major strike against Danforth's coming bill**, according to Capitol Hill and industry sources: Its expected to call for rollback of cable rates to pre-1984 levels for all systems and return of municipal rate controls. Divestiture that would be forced on some MSOs under proposal's expected 10% ownership cap was seen as smaller hurdle. Legislative activity comes as cable industry faces 3 days of oversight hearings in Senate this week.

**Danforth aides were holding cards close to vest** last week, refusing even to confirm that senator planned news conference early this week to unveil measure. However, we understand that news session as early as Nov. 14 may be in works and that measure would have bipartisan support. Sen. Gore (D-Tenn.) told us last week that he was likely to be among co-sponsors because "cable has gotten out of hand."

### Consumer Electronics

**SONY EARMARKS \$100 MILLION** for 32" color tube production in San Diego in 4th announced giant tube plant. Matsushita moves 31" set production to U.S. (P. 8)

**COLOR TV SALES** off to slow start in final quarter, down 2.2% in Oct. Camcorders up 13.2%, 17 million TV sets sold in 9 months, including 1.2 million b&w. (P. 9)

**550 TV STATIONS** now equipped for stereo broadcasting, 92 for SAP, latest tally shows. MTS receivers now in 18 million homes, 20% of U.S. households. (P. 10)

**LITTLE VIDEO COPYING** found in OTA survey. Only 20% of VCR owners have ever copied tape. Bulk of originals borrowed from friends, not rented. (P. 11)

**MTS STEREO TV SALES** hit record 818,000 in Sept., in 31.1% of total direct-view color sets. 9-month total exceeds 4 million. (P. 11)

**PRELIMINARY ANTIDUMPING** finding by ITA cites Japanese TV makers Funai, NEC, Sharp, Toshiba. LCD TV suppliers not affected by latest determination. (P. 12)

**SANSUI WILL SHOW 4 VCRs, 2 color TVs**, at CES as first video products under Polly Peck ownership. (P. 12)

**JAPANESE TV MANUFACTURERS** invite American chip makers to help design and produce HDTV circuits. 'Consumer electronics revival' sought by chip firms. (P. 13)

Although he said final draft of bill hadn't been circulated to him yet, Gore said he was convinced that cable's market power needed to be broken and that MSOs' forced divestiture of some holdings "was a good idea." He said cable's unwillingness to allow telco competition and its refusal to play fair with potential program competitors unless they give MSOs stake in their businesses has "stymied" structure of entire American telecommunications industry. Govt. deregulation of cable industry has created "a situation where the dynamics of competition are not pushing the capabilities of technology," he said. Startup technologies haven't got a chance "because we have an artificially maintained monopoly that prevents competition."

Gore suggested allowing telephone industry to provide video programming might be answer, with "proper" safeguards against cross-subsidies (see related story in this issue). "There are problems... but we ought to run some of the risks," he said. Cable has become "abusive" and its concentration "is extremely unhealthy." Speculation at week-end was that others who may be among Danforth's supporters are Sens. Bumpers (D-Ark.), Ford (D-Ky.) and Pressler (R-S.D.), all of whom have supported cable reregulatory bills.

Bill comes as no surprise as Danforth has hinted repeatedly at his interest in slapping cable with children's TV programming requirements, tough new must-carry regime and cable program distribution regulations. He also was no fan of 1984 Cable Act when it advanced through Congress, and long has been seen as sympathetic to calls of municipal officials for greater authority over franchises.

Measure has aroused concern in cable industry because Danforth is ranking Republican on Senate Commerce Committee, with seat on Communications Subcommittee, has had considerable influence over communications policy in recent years and is seen as thoughtful deregulator. Danforth's call for return of regulation for industry is particularly troubling to cablers because it can help spark widespread interest in cable issues in Senate, sources said.

According to sources close to process, Danforth's bill apparently would: (1) Restrict horizontal integration. We're told senator considered modeling measure on proposal (S-834) by Sen. Metzenbaum (D-O.) that would cap cable system ownership at 25% penetration nationwide (TVD April 24 p8). However, Danforth bill would set cap at 10%, according to Gore and others. Details of terms of equity shares in MSO holdings that would be used in determining cap still were under discussion as we went to press. (2) Restore rate regulation. Clock would be rolled back to state of affairs for all cable systems shortly before Cable Act took effect.

(3) Restore must-carry regulations and end channel repositioning debate. Danforth reportedly wants to guarantee commercial and public TV stations continued carriage by local cable systems on channel locations that they had in 1985. (4) Revise Cable Act's renewal and technical standards sections. This would give cities much of authority they lost with deregulation, particularly making it easier for local govts. to terminate franchises. (5) Impose program distribution requirements on cable programmers along lines of legislation by Gore (S-1068) and Pressler (S-168). Danforth's staff had begun circulating and discussing summary of draft bill with municipal advocates, sympathetic senators and some in industry at week-end.

Only one MSO, TCI, would be affected immediately by 10% cap on cable ownership, according to our analysis. Latest NCTA figures show total of about 50 million cable subscribers, which would mean maximum of about 5 million subscribers per MSO if cap is 10%. TCI lists 4.4 million wholly owned subscribers, but number increases to about 6.2 million if regulators include subscribers to subsidiaries in which TCI has more than 50% stake, according to our TV & Cable Factbook. TCI also has agreed to buy systems with 200,000 subscribers from Cooke Cablevision.

TCI is part-owner of systems with another 4.9 million subscribers, company told Congress at hearing this summer. MSO has stakes in, among others, Daniels, Heritage, Kansas City Cable, Storer, Taft, TKR cable. Depending on wording of legislation, those holdings also could be affected by cap. If all were included, TCI would have ownership interest in about 22.2% of total national cable subscribers. Figures mean TCI would top 10% cap if ownership were limited to subscribers in which MSO has more than 50% stake, and 20% cap if it's defined as any in which company has some equity.

ATC also is nearing 10% cap, according to latest Factbook data. On Sept. 30, ATC reported it had 4.3 million subscribers, including about 700,000 from Paragon. ATC is part of new Time Warner. Adding Warner's 1.5 million subscribers gives organization 5.8 million total. Other large MSOs include Continental with 2.4 million as of Feb. 28 and Comcast with 2.2 million March 15.

On programming side, TCI owns 80% of Netlink, 60% each of Home Sports Entertainment and Rocky Mountain Prime Sports Network, 50% of American Movie Classics, 43.6% of Fashion Channel, 37.5% of Think

Entertainment, 36.4% of Discovery Channel, 35% of Prime Time Tonight, 20.8% of QVC, 20% of CVN, 14.3% of BET, 11.5% of Turner Bcstg. TCI recently agreed to buy 50% of Showtime, although it's negotiating to sell half of that to United Artists.

Danforth bill is likely to add fuel to attacks that are expected on cable this week when Senate Antitrust and Communications Subcommittees hold 3 days of oversight hearings. (House Telecom Subcommittee also plans hearing Nov. 15, on "globalization of media" that was prompted, in part, by Time Warner deal. However, foreign ownership of cable was covered in earlier hearing by panel and cable representatives aren't expected to be among witnesses. Full witness list for that hearing wasn't available at press time.)

On tap this week: (1) Nov. 14 hearing on sports TV, 10 a.m., Rm. 226, Dirksen Bldg., Senate Antitrust Subcommittee. Witnesses: Fay Vincent, comr. of baseball; Paul Tagliabue, comr. of football; Art Modell, owner and pres. of Cleveland Browns; Roger Werner, pres., ESPN; Edward Fritts, pres., NAB; Preston Padden, pres., INTV; James Boaz, gen. mgr., WTXF-TV Philadelphia; Stephen Ross, law prof., U. of Ill.; Henry Schaefer, New Yorkers for Fair Cable.

(2) Nov. 16 and (3) Nov. 17 hearings on cable industry, 9 a.m., Rm. 253, Russell Bldg., Senate Communications Subcommittee. Witnesses first day: James Mooney, pres., NCTA; John Malone, chmn., TCI; James Robbins, pres., Cox Cable; Sharpe James, mayor, Newark, N.J., representing U.S. Conference of Mayors and National League of Cities; Charles Patterson, mayor, Henderson City, Tenn.; Robert Alm, dir., Hawaii Dept. of Commerce & Consumer Affairs; Dennis Collins, mayor, Bayonne, N.J.; Saul Ramirez, mayor, Laredo, Tex.; Gene Kimmelman, legislative dir., Consumer Federation of America; Sharon Ingraham, chmn., National Federation of Local Cable Programmers; representative of N.Y. State Consumer Protection Board. On 2nd day: FCC Chmn. Sikes; NAB's Fritts and INTV's Padden; Charles Dawson, K-SAT; B.R. Phillips, National Rural Telecommunications Cooperative; Robert Schmidt, pres., Wireless Cable Assn.; Ken Foster, pres., GTE Telephone Operations; Dean Swanson, USTA.

TCI is almost certain to oppose Danforth bill, although company hasn't been informed of any of details, Vp-Govt. Affairs Robert Thomson said. He said reports he has seen on bill indicated it's "based on an apparently incomplete analysis of the video communications business," particularly "intense concentration" among program producers and distributors. If bill is introduced, TCI is likely to argue that concentration among cable retailers is response to programmer concentration.

TCI doesn't believe bill will pass in its present form, Thomson told us. Others on Hill and in industry had similar reaction, but most agreed it will turn up heat on debate. "We're in the very early, very beginning, of policy discussion about cable" that's likely to last months, Thomson said. "We don't know if there will be any legislation at all, and we doubt that this bill in particular will pass."

**TvB TO HEAR EXPERTS PROJECT INTO 1990s:** TvB members gather in L.A. Nov. 13-14 for 35th annual convention with main theme to be marketing, along with projections on TV advertising in 1990s. TvB will be meeting with new pres. -- James Joyella -- in office just one month and facing continuing loss of station membership. That, Joyella told us, is "our major concern." Membership is below that of year ago -- mostly in loss of medium and small market stations -- and follows membership drop in previous year.

Stations that drop out "just aren't coming back because they want to see something first," we're told. TvB hierarchy says it recognizes problem, intends to solve it. To help in long-term budgeting, most group owners last summer signed up as TvB members for next 3 years -- where normally membership had been on year-to-year basis. Assn. has budget of \$8 million for fiscal year that started Oct. 1. "Our budget is livable," we're told. Joyella was TvB senior vp-national sales before replacing William Moll (now vp-gen. mgr. of WNBC-TV N.Y.) as pres. Oct. 6; he had moved to TvB in April 1988 from vp-marketing development for CBS TV Network.

Several senior executives have left TvB in last year, voluntarily or otherwise, and one -- Robert Fairbanks (59 years old) -- has filed age discrimination suit in federal court in Cal., where it's pending. TvB also was more than a little embarrassed year ago when it pulled \$60,000 presentation from convention schedule at last min. It reportedly was deemed unworthy to show in existing form. TvB has history of showing multimedia presentation annually to members but none is planned this week.

TvB Chmn. Thomas Oakley, QNI Best. Group, said: "We have a new and better TvB. One that serves its members excellently and effectively. One that has done remarkable work in bringing in over \$200 million in new money to [TV] spot over the past year and a half." Oakley had high praise for Joyella, who he said "was

the key factor in obtaining those dollars." Joyella said he sees ahead "a decade of revitalized growth for television -- and TvB. In the months ahead, you will be seeing the results of the work that has been done by the TvB staff in gearing up to serve you through the 90s. I am confident that you will like what you see... Our medium is our message. TvB is the messenger."

**"Marketing: Selling the Values of Television"** is theme of convention at Century Plaza Hotel. Featured will be 10 "face-to-face 'Meet the Advertiser' workshops," TvB said. Cal. Gov. George Deukmejian (R) will address closing session, with most speakers coming from advertiser-agency side of business. Convention has attracted 20 exhibitors.

**STATIONS EYING NEWS VENTURE:** Creation of all-news TV station, intended for carriage on area cable systems, is being considered by San Francisco's KRON-TV (NBC) and public KQED Inc. KQED Inc.'s KQEC (Ch. 32) would be used for venture, in which KRON-TV and KQED would have 80% and 20%, respectively.

New venture, focusing on regional news, would consist of separate broadcast and cable feeds, with latter including commercials. Promotional material for public KQED-TV-FM would appear on broadcast feed when ads were airing on cable counterpart. Plan goes before KQED board Dec. 7.

Renewal of KQEC was denied by FCC Review Board in May 1988 for "actively and intentionally" attempting to deceive Commission in decade-old case as to why KQEC was off air for some time. Decision has been appealed to full Commission. Exhaustion of likely appeals could take years, KQED Pres. Anthony Tiano said. Attorney for group that fought to strip KQED of license, David Rice, generally declined comment, but said there's nothing "definitive" likely to occur soon on appeal that would prevent station from starting venture in near term.

KRON-TV management has been "very sensitive" to issue of ads on venture involving public station, Tiano said, adding that all-news programming would have to have same "high quality" as regular KQED fare. Relationship with KRON-TV has been "terrific match" so far, he said. Tiano declined to speculate on degree of likely cable carriage of service, but said undisclosed executive with local cable operator had been first to raise idea of all-news TV outlet. KRON-TV reportedly plans to offer shares of ownership to cable to boost carriage of service.

Details of news coverage haven't been worked out yet. While KQED produces only about one hour of news in average week, Tiano suggested venture might use resources of all-news/information KQED-FM. KRON-TV has several news bureaus in Bay area. While technicians at KRON-TV and KQED are unionized, prospective venturers reportedly are considering nonunion shop to lower costs, which Tiano declined to disclose. He said he didn't expect project to affect KQED challenge of FCC Review Board action beyond possibly indicating broadcaster's intent to provide "important" service.

United Artists Entertainment is negotiating with TCI to buy 25% of Showtime Networks, but deal isn't done, officials confirmed. Talks have been under way for some time, they said, but there's no timetable for agreement. TCI bought 50% of Showtime last month (TVD Oct 23 p5) in what it said was bid to assure premium network would remain viable competitor to HBO. Deal, valued at \$225 million, added fuel to congressional opposition to cable industry concentration. TCI said then it might sell portion of Showtime holdings to other investors.

**QUELLO HIGH ON LPTV:** LPTV industry "is on the move. It's the most rapidly growing segment of the broadcast industry." That was message delivered by FCC Comr. Quello in Las Vegas Nov. 6 as keynote speaker at convention of Community Bestrs. Assn. (CBA). He said LPTVs occupy "a unique and important position in the video marketplace" that can be summed up in 2 words: "Specialized localism." Growth of LPTVs "is the most significant success story of the Commission's procompetitive policies," he said.

CBA's representation and clout in Washington "are not low-powered by any means," Quello said. He urged low-power stations to "work with the competition, rather than existing in a continual state of war... Seek out and explore cross-promotion opportunities with local newspapers, radio stations, conventional TV stations and even cable systems." Quello said charge that some cable MSOs are prohibiting their systems from carrying local LPTV stations is "disturbing if true" -- although action would be "legally permissible... Such conduct is especially disturbing where there are no other off-air broadcast stations available in the market. This issue warrants future surveillance."

Quello said FCC should explore feasibility of protecting LPTV channel assignments where low-power station has provided "a long-time, vital and unique service before bumping it off the air for a new unproven service." Under FCC rules, LPTVs must give up channel if full-power station is granted use of same frequency. In consideration of additional UHF space for HDTV, he said, low-power stations will "receive the highest priority" from FCC and Congress.

TCI is rumored front-runner among companies bidding for MGM/UA in wake of failed purchase attempt by Qintex Australia, sources told us. TCI spokeswoman said her company has been approached by MGM/UA, "along with a lot of other people, but we're not necessarily talking to them." Largest cable MSO already owns stakes in 12 cable programming companies and is buying 50% of Showtime Networks -- move that's drawn Capitol Hill charges of excessive control. TCI also is 52% owner of United Artists Entertainment, owner of independent film company Corsair Pictures, producer of Miss Firecracker Contest. MGM/UA spokeswoman declined to comment on any possible purchase offers. If TCI is talking to studio, it may face competition from Belgian studio and home video retailer Super Club, which is considering assembling partners to make offer, Chmn. Maurice De Prins said. However, company is looking at all available studios, not just MGM/UA, spokeswoman told us. "We've always said we're looking at everything from small retailers through studios," she said. "We're looking at everything in the channel because we're appraising the North American marketplace. [Company] is very interested in making connections into the American studios and having the power that's available from them if the right deal comes along."

**SPORTS TV GROWTH:** TCI and Daniels launched preemptive strikes against broadcasters in anticipation of this week's congressional hearing on migration of sports from broadcasting to cable (see related story in this issue). Daniels-sponsored study showed there are more sports on broadcast TV than before cable became major factor, and TCI CEO John Malone told reporters that broadcasters are complaining because they have to pay more for sports rights, not because rights aren't available.

Moves came week before sports siphoning hearing set by Senate Antitrust Subcommittee Chmn. Metzenbaum (D-O.), 10 a.m., Nov. 14, Rm. 226, Dirksen Bldg. Group of broadcasters, assisted by INTV, launched effort in Sept. to convince Congress to approve legislation blocking further migration of sports to cable (TVD Sept 18 p3).

Amount of broadcast TV sports has grown 16% in markets served by Prime Network's regional sports networks, Daniels study reported. Prime's networks reach 9.2 million households in 18 states. Broadcasters' complaints of loss of sports to cable are "pure political rhetoric with no factual basis," Prime Network CEO Edward Frazier said. He cited Daniels finding that sports fans, including cable nonsubscribers, are "dramatically better off" in terms of sports than before regional sports networks began. Malone said he "suspects" that "elements of the broadcast community" are more concerned about higher prices they have to pay as result of cable competition than they are about damage to viewers.

Cable figures on broadcast sports are built on "marshmallows and quicksand," INTV spokesman Lawrence Laurent said. He said figures were skewed because new college football rules allow more games to be telecast and by effects of 1988 Olympics coverage. He also questioned validity of study because it is limited to 4 areas where Daniels' sports networks operate. Study also showed 59% growth in total sports coverage, including new sports networks, but Laurent said study gave same weight to dog shows and minor sports, which often are on cable, as to professional baseball and football. Sports-siphoning dispute involves major sports, he said, and their migration to cable doesn't begin in earnest until 1991.

Cable sports supplements, rather than replaces, broadcast coverage, cable officials said at Nov. 7 news conference in Denver. "Because the economics are so much in favor of the broadcaster, we will continue to see marquee events on broadcast," Frazier said. "I don't think we will ever see the World Series, or even the playoffs, on cable." Malone cited Olympics as good example of "marriage" of cable and broadcast. He said networks will continue carrying high-ratings Olympics events, with cable expanding coverage into new events, giving audiences better choice.

Cable has faced similar criticisms in past, Malone said: "Wherever we have gone, the entrenched industry has always claimed reduced benefits to the consumer. What really happened is that we put pressure on the entrenched business to compete. The result has been more sports on over-the-air TV, not less. I don't think we'll put broadcasters out of business. But we may make them get a little better at what they do, make them adjust and maybe pay a little more for sports events because there is more competition."

**HBO Comedy Channel** begins transmissions Nov. 15, unveiled new studios in 16,000-sq.-ft. hq in Manhattan last week and announced lineup of weekday program hosts.

**GTE PUSHES CABLE OWNERSHIP:** GTE Chmn. James (Rocky) Johnson sought support Nov. 8 from investors and analysts for telco entry into cable TV, saying cable industry "has long since outgrown the need for the protection provided by the Cable Act of 1984." Addressing luncheon of N.Y. Society of Security Analysts, he said that if telcos can offer cable programming, consumers will have "a virtually infinite variety of educational and entertainment programs available at their command" and telcos will have ability to offer other video services over phone lines. He devoted much of his speech to cable and state regulation.

Johnson criticized cable industry: "Of course, the cable industry is dead set against letting us get our foot in the door. And little wonder. If you were engaged in a \$12-billion-a-year business that's growing at the rate of 10% a year -- and enjoyed an unregulated monopoly -- would you welcome competition?" He said cable is important for telcos to help pay for fiber distribution to homes and cable "could stand for some healthy competition."

Johnson pointed to GTE's Cerritos, Cal., cable TV project, where it's testing cable over fiber, coaxial and traditional telephone wire. "We believe this test will prove that the local telephone companies are totally capable of providing the public with those services [voice, data, video] with a higher level of quality and at a more competitive price," he said.

Substantial programming and operational groundwork for Independent TV Service (ITVS) was laid by ITVS board at Nov. 5-6 retreat/meeting in Chicago. ITVS is new congressionally mandated independent producers' programming service for public TV. Board decided to develop 3 modes for funding work by independents and to establish hq in N.Y. It also elected officers, including Lawrence Sapadin as chmn., and formed search committee headed by independent Lawrence Darressa to find chief executive, expected to be hired in spring. ITVS is expected to have production budget of around \$6 million for each of next 3 years. Umbrellas to be developed for ITVS-funded productions consist of magazine mode for shorter works, series or cluster mode organized around themes or "formal aesthetic experiments," general category for material not fitting first 2. Plan envisions first call for production applications in summer, with first finished works likely to air in 1991.

Former President Reagan apologized to Hollywood Nov. 8 for statement in Japan that Sony acquisition of Columbia Pictures could "bring back decency and good taste" to movies and TV programming. Addressing HRTS in L.A., he said Hollywood should draft new code of self-censorship: "Censorship or restriction should be within... The federal government has tried to interfere too much and too often." Reagan said he's appalled by what he sees in movies and on TV: "You can call me a blockhead or a prude if you want, but... if I was offered a script and told to say those words I would have turned down the script."

**WGKI (Ch. 33)** Cadillac, Mich., now is on air, raising operating U.S. TV stations to 1,439, of which 1,089 are commercial, 350 noncommercial. WGKI is owned by GRK Productions Joint Venture, owned 50% each by Gary and Constance Knapp; Gary Knapp is gen. mgr., Glenn Walker chief engineer, Joyce Bassette program dir.

Turner Bctg. is issuing mail-order catalog, marketing T-shirts, sweatshirts, mugs, beach towels, etc.

**SONY CALLS FIBER KEY:** Nationwide fiber optic network, rather than HDTV, should be prime focus of U.S. technology development policy, Sony Advanced Systems Div. Pres. William Connolly said. But other speakers at HDTV/Fiber seminar sponsored by Telecommunications Industry Assn. Nov. 8-9 at Ramada Renaissance Techworld in Washington said HDTV is important part of making fiber network financially viable.

Fiber network is heart of "big picture that should be the focus of attention" of U.S. policymakers, Connolly said. HDTV could be important part of making fiber good business activity and would accelerate growth of fiber network: "The synergy between HDTV and fiber should be exploited to the fullest." He said digital fiber should be ultimate goal, and nonentertainment applications will be major part of early use of HDTV.

"Fiber was born to carry HDTV" because it doesn't have bandwidth restrictions and because of its high-quality signal, Sarnoff Labs Vp-Consumer Electronics James Carnes said. But he predicted it will be at least 2010 before 75% of homes are connected to fiber. That means HDTV must rely on other transmission media, probably broadcasting, for at least 20 years, Carnes said.

New FCC Mass Media Bureau Chief Roy Stewart, in first major speech on HDTV and fiber, agreed that broadcasting and coaxial cable will be prime transmission media for HDTV at least for 1990s. Fiber network needs "economic engine" to justify making connections all the way to homes, Stewart said. HDTV may or may not be that economic engine, he said, but FCC should consider global economic picture in making decisions on HDTV and fiber. He, like others, said fiber network is crucial to competitiveness of U.S. Stewart also said focus on broadcast HDTV could help U.S. regain lead in world electronics.

In keynote address, Rep. Ritter (R-Pa.) said telcos need to prove they will use freedoms they have in order to continue getting support for national fiber network that could be used to carry HDTV. He said he continues to support fiber network, but sees some "lethargy" on part of telcos. Telcos "keep adding to the list of things they say they need" to justify bringing fiber and HDTV into homes, Ritter said. He cited recent speeches in which telco officials said that just providing HDTV wouldn't generate enough revenues to justify fiber network. Telco officials have said they need vertical integration into programming.

Telcos "aren't moving on what they already have," Ritter said, referring to teleo rights to operate videotex and gateway services. "It's hard to advocate more for the Bell companies when they haven't taken advantage of what they have," he said. "The political reality is that they have to go forward." Ritter said he can't understand why company such as PacTel, with its money and clout, can't make gateways work. He acknowledged service may not be "tremendously profitable" at first, but said that's true of all new services.

Sen. Gore (D-Tenn.) told meeting time had come for govt. to recognize infrastructure means more than roads and bridges. Senator saw nationwide data fiber network as route to U.S. competitiveness, pointed finger at cable TV's growing concentration and anticompetitive behavior as among hurdles. Cable's market power needs to be broken, Gore said. He suggested allowing telephone industry to provide video programming might be answer, with "proper" safeguards against cross-subsidies.

NTIA Dir. Janice Obuchowski said U.S. hold on telecommunications markets was slipping badly and "trends are not particularly bright." Previewing findings of another NTIA report due shortly on telecommunications infrastructure, Obuchowski suggested govt. and industry solutions, including changes in federal budget, tax and education policies. Gore said he saw answer in federal funding for development of fiber network, with eased business constraints on RHCs another step.

MPAA Pres. Jack Valenti took aim at 2 of his favorite targets -- European Community restrictions on American TV programming and TV networks' efforts to get financial syndication (finsyn) regulations relaxed -- in Nov. 9 speech to FCBA in Washington. "The great hazard" for world of telecommunications is "the shrinkage of competition... whether for the transport of information or the deliverance of news," he said. Any trade barriers on U.S. programming overseas are "harmful," he said, because 39% of U.S. movie-TV industry's revenue comes from overseas and industry can't survive on U.S. audience alone. Valenti said studios have "an increasingly bitter discord" with 3 networks on finsyn. He charged their goal is to obtain total monopoly on programming: "The 3 national networks are crouching in the wings... determined to regain dominance in programming." He said "competition is stone, cold dead in the marketplace" if programming shackles on networks are removed. He said networks already are totally dominant in prime time because they alone decide what public will see. Valenti also speaks Nov. 13 at ATAS luncheon, Beverly Hilton, L.A. Title: "The Tri-Monopoly Networks Vs. Competition: The Battle for a Fair Marketplace in the Nineties." His speech will be followed by 2 days of negotiations in L.A. on finsyn between networks and Hollywood committee headed by Robert Daley of Warner Bros. In preparation, networks jointly have written Daley saying that several new factors -- such as Sony acquisition of Columbia Pictures -- now must be taken into consideration. CBS and NBC have said they're prepared to turn to Washington for help in removing strictures on their ownership of programming if negotiations -- which have been continuing for more than 5 years -- don't achieve results soon.

Mile Hi Cablevision raised rates 2nd time this year, for total increase of more than 27% since Feb., according to officials of Denver system owned by ATC and Daniels. Rate, including tax, grew 16% to \$17.08 in Feb., then 11% to \$18.98 this month. Officials said boosts were justified because system is adding new services. Mile Hi already has added 2 shopping services and CNBC. Spokeswoman said Comedy Channel will go on system Nov. 15, filling 54-channel capacity. Rate increases have generated "some reaction" from customers, she said, "but no mass hysteria." She said there's probably been more negative reaction to 2nd shopping channel than to increases.

Providence Media Partners L.P. has been formed by Lazard Freres and 2 principals in station-owner Narragansett Capital -- Gregory Barber and Jonathan Nelson -- to buy broadcast and cable properties. Lazard Freres will put up \$7 million, others \$3 million; new entity hopes to raise another \$300 million.

HBO is discussing selling part of Comedy Channel, which launches Nov. 15, to MSOs, officials confirmed. One said discussions were initiated by MSOs. Other cable programmers have sold equity stakes to MSOs to increase probability of carriage.

## Personals

Promoted to senior vps at C-SPAN: Susan Swain, who will continue as on-air interviewer; Robert Kennedy, ex-General Rochester Cablevision and Centel Cable... Jack Valenti, MPAA pres., speaks on "The Tri-Monopoly Networks Versus Competition" at Nov. 13 lunch of ATAS, Beverly Hilton... Michael Checkland, BBC dir.-gen., speaks on future of international partnerships at Nov. 21 IRTS lunch, Waldorf-Astoria... David Bartlett, RTNDA pres., addresses Media Institute lunch, noon, Nov. 28, Mayflower Hotel, Washington... Burton Staniar, Westinghouse Bestg. chmn., elected chmn. N.Y.'s Center for Communication.

Named to new posts at Request TV: Evelyn Sias to research mgr., Barbara Piscatelli to mktg. mgr... Abe Jacob joins Jerrold Distribution Systems Div. as vp-engineering... John Palleschi, ex-Memorex Telex, appointed TCI gen. counsel and vp-administration... Frank Pintauro, ex-Hal Riney & Partners, joins Showtime Networks as vp-production-creative services... Dave Boretti promoted to midwest dir.-ad sales, Arts & Entertainment Network... Ellis Simon, ex-editor, Cable Mktg., joins Cable Ad Bureau as dir.-communications... Steven LoCascio, ex-Arthur Andersen & Co., appointed controller, King World.

Phyllis McGrady promoted at ABC News to exec.-in-charge, long-form programming, exec. producer-program development, succeeding Av Westin, now with King World... Stuart Loory, exec. producer, CNN World Report and Future Watch, adds new post of corporate exec. dir.-international relations, TBS... Jim Burke, ex-IBM, appointed dir.-media relations, Harris Corp.

Changes at Continental Cablevision: William Schleyer promoted to exec. vp, succeeding John Rakoske, resigning after 18 years with company; Russell Stephens advanced to senior vp-western New England, succeeding Franklin Anthony, who replaces Schleyer as New England senior vp... Jim Thompson promoted to pres., Group W Radio, succeeding Dick Harris, advanced to chmn. last spring... Marla Ginsburg, ex-Columbia Pictures TV, joins Luxembourg's CLT as senior vp-international productions and TV development, new post... Linda Berman promoted to senior vp-original programming, Turner Network TV.

Promotions at Telecable: James Key to exec. vp; Gordon Herring to exec. vp-programming, mktg., ad sales, pay-per-view, research; Alfred Ritter to exec. vp-finance; Nicholas Worth to exec. vp-engineering; Daniel Basnight to vp-mktg.; Patrick Mellon to vp-programming; Lawrence Brett to vp-southeastern operations; Davis Warehime to vp-midwestern operations; Page Lea to vp-corporate development; Jerry Machovina to vp-ad sales; Nancy Capie to vp-controller; Charles Kennamer to vp-addressable technology.

John Ogren, ex-Continental, joins Comcast Cable as area vp-gen. mgr.-southeast Mich... William Mefford named vp-mktg., Great American, succeeding Nicholas Miller, recently appointed vp-gen. mgr. of company's WKRC(AM) Cincinnati... Nancy Hoke, ex-dir.-programming, WKPC-TV Louisville, joins new international program sales cooperative Public TV International as station relations and acquisitions mgr... William Fogarty advanced to national sales dir., Showtime Networks... Elected officers of N.Y. State Bestrs. Assn.: Chmn. Donald Perry, WNYT Albany-Troy-Schenectady; Vice Chmn. Cathy Creany, WTVH Syracuse; Vice Chmn. Rod Calarco, WCBS-FM N.Y.

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Appel Group Ltd., joins WHYY-TV Wilmington-Philadelphia as vp-community development and head of Del. operations, succeeding John Ford, who recently joined Discovery Channel... Elected officers of Independent TV Service, new producers' programming service for public TV: Chmn. Lawrence Sapadin, exec. dir., Assn. of Independent Video & Filmmakers; Vice Chmn. David Davis, pres., American Playhouse and American Documentary... Sue Becker, ex-Storer, joins WGBH Educational Foundation's Caption Center as mgr.-operations-N.Y., succeeding Jill Black... Herb Jolly advanced to dir.-engineering, Miss. Authority for Educational TV.

Mary Jean Connors promoted to vp-human resources, Knight-Ridder... Ferne Barrow, former promotion mgr., Learning Channel, joins WETA-TV Washington as mgr.-cable relations/program outreach, new post... Jeffrey Kuduk named employment mgr., USA Network... Christine Colby-Girado, ex-Hill & Knowlton, joins Washington-based production firm Blackwell Corp. as dir.-PR.

James McCoubrey, exec. vp, Young & Rubicam, will join Telemedia in March as pres., succeeding John Van De Kamer, taking one-year leave... Joe Monie, ex-Digital Radio Network, joins FCC as dir., Chicago region... Jeffrey Zuckerman, ex-dir., FTC Bureau of Competition, joins Washington office of N.Y. law firm Curtis, Mallet-Prevost, Colt & Mosle to build antitrust practice.

# Consumer Electronics

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

## STATE OF THE INDUSTRY

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

	OCT. 21-27	1988 WEEK	% CHANGE	OCT. 14-20	42 WEEKS 1989	42 WEEKS 1988	% CHANGE
TOTAL COLOR....	634,466	709,232*	-10.5	488,904	17,821,872*	16,371,628	+ 8.9
DIRECT-VIEW..	623,263	697,851*	-10.7	479,904	17,624,689*	16,142,196	+ 9.2
PROJECTION...	11,203	11,381	- 1.6	9,000	197,183	229,432	-14.1
TOTAL VCR.....	485,977	571,581	-15.0	304,581	9,101,135	9,778,242	- 6.9
DECKS.....	379,018	469,434	-19.3	242,387	7,417,459	8,243,583	-10.0
CAMCORDERS...	106,959**	102,147	+ 4.7	62,194*	1,683,676*	1,534,659	+ 9.7

Color TV 5-week moving average: 1989--554,082\*; 1988--515,186 (up 7.5%).

VCR deck 5-week moving average: 1989--286,594; 1988--318,504 (down 10.0%).

Camcorder 5-week moving average: 1989--67,532\*; 1988--55,959 (up 20.7%).

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

**SONY EARMARKS \$100 MILLION FOR 32" TUBES HERE:** Sony is adding 32" Trinitron line to picture tube facility at San Diego plant at cost of \$100 million, Sony America Chmn. Masaaki Morita said in speech dedicating new color monitor plant next to TV factory there. Announcement had been expected for several months. Matsushita, meanwhile, is beginning to transfer large-screen TV production from Canada to Franklin Park, Ill., plant as 31" tubes arrive from its new Troy, O., facility.

Sony's new 32" production line is expected to have capacity of 250,000-300,000 tubes annually, with output scheduled to start next summer. Sony is 4th company to announce plans to produce 30"-and-over tubes in U.S., and at least one more such announcement is expected. Based on plans so far, investment in new U.S. tube production facilities alone (excluding expansions in glass and other tube components) approaches half-billion dollars, creating new capacity of more than 1.3 million jumbo-size tubes per year -- more than most estimates of near-term annual sales potential in U.S.

Sony currently imports 32" picture tubes from Japan, assembles sets in San Diego, with chassis made in Tijuana, Mexico. It makes tubes in sizes through 27" in San Diego. Morita said company is producing 1.7 million TV sets in U.S. and Mexico, representing more than 40% of 4 million sets it sells worldwide.

New 165,000-sq.-ft. monitor plant in San Diego started production in Sept., is expected to reach annual rate of 150,000 high-resolution units by end of 1990. Plant is operated by new Sony subsidiary Display Systems of America (DSA). Company hopes to produce 20x20" very-high-resolution monitors in San Diego in 1991 and may make conventional monitor tubes 13" and larger in U.S., depending on demand.

While Sony's tube expansion is designed for its own TV sets only -- since Trinitron is proprietary tube not used by other OEMs -- other expanded plants are expected to be seeking OEM business. If all manufacturers follow through on their announced plans, giant picture tubes could go from shortage to glut by next year or 1991.

New or expanded U.S. plants announced to date to make 30" and larger tubes: (1) Toshiba, Horseheads, N.Y., \$100 million expansion to make 30" and 32" tubes, now complete; startup capacity 360,000 per year. (2) Matsushita Electronics, \$160 million new plant in Troy, O., now in production, to build 50,000-60,000 tubes this year (mostly 31"), 360,000 annual rate next year, increasing eventually to one million capacity. Matsushita Electronics is component firm owned 65% by Japan's Matsushita Electric (Panasonic) and 35% by Dutch Philips. (3) Thomson Consumer Electronics, \$100 million on additions to Marion, Ind., and Scranton,

Pa., plants to produce 31" tubes beginning in June, 35" in Jan. 1991, initial capacity 360,000 annually. Philips Display Components is expected to announce site and plans for new giant-screen plant before year-end.

Four plants to date, on basis of announcements, could produce more than 1.3 million tubes annually when in first phase of regular production by next year. Forecasts by Thomson and Toshiba envision sales of 300,000 sets with tubes 30" and larger this year (however, in first 8 months total was only 106,000), 500,000 next year, 800,000-820,000 in 1991, 990,000-1.2 million in 1992 (TVD Oct 30 p15, June 5 p9).

There's still no standardization in 30"-and-above screen sizes, although 31" -- pioneered by Matsushita -- seems to have most acceptance; in addition to Matsushita, it's used or will be made by Hitachi, Philips, Thomson, Zenith, others. However, Toshiba -- which made original 30" tube (and still makes it) is pushing 32" "Super Tube" it produces in its U.S. tube plant. That size is exclusive to Toshiba TV sets -- which would appear to reduce Toshiba opportunities for OEM sales. Mitsubishi is only manufacturer of 35", but Thomson plans to make it in 1991. There's more pandemonium in wings -- Hitachi is beginning to produce 33" tubes in Japan as latest exercise in one-inch-upmanship.

Matsushita, meanwhile, is moving 31" TV set production to Franklin Park, Ill., and will move 27" there after first of year. Big-screen sets in past have been made at Canada plant to avoid dumping penalties on tubes imported from Japan (TVD Jan 18/88 p13). Penalties, in form of extra duties, apply to imported tubes only, not to same tubes when imported in TV sets. With Matsushita Electronics' plant in Troy, O., now producing 31" tubes and 27" due shortly, sets can be assembled in U.S. Matsushita's North American TV Div. is said to be planning 20% increase in production next year.

Matsushita plans to increase color TV production in N. America by more than 50% in 1991, company said in Japan. Production at its main overseas bases then will total 3.5 million, including 1.5 million sets in N. America (vs. less than million this year), 750,000 in U.K., 850,000 in Malaysia.

**COLOR SALES AT 3-YEAR LOW FOR OCT.:** Final quarter of 1989 got off to slow start for industry sales of all video products except camcorders, which continued to sell at record levels. Color TV and total VCR sales fell from Oct. 1988, with TV down for only 2nd time this year, while projection TV rose for only 2nd time in 1989. Total color sales were poorest for any Oct. since 1986.

While direct-view color TV sales dropped only 2.2% from record sales of Oct. 1988, they were also 0.6% below Oct. 1987. Oct. traditionally is best 4-week month of year in color sales (March, June, Sept. and Dec. have 5 weeks in EIA's calendar). Color TV sales fell in first and last weeks of month, rose in middle 2 and set only one weekly record, EIA said. Only other month in 1989 with decrease in color TV sales was Aug., with 4.5% drop. Seasonally adjusted annual sales rate for Oct. was 19.9 million, down sharply from 23.5 million in Sept. and 2nd lowest of 1989, just ahead of 19.8 million in Aug. Seasonally adjusted rate for full 10-month period was 22 million, down slightly from 22.3 million 9-month rate but still 8.9% above 1988 full-year sales of 20.2 million.

VCR decks had another poor month in Oct. in what is shaping up as slowest year since 1984 for product. Sales fell 18.7% to 951,098 in month, below last year in all 4 weeks of month, including big 40.4% decline in first week. Deck sales have decreased from 1988 month in 7 of year's first 10 months, and cumulative sales were off even 10%. Seasonally adjusted annual rate was 9.1 million, down 18.5% from Sept. rate. Rate for Jan.-Oct. was 9.8 million, down from 9.9 million in 9 months -- 8.4% decrease from 1988 full-year sales.

Surprise product of month was projection TV, which had only 2nd monthly increase of year, up 0.5% to 31,231 (other was 5.5% increase in Feb.). Sales rose in 2 of 4 weeks, but failed to set any records. In first 10 months, projection TV sales were down 14.1%. Annual rate for Oct. was 273,476, down 15.3% from Sept. rate of 322,866. Rate for cumulative period was 255,352, up from 252,207 for 9 months but still down substantially from 1988's total of 301,784 and record 304,272 of 1986.

Camcorders appeared to be back on fast track, up 13.2% to 233,792 in Oct., 3rd straight monthly increase after unexpected decline in July. Sales rose in last 3 weeks of month, including all-time weekly record in final week. Despite Oct. increase, annual sales rate was down from Sept., at 2.1 million. Cumulative rate was 2.4 million, same as 9-month rate and up 20% from 1988 sales of 2 million.

Month's final week was lackluster, except for camcorder sales record of 106,959 (see State of the Industry). All other major video products registered decreases. Cumulative VCR sales since 1975 passed 77 million mark during week. Here are EIA's Oct. sales-to-dealer statistics:

Product	Oct. 1989	Oct. 1988	% Change	Oct. 1987
Total color.....	1,928,106	1,970,552*	- 2.2	1,949,294
Direct-view...	1,896,875	1,939,486*	- 2.2	1,908,263
Projection....	31,231	31,066	+ 0.5	41,031*
Total home VCR..	1,184,890	1,375,944	-13.9	1,516,339*
Decks.....	951,098	1,169,398	-18.7	1,334,481*
Camcorders....	233,792*	206,546	+13.2	181,858

\* Record for any Oct.

### 17 Million TVs in 9 Months

With EIA's release of monochrome TV sales figures, 1989 becomes first year in which 17 million TV sets were sold in 9 months. In same period, monochrome sales passed million units. Monochrome TV appears to be undergoing small revival -- following record 55% decline from 1988 in June, sales dropped only 2% in Aug., while Sept. saw highest total of year. MTS stereo-equipped color sets also established record in Sept., their best month ever, and brought 9-month sales to 4.3 million (see separate report in this issue). Here are monthly figures on sales to dealers of monochrome sets and total TV sets for year's first 9 months, from EIA:

### MONOCHROME AND TOTAL TV SALES TO DEALERS

Month	Monochrome TV			Total TV		
	1989	1988	% Chg.	1989	1988	% Chg.
January.....	154,421	205,968	-25.0	1,550,444	1,449,524	+ 7.0
February.....	122,149	180,337	-32.3	1,754,641*	1,534,023	+14.4
March (5 wks.)	126,347	208,150	-39.3	2,235,709*	1,949,299	+14.7
April.....	107,508	199,906	-46.2	1,579,153	1,669,764*	- 5.4
May.....	108,940	206,593	-47.3	1,629,741*	1,524,298	+ 6.9
June (5 wks.)	110,894	246,473	-55.0	2,229,126*	2,002,894	+11.3
July.....	77,948	165,961	-42.7	1,476,186	1,654,107*	-10.8
August.....	177,117	188,755	- 2.0	1,752,754	1,763,396	- 0.1
Sept.(5 wks.)	193,115	256,935	-24.8	2,864,551**	2,735,217	+ 4.7
<b>TOTAL .....</b>	<b>1,178,439</b>	<b>1,821,078</b>	<b>-35.3</b>	<b>17,072,205*</b>	<b>16,222,154</b>	<b>+ 5.2</b>

\*Record for period. \*\*Record for any month.

**550 STEREO TV STATIONS, 92 WITH SAP:** With some 18 million MTS stereo TV sets in use in about 20% of U.S. TV homes, at least 550 TV stations now are equipped to broadcast stereo TV. But only 92 (17%) can generate secondary audio program (SAP), now coming into spotlight because of plans by PBS affiliates (TVD Oct 23 pp 11 & 13).

Our continuing tally of MTS-equipped stations, based on responses to regular questionnaires for TV & Cable Factbook listings and on reports by equipment manufacturers, now shows virtually 100% of population is within viewing range of at least one stereo station. There are MTS stations in every state (except Wyo.), plus D.C. and P.R., and at least 21 in Canada.

**NBC, which has taken lead in stereocasting,** has by far most affiliates equipped for stereo -- 150, more than ABC and CBS together, which have 74 each. Some 86 PBS affiliates are equipped, as are 166 independents.

**PBS's activity in exploring uses of SAP** show up in number of its affiliates equipped for extra-channel broadcasts -- 26, as compared with 13 for NBC, 11 each for ABC and CBS. Some 31 independents are equipped for SAP.

Meanwhile, EIA reported record 31.1% of all direct-view color TV sets sold in Sept. were equipped for MTS, bringing total for year's first 9 months to 4.3 million or 27.6% of all sets sold during that period, increase of 24.2% over sales in 1988 period. (Details are reported elsewhere in this issue.)

**VIDEO COPYING SEEN LOW:** Copying videocassettes not only is fairly uncommon among VCR owners, but most of originals were borrowed from friends rather than rented, according to responses of VCR owners to questions in survey conducted for congressional Office of Technology Assessment (OTA) study of home audio taping (TVD Oct 30 p10).

Only 20% of 717 respondents who had acquired videocassette in last year said they ever had copied tape, "not counting recordings made from TV or home video cameras," and only 12% had made copy in last year. However, survey found "some relationship" -- albeit limited -- between persons who had ever copied videotapes and those who taped prerecorded music, with those who made audio tapes from phono records more likely to copy videotapes as well.

About 23% of original prerecorded tapes were obtained from video stores, report said, while almost twice as many -- 42% -- were borrowed from friends, and "minority" belonged to respondent or family members. Prerecorded tape copying was more prevalent than average among males, blacks, 20-34 age group, \$30,000-\$49,000 income bracket. Asked if they could have purchased rather than copied tape, 35% thought they could, 57% believed they couldn't, 8% weren't sure. However, taping in spite of program's availability for purchase was cited by 67% of respondents over 65, 52% of those 20-24, 45% of 17-19 group, 42% of suburbanites, 37% of respondents from cities, 45% from South, 41% from Midwest. About 70% of sample that had copied videotape in last year intended to keep it.

Taping from TV was most frequent way to acquire recorded tape, accounting for 54% of responses. However, 23% said they had purchased prerecorded videocassette and 4% had received one as gift. Only 2% had copied tape themselves, but 10% said they received tape copied by someone else.

Programs most frequently taped from TV were movies, sports and soap operas, survey found, with "relatively fewer" prime-time network programs. About 62% of respondents taping from TV said they planned to keep most recent recording only temporarily, although "nature of the programming appeared to have a major impact on the permanence of the recording." Most copies of sporting events, talk shows comedy or drama series were consigned to temporary use, report said, but "substantial portion" of concerts, music videos, movie, miniseries, documentary, cartoons and educational program tapings were made to be kept.

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**HDTV funds for Defense Advanced Research Projects Agency (DARPA) were slashed to \$20 million from House-approved \$50 million in Senate-House conference committee on fiscal 1990 defense authorization bill. The \$20 million was in Senate version of bill. Some legislators and electronics companies had urged appropriation of \$100 million for purpose. Program has been rechristened "high-resolution display," and "HDTV" nomenclature dropped.**

**Consumer CD-ROM computer memory will be introduced this week at Comdex in Las Vegas by Philips' Headstart Technology. It's introducing line of CD-ROM computers it says make "the world of CD [ROM] affordable to the average consumer." Integrated software will be from Electronic Arts, General Information, Grolier, Microsoft, Mindscape.**

**RECORD MTS SALES:** All-time record total of 817,727 sets sold in Sept. were equipped with MTS stereo, according to EIA figures -- that's 31.1% of all direct-view color sets sold to dealers during month, also record for any month. Previous peak was 695,819 sets sold in Sept. 1988, record percentage of total sets was 28.6% in Oct. 1988.

First 9 months saw sales of 4.3 million direct-view sets with MTS, representing 27.6% of total sales and up 26.2% from same 1988 period. In full-year 1988, fewer than 5.1 million MTS sets were sold. In addition to direct-view sets, estimated 95% of current-model projection TV sets have MTS, as do perhaps 15% of VCR decks. Here are EIA figures on MTS stereo color TV sales for 1989's first 9 months:

#### MTS STEREO IN DIRECT-VIEW COLOR SETS

Month	1989	% of Total	1988	% of Total	% Change
Jan..	378,217*	27.4	279,852	22.9	+35.1
Feb..	432,298*	26.8	319,234	23.9	+35.4
Mar..	569,498*	27.3	392,242	22.8	+45.2
Apr..	355,603*	24.3	309,689	21.3	+14.8
May..	379,988*	25.1	280,065	21.6	+35.7
June..	586,275*	27.0	392,314	22.6	+49.4
July..	386,885*	28.0	349,605	24.2	+10.7
Aug..	437,837*	28.1	422,424	27.2	+3.6
Sept..	817,727**	31.1**	695,819	28.5	+17.5
<b>TOTAL</b>	<b>4,344,328*</b>	<b>27.6</b>	<b>3,441,248</b>	<b>24.2</b>	<b>+26.2</b>

\* Record for period. \*\* Record for any month.

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**Dolby's new S-type noise reduction circuit** (TVD April 17 p15) will be positioned as competitor to digital, Dolby Labs made clear at first demonstrations in Japan and U.K. Company executives, releasing technical data for first time, predicted that first complement of Dolby S-equipped cassette recorders will be unveiled at Jan. Consumer Electronics Show. Chief claim for circuit is that when incorporated in high-quality machine using best tape formulations, it "provides analog cassette performance subjectively equivalent to digital media under home listening conditions." Dolby says it will stage U.S. technical introduction "at or near the time of the January CES." In demonstrations of system, Dolby engineers took pains to stress compatibility of Dolby S with existing cassette technology and huge base of Dolby B hardware.

**Korean dealers will sell Philips consumer electronic products under agreement signed by Korea's Lotte Electronics for its 240 retail outlets there.** TV sets for sale in Korea are being designed in Knoxville and will be produced in Greeneville, Tenn. Company recently celebrated start of TV set exports to Japan (TVD Oct 16 p13).

**Hitachi is selling 5" LCD color TV with built-in zoom function at about \$630 in Japan.** TV has TFT active-matrix LCD panel with 114,720 pixels, zoom capability to enlarge center part of screen 4 times. Hitachi plans monthly output of 200 LCD sets.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 143 yen = \$1, except where noted.

**TV DUMPING FINDING:** Funai, NEC, Sharp and Toshiba were cited by Commerce Dept. International Trade Administration (ITA) in latest preliminary antidumping finding for color and b&w TVs from Japan in various periods from April 1, 1981, to Feb. 28, 1989. ITA set preliminary margins for companies on basis of differences between home market and U.S. prices of products. Latest finding apparently has no impact on Japanese exporters of LCD color sets, who will continue to be subject to 4.06% antidumping cash deposit requirement already in effect for those companies (TVD Feb 22/88 p12).

Latest antidumping margins, which are pending final determination by Commerce, are particularly high for NEC and Toshiba. Funai, which had no TV shipments in period covered, received same rate as for previous antidumping review period. ITA spokesman said margin was given for Funai because it was covered in review.

Preliminary margins for various periods covered: Funai in year to Feb. 28, 1989, 21.93%; NEC, year to Feb. 28, 1989, 26.94%; Sharp, year to March 31, 1983, 1.59%, year to March 31, 1984, 18.21%, 11 months to Feb. 28, 1985, 7.37%, year to Feb. 28, 1986, 7.16%; Toshiba, 6 months to Sept. 27, 1983, 28.29%, year to Feb. 29, 1988, 28.29%. Companies will be required to submit cash deposit of these estimated dumping duties based on most recent margin. For future imports from new exporters, not covered in this or other review whose first shipments occurred after Feb. 28, 1989, cash deposit of 26.94% will be required, ITA said.

Antidumping penalties against Fujitsu, Hitachi, JVC, Matsushita, Mitsubishi and Sanyo weren't affected by latest finding, ITA said. Commerce agency said written comments on results may be submitted by Nov. 24, and hearing, if any, will be held by Dec. 4.

In separate finding, ITA determined not to revoke antidumping action against Sharp for period April 1, 1980-March 30, 1981. It said it found higher-than-minimal dumping margins for Sharp in that period.

"Major breakthrough" in video compression for Digital Video Interactive (DVI) technology was announced by Intel. It said software package, RTV (real-time video) version 1.5, allows compression of motion video in real time at 30 frames per sec. on personal computer, and immediate playback at full speed and on full screen of computer. Software will permit development of desktop application for multimedia programs on DVI, Compact Disc-Read Only Memory (CD-ROM) technology allowing interactive video, audio, graphics and animation on 5" disc. RTV will be available to application developers in 1990 first quarter, Intel said.

**Financial Notes:** Matsushita Kotobuki reported 13.5% higher net income of \$32.2 million in first half of fiscal 1989 on 9.3% higher sales of \$857 million. Video equipment sales dropped 5.4% to \$622.1 million, audio and information equipment soared 102.2% to \$216.1 million. Results include sales by subsidiary American Kotobuki, which has TV-VCR plant in Vancouver, Wash... **BMC** Industries posted 3.7% higher net profit of \$1.5 million in 3rd quarter on 2.1% lower sales of \$37.1 million. In first 9 months, net rose 15% to \$3.2 million on 5.6% sales gain to \$123.1 million.

**CD-ROM record:** Sony's Digital Audio Disc Co. (DADC) reports it produced 125,000 CD-ROM discs in Oct. and forecasts it will easily produce million next year.

**SANSUI VCR, TV AT CES:** Sansui is expected to show prototypes of 4 VCRs and 2 TVs at Consumer Electronics Show in Jan. in Las Vegas, spokesman said. They will be made by Polly Peck International (PPI), which is buying 51% of audio company for \$110 million (TVD Nov 6 p9, Oct 30 p15).

Spokesman emphasized crucial nature of upcoming CES as Sansui's first opportunity to position itself as full-line consumer electronics brand as part of multinational PPI. New video products were described as "mid-to-high-end." All will be hand-built prototypes of products earmarked for May 1990 delivery. Spokesman said hi-fi gear to be shown at CES reflects PPI capitalization of audio products engineered by Sansui that have been "sitting on the shelf" for lack of funds. By comparison, he said, video gear will demonstrate manufacturing muscle of PPI.

Meanwhile, Japanese press reports said Sansui plans to channel \$84 million of proceeds from sale into constructing new factory, opening new sales company and developing such new products as facsimile equipment. About 25% of allocation will go to construction of VCR factory in Taiwan or Malaysia with PPI-owned Capetronics as partner. Goal is monthly production of 100,000 units by next summer. Sansui also plans to sell its head office in Tokyo, press reports said, but U.S. spokesman told us option hasn't been finalized and is subject merely to serious consideration. Sansui reportedly plans to rent hq space in Tokyo with Capetronics.

Oct. Retail Report: Highland Superstores Oct. sales fell 3% to \$68.1 million, with same-store sales off 11%. Sales in 3rd quarter were up 2% to \$209.7 million, same-store sales down 6%. Highland said it will open 5 superstores for holiday season, 3 in Buffalo, one each in Minneapolis and San Antonio... Circuit City had record sales of \$157.8 million, up 21% from Oct. 1988. Same-store sales increased 2%. Retailer opened its first 4 superstores in Philadelphia during month, another store in Ventura, Cal., will open 11 before end of year... Best Buy posted sales of \$40 million, up 8% in year. Same-store sales rose 5%. Through first 7 months of fiscal year, Best Buy sales were down 0.4% to \$265 million.

Tiny CCD pickup for minicamcorders developed by Matsushita measures 1/3" but has 1.5 times sensitivity of 1/2" CCD, making possible 3-lux sensitivity. It has resolution of 270,000 pixels, 330 lines horizontal. Matsushita plans monthly production of 80,000 units beginning in Feb.

Matsushita-Ultra Tech Battery, joint venture of Matsushita and Eastman Kodak formed in 1988 (TVD Dec 28/87 p14), opened plant in Columbus, Ga. Plant employs 135, manufactures alkaline batteries.

### It's Against the Law . . .

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**JAPAN-U.S. HDTV DEAL:** Japanese electronics manufacturers, through their association, EIAJ, have offered to share HDTV information with American semiconductor manufacturers and invited them to produce chips for Japanese HDTV sets. In meeting with officials of American Semiconductor Industry Assn. (SIA), 2 groups agreed to establish committees on HDTV cooperation and technical exchange.

David Metz, exec. dir. of SIA's Japan office, said he saw no "formal barriers" to U.S. participation in Japanese HDTV receiver circuits and expressed hope deal would "encourage more design activity in Japan" by U.S. semiconductor manufacturers. Move obviously was attempt by Japan to moderate hard feelings in U.S. centering on HDTV, but some newspaper reports of agreement appeared to cast it as plot to install Japan's HDTV system in U.S.

**Report by National Advisory Committee on Semiconductors** urging govt.-sponsored Consumer Electronics Capital Corp. to finance new U.S. consumer electronics industry (TVD Nov 6 p11) was delivered to White House last week. At press time, text of report hadn't been released, although principal points had leaked far and wide.

U.S. effort to gain supremacy in new consumer electronics fields such as HDTV is jeopardized by deterioration in country's semiconductor manufacturing sector, said Robert Noyce, pres. of both AT&T Bell Labs and Sematech, latter the federally funded and industry-run chip R&D consortium. Noyce told joint House hearing last week that "decline" in U.S. semiconductor industry is "evident" and "unacceptable... American industry has lost control in many of these areas." He raised economic and national security concerns.

Noyce's comments came at oversight hearing on Sematech, which receives partial support from federal govt. Sematech is engaged in research into sophisticated chips and manufacturing techniques. Reports by Congressional Research Service (CRS) and by General Accounting Office evaluating Sematech work to date gave consortium high marks. "Loss of a U.S.-controlled consumer electronics industry has contributed to the decreasing ability of American semiconductor manufacturers to compete successfully with their foreign counterparts," Noyce said. "American electronics manufacturers have been pushed to the fringes of the critical world consumer electronics markets." He urged stronger federal support of Sematech.

What was claimed to be first definitive study of Japanese vs. American prices was conducted jointly by U.S. and Japanese govt., covering 122 products. On average, prices in Japan were 41.7% higher than in U.S., but most electronic products surveyed were cheaper in Japan than in U.S. Conducted in connection with U.S.-Japan trade talks, study found that European-made sparkplugs cost 3 times as much in Japan as in U.S., but Japanese-made batteries were 51.3% cheaper there.

Among electronic and related products, audio tape was 50.9% more in Japan than in U.S., Japanese microwave oven was 15.8% more, but Japanese "video camera" was 4.4% less in Japan, cordless phones 11.1-12.7% less, VCR 20% less, portable CD players 28.3-31.2% less. In each case, prices compared were lowest found for specific brands in each country. Brand names weren't specified.

Nikon and Kyocera are adding Sony-made versions of Sony's tiny TR-5, lightest camcorder yet, under own names for marketing in U.S. and Europe.

Laser Turntable for analog discs is alive and well and living in Japan, despite having been scrapped by U.S. developer Finial Technology (TVD Jan 9 p14). CTI Japan (CTIJ), formerly Japanese subsidiary of Carillon Technology, parent of Finial, is spearheading launch in Japanese domestic market. Turntable was dropped by Finial after it concluded product was too expensive to manufacture. CJIJ bought out Carillon shares last spring and acquired patent and worldwide distribution rights to Laser Turntable system. CJIJ, which purchased BSR Japan last year, hired 2 original developers of turntable, Robert Stoddard and Robert Stark. Spokesman said durability now is "greatly improved" over original Finial version. CJIJ is projecting worldwide sales of 500 units in 1990 at about \$14,000, chiefly to libraries, archives, radio stations, extremely well-heeled analogphiles. First rollout will be only in Tokyo market, next spring. CJIJ hopes to modify product to accommodate 78-rpm discs, after which export plans will be finalized.

Japanese tube makers are preparing for widescreen HDTV production. Hitachi reportedly is investing \$35 million in facilities to produce 30W" and 34W" tubes with 16:9 aspect ratio, to be completed in Feb. Toshiba is adding pilot line for production of 30W" and 32W" tubes early next year. Sony is in trial run of HDTV picture tubes at Osaki Technology Center in Tokyo, plans to add manufacturing technology at another factory. In Europe and U.S., Thomson appears to be in lead in widescreen tube manufacture, its plant in Italy now in pilot production of 16:9 ratio 34W" widescreen (but not HDTV) tubes, with regular output due in first quarter. Philips plans to start pilot output of 34W" (non-HDTV) in Germany in Dec., for production in Oct. 1990 (TVD Sept 4 p9).

**Ads & Promotions:** Tradewest basketball videogame for Nintendo Entertainment System features Pepsi-Cola soft drink logo, marking first time consumer product has appeared in animated electronic videogame. Under agreement between Pepsi and Nintendo licensee Tradewest, logo will appear in Magic Johnson's Fast Break game, to be introduced in early 1990... Zenith promotion with Home Box Office offers \$30 rebate on HBO or Cinemax subscription with purchase of Zenith TV or VCR through Dec. 31. Sweepstakes features grand prize of cameo appearance in HBO original movie... BASF promotion with HBO offers consumers \$20 subscription rebate with purchase of specially marked BASF blank videotape multipack through Dec. 31.

EIA fought off proposal by truckers' trade group to require that consumer audio-video equipment be packaged in unmarked cartons to discourage theft (TVD Oct 30 p17). Measure was adopted by panel of National Classification Committee (NCC) in Sept., but full NCC rejected motion in Washington hearing last week with EIA lawyers present. EIA Govt. Affairs Staff Dir. Suzanne Heaton said motion was voted down because of "impassioned" testimony by Dynascan Pres. Jerry Kalov and because proponents offered little documentation of growth in theft problem that rule was designed to address.

First HDTV CD-ROM in general use is available to visitors at Museum of Fine Arts, Gifu, Japan. Developed by JVC, system may be viewed on 60W" or 110W" projection screens in 2 viewing galleries and one auditorium. Each CD runs 5 min., has selection of works from museum's collection in 1,195-line widescreen Hi-Vision format. Separate synchronized CD provides commentary. Booth with 27W" direct-view tube provides data base in which 700 of museum's works may be accessed by 40 different categories.

## Consumer Electronics Personals

**Martin Holleran** promoted from Thomson Consumer Electronics vp to exec. vp, mktg and sales, Americas, reporting to TCE Chmn.-CEO Pierre Garcin; Holleran continues as pres.-CEO of subsidiary TCE Sales & Mktg. Co., Americas; **Joseph Donahue** promoted from vp to senior vp, technology and business development, Thomson Consumer Electronics, heading new govt. relations office in Washington; **Wray Hiser** promoted to senior govt. relations counsel... **Eugene Eidenberg** resigns as Macrovision pres.-CEO "to pursue other professional interests;" Chmn. **Victor Farrow** assumes CEO responsibilities during search for replacement... **Heitaro Nakajima**, Sony exec. technology adviser, receives Audio Engineering Society Gold Medal for contributions to development of Compact Disc.

**Tom Graham**, ex-Sherwood, joins Yamaha as product mgr. Nov. 15, replacing **Irwin Zucker**, new Marantz mktg. dir... **Martin Levine** named editor of Consumer Electronics Monthly Show Daily, position he will hold through Jan. 1990 CES in Las Vegas... **David Leibowitz**, ex-partner in Washington law firm Wiley, Rein & Fielding, joins Recording Industry Assn. of America (RIAA) as senior vp-gen. counsel, succeeding **Joel Schoenfeld**, now Bertelsmann Music Group senior vp-gen. counsel... **Shelley Miller**, owner of Chicago-based United Audio Centers, elected to board of Progressive Retailers Organization, replacing **Sounds Great** Pres. **Russell Kern**, who closed business recently... **Peter Mason**, ex-Microlytics, named Selectronics engineering vp in merger of Selectronics and Microlytics.

**Fritz Friedman** promoted to RCA/Columbia Pictures Home Video publicity vp, new post... **Fairfield Research** Senior Sales & Mktg. Vp **Tim Searcy** will leave Dec. 1 to become home video industry consultant, remaining board member and stockholder... Appointments at Vidmark: **Sandra Loden**, ex-Media Home Entertainment, named PR mgr.; **Erin O'Neil** advanced to creative services mgr.; **Susan Pritchard**, ex-International Spectrafilm and one-time 20th Century-Fox, named worldwide services mgr... **Julie Brown** promoted to South Gate Entertainment ad vp... Promotions at Buena Vista Home Video International: **William Pfeiffer** to vp-exec. managing dir.-Far East, **Stuart Warrener** to vp-managing dir.-U.K. and Europe... Appointments at Blockbuster Entertainment: **Scott Beck**, ex-managing partner-CEO, Video Superstore Master Limited Partnership franchisee acquired last Aug., named vice chmn.-COO; **Steven Berrard** promoted to vice chmn.-chief financial officer; **Taylor Devine** advanced to international vp; **Gerald Weber** promoted to vp-zone officer; **Video Superstore** Chief Operating Partner **Jeffrey Shearer** named vp-zone officer; **Video Superstore** Gen. Counsel **Saad Nadhir** appointed International Div. vp.

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"Interactive box" for standard noninteractive B movie video is planned in Jan. for film *Dead Pit* by Imperial Entertainment, which is spending \$7.50 per \$89.95 list-priced tape on "electronically interactive, textured" packaging. Box is expected to generate 50% of unit sales for additional \$2.1 million revenues to supplier. Packaging has 3D demon whose flashing eyes are activated for 15-20 sec. by pushing button on front of box. Up to 10,000 flashes are possible before battery dies.

Thomson Consumer Electronics opens govt. affairs office in Washington, headed by Senior Vp **Joseph Donahue** and Senior Counsel-Govt. Relations **Wray Hiser**: Suite 601, 1200 19th St. NW.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
<b>Clear Channel Communications</b>			
1989-9 mo. to Sept. 30	34,921,274	(675,468)	--
1988-9 mo. to Sept. 30	28,356,518	2,247,836	.56 <sup>a</sup>
1989-qtr. to Sept. 30	12,518,421	(173,516)	--
1988-qtr. to Sept. 30	10,057,146	1,343,099	.33 <sup>a</sup>
<b>Commodore International</b>			
1989-qtr. to Sept. 30	165,300,000	(6,500,000)	--
1988-qtr. to Sept. 30	200,200,000	9,600,000	.30
<b>Esquire Radio &amp; Electronics</b>			
1989-9 mo. to Sept. 30	32,331,000	732,000	1.51
1988-9 mo. to Sept. 30	53,395,000	1,664,000	3.45
1989-qtr. to Sept. 30	12,566,000	425,000	.88
1988-qtr. to Sept. 30	17,393,000	660,000	1.37
<b>Heritage Media</b>			
1989-9 mo. to Sept. 30	102,896,000	(26,611,000)	-- <sup>b</sup>
1988-9 mo. to Sept. 30	32,774,000	(11,677,000)	--
1989-qtr. to Sept. 30	40,106,000	(10,684,000)	-- <sup>b</sup>
1988-qtr. to Sept. 30	11,530,000	(4,225,000)	--
<b>Home Shopping Network</b>			
1989-year to Aug. 31	774,300,000	(14,900,000)	-- <sup>a</sup>
1988-year to Aug. 31	730,100,000	18,000,000	.21 <sup>a</sup>
1989-qtr. to Aug. 31	187,400,000	(26,100,000)	-- <sup>a</sup>
1988-qtr. to Aug. 31	168,100,000	3,300,000	.04 <sup>a</sup>
<b>Lee Enterprises</b>			
1989-year to Sept. 30	269,463,000	43,047,000	1.74
1988-year to Sept. 30	252,537,000	40,921,000	1.63
1989-qtr. to Sept. 30	67,508,000	14,600,000	.60
1988-qtr. to Sept. 30	63,796,000	14,037,000	.56

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

**Toshiba** plans to start production of surface-mounted printed circuit boards for laptop personal computers and other products at Irvine, Cal., plant in April, Toshiba America Information Systems Pres. Kiichi Hataya said. New plant is being built near existing Toshiba facilities at cost of \$9 million. Company will hire at least 60 employees for operation. Boards also will be used for home and cellular phones, fax machines, copiers.

**Pioneer** has shipped more than 2 million Laserdisc players in Japan since Oct. 1981 introduction, Japanese report said. Figure includes consumer players (about 84% of total) and karaoke players sold to bars. Japanese shipments in 1989 are expected to total 700,000, up 40% from 500,000 in 1988.

**Matsushita** displayed prototype of 256,000-pixel 10" color LCD TV at '89 Electronic Display Device Exhibition in Tokyo. Product will cost \$3,500-\$4,200 in Japan, with mass production scheduled to start next spring or summer.

**CD** production on advanced integrated assembly lines in Singapore is planned by Matsushita starting in April. Company plans to make 100,000 CD players and CD player combinations annually.

### OBITUARY

**Andrew Scott**, 34, HWH Enterprises vp, died Nov. 8 from complications involving AIDS. He joined N.Y. PR firm specializing in consumer electronics 6 years ago as account executive. Survivors are parents, brother, long-time companion.

# TELEVISION DIGEST®

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

With Consumer Electronics

NOVEMBER 20, 1989

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**DRIVE FOR CABLE REFORM:** FCC and Congress planning moves to legislate and reregulate as early as next year. Sikes reports options under consideration, recommends Cable Act reforms to Senate. Chorus of competitors egg efforts on. (P. 1)

**TvB SEEKS FUNDING:** Group says it's 'badly outspent' by cable and newspaper ad groups. Anheuser-Busch hits beer ad criticism. New competition spells end of 'good old days of TV,' TvB Pres. says. (P. 3)

**SPORTS TV 'THREAT':** Metzenbaum warns of possible review of antitrust exemption because of migration to cable. Owners claim more over-air sports. (P. 5)

**COURT UPHOLDS SYNDEX:** Unanimous Appeals Court decision unlikely to be appealed, clearing way for Jan. 1 start. (P. 5)

**CABLE BILL SPURS DEBATE:** Danforth proposes cap on MSO size, allowing local rate regulation, must-carry, program nondiscrimination. (P. 6)

**FINSYN TALKS ADVANCE:** Valenti cites 'modest progress' in latest round. New talks set for Dec., but no new proposals emerge. (P. 7)

**LICENSE RENEWAL DISPUTE:** NAB calls proposed FCC rules 'step backward' for reliance on issues-programs lists, but endorses basic goal. (P. 7)

**CONGRESS, FCC SEEN DRIVING TOWARD CABLE REREGULATION:** Cable industry faces prospect of legislation and possibility of FCC regulation next year, Senate leaders and Commission Chmn. Sikes revealed last week. They agreed pressure to act had become irresistible, with senators saying cable industry's only recourse is to cooperate in seeking guidelines for new environment to avoid extreme restrictions.

Cable TV markets are closed to competition, Sikes agreed with several senators and cable competitors at 2nd of 2 days of cable oversight hearings Nov. 16-17 before Senate Communications Subcommittee. He said that legislation and reregulation may be in order, and that some steps already are under consideration at Commission, although few firm decisions have been made. Reversal of 1984 Cable Act in certain franchising and cross-ownership areas topped his wish list. Chmn. also said FCC would study need for cap on MSOs' ownership of cable systems and program networks, as well as redefinition of "effective competition."

There were indications in questioning by senators that Subcommittee's legislation also would address concerns on escalating cable rates, horizontal and vertical integration, distortions in program distribution market, consumer decoder prices, absence of municipal controls on franchises. "I know we are going to come out with legislation" next year, said Subcommittee Chmn. Inouye (D-Hawaii), who has been cable ally.

### Consumer Electronics

**SHARP CUTBACKS** in govt. HDTV and other high-tech programs, reportedly pushed by Administration, create uproar in Congress. Is it 'feeler' or policy? (P. 10)

**NEW VCR SUPPLIERS** Thailand, Singapore and Malaysia helped boost share of U.S. imports by non-Japanese sources to record 36.4% in Aug. Deck imports down. (P. 11)

**LOW INDUSTRY GROWTH** in 1990, including decline in color TV unit sales, seen by Hitachi, which predicts video dollar growth of 3.1%. (P. 11). New products. (P. 16)

**MATSUSHITA PROFIT UP** 9.1% in 2nd quarter, sales up 8.8%, despite sluggish consumer demand. Pioneer net up 23.4% in half, Recoton off 73.8% in 3rd quarter. (P. 13)

**KODAK LEAVES LCD** projection TV business, turning over marketing of video projector to Epson America, affiliate of product's manufacturer Seiko. (P. 13)

**MEMOREX AUDIO LINE**, including CD players and personal stereo under consideration by Tandy unit. Videotape now less than half of Memtek's sales. (P. 14)

**SUPERGIANT SCREEN** home TV devices for custom installation include Mitsubishi 120" rear projection unit, Technics' 105" speaker-screen, new Vidikron models. (P. 14)

**PHILIPS CAMPAIGN** is aimed at high visibility for name as major U.S. employer and innovator. (P. 15)

Inouye said senators would sort out their concerns during recess, expected to begin this week. They may use bill offered last week (S-1880) by panel's ranking Republican, Sen. Danforth (R-Mo.), as framework for activities next year, sources said. (See related story in this issue.)

Act has "allowed localities, in effect, to grant monopoly franchises," Sikes said, calling for new balance to be struck between regulatory and procompetitive policies of Congress and FCC. While his concerns about cable's market power aren't new (TVD Sept 18 p1), Sikes for first time recommended specific legislative and reregulatory remedies and outlined additional steps Commission is considering as it completes work on congressionally mandated review of cable industry.

Sikes recommended that Congress amend Act to, in effect, require multiple franchises in communities. He said Act's existing scheme, allowing franchisors to license one or more cable providers, should be changed to minimum of 2 or more. He urged elimination of ban on distribution of programming by nonfranchised provider to allow at least telco delivery. Sikes said Commission may make additional recommendations. Acknowledging that consumer, competitor and congressional concerns on cable market practices had struck chord with agency, he announced that Commission is accelerating its cable study to deliver report to Congress in July -- well before Oct. deadline.

Sikes said industry review will examine: (1) Allegations of cable abuses in delivery, programming, other submarkets. (2) Local cable rates. (3) Level and intensity of any facilities-based competition. (4) Implications of telco entry in video distribution. He was cautious, however, about permitting telephone companies to become programmers, partly because cable isn't permitted into telephony and because telephone industry's own market power could inhibit entry of others into market. He said he was willing to reconsider his positions. He also said Commission planned to complete soon its pending cable-telco inquiry on transmission issue.

(5) Extent of horizontal and vertical integration and any anticompetitive effects. Sikes made it clear that agency wouldn't shirk examination of need for limits on ownership of cable facilities and networks and that suggestions for curbing either or both would be made if necessary. However, he didn't condemn those developments in cable, noting business efficiencies that may have resulted and "the very considerable accomplishments" made by cable under Act.

(6) Allegations of cable programmer discrimination and complaints about leased channel access. (7) Prospects for emergence of viable multichannel competitors. In Q&A, Sikes also agreed to examine system trafficking and possibility of regulations. However, he expressed uneasiness with idea of interfering in property rights of MSOs. He said FCC will be releasing appropriate public notices and requests for comments soon. Field hearings also are planned, he said.

Chmn. expressed caution on ownership caps, saying there may be "less intrusive" approaches than ownership limits that could preserve benefits inherent in economies of scale and still minimize potential for abuses. He said options worth reviewing include: (1) Mandating terms and conditions for cable channel access and program resale by alternative carriers for MSOs with extensive national penetration. (2) Requiring cable systems with significant market power to unbundle services.

On effective competition, Sikes committed agency to completing review of possible redefinition of standard by mid-1990. He said existing 3-signal standard, used to determine when rate regulation can apply, is so broad that "the practical consequence... was to remove most local rate regulation. We need to reexamine whether the premises for that action remain valid today." Agency objective would be to keep any reform "minimally intrusive" and that there be transition. He came close to advocating rate regulation in balance with procompetitive policies. "Any price regulation should be applied only to the extent that competitive marketplace forces are demonstrably inadequate to safeguard customers' interests," he said.

Commission also will pursue proceeding aimed at encouraging development of wireless cable and other multichannel providers, Sikes announced. Proceeding will examine whether there are any "unintended obstacles" to achieving parity between providers built into existing rules. Among concerns are FCC licensing rules for private microwave relay systems, which give cable operator preference over MMDS. "This appears to be an unintended obstacle, which has anticompetitive consequences," he said.

Sikes saw need for Congress to tie must-carry to cable compulsory license if it proceeds with must-carry legislation. Commission recently recommended elimination of compulsory license. He said cable operators not under must-carry obligation should bargain for programming, just as competitors do. If operator seeks relief from compulsory license for retransmission of local or distant signals, he said that

move should obligate cabler to carry all local signals. Sikes believes move would help must-carry pass constitutional muster in courts. He defended syndicated exclusivity (syndex), saying he saw no reason to reconsider rules (see related story in this issue). Position prompted Sen. Exon (D-Neb.) to suggest that he may call for inclusion of syndex repeal in cable legislation.

Sikes' recommendations are expected to be weighed carefully by panel, many of whose members committed themselves at hearings to ensuring that legislation advances next year. However, cable witnesses at first day of hearings sought to allay Subcommittee fears, characterizing industry abuses as "isolated instances," in words of TCI Pres. John Malone. Claims of astronomical rate hikes also were rejected by NCTA Pres. James Mooney, who said average increase nationwide has been in keeping with "post-deregulatory adjustments." He was rebutted by several rural state senators, who presented evidence of much higher rates -- many in 3-digit range.

Mooney, Malone and Cox Cable Pres. James Robbins were unhappy with suggestions that new competition should be infused in their markets, perhaps through telco entry into transmission or even programming businesses. However, cable executives agreed there's some evidence of rate abuse, with Malone going so far in Q&A as to reluctantly support system ownership limits and possible divestiture of some of TCI's operations. He endorsed congressional action to stem system trafficking, said he was willing to contemplate return of regulation at federal level. Municipal regulation, witnesses agreed, would be "death sentence" for industry, in Malone's words. He also suggested FCC has been too timid in overseeing cable industry.

Municipal officials asked for return of some local authority, notably on programming and rate regulation side. Consumer advocates urged major rewrite of Cable Act. Subcommittee also heard from NAB, INTV, USTA, wireless cable and satellite program industries; all pressed for changes in Act beneficial to their businesses. NAB Pres. Edward Fritts charged Cable Act had "failed abysmally" and "completely distorted the marketplace." At same time, he strongly opposed telco entry into business as likely only to introduce another powerful monolith onto scene. Telephone industry witnesses called for telco entry into all facets of cable.

INTV Pres. Preston Padden said effective competition for cable should be considered to exist only when operator faces "direct, head-to-head" contest with another multichannel provider with "substantial" market penetration. He urged Congress either to clear way for telco and other competition to cable or pass legislation that would subject cable to common carrier regulation.

**TvB SEEKS FUNDING TO SPUR AD SALES:** TV Bureau of Advertising (TvB) is being "badly outspent" by cable and newspapers in contest for ad dollars, said Pres. James Joyella, who has been in job one month. Speaking at opening session of TvB convention in L.A. last week, he said TvB's annual budget of \$8 million is 60% smaller in relation to total billings than it was in 1956. In another session, Anheuser-Busch (A-B) Exec. Vp-Mktg. Dir. Michael Roarty said beer ads are facing unfair pressure from those who are seeking return to Prohibition.

Joyella said Newspaper Ad Bureau has annual budget of \$16 million and Cable Ad Bureau has \$3.4 million -- if TvB funding were same percentage of billings as CAB it would have budget of \$60 million. TvB has 550 station members (just over half of 1,089 U.S. commercial stations), Joyella said. He said 54% of \$8 million budget goes toward payroll for 72 employees, 10% for rent.

Joyella predicted there never will be return "to the good old days" of TV because of new competitors: "You're playing with new rules against tougher competitors... and you're probably working for new owners, some of whom have a very different view of our business than their predecessors." With newspapers "still our biggest competition," TV stations, reps and networks "still spend too much time and energy in... civil war fighting each other," he said: "We can continue to focus our efforts on carving bigger slices of a shrinking pie... or we can work together to cook up a bigger pie." William Moll, who left TvB presidency (to become vp-gen. mgr. of WNBC-TV N.Y.) in Oct., like Joyella, stressed importance of TV industry's speaking to advertisers and viewers "with a common voice... The future of TvB and the future of television are sound, secure and strong."

Robert Coen, senior vp of McCann-Erickson, told TvB that current slowdown in advertising is no surprise, but he predicted ad industry "will return to outperforming most other industries" in year or 2. In recent years, he said, "most severe" downturn in TV ad growth was experienced by networks, "but the slowdown spread through all TV sectors" -- to 4.5% by 1987, below that of GNP. He attributed upturn last

year primarily to Winter and Summer Olympics and said 1990 growth will come from off-year elections. Coen predicted total U.S. advertising would increase 6-8% next year, with total TV up 7-9%, local spot 5-7%: "Television advertising in total will grow a little faster than all advertising because of better growth from cable and possibly also the networks. The pace of national spot and local TV will lag." However, he predicted ad revenues "will turn sharply upward during most years in the decade of the 90s."

Most TV executives at conference are meeting or beating ad sales objectives for 1989 and are expecting much better in 1990, according to our unscientific and very informal survey of TV executives -- at close of convention. Typical comments: "Texas is back... except for Dallas." "New York City stopped cold in October and there was no recovery in November as expected." "New York was great in November but December is a disaster." Executives were looking forward to off-presidential year political campaigns that will start early next year to boost 1990 figures.

Both commenters from N.Y.C. requested anonymity, but Diane Sutter of WTVQ-TV Lexington, Ky., said station is 7-9% ahead of last year and beating projections. Station is noncompensated ABC affiliate owned by Shamrock -- which also has 15 radio stations and 2 independent TVs in Tex. Shamrock Pres. William Clark told us that company overall is up 21% over 1988 and that independent TVs are "making budget" and ahead of last year. In 1990, he said, "we are looking for another increase in revenues."

Thomas Bornhauser, WHAS-TV Louisville gen. sales mgr., said national sales in Oct. were "terrific," local sales "terrible" -- calling it "strange" that situation was exactly opposite in Nov. Schurz Communications (TV stations in South Bend and Roanoke) had "nice gains" in 4th quarter, beating projections by 5%, Pres. Berry Smith said. He predicted 1990 would be "a plus year -- up 6.8%." Outlet Pres. David Henderson said 1989 has been "a mixed bag" with market-by-market fluctuations "that no one can explain." He said Outlet had "an exceptionally good year" in 1988 because of Olympics and elections and revenues of its 2 independent stations (Atlanta and Indianapolis) are "spectacular" this year," up 25% in markets that are essentially flat.

Michael McKinnon, owner of 3 TV stations in Tex. -- KVII-TV Corpus Christi, KBVO Austin and KBMT Beaumont -- told us that "Texas is back -- compared with '87 and '88." He said that all his stations are above projections and that local spots "are about where we want it to be while national is a little stronger."

Meanwhile, beer industry is "experiencing an especially troublesome attack" in attempts to regulate its ads on TV, Roarty told convention: "Antibeer sentiment and special interest activism are threatening to take away our constitutional right to make [and advertise] a legal product." Showing several commercials to TvB, he said A-B has been in forefront in fighting alcohol abuse: "We have seen in recent months a disturbing trend... to associate all drinking, not just abusive drinking, with drug abuse... That kind of emotional rhetoric is not only wrong, it is dangerous."

Beer ads are being caught up in more basic debate on alcohol itself, he said. Roarty said "same misguided logic" that led U.S. into Prohibition in 1920s "is again gaining popularity... If we allow the minority of outspoken and ill-advised critics to have their way, then perhaps there is no future." He said that charge that A-B Spud MacKenzie ads are "designed to sell beer to 2nd-graders... is absurd." A-B is largest beer advertiser on TV, with about \$28 million in first half of year, according to TvB figures.

TvB went political route for first time at convention, bringing Democratic consultant Robert Squier, Squier-Eskew Communications, to meeting. In appearance before closed session of group owners and later at open session, he predicted 20% increase in off-election year TV spending in 1990 over presidential election year 1988. Main reasons, he said, will be increase in negative advertising -- particularly against incumbents considered "safe" -- and fact that TV is most effective medium for candidates to get their messages across.

Joyella was very happy with his first TvB convention as top man. "The enthusiasm and support is extraordinary," he told us at closing session. "If we can bring the mood and message of this meeting to our nonmembers, TvB is going to grow dramatically." Being discussed is sending videotape of Joyella's speech at opening session to all nonmembers.

Alternative Cable Operators Assn. (ACOA) will hold organizing meeting Nov. 28 at Hyatt Grand Cypress Hotel, Orlando, said organizer Ira Smith of Sales America, Fla.-based cable marketing firm. Smith said he expects about 100 cable overbuilders to attend meeting, which will include speeches by mayor of Oakland and FTC official.

TCI confirmed it's talking with MGM/UA on possible buyout of movie company. Official said MGM approached TCI and deal is "under consideration." N.Y. Times also quoted TCI Pres. John Malone as saying company has had talks with Paramount, but wouldn't consider unfriendly acquisition.

**SPORTS TV THREAT:** Migration of sports programming to cable will force Senate reevaluation of antitrust exemption granted to professional sports, key senators warned at hearing featuring testimony from baseball and football commissioners. Move to put major events on pay-per-view (PPV) cable almost certainly would trigger counteraction, legislators promised.

Decision by N.Y. Yankees owner George Steinbrenner to grant cable exclusive rights to all his team's games beginning in 1991 "displays an arrogance bordering on contempt," said Sen. Metzenbaum (D-O.), chmn. of Antitrust Subcommittee, which held hearing. Metzenbaum warned that panel's reaction to limited or PPV carriage of major sporting events such as Super Bowl or baseball playoffs surely would be swift. Other committee members, notably Sen. Specter (R-Pa.), agreed.

**Baseball Comr.** Fay Vincent and **NFL Comr.** Paul Tagliabue said that claims of massive migration of sports programming to cable are misrepresentations and that cable deals have resulted in increase in total of televised games. Both agreed, however, that any move of major baseball or football events to PPV in this century should be avoided, and committed themselves to ensuring that big games remain available over air for at least 10 years.

NAB Pres. Edward Fritts and INTV Pres. Preston Padden said cable's dual revenue stream from subscribers and advertisers, coupled with freedom to carry certain broadcast signals under compulsory license, gives that industry hefty advantage in bidding for sports rights. Fritts proposed return of FCC's "antisiphoning" rules, which had been in place until 1977 and assured local viewers opportunity to watch all local team sports on over-air TV.

Fritts suggested requiring teams that take advantage of antitrust exemption to make minimum amount of sports also available over air. Broadcasters also should be compensated by cable systems, he said. Exclusive nature of cable's sports deals also was hit by Fritts and Padden, neither of whom was questioned about support for syndicated exclusivity rules for their own industry.

Vincent, Tagliabue, Cleveland Browns owner Art Modell and ESPN Pres. Roger Werner said cable deals, notably ESPN's, have increased amount of sports programming available. But broadcasters claim that ESPN games mean blackout for them. Werner said 175 Major League Baseball games ESPN will carry each year 1990-1993 "is 4 times the number of regular-season telecasts that have been presented by the networks in recent years." Vincent said total of over-air baseball telecasts has increased, not decreased, each of last 5 years and number of over-air telecasts still exceeds cable's.

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CATA is almost certain to begin expanding staff as early as Dec. as result of success of fund-raising drive for its "Network Campaign," Pres. Stephen Effros said. He had asked all large MSO members to contribute \$10,000 each and smaller ones \$5,000 each to finance campaign to hold cable critics accountable for what he calls slanders on industry. Effros said CATA has checks in bank for more than half of \$250,000 goal and commitments to more than reach goal. Plan is to hire one full-time communications expert, part-time researcher and support staff to prepare materials to respond to cable attacks and prepare operators to defend industry on local level, according to CATA memo. Memo says most major MSOs, including Adelphia, Continental, Cox, Multimedia, Newhouse, Sammons, TCA and TCI, already have signed on.

**SYNDEX UPHELD IN COURT:** FCC's syndicated exclusivity (syndex) rules were upheld by U.S. Appeals Court, D.C., in unanimous decision last week. Decision, written by Chief Judge Patricia Wald, said syndex rules are within FCC's authority and aren't arbitrary or capricious. Court had laid most doubts about its ruling to rest last month when it refused to delay effective date (TVD Oct 23 p3).

Cable officials who originally appealed syndex have said it's unlikely they will take case to Supreme Court, so rules are to take effect Jan. 1. Neither CATA nor Tribune Bestg. is likely to appeal further, officials have said. United Video attorney John Cole said he couldn't comment on further appeal until he digests opinion.

NAB Pres. Edward Fritts called decision "victory not only for broadcasters but for the viewing public." He said syndex will provide incentive for stations to invest in quality programming, and even improve cable programming because cable operators will have to substitute new and diverse shows. INTV Pres. Preston Padden termed decision "victory for all... who rely on free television."

Congress endorsed syndex rules in 1976 when it passed Copyright Act, Appeals Court said, legislative history of Act gives FCC even clearer power to enact syndex, and rules don't violate Communications Act or 1984 Cable Act because syndex is "content-neutral." FCC decision wasn't arbitrary or capricious, court decided, even though reversal of earlier policy required higher level of proof. Court said FCC had done "thoroughgoing review of the syndex question" and clearly met test of showing that standards are being changed with deliberation, "not just casually ignored."

Court rejected First Amendment argument that syndex prohibited cable operators from enjoying free speech. Syndex opponents are "in the position of claiming that they have a First Amendment right to express themselves using the copyrighted materials of others," opinion said. Court said Constitution allows Congress to provide authors with exclusive rights to their works, and "this power generally supersedes the First Amendment rights of those who wish to use another's copyrighted work."

Decision won't be big disappointment to segments of cable industry. Main effect, according to panelists at Cable TV Administration & Mktg. Society meeting last summer, is likely to be that cable operators will use syndex as excuse to delete syndex-affected broadcast signals in favor of cable-exclusive programming, much of which is owned by operators' parent companies (TVD Aug 28 p7). NCTA, which originally opposed syndex, decided not to participate in appeal.

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**CABLE BILL SPURS DEBATE:** Sen. Danforth (R-Mo.) last week introduced omnibus cable reregulation bill (S-1880) proposing 15% cap on number of subscribers in which single MSO can have interest. Bill also would return local govts.' right to regulate basic cable rates in most instances, establish must-carry and channel positioning standards, redefine cable effective competition standard. Bill is largely compilation of others introduced in Senate this year, had been expected (TVD Nov 13 p1). It's anticipated it will be used as framework for legislation that will be drafted next year by Senate Communications Subcommittee (see related story elsewhere in this issue).

S-1880 would allow local authorities to regulate basic cable rates whenever there isn't effective competition, with effective competition only if other multichannel distribution services such as wireless cable or satellite home dishes serve 30% of homes. It also would require MSOs owning substantial interest in systems serving more than 15% of U.S. cable subscribers to divest them within 360 days, although FCC could give 6-month extension.

Bill has 15 sponsors, including 8 members of Commerce Committee and Antitrust Committee Chmn. Metzenbaum (D-O.). Many of co-sponsors have been in forefront of Capitol Hill attacks on cable in past, including backers of bills to regulate satellite program distribution. However, some in group also signed letter that was sent to Committee leadership last week urging consideration of telco entry into cable along with other reforms to 1984 Cable Act. Danforth bill is largely deregulatory.

NAB, INTV, Wireless Cable Assn. and Consumer Federation of America (CFA) endorsed bill. NAB Pres. Edward Fritts said must-carry and channel position sections are "very strong," predicted they will pass constitutional muster because they're linked to compulsory license. INTV Pres. Preston Padden said group is particularly pleased with must-carry provisions. He said INTV hadn't originally considered cable rate regulation as broadcast issue, but has changed mind because high rates are helping cable outbid broadcasters for sports broadcast rights. Consumer Federation of America's Gene Kimmelman said analysis by his group shows true competition to cable would cause rates to drop 50%, saving consumers \$6 billion per year.

NCTA Pres. James Mooney said bill "offers a series of extreme solutions to problems that are either modest or nonexistent." CATA Pres. Stephen Effros called it "wish list of all of those who want to reregulate cable." Cable officials criticized broadcasters for supporting bill. One NCTA official said NAB shouldn't champion bill to make cable franchise renewal more uncertain when broadcasters are unwilling to accept limits on children's TV. Effros said it's unreasonable for broadcasters to support bill that would prevent HBO from providing programming exclusively to cable, while syndicated exclusivity rules keep broadcast programming exclusive to broadcasters.

Capping subscribers at 15% was compromise, co-sponsors said. Sen. Gore (D-Tenn.) said it's possible to "make an argument for a lower level, but [15%] would be a lot better than it is now and it looks to some of us like a feasible goal." Bill uses FCC's broadcast station ownership standards to define cable system ownership. Definition apparently would mean TCI would have to divest, since it holds stake in about 22% of all cable subscribers. No other MSOs exceed cap, but it could limit growth of those such as Time-Warner and Continental.

Must-carry provision would require cable systems to carry varying number of local stations, depending on system's number of channels, ranging from 3 qualified local broadcast channels for system with 12 channels to as many as 41 for 125-channel system. Bill says at least one noncommercial station is to be carried on smaller systems and 2 on those with 54 channels. As for channel assignment, broadcaster would get option between over-air channel slot or channel on which station was carried in 1985. Cable operator and broadcaster also could agree on other slot, with franchising authority to resolve disputes. Measure said broadcast signals should be on lowest-priced tier of service and viewable on all TV sets connected to cable.

Broadcast-cable negotiations on must-carry deal may be dead, at least for foreseeable future, because of NAB's strong endorsement (see story elsewhere this issue) of cable reregulation legislation proposed by Sen. Danforth (R-Mo.), cable sources said. NCTA almost certainly won't be receptive in near future to any new broadcaster proposals, senior NCTA official said. NCTA Pres. James Mooney was said to be "livid" about NAB Pres. Edward Fritts' decision to make strong statement in favor of bill. More importantly, Fritts made statement without giving Mooney advance notice, official said. Bill calls for channel positioning rules that would be major setback for cable, giving broadcasters option to select position they had in 1985. NCTA officials believe they have done most of bending to date in must-carry and channel position negotiations, and consider broadcaster endorsement of Danforth bill slap in face. Fritts told news conference that mere threat of legislation has "already begun moving cable toward a more moderate position in negotiations with broadcasters."

Five states are recommending criminal prosecution of Sonrise Management and its principals for securities fraud, Ga. Secy. of State Max Cleland said. In addition to Ga., states planning action are Ala., Fla., N.C., S.C. Sonrise is company represented by Washington lawyer Thomas Root that FCC has investigated for abuse of process in its efforts to obtain FM licenses in more than 160 markets (TVD Aug 7 p7). Cleland said he's issuing cease-and-desist orders and notices of opportunity for hearing to Root, Ralph Savage, Eugene White, Charles McFall Jr., 8 others. Notices say Sonrise allegedly defrauded 830 Ga. investors of more than \$2.9 million. Cleland said Sonrise sold about 165 ventures nationwide to about 1,800 investors for more than \$6 million. Order charges that, in addition to failing to register any of offerings with Ga. authorities, company made numerous misrepresentations and omissions of material facts, failed to maintain promised escrow reserves, "purposefully schemed to defraud investors."

INTV Pres. Preston Padden will move to Fox Bstg. as senior vp-affiliates, effective when replacement is found, he confirmed. He and others predicted move will have little impact on INTV, but emphasizes Fox commitment to affiliates. Move is likely to increase Fox presence in Washington, where Padden will maintain office, and adds emphasis to Fox's plan to expand to 7-night network. INTV attorney James Smith could be leading candidate to replace Padden, some industry officials said. Others include current INTV Vps James Hedlund (govt. relations) and James Popham (gen. counsel). They said it's also possible INTV could recruit from Capitol Hill or FCC. Padden hiring won't directly affect Fox plans to expand network, Senior Vp Brad Turrell said. Fox plans to add movie night on Wed. and possibly series night on Fri. by next fall, he said, with full 7-night schedule by 1991 or 1992.

**'MODEST PROGRESS' ON FINSYN:** MPAA Pres. Jack Valenti said there was "modest progress" in latest round of financial interest and syndication (finsyn) talks, but Hollywood community didn't put new proposal on table in talks with 3 TV networks last week in L.A. Discussions are expected to resume first week of Dec., MPAA official said. Both sides were very closed-mouthed about talks -- which have been continuing for more than 5 years.

NBC Pres. Robert Wright (who wasn't at negotiating session) told us it isn't yet time for networks to seek relief from program ownership restrictions through Congress or FCC -- despite fact he recently had written House Commerce Committee Chmn. Dingell (D-Mich.) on subject. NBC has been most outspoken of networks on finsyn, and Wright said last spring that networks should seek relief in Washington if no deal had been struck by Nov. Programmers also reportedly rejected networks' proposal that Hollywood and networks jointly finance 6 programs per year.

Meanwhile, there's some sentiment on network side that one or more networks should buy program production-syndication company and let courts decide legality of FCC restrictions. Networks argue that rules put them at competitive disadvantage in today's marketplace -- citing cable, Time Warner combine, Japanese acquisition of Hollywood studios.

Networks were taking "severe, even intimidating" tone as they prepared for negotiations, Valenti charged in speech, just before talks, to Academy of TV Arts & Sciences in L.A. He said networks are continuing to push for right to own at least half of prime-time programming and it's "clear that the networks want more, much more." Networks' so-called 11/11 plan "dances with deceptive charm," Valenti said, and he claimed that it would allow networks to "skim the cream" and leave "dribbles" to outside producers. Plan would require that 11 prime-time hours per week be produced under current rules, and open door for networks to own other 11. That would mean "every half-hour sitcom, every remotely attractive script presented to the networks, would be gobbled up under network terms," Valenti said.

Producers thought networks had abandoned 11/11 plan, Valenti said, but recently received "stern letter" reaffirming it. He said MPAA had thought it had 2 previous finsyn agreements during 5 years of talks, but said networks killed both. Networks have resisted agreement because political advisers have "obviously counseled them that time is on their side," Valenti said. He issued what he called "friendly challenge" to networks to "let us not conspire with each other, but cooperate with each other."

Valenti discounted networks' claims that they're in "dire trouble," that they need more freedom and that foreigners are buying up everything. He said network ad rates are at record high, network stock values are climbing and network ad revenues will climb to \$13.1 billion in 1993 from \$9.4 billion in 1988. "Their wretched cries of poverty suggest to me that if the networks are searching for situation comedy writers, I recommend they look no further than the folks who write their press releases," he said.

HDTV funds for Defense Advanced Research Projects Agency (DARPA) were slashed to \$20 million from House-approved \$50 million by House and Senate conferees working on FY 1990 defense authorization bill. Reduced \$20 million figure was in Senate version. Some legislators and electronics companies had sought \$100 million. DARPA's program also was renamed "high-resolution display" (HRD) with "HDTV" term dropped.

**LICENSE RENEWAL DISPUTE:** NAB termed FCC's proposed new comparative license renewal rules "step backward from the Commission's deregulatory accomplishments" and said they would "critically impair existing licensees' abilities to defend against a comparative renewal challenge." Key NAB concern is FCC plan to base renewal expectancy on issues-programs lists, but other commenters, including networks, supported lists.

NAB endorsed FCC's basic goal in rulemaking on comparative renewal, which would put burden of proof on challengers once station owners prove they have provided "meritorious service." Plan would give broadcasters stronger presumption their licenses would be renewed and would limit payments to competing applicants, which NAB said would help eliminate sham applications.

Issue-programs lists shouldn't be only factor FCC uses, NAB said. List of nonentertainment issues programming often is incomplete and eliminates consideration of such other community services as charity drives and educational programs, it said. Reliance on lists also would be "sending licensees a signal" that Commission isn't interested in other services, NAB said. It said FCC should continue using testimony by community and govt. leaders as part of process. National Assn. for Better Bestg. and other minority groups, in joint filing, said broadcasters should get presumption in favor of renewal only if they demonstrate "above-average" program service. AWRT said shifting of burden actually could lengthen renewal process by adding new phase to hearings.

Networks and others generally supported FCC plan, including reliance on lists. Cap/ABC said plan "properly" gives issues-programs lists central role in decision-making process and lists are better and more objective measure of performance than are testimonials. Network said lists would encourage more issues-oriented programming. NBC said agency should consider lists "substantive evidence of meritorious past program service," but said station owners should be allowed to provide other evidence. CBS supported plan, saying it would "to some extent" alleviate subjectivity and uncertainty of renewals.

FCC should examine challengers' qualifications first, before launching full-fledged comparative renewal hearing, NAB and others said. Assn. applauded section that would require challengers to develop own engineering data, rather than using licensees', "thus weeding out many sham challengers." Media Access Project (MAP) and Telecommunications Research & Action Committee (TRAC) said change would ensure that "any licensee doing the minimal programming necessary to obtain renewal under any circumstances will be considered to have performed meritoriously... [Proposal] would give an expectancy of renewal even to a licensee whose principal is convicted of any crime (even felonies which are 'broadcast related')."

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Newly published book, "A Legislative History Of The Communications Act of 1934" (Oxford University Press, 800-451-7556) is comprehensive annotated reference to Act. Commemorative volume, edited by Max Paglin, former FCC exec. dir. and gen. counsel, includes text of Act, congressional hearings, Senate and House committee reports, etc. Volume has articles on historical, legal and political aspects of Act by communications leaders. Book -- \$76 until Jan. 15, \$96 thereafter -- was produced by Golden Jubilee Commission on Telecommunications and FCBA, with additional financial support from Bellcore, GTE, others.

**DELIVERY SERVICE LINES BLUR:** "Everybody is trying to get into everybody else's act [and] the traditional lines between the [program] delivery services are being blurred," NBC Pres. Robert Wright said at "2001: A Communications Vision" sponsored by San Diego Communications Council. Wright was very upbeat on future of fiber optics, said in answer to question that he believes telephone companies have much more fiber in place than they acknowledge while awaiting removal of govt. strictures on their providing programming into homes.

Wright said demand for electronic information and entertainment "can only increase... requiring an unprecedented sharing of facts and ideas" among cable, broadcast and telco industries. And, he said in citing fiber, "advances in communications technology will stay ahead of this demand." Fiber would set broadcasters free from "their long enslavement to spectrum limitations," as well as to govt. restrictions, Wright said. Broadcasters are essentially neutral on telco entry into program distribution, Wright said: "We really are not frightened at the prospect of another line into the home... But, if we view ourselves as strictly 'broad' casters in the traditional sense -- that is, wedded to an over-the-air system of delivery above all others -- then this new technology is likely to give us more trouble." He said broadcasters have major concerns about telcos' delivering programming to homes that can't "be dismissed with mere promises from our friends in the phone business. [But broadcasting] cannot depend on its traditional delivery system alone."

Wright didn't mention traditional network-affiliate relationship, but in response to question said NBC wouldn't abandon affiliates. Local service is key of network-affiliate relationship, he said, and there's no future in networks' becoming strictly national service by bypassing affiliates. Julius Barnathan, pres., CapCities/ABC Best. Operations & Engineering, interrupted questioning of Wright, stating: "Let's stop talking about fiber... The name of the game is software programming." Later, Barnathan cited many choices (through cable, VCRs, pay-per-view, etc.) now available to consumers. Over-air TV's prospects for future are good, he said, "if it can afford to compete with cable for programming and it can be competitive technically by having enough spectrum space."

Former FCC Chmn. Dennis Patrick is setting up Washington-based consulting business and considering possibility of establishing capital fund to buy communications properties, he said. But he said no final decisions have been made on fund or on who would provide financing. New firm, to be called Patrick Communications (PC), will specialize in corporate strategic planning and advising how to implement plans. PC expects to have limited number of large clients in broadcasting, telecommunications and production, Patrick said, and may do some lobbying, but that won't be major focus. He said he rejected several law firm jobs, but said he's still considering being "of counsel" to some firm. He's working with William Clark Co., company started by former National Security Adviser.

TV/Radio Age magazine sale to Cahners publishing organization is under discussion, may be announced soon. Magazine's publisher Sol Paul and Cahners officials couldn't be reached, but persons familiar with negotiations said sale is "probable." One report, unconfirmed, is that buyer will discontinue magazine. Cahners, subsidiary of London-based Reed International, bought Variety in 1987 for about \$60 million.

**AM INTERFERENCE CUT SOUGHT:** Reducing AM interference would be best thing FCC could do to rejuvenate ailing industry, witnesses said at Commission's en banc hearing last week. Reduction could require that some stations be moved to expanded AM band, some officials said, but result could be "big bang" that would give AM new life.

FCC-mandated AM stereo standards and legislation requiring receivers to have AM and FM capability, meet improved National Radio System Committee (NRSC) standard and have wideband capability also could help, some speakers said at first en banc hearing FCC has had in years. Session was intended to provide information for Commission decisions on series of already proposed AM improvement measures. NAB Joint Board Chmn. Lowry Mays of Clear Channel Communications challenged agency to act on proposals by end of 1990.

Only about half of AM stations are making pretax profit, NAB Exec. Vp John Abel said. Average AM station revenues, in constant 1979 dollars, have dropped to \$247,000 in 1988 from \$451,000 in 1979 and \$32,000 profit fell to loss of \$3,900, NAB figures showed. What Abel called "stark financial picture" resulted in average 4%-per-year decline in value of AM station, while price of FM stations is growing 20% per year.

Overhauling interference standards and station allocations is best way to provide "big bang," Delco's William Gilbert said. He suggested FCC move stations "that are most significant contributors to interference" to new expansion band (up to 1705 kHz). Arthur Suberbelle, pres. of KANE(AM), New Iberia, La., suggested all daytime AMs be moved to expansion band. Panelists repeatedly said current interference standards, which were set in 1940s, and station allocations mean quality of AM signals is so low that listeners switch to other services.

**CABLE MSOs REPORT LOSSES:** Three major cable MSOs reported big losses last week, including \$92.9 million by Cablevision Systems, \$73.9 million by TCI, \$37.4 million by Adelphia. All cited strong revenues and cash flows. Losses were in contrast to \$35.2 million Turner Bestg. (TBS) profit. On broadcast side, Great American Bestg. had \$42.4 million loss, Heritage \$10.7 million loss.

Cablevision Systems had net loss of \$92.9 million for 9 months ended Sept. 30, slight improvement over \$117.5 million in same period year ago. Figures include \$103 million gain in 1989 from sale of programming interests to NBC. Revenues were down slightly to \$363 million, but cash flow grew 38.9% to \$151 million... TCI had \$73.9 million net loss in 3rd quarter ended Sept. 30, compared with \$63.7 million profit year earlier, because of \$147 million capital gain. Operating profit grew 20% to \$162.9 million and revenues 40% to \$826.5 million, but interest costs were up 52% to \$216.8 million. TCI said 5-6% of revenue growth was from higher subscriber levels, 5-7% from rate increases, rest from acquisitions.

Adelphia Communications had \$37.4 million net loss in 2nd quarter ended Sept. 30, up from \$27.6 million year ago, despite record revenues of \$59.3 million (up 37.6%) and operating income before depreciation of \$33.3 million (up 43%)... Turner Bestg. had \$35.2 million profit in 3rd quarter, compared with \$36.5 million loss year ago. Revenues were up 36% to \$269 million, including growth in all core business segments, Chmn. Ted Turner said. Entertainment operating profit rose to \$17 million from \$3.3 million, news profit to \$27 million from \$17 million, syndication and licensing to \$13 million from \$6 million.

## Personals

Promotions at ABC TV Network Group: Philip Beuth to senior vp, Peter McCarthy to vp-sales, Western Div... Kevin Tannehill, ex-Group W Productions, named pres., MTM TV Distribution... Ron Ritchie, Ampex exec. vp-OO, becomes pres. Jan. 1, succeeding Max Mitchell, who will remain chmn. of exec. committee... Katherine Hogan advanced to senior vp-gen. counsel-entertainment, Viacom... Louis Hagopian, Ayer chmn., named vice chmn., Media Advertising Partnership for a Drug-Free America... Rand Stoll, exec. vp-mktg. and sales, LBS Telecommunications, adds responsibility for international operations... Joseph Widoff, dir.-business affairs, CPB, resigns Nov. 30 to become deputy exec. dir.-finance and administration, Advanced TV Test Center... Renee Licht, acting deputy gen. counsel, FCC, appointed to post fulltime.

Bruce Jaret, ex-Telemundo, named Cable Ad Bureau mgr.-sales development... Promoted in restructuring of CBS's Management Information Systems Div.: Ann Harkins to managing dir.-business systems analysis, Brendan Kehoe to managing dir.-applications development... Meg Olmert promoted to co-productions mgr., National Geographic TV... Walter Bruch, inventor of PAL TV system, and Rodger Ross, pioneer in TV film at CBS and Eastman Kodak, made honorary members of SMPTE, technical group's highest honor. Among other SMPTE honorees: Progress Medal to Renville McMann, ex-CBS Labs and CBS Technology Center; Presidential Proclamation to Angelo D'Alessio, Ampex Italiana, Joseph Roizen (posthumous), Telegen, and Nobutada Yagi, Nihon U.

KMEX-TV L.A. Station Mgr. Sandra Strickland and Operations Mgr. David Ortiz have been dismissed in staff cutback, Vp-Gen. Mgr. Emilio Nicolas said; Production Mgr. Maria Gutierrez will add duties of Ortiz; KMEX-TV asst. gen. mgr. moves to KSMS-TV Salinas-Monterey, won't be replaced at KMEX-TV.

Gina Ferguson advanced to vp-teleservices, Showtime Networks... Additions at Financial News Network: Victor Brust, ex-WAGA-TV Atlanta, dir.-sales-eastern region; Ellen Minsky Diamond, ex-attorney for ASCAP, mgr.-program enterprises... Shirley Daniels promoted to asst. counsel, Paragon Cable Manhattan... Amelie Tseng, ex-Bender, Goldman & Helper PR, joins Group W Satellite Communications as mgr.-PR, Request TV, new post.

Advancements at WCCO-TV Minneapolis-St. Paul: Ken Rees to station mgr., succeeding Robert McGann, advanced to vp-gen. mgr.; John Culliton to news dir... William Turner, special asst. to pres., Citadel Communications, to join KTIV Sioux City, Ia., as vp-gen. mgr... John Bennett, ex-WJBF Augusta, Ga., joins WAPA-TV San Juan as pres.-gen. mgr... Christopher Dann, vp-mktg. and development, KQED-TV-FM, San Francisco, resigns to join direct mail firm Craver, Matthews, Smith & Co... Harold Whack, ex-KDKA-TV Pittsburgh, named gen. sales mgr., WDIV Detroit.

Independent producer Stephen Cannell ("Wise Guy," "Hunter," "21 Jump Street") has formed Cannell Communications to own and operate TV stations. First buy is Fox affiliate WHNS (Ch. 21 independent) Greenville-Spartanburg, S.C. & Asheville, N.C., from Pappas Telecasting, price not announced. William Schwartz, ex-head of Cox Enterprises, is pres. of Cannell. Cannell said new company, hq in Atlanta, will concentrate on acquiring independent stations.

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NBC turned tables on CBS by outbidding rival for rights to NBA basketball games, agreeing to pay \$600 million over 4 years. Last year, CBS outbid NBC and ABC for rights to carry Major League Baseball, at \$250 million per year. NBC deal gives NBA and individual teams almost 2.5 times as much annual TV income as did CBS deal, which expires at end of current season. NBC will carry 20-26 regular season NBA games, All-Star Game, up to 30 postseason games. Network also is considering launching new Sat. pregame basketball show.

Leonard Goldenson, pioneer developer of ABC and chmn. of Cap/ABC Exec. Committee, donated \$1 million to Academy of TV Arts & Sciences (ATAS) Foundation. Gift is largest ever received by Foundation. Said Goldenson: "Broadcasting has provided me with enormous personal and professional gratification. This donation is intended to advance the work of the Foundation so that future generations can develop an understanding of this medium and share its opportunities."

Price tag of public TV's (PTV) 17th Station Program Cooperative (SPC) rose 16% to \$64.51 million over last year, PBS said. SPC is annual program purchasing market. PTV stations bought 33 series this time, up from 29.

# Consumer Electronics

A Section of *Television Digest with Consumer Electronics*

## STATE OF THE INDUSTRY

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

	OCT. 28- NOV. 3	1988 WEEK	% CHANGE	OCT. 21-27	44 WEEKS 1989	44 WEEKS 1988	% CHANGE
TOTAL COLOR.....	632,134*	410,424	+54.0	634,466	18,454,006*	16,782,052	+10.0
DIRECT-VIEW...	622,459*	400,896	+55.3	623,263	18,247,148*	16,543,092	+10.3
PROJECTION....	9,675*	9,528	+ 1.5	11,203	206,858	238,960	-13.4
TOTAL VCR.....	399,556*	252,464	+58.3	485,977	9,500,691	10,030,706	- 5.3
DECKS.....	322,945*	212,307	+52.1	379,018	7,740,404	8,455,890	- 8.5
CAMCORDERS....	76,611*	40,157	+90.8	106,959**	1,760,287*	1,574,816	+11.8

Color TV 5-week moving average: 1989--503,867\*; 1988--468,076 (up 7.6%).

VCR deck 5-week moving average: 1989--254,809; 1988--276,341 (down 7.8%).

Camcorder 5-week moving average: 1989--62,081\*; 1988--49,341 (up 25.8%).

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

**'FEELER' ON GOVT. HDTV CUTS CREATES UPROAR:** Widespread leaks of proposed Administration plan for sharp cutbacks or elimination of Pentagon high-tech research programs, including Defense Advanced Research Projects Agency (DARPA) HDTV financing and Sematech semiconductor R&D consortium, stirred storm on Capitol Hill last week.

Reports were widely publicized -- N.Y. Times made them subject of a top-of-p.1 story Nov. 16 -- and there was some speculation that leaks constituted Administration trial balloon to see how far it could go in cutting back Pentagon research budget. Opposition in Congress was immediate, and its depth was indicated by House passage Nov. 16 of appropriations bill including \$20 million in additional funding for DARPA's HDTV research.

Although some reports indicated that 8 HDTV projects already approved by DARPA (TVD Oct 30 p14, June 9 p 11) wouldn't be financed and Sematech might be abolished entirely, others focused on cutbacks said to be favored by Administration in budget for FY 1991, which begins in Oct. So far, DARPA has announced amount of only one grant (\$1 million to Projectavision for LCD projector), and other grantees said they hadn't been informed of any cutbacks. DARPA spokeswoman told us it was contrary to Defense Dept. policy to comment on any future spending plans until budget is submitted to Congress -- due in Jan.

Four lawmakers fired off letter to President Bush protesting proposed policy, releasing it to press and touching off widespread publicity. Sen. Gore (D-Tenn.), key technology advocate in Senate, warned colleagues that Administration actually may call for canceling Sematech and other R&D support, including backing for HDTV. "If this happens," he wrote, "the Administration will have sanctioned and encouraged the complete and irrevocable demise of the American consumer electronics industry and signaled that it also intends to allow the machine tool industry... to suffer a similar fate."

Gore expressed "outrage" that Administration was "prepared to concede HDTV to the Japanese." Some observers even saw Japanese plot reaching high into White House. Unnamed "Commerce Dept. official" was quoted indirectly by N.Y. Times as implying "Japanese lobbying efforts in Washington have effectively altered Administration policies" as result of "concerted effort to influence the United States to cut off funding for HDTV research."

Reports and rumors depicted Administration sharply divided on issue of federal support for industry R&D, with Budget Dir. Richard Darman, Chmn. Michael Boskin of President's Council of Economic Advisers, Deputy Defense Secy. Donald Atwood and White House Chief of Staff John Sununu opposed to use of federal

funds to promote "industrial policy," while Commerce Secy. Robert Mosbacher and Presidential Science Adviser Allan Bromley favor govt. programs to bolster nation's industrial competitiveness.

**NEW VCR SOURCES BOOSTED IMPORT SHARE IN AUG.:** Non-Japanese sources accounted for record 36.4% of total VCR decks shipped to U.S. in Aug., despite decreases in month's shipments by Korea and Taiwan, Commerce Dept. import statistics showed. Total deck imports fell from year-earlier level, while color TV shipments rose for 11th straight month. Other Aug. highlights: Camcorder imports in 8mm format accounted for less than 20% of total, lowest share since Jan., and U.S. took in record number of videocassette players.

VCR deck imports totaled 1,017,000 in Aug., down 3.1% from Aug. 1988. Japan's shipments fell 12.7% to 646,600, Korea's 5.9% to 213,600, Taiwan's 3.7% to 77,700. New suppliers Thailand (62,900), Singapore (10,200) and Malaysia (5,700) helped push non-Japanese total to record 36.4% share -- previous high was 36% in Feb. Through first 8 months of year, total deck shipments gained 5.3% to 7,530,000, with non-Japanese suppliers responsible for 31.9%. Japan sent 5,124,700 decks, down 4.6%; Korea 1,595,300, up 20.7%; Taiwan 461,500, up 5%. Thailand delivered 297,800, Singapore 29,098 and Malaysia 19,100 in period.

Total of 225,400 camcorders were shipped here in Aug., 43,700 (19.4%) in 8mm and 181,694 (80.6%) in VHS and VHS-C. That's lowest percentage for 8mm since 11.2% in Jan., and down sharply from 31% in July. In first 8 months, camcorder imports totaled 1,500,700, with 384,700 (25.6%) in 8mm, 1,116,000 in VHS and VHS-C.

Total TV shipments to U.S. edged up 2.2% to 1,055,700 in month. Color TVs rose 17.4% to 881,200, as Mexico, Taiwan, Malaysia, Singapore and China all had increases. Last time color TV imports fell from same year-earlier month was Aug. 1988. B&w TV imports fell 38.2% to 174,500. Color and monochrome TV kits are included in complete set totals by Commerce. For Jan.-Aug., total TV shipments increased 6.3% to 7,840,100, with color up 17.8% to 6,300,800 and monochrome down 24.1% to 1,539,200.

Projection TV shipments skidded 50.1% to 9,000 in Aug., but were up 82.6% to 64,800 in first 8 months. Flat-screen (LCD) TV total of 61,900, up 17.9%, easily was highest of any month this year. Flat-screen imports have risen dramatically in last 4 months: 200 in May, 17,600 in June, 35,000 in July, 61,900 in Aug. Through 8 months, flat-screen TV imports were up 4.6% to 122,500, nearly all from Japan.

Videocassette player imports of 129,000 were up 104.5% and set all-time monthly record, surpassing 109,700 in June 1989. Korea shipped 102,000 and Japan 26,600. In first 8 months of year, U.S. imported 649,000 VCPs, up 73.4% from same 1988 period; Korea sent 501,600 and Japan 142,100. TV camera imports in Aug. fell 6.7% to 29,400, with color down 27% to 6,500 and b&w up 1.4% to 22,900. In Jan.-Aug., cameras dropped 21.3% to 246,500, color 48.4% to 48,700, b&w 9.6% to 197,800.

Compact Disc player imports jumped 38.6% to 458,600 in Aug., majority from Japan and significant number from Singapore, Mexico, Taiwan, Belgium. In 8 months, CD players rose 28.2% to 3,364,200, Japan supplying 2,495,300.

**HITACHI SEES LOW INDUSTRY GROWTH IN 1990:** Decline in color TV unit sales, but very slight increase in dollars, is forecast by Hitachi for 1990, which it sees as tough, competitive year when "as many as 1,500 to 2,000 more consumer electronics retailers could exit the business." Overall, Hitachi's forecasts are for 3.1% increase in video factory dollars, paced by camcorders and projection TV, with audio rising 6.6% and biggest increases registered by hi-fi shelf systems and home CD players.

Forecasts were made by Hitachi Sales Corp. of America Exec. Vp Irv Fulton and Product Management Vp Bruce Schoennege, who predicted 1990 video factory sales (color TV, projection, VCR decks and camcorders) at \$13.018 billion, compared with \$12.627 billion this year. Audio products, they said, will show greater percentage increase, rising to \$4.882 billion from this year's \$4.58 billion. Details of their forecasts:

Color TV unit sales will decline about 2.3% to 21.5 million from this year's 22 million, but factory dollar volume will rise 0.4% to about \$7.23 billion from \$7.2 billion as result of larger percentage of big-screen sales and continuing price increases. Sales of larger screen sets will be up about 6%, while below-20" will decline some 5%, Fulton said. He forecast sales of 250,000-300,000 sets 30" and above in 1990, differing sharply from some industry predictions of 500,000 (TVD Nov 13 p9). Forecasts envision average TV set price increasing from \$327 this year to \$336 in 1990.

Projection TV set sales will increase to 285,000 from 260,000, all of rise represented by over-45" sizes, but average price will stay same at \$1,800, as dollars climb to \$513 million from \$468 million. Fulton said he expects 35" direct-view sets to lose some share in 1990, largely because of price -- since it's \$1,200-\$1,250 stepup from 30". Schoenegg said Hitachi had no plans to import new 33" sets its parent is producing in Japan (TVD Nov 13 p9).

VCR decks will have "flat year," Fulton said, units remaining at 10 million, but dollars up about 2% to \$2.96 billion from \$2.9 billion because of richer mix resulting from demands of 2nd-unit buyers, average price rising \$6 to \$296. Camcorders will continue to be video's star performer, unit sales gaining to 2.6 million from 2.3 million and dollars 10.2% to \$2.315 billion from \$2.27 billion -- but average price will drop almost \$100 to about \$890 from \$987. Fulton says full-size VHS will continue to dominate camcorder market. As for S-VHS, Schoenegg estimated it represents about 1% of total U.S. deck market, 5% of camcorders.

Audio improvement will be greater than video in percentage. Hitachi forecast by product category: Home CD players, 3.6 million at \$710 million (average price \$197), with dollars up 14.5% from \$620 million, units up 12.5% from 3.2 million (average price \$194) this year. Hi-fi rack systems will hold steady at 1.6 million at \$832 million (average price \$520). Shelf systems should experience 15% dollar growth to \$340 million from \$296 million, units hitting million mark, up from 840,000, as average price drops to \$340 from \$352. Portable audio equipment will rise to 37.8 million units from 36.9 million and dollars 5.6% to \$1.7 billion from \$1.61 billion. Auto sound aftermarket will grow 4.4% to \$1.3 billion from \$1.245 billion.

At retail, "business conditions will be very severe," Fulton predicted, with sales up 3-5%. "The high saturation rate of our products, the flat industry sales and the continued expansion of the superstores and warehouse clubs to the already overstored markets will take their toll, accelerating the retail shakeout in 1990." To avoid 1,500-2,000 more failures, he urged that retailers improve profitability by selling up to higher average unit sale. Dealers who don't make biggest push on 27-30" TVs, projection sets over 45" and upgraded VCRs "are going to find their sales dollars and profitability shrinking in 1990," Fulton said.

Hitachi said it improved own position in 1989's first 10 months, with 26"-and-over direct-view sales rising 18.3% (vs. industry's 4.3%) and projection TV 51.7% (with industry down 14.1%) resulting in gain of 2 percentage points in market share, VCR decks up 69.5% (industry down 10%), also increasing Hitachi's share 2%. Company pledged to continue "sensible distribution" in 1990 to large and small dealers through direct-sales force and 40 "full-service distributors." Hitachi announced several new TV and VCR products -- details are elsewhere in this issue.

China exported 2.6 million TV sets in first 9 months of 1989, up 72% from same 1988 period, Chinese General Administration of Customs figures showed. China imported 1.1 million sets in period, up 40.7%, worth about \$199 million. Chinese exports consisted of 1.2 million color TVs and 1.4 million b&w sets. Sept. TV exports totaled 451,900 -- 194,200 color and 257,700 monochrome -- valued at \$39.9 million. "At a time when at least 2 million color TV sets are gathering dust in warehouses at home [because of high tax imposed to keep purchases down], such robust export growth is encouraging to the TV-making industry here," China Daily said.

EIA's home automation standard will be subject of full-day technical seminar Jan. 10 in Las Vegas, following Winter Consumer Electronics Show. Repeat seminar is scheduled Jan. 23 in Atlanta and 3rd is under consideration, EIA said. Program is designed to allow critique of standard before it goes into published form, trade group said. Standard will enable wide range of home products from different manufacturers to send control signals to one another through existing power or phone lines, coaxial cable or infrared.

VHS-C may be trailing 8mm in camcorder race, but it's leading almost 2 to 1 in tape sales, according to EIA figures that show 2,375,700 VHS-C and 1,286,400 8mm cassettes sold in 1989's first 7 months.

**Daewoo will make color TV sets in Indonesia** in joint venture with local enterprise Bimantara Citora. Venture will be capitalized at \$53 million -- 60% from Daewoo, 40% from Indonesian partner -- with construction to begin in early 1990. Venture will make 1.2 million color TVs, 1.5 million picture tubes and 800,000 audio products annually. Eighty percent of output will be exported to U.S. and other markets, with rest sold in Indonesia.

**Unusual promotion** piece is headlined "Twice Today is Not the 'Official' Show Daily of the Winter CES," presumably in settlement of dispute with EIA and show management (TVD Oct 23 p17). New show daily has dropped CES logo from masthead but still calls itself "The Show Daily of CES," which it says means it's "the only daily publication at the Winter CES that has the authority and reader respect of Twice."

Sony's 32" tube production line in San Diego (TVD Nov 13 p8) will have capacity of 250,000 annually, company spokesman said in clarification.

#### THIS WEEK'S YEN RATE

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

**MATSUSHITA PROFITS RISE:** Matsushita consolidated net earnings rose 9.1% in fiscal 2nd quarter ended Sept. 30, on 8.8% higher sales (see financial table). First-half net gained 5.4%, as sales were up 7.5%. Gains came despite fact that "consumer demand was not uniformly active," company said.

Earnings growth "resulted from companywide efforts to rationalize product design by reducing the number of components and to streamline production processes." Matsushita said it increased overseas TV production, and cited higher exports of VCR decks and camcorders but lower domestic deck sales.

Total overseas sales increased 14% to \$9.1 billion and Japan sales 8% to \$11.7 billion in 6 months (139 yen = \$1). First-half sales by product segment: Video equipment up 1% to \$5.6 billion, audio equipment up 3% to \$1.8 billion, home appliances up 1% to \$3 billion, communication and industrial equipment up 21% to \$4.7 billion, energy and kitchen-related products up 12% to \$1.1 billion, electronic components up 11% to \$2.8 billion, other products up 5% to \$1.9 billion.

Pioneer consolidated net rose 23.4% in first half ended Sept. 30, on 17.9% higher sales. Video product sales gained 19.9% to \$419.1 million, audio products 18.1% to \$576.7 million, car electronics 17.7% to \$509.2 million, other products 9.8% to \$100.6 million. Overseas sales jumped 20.7% to \$905 million. Parent-only net rose 7.9% to \$75.2 million on 19.4% higher sales of \$1.22 billion.

Recoton posted 73.8% lower net income in 3rd quarter ended Sept. 30 on 6% higher sales. In first 9 months of 1989, net fell 28.4% on 9.3% sales gain. Company attributed profit decreases to higher promotional costs, provisions for bad debts "due to insolvency of various accounts including a major New York retailer," and expenses related to unsuccessful acquisition attempt. Company said it achieved sales growth despite "delayed production of several products," including power wave amplified TV and FM antennas and wireless sound system. Slowdown at retail level will continue to affect results for balance of year, Pres. Robert Borchardt said, with blank videotape sales particularly sluggish.

Atari reported \$5.1 million loss in 3rd quarter ended Sept. 30 on 17.9% lower sales, compared with profit in same year-earlier quarter. In 9 months, company had \$1.8 million loss on 15.7% lower sales, compared with profit in earlier period.

Recoton signed preliminary agreement to acquire virtually all assets of All Channel Products at book value of assets as of closing date, set for Dec. All Channel, subsidiary of Technodyne, makes Rembrandt line of TV antennas and other related products. Rembrandt Div. will continue to market antenna line and will be expanded to sell "innovative TV and video-related products," Recoton Pres. Robert Borchardt said.

**Highlights of survey to determine future direction of Consumer Electronics Show** will be disclosed next week by EIA Consumer Electronics Group and consultant Jacobs Jenner & Kent. As already reported, survey showed most attendees prefer 2 shows a year (TVD Oct 23 p14).

**Multichannel TV sound**, patterned after U.S. system, will be adopted by Taiwan, on basis of agreement by island's 3 TV networks and govt. after fact-finding trip to U.S. in Sept. Principal attraction is bilingual sound track.

**KODAK LEAVES LCD MARKET:** Eastman Kodak moved further out of video equipment business by turning over all marketing of its LCD video projector to Epson America. Product, manufactured by Epson affiliate Seiko Epson in Japan, was introduced in Sept. 1988 as first projection TV system using 3 LCDs as lightvalves (TVD Sept 26/88 p10).

Epson will market system as Crystal Image Video Projector, at \$3,495, same price charged by Kodak. Kodak has been licensing projector from Seiko under marketing agreement, but has been seeking to get out of LCD projector business since early this year. Same projector is sold under Epson name in Japan. Kodak said move is part of effort to "refocus its efforts and resources on its core businesses." Company said it "has enjoyed a great deal of success" in marketing projector to industrial and education customers.

Epson has assumed all sales, marketing and customer support functions of product, which will continue to be available from video equipment resellers. Service will be provided by Epson's Customer Care Centers nationwide. LCD projector weighs 13 lb., projects images up to 12 ft. wide with 70,400-pixel resolution, can be connected directly to personal computer, laserdisc system or video graphics system. Seiko Epson is co-developer with JVC of higher resolution LCD projector (210,000 pixels) being sold in Japan under both JVC and Epson brand names at about \$6,900 (TVD Oct 30 p13, Oct 23 p15). No announcement on U.S. sales has been made yet, but it's expected to be available here in 1990.

**FCC should reverse its long-standing "marketplace" decision on AM stereo and choose single system, EIA Consumer Electronics Group Vp Thomas Friel told en banc FCC hearing last week seeking ways to improve AM. Besides adoption of standards proposed by National Radio System Committee (NRSC) on AM improvement, single most beneficial change for AM radio would be to make AM stereo reality, he said. Two competing systems -- Kahn Labs and Motorola -- remain active, with principals involved in litigation.**

**Car navigation system using orbiting GPS (Global Positioning System) satellites** will be marketed in Japan by new joint venture of Pioneer (51%) and Trimble Navigation Ltd. of U.S. Pioneer Trimble, capitalized at \$700,000, plans to market GPS system early in 1990s. Principals said it will provide drivers with current location, shortest route to destination, direction, etc. Information may be superimposed on map on dashboard monitor.

**Color TV buying plans of U.S. consumers** rose in Oct. after declining for 2 straight months, Conference Board reported. Preliminary Oct. survey showed 7.5% of U.S. households planned to buy color TV set within 6 months, up from 6.9% in Aug., revised 6.6% in Sept., 6.4% in Oct. 1988. Board's overall consumer confidence index was 116.4, up slightly from revised 116.3 in Sept. but down from 116.9 in Oct. 1988.

**Mitsubishi-only store**, operated by Good Guys, will have grand opening Nov. 25 in San Francisco. Chestnut St. outlet, original Good Guys location, covers 2,200 sq. ft., will be dominated by audio-video displays in life-style settings. Store is being staffed by manager and 5 salespeople, all Mitsubishi-trained.

**Optical lens cleaner for Compact Disc players** was introduced by AudioSource, Burlingame, Cal., at \$50.

**MEMTEK MULLS AUDIO LINE:** Memorex brand may appear on complete line of major audio products, from CD players to personal portable stereos, early in 1991, depending on decision to be made in next couple of weeks. Whatever is decided, Memorex speakers will be introduced next June at around \$300 and \$600 and possibly previewed in Jan. Surround-sound headphones bearing brand name are being shipped now.

These prospects and plans were outlined for us by Jack Battaglia, gen. mgr. of Tandy's Memtek, which has consumer product rights to Memorex brand. Brand name has come long way from former status as tape-only label -- he revealed that videotape now constitutes less than half of Memtek's business, down from 75% just 4 years ago.

If company moves to major audio line, it won't be first application of Memorex name to that type of product. In U.K., Memorex brand is used on high-end products sold through Tandy stores and catalogs, fulfilling same function as upcoming Optimus line here. However, Battaglia indicated that in U.S. Memorex brand will continue to be sourced and sold independently from Tandy's other lines, which include Realistic brand sold in its Radio Shack stores.

Although Memorex brand VCRs had market test 3 years ago (TVD Sept 1/86 p11), there are no major video products in Memtek's plans. "We decided the world doesn't need another VCR or TV line," Battaglia said. "We will continue to be selective" in choosing products, supplying only those "the consumer wants."

Interesting new product is surround-sound headphone system, sold with rear channel amplifier included, at \$90 (surround-sound processor is required). Reminiscent of 4-channel headsets of quad sound era, phones have 2 speakers for each ear. Among other near-term products is 3-speaker system with subwoofer, which can be placed anywhere, and tiny directional speakers.

Battaglia called Memtek's product and marketing strategy "an American approach to consumer electronics." He said company now sells "just under 2 million items per week," adding: "We're not technology driven. We don't look at products in R&D and then figure out how to sell them. Instead, we do market research to find out what the consumer needs and then figure out how to fill this need."

Memtek has been highly successful with universal remote controls. It now has 2 models -- one very small and another with LCD screen and 5 built-in clock timers that can program any TV or VCR. Next model in remote control line will be preprogrammed to work with many brands of 8 different products, including TV, VCR, cable box, CD and audio systems, to be introduced in Jan. That type of remote appeals not only to consumers suffering from remote proliferation but to those who must replace a lost remote unit, Memtek research shows.

Among other new products planned, on basis of Memtek's surveys of consumer needs, is indoor-outdoor speaker system. Battaglia said company also found "consumers are more willing to accept [accessory] speakers that enhance TV" than speakers designed for music systems. Company has been particularly successful with headphones in field "driven by Walkman." Consumers wanted "personal headphones," he said. Although headphones are replacement items, they also constitute impulse purchase, and Memtek has dealer prepack that serves as display for phones in 6 different colors: "We sold over a million this year at \$3 profit for the dealer on each phone."

Memorex brand is leader in "life-style headphones," remote controllers and VCR head cleaners, Battaglia said. In videotape, he said Memtek gained share in falling market. "At the current sales rate, the industry will sell 45 million fewer videotapes this year than last -- that's like subtracting a 3M." He attributed drop to decline in percentage of VCR sales to new households ("new VCR owners buy 9 tapes the first year; replacement VCR buyers don't add anything to the tape market"), poor programming, fewer miniseries and growth of Nintendo videogames, which tie up both TV set and spare time.

Wholesale videocassette prices since June are down about 25¢, he said. "This represents about \$75 million" that could better be spent on campaigns to give public reasons to buy high-quality tapes or build libraries," he said.

**100"-PLUS HOME PROJECTORS:** True home theaters with Bijou-size screens and multithousand-watt surround-sound systems are getting increasing play. Two ultimate systems being unveiled are Mitsubishi's 120" rear projector and Technics' 105" flat speaker that doubles as TV screen (or screen that doubles as speaker).

Mitsubishi's gigantic rear projector will have debut in 2,000-sq.-ft. booth at Consumer Electronics Show home theater exhibits at new Mirage Hotel in Las Vegas. Designed as built-in for new or remodeled homes, projector will be demonstrated with Mitsubishi's first Dolby Pro Logic audio-video receiver, its first subwoofer, videodisc player and spate of satellite speakers. Display's sound system will have 2,500-w power. Mitsubishi says projection system, consumer version of one offered by its Industrial Div., will be available next year. It's still unpriced and specs aren't available.

Technics' speaker-screen, demonstrated at Panasonic exhibit at CES in June, is being displayed at some retail stores. "It's a \$20,000 set of speakers on which you can project a picture," Asst. Gen. Mgr. Paul Foschino said. It's designed for mounting in wall as part of home theater system or for replacing existing screens and speakers in 2-piece projection systems. Technics doesn't offer projector, but some dealers are demonstrating it with Panasonic industrial projector, Foschino told us. Screen and projector together can be offered at about \$26,000. So far, 105" is only speaker-screen unit being offered here, but Matushita is making them in Japan, also in 70" and 160" sizes.

"Home Theater Store" will be theme of 1,200-sq.-ft. Consumer Electronics Show exhibit at Mirage Hotel by Vidikron of America, unit of Italy's Boffi Vidikron. Display will simulate actual store, demonstrating projection TVs and Shure home theater surround-sound systems. Vidikron will display its front projection systems. Line now includes 2 models at \$4,995, one with 7-ft. high-gain screen, other with 100" powered screen, both using 470-lumen projector with 460-line horizontal resolution. New model, priced under \$6,000, uses chassis developed for professional projector, has 600-lumen brightness, can project 12-ft. image or, with optional lenses, up to 20 ft.

Video equipment sales to dealers exploded in first week of Nov., according to EIA's weekly statistical report (see State of the Industry). Weekly records were set by all major products, with direct-view color TV shattering previous record of 439,537 for comparable week, set in 1985, by 182,922 sets. It was 2nd straight week in which color sales exceeded 600,000, first time that's happened in 1989.

**CONGRESS QUESTIONS SONY:** Sony defended its purchase of Columbia Pictures last week before skeptical House Telecom Subcommittee. "If this trend continues unabated," said Chmn. Markey (D-Mass.), "the total absence of U.S. companies in consumer electronics will be replicated in motion picture production." Sony America Vice Chmn. Michael Schulhof said long-term business view motivated purchase: "We think global corporations have a responsibility to participate actively in the major countries where they have operations."

Schulhof described Sony as "naturalized citizen of corporate America," whose "future is linked to America's future." He said Sony has no intention of expropriating U.S. products, imposing Japanese views on film content or decisions made by U.S. corporate management. He repeated assurances that Sony plans to operate Columbia as autonomous subsidiary under American management. "We acquired Columbia Pictures because of their demonstrated expertise in entertainment software," he said. "It would be counterproductive for us to try to dictate to them on something as basic as HDTV standards."

However, HDTV issue troubled some Subcommittee members, who wondered whether Sony would get head start by converting its new film library to production standard that company favors -- 1,125/60 -- creating de facto world production standard. "To move in that direction would fly in the face of Sony's record in dealing with standards, as well as our approach to global localization," Schulhof said.

Walter Yetnikoff, who heads Sony steering committee for Entertainment Group encompassing Columbia and CBS Records, owned by Sony since 1987, said Sony was more than willing to leave creative side of business to American managers. "The hardware people do not dictate to the software people," he said. "CBS Records has gone its own way on the DAT issue and Sony has not interfered." He said Columbia won't release in HDTV if it's not in company's "best financial interest."

NBC Chmn. Robert Wright wrote Chmn. Dingell (D-Mich.) of parent House Commerce Committee last week suggesting Sony-Columbia deal signifies emergence of foreign-controlled, fully integrated hardware and software companies involved in all facets of program production and distribution. Sony-Columbia deal is "unmistakable sign" that Japan is "targeting our telecommunications industry in the '90s" in same way it went after U.S. auto industry in last decade, Wright said.

Month-long tug-of-war between Sony and Warner for services of Peter Guber and Jon Peters ended last week as Warner agreed to sever business relationship with producers of Batman and Rain Man. Sony-Warner settlement of litigation provides Warner with about 50 Guber-Peters projects -- including Batman sequels. Spokeswoman told us Warner will take over Guber-Peters productions. Other elements: (1) Warner will purchase 50% of Columbia House subsidiary of Sony's CBS Records, billed as largest U.S. direct marketer of records, tapes and videocassettes. (2) Columbia will sell Warner its 35% stake in Burbank studios, making Warner sole owner. (3) Columbia will buy former MGM lot from Warner. (4) Warner gets right to carry some Columbia theatrical films, miniseries and TV movies on basic cable. Analysts quoted in Wall St. Journal said transaction could be worth \$400-\$600 million to Warner, although Sony executives said estimates don't consider benefits Sony will receive from joint ventures with Warner.

**PHILIPS' HIGH VISIBILITY:** Corporate ad and PR campaign to stress Philips' name and its credentials as American employer and innovator has been undertaken by N. American Philips (NAP), presumably to counteract pressures to exclude foreign-owned companies from HDTV and other programs here. NAP PR Vp Albert Ruttner said campaign is aimed at govt. leaders, media, academia, industry.

Full-page ad in N.Y. Times, Wall St. Journal, Washington Post and Rollcall -- last is tabloid aimed at congressional personnel -- stresses company's inventions and contributions to American economy. CD, audiocassette, laser videodisc and minicassette are listed among contributions of company, which also describes itself as "first American manufacturer to introduce IDTV." Among Philips' contributions listed: "Over 22 million Americans" watch Philips TV sets, "nearly 7 million" watch Philips VCRs. Ad says Philips employs more than 52,000 in U.S., more than 12,000 of them in "our growing TV business alone." Philips says it exported \$558 million worth of products last year, making it one of nation's top 50 exporters, and notes that its HDTV system "has been developed entirely in the U.S."

Other aspects of campaign, Ruttner said, are news interviews and public speaking and conference engagements by company officials, publications and other materials distributed to legislators and journalists. In addition to promoting Philips' contributions to economy, campaign helps familiarize consumers with Philips name, noting that Americans may "know us as Magnavox... Norelco or Genie, but few know us by our family name: Philips." While ad lists Philips' inventions, its headline concedes "there's one we can't take credit for," accompanied by drawing of Phillips screwdriver.

Selling warranties as name-brand accessories is premise of ComponentGuard, Valhalla, N.Y. Pres. Robert Minnick told N.Y. news conference last week that company is selling warranty applications in plastic blister packs. Price-oriented packs are geared to stores without roaming salespeople, with product-specific versions for specialty retailers who pride themselves on extensive merchandising and demonstration. Customer completes warranty application and sends it to ComponentGuard, which returns personalized embossed GuardCard for presentation to warranty station when product needs servicing. Minnick said customer values GuardCard like credit cards, in contrast to service contract forms, which often are filed and forgotten. Retail prices of covered products are \$100-\$3,000, with service contracts selling for \$10-\$300. Blister packs command profit margins comparable with those of accessories items -- 25-50% or more.

**Dolby 3 Stereo**, new TV sound system being demonstrated to manufacturers, uses some of principles of Pro Logic surround sound, but has front center channel, which company says "widens the sound stage, sharpens localization and expands the viewing area for stereophonic sound" without rear speakers. System eliminates many relatively high-cost items of surround system. It's being recommended for large-screen TVs to improve stereo sound "to complement the larger, sharper images now available" for those who want single "fully integrated audio-video product."

New **BASF** hq will be 600,000-sq.-ft. office center on 154 acres in Mount Olive, N.J. BASF said it will relocate some of its northeast regional and U.S. corporate hq operations to new site.

**FIRST-RUN S-VHS MOVIES:** First home video release ever to be premiered simultaneously on all 1/2" tape formats including S-VHS, as well as laserdisc, will be Paramount's *Indiana Jones and the Last Crusade*, with Feb. 1 street date -- just too late to be used for S-VHS demonstrations at Jan. Consumer Electronics Show in Las Vegas. Paramount indicates it expects to continue S-VHS laserdisc releases with all future A titles.

*Last Crusade* could become hot item to demonstrate projection TV and any upcoming widescreen sets because S-VHS version will be released in letterbox format, while laserdisc will be available in both letterbox and standard pan-scan versions, and standard VHS and Beta releases will be in pan-scan version only. Decision to go to S-VHS resulted in part from Director Steven Spielberg's advocacy of letterbox format -- only way it will be available on S-VHS -- Mktg. Vp Alan Perper said. Paramount has given Pioneer green light to release titles on disc simultaneously with cassette, Perper said.

Film will be sellthrough-priced, at \$24.95 for VHS and Beta, \$29.95 for laserdisc, \$39.95 for S-VHS. Paramount duplicator Rank Video Services America will duplicate *Indiana Jones* on S-VHS, as well as standard VHS and Beta, Perper said. Studio doesn't plan special marketing efforts for niche format, aside from simultaneous release with standard 1/2" tapes and informing accounts of S-VHS availability, he said: "The S-VHS player population is minimal, so we will produce it to order." List price of \$39.95 -- \$15 above standard VHS -- is "function of limited number of units and startup costs," Perper said. Although he expects Paramount will offer upcoming A titles in S-VHS, it hasn't determined whether they will carry \$39.95 list.

Other major hit movie due in first quarter is Warner's Feb. 8 release of *Lethal Weapon 2*, also priced for sellthrough. While Paramount is issuing *Last Crusade* in S-VHS day-and-date with standard VHS, Warner will offer *Lethal 2* on 8mm as well as laserdisc. It will be priced at \$24.98 for 1/2" tape and laserdisc, \$29.98 for 8mm, and will be available with Spanish subtitles on VHS.

**Nam Tai Electronics**, Hong Kong-based OEM producer of electronic typewriters, calculators, electronic scales and other products, is expanding production facilities in Shenzhen, China. Nam Tai said it's expanding factory by 50,000 sq. ft., raising total to 140,000 sq. ft. Added space will provide for increased production of consumer and commercial products. Nam Tai is OEM supplier for Omron, Sharp and Texas Instruments brands, spokesman said. Company also announced \$2 million capital investment in plastic injection molding operations, joint venture with Shicoh Plastics of Japan, to broaden product line and improve technology.

Motorola reached agreement with Tandy and Nokia of Finland to settle patent-infringement suits on cellular phones. Tandy and Nokia agreed to license certain Motorola patents and pay damages for infringements. Terms weren't disclosed. In Sept., International Trade Commission (ITC) adopted order temporarily restricting imports of some cellular phones from Tandy and Nokia, following complaint by Motorola (TVD Sept 4 p13).

**Philips and Renault**, French car maker, announced joint development of 4 Compact Disc-Interactive (CD-I) programs for Renault's service training. Discs, in 7 languages, will be used in worldwide Renault network of service stations, beginning in first half of 1990.

**HITACHI INTRODUCTIONS:** Hitachi announced several new VCR and TV products for availability between now and spring. Four-head VCR, due in March at \$399, has "parent lock" that makes it impossible to operate without remote control unit. It also has Intelascan II, with 21 pages of on-screen directions, automatic tracking and unified TV-VCR remote that can control 2 Hitachi VCRs for editing.

Editing VCR with flying erase and synchro edit, 36-page on-screen instructions, title and date, quick tape loading is \$450. Hi-fi model with similar features is \$650. "Studio Edit" hi-fi model with professional features has jog-shuttle dial, 8-segment assembler, at \$800. Similar model, but in S-VHS format, is \$1,200. Hitachi high-end camcorder with 8:1 zoom has 10-w movie light at \$1,300.

Hitachi introduced 3 projection TVs at \$2,399 for 45", \$2,799 for 50" (available in Jan.) and \$3,299 for 55". New 20" TV with MTS stereo, inputs and outputs, wood cabinet is \$480, due in Dec.

**Note:** Hitachi, which makes and sells laserdisc players in Japan, is offering player in U.S. -- but only to dealers to help generate top quality picture to demonstrate TVs, not for sale to consumers. Hitachi is recommending all dealers use laserdisc or S-VHS as source for pictures on TV sets.

**JVC Professional Products** introduced S-VHS editing recorder with picture processing circuits such as chroma enhancer and crosstalk cancellation. It has input and output connectors for SMPTE time code, is priced at \$6,100.

**Yamaha** will introduce 32" high-resolution stereo TV monitor receiver with front-panel S-VHS and composite inputs at CES.

**TOP 1988 RETAILERS:** Top 10 retailers in consumer electronics, ranked by HFD on basis of 1988 electronics sales volume, with number of stores in parentheses: Radio Shack \$3 billion (7,106), K mart \$2.5 billion (2,264), Sears \$2.1 billion (813), Circuit City \$1.4 billion (125), Service Merchandise \$1.25 billion (325), Montgomery Ward \$759 million (337), Wal-Mart \$655 million (1,285), Target \$650 million (341), Highland Superstores \$641 million (84), Silo \$610 million (206).

Total consumer electronics sales of top 200 U.S. retailers in 1988 were \$26.48 billion, up 8.5% from \$24.4 billion in 1987 (TVD Sept 19 p15). Sales breakdown by type of retailer: Mass merchants \$7.7 billion (29% of total), electronics/appliance chains \$6.6 billion (25%), electronics chains \$5.9 billion (22.1%), catalog showrooms \$2.15 billion (8.1%), dept. stores \$1.7 billion (6.1%), others \$2.6 billion (9.7%).

**Philips and Motorola** have agreed to joint development of integrated circuits to provide full-screen, full-motion video for Compact Disc-Interactive (CD-I) systems. Companies didn't disclose details. Barry Waite, Motorola vp and Motorola European Semiconductor Group gen. mgr., said CD-I has "tremendous market appeal and opportunity." Technology provides video, text, graphics and audio on single 5" optical disc, and is expected to be available to consumer market in early 1990s.

**Hong Kong International Electronics Fair** held Oct. 16-19 set all-time attendance record of 19,000, up 25% from 1988, Hong Kong Trade Development Council said.

## Consumer Electronics Personals

Eugene Kelsey advanced from national mktg. mgr. to asst. gen. mgr., Panasonic Portable Audio Div.; Michael Troetti, telecommunications national sales mgr., promoted to asst. gen. mgr., Panasonic Communication Products Div... Richard Walker, ex-Panasonic Communications, joins Toshiba America Information Systems as corp. mktg. vp and vp-gen. mgr., Copier Products Div... Jean-Pierre Isbouts, Philips and DuPont Optical Videodisc product mgr., named CD-I production tools worldwide development dir., Philips Consumer Electronics... Masaho Sugimoto, Sumitomo Bank managing dir., appointed Sanyo adviser in Japan and is to be named Sanyo senior managing dir. in Feb.

Laurence Cudmore, Sears Canada pres., named Sears retailing pres., new post; he's succeeded by Joseph Reddington, Merchandise Group senior exec. vp-chief administrative officer... Gary Chaves, ex-Montgomery Ward, joins Federal Warranty Service as mktg. dir... Lisa Bardzilowski, ex-MARSATS, named retail account mgr., Chaparral Communications (satellite receivers)... Appointments at Funai USA (Symphonic): Mary Birch as financial planning vp, Koshiro Hashimoto as product planning vp, Stuart Wohl as corp. secy... Antony Revis, ex-Keystone Camera, joins Concord Camera as worldwide sales vp... Martin Holleran, Thomson Consumer Electronics Sales & Mktg. pres., will discuss "Why the Independent Should Stay in the Consumer Electronics Business" at NARDA/NASD convention March 11 in Nashville.

Paul Lewis, Telesensory Systems mktg. vp, elected chmn. of EIA's new Assistive Devices Div., covering electronic aids for the handicapped (TVD Oct 16 p12)... Sal Scamardo promoted to CBS/Fox sports and music programming mktg. mgr... Cathy Mauder resigns as Goodtimes publicity dir. to take marketing post outside entertainment industry... James Warner, ex-HBO Enterprises, named pres. of new CBS Enterprises unit encompassing CBS Video and CBS Best. International... David Thomas, ex-Media Buying Services International, appointed Nielsen Home Video Index account group mgr... Jeanne Dunn, ex-Doubleday Book & Music Clubs, joins Special Interest Video as operations mgr. based in N.Y.C.

Flat displays for video and computers will be topic of Dec. 12-13 conference in Santa Clara, Cal., sponsored by Stanford Resources (SR). It will feature overview by SR Pres. Joseph Castellano, LCD pioneer, and discussions by Pat Hubbard, AEA; Roger Stewart, Sarnoff Center; James Hurd, Planar Systems; Tim Patton, Hitachi; Paul Wasek, Panasonic; David Lachenbruch, TV Digest. Invited speakers include representatives of firms developing large area flat panel and portable displays. Details: Stanford Resources, Box 20234, San Jose, Cal. 95160 (408-448-4440).

Cordless phone sales will grow at average annual rate of 18% to reach \$671 million by 1992, from \$511.2 million this year, study by Personal Technology Research, Waltham, Mass., predicted. Unit sales are expected to rise to 10.3 million in 1992 from 7.1 million in 1989. Details: Personal Technology Research, Waltham, Mass., 617-893-2600.

Mitsubishi introduced "stereo 3D-ready" capability for its 16", 20" and 21" color display monitors, giving them ability to display 3D images. 3D effect is provided by multiplexed stereo pair images, viewed through liquid crystal 3D glasses. Monitors with 3D are available at \$1,995-\$2,150 (16"), \$3,390-\$3,570 (20"), \$4,600 (21").

**COLOR TV PRICES UP:** Average price of color TV set was \$363.52 in Aug., up 6% from \$343 in Aug. 1988, according to Elrick & Lavidge's latest ELCAP survey of stores -- mostly mass market retailers. Aug. increase continues trend of higher prices for color sets in 1989, but gain wasn't as great as 15% in July (TVD Oct 23 p18). Average price of projection TV was \$2,262, up 1% from \$2,240 in Aug. 1988.

Of total color sets sold in Aug., 15.6% were \$500 or more (vs. 14.3% in Aug. 1988); 7.8% were \$400-\$499 (10.2%); 63.8% were \$200-\$399 (51.2%); 12.8% less than \$200 (24.3%). MTS stereo sets accounted for 30.3% of color TV sales in Aug., up from 27.6%. Average price of stereo set rose to \$583.99 from \$563.27 and while monaural set price to \$258.83 from \$242.91. Record 88.9% of color TVs sold in Aug. had remote control, up from 80%.

Average VCR price in Aug. dropped 0.1% to \$293.16 from \$293.58. Some 11.1% of VCRs sold in Aug. had stereo hi-fi, down from 13.3% in Aug. 1988; 4.8% had built-in MTS (compared with 4.4%).

Breakdown of camcorder sales by format shows 8mm share at 25.2%, compared with 9.4% in Aug. 1988. Share fell slightly from high of 26.8% in July. VHS-C share was 2%, up from 1% in 2 previous months but down from 6.2% year ago. Full-size VHS had 69.4% share, down from 69.6% in July and 84.4% in Aug. 1988. Since May, 8mm share has grown steadily at expense of VHS-C and full-size.

Sharp will deliver sample 6" and 14" color LCD displays next year, company engineers said at firm's Electronic Parts Exhibition last week at Tokyo Science Museum. Display included mockups of VCR decks and wall-hanging TV panels utilizing those displays, but one engineer quoted price of 14" sample at \$6,950 and was pessimistic about future of LCD as large wall TVs because of cost, saying LCD projector would be more desirable for purpose in near-term future. He said 6" probably would be optimum size in terms of value and portability for consumer TV product. The 14" display has 460,800 pixels and 6" has 172,800.

Semiconductor trade groups in U.S. and Europe agreed to discuss "future cooperation of HDTV" at meeting in Paris. Semiconductor Industry Assn. (SIA) and European Electronic Component Mfrs. Assn. agreement is similar to one proposed by SIA and EIAJ (TVD Nov 13 p13). Meanwhile, EIAJ and Japan Auto Parts Assn. announced trade mission to U.S. to promote access to Japanese chip market for American suppliers. Mission, beginning Dec. 6, will include 60 representatives of 14 firms in EIAJ's User's Committee of Foreign Semiconductors.

Nintendo won summary judgment in U.S. Dist. Court, San Francisco, in dispute with Atari Games/Tengen over rights to videogame Tetris (TVD May 1 p16). Nintendo had claimed it owned rights to game through Soviet agency ELORG, while Atari Games and its Tengen subsidiary had claimed ownership through U.K. software firm. Atari Games Senior Vp Dennis Wood said judgment was "disappointment" and appeal is being prepared. Atari Games still has antitrust and patent infringement suit pending against Nintendo, charging monopolizing of U.S. market for videogame cartridges that play on its system (TVD Dec 19 p15).

Funai's first large-screen TV is 27" model announced in Japan last week at \$1,110, for sale in mid-Dec. Its first laserdisc-CD player will be about \$550.

## 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
Adelphia Communications 1989-6 mo. to Sept. 30	116,758,000	(73,640,000)	—
1988-6 mo. to Sept. 30	86,012,000	(54,326,000)	—
1989-qtr. to Sept. 30	59,302,000	(37,411,000)	—
1988-qtr. to Sept. 30	43,100,000	(27,604,000)	—
Atari 1989-9 mo. to Sept. 30	252,960,000	(1,780,000)	—
1988-9 mo. to Oct. 1	299,637,000	12,145,000	.21 <sup>a</sup>
1989-qtr. to Sept. 30	81,444,000	(5,394,000)	—
1988-qtr. to Oct. 1	98,798,000	900,000	.02 <sup>a</sup>
Audiotronics 1989-qtr. to Sept. 30	1,465,000	(194,000)	—
1988-qtr. to Sept. 30	1,230,000	(280,000)	—
Chryon 1989-qtr. to Sept. 30	10,667,000	(256,000)	—
1988-qtr. to Sept. 30	8,816,000	(645,000)	—
Comcast 1989-9 mo. to Sept. 30	404,760,000	(98,245,000)	—
1988-9 mo. to Sept. 30	327,536,000	(18,933,000)	—
1989-qtr. to Sept. 30	141,083,000	(26,496,000)	—
1988-qtr. to Sept. 30	116,105,000	(9,320,000)	—
Dynascan 1989-9 mo. to Sept. 30	181,237,000	3,846,000	.56
1988-9 mo. to Sept. 30	153,384,000	4,556,000	.64
1989-qtr. to Sept. 30	68,350,000	2,354,000	.35
1988-qtr. to Sept. 30	58,462,000	2,509,000	.35
Financial News Network 1989-qtr. to Sept. 30	15,303,004	1,401,903	.08
1988-qtr. to Sept. 30	10,848,005	502,348	.03 <sup>a</sup>
Good Guys 1989-year to Sept. 30	195,015,000	3,966,000	.90
1988-year to Sept. 30	149,369,000	3,309,000	.74
1989-qtr. to Sept. 30	52,112,000	902,000	.20
1988-qtr. to Oct. 1	38,006,000	418,000	.10
Great American Communications 1989-9 mo. to Sept. 30	245,465,000	(90,037,000)	— <sup>b</sup>
1988-9 mo. to Sept. 30	286,217,000	(40,969,000)	— <sup>c</sup>
1989-qtr. to Sept. 30	87,671,000	(42,382,000)	— <sup>b</sup>
1988-qtr. to Sept. 30	86,153,000	(20,793,000)	—
Jones Intercable Inv. L.P. 1989-9 mo. to Sept. 30	23,337,493	(9,152,230)	—
1988-9 mo. to Sept. 30	19,892,703	(8,695,494)	—
1989-qtr. to Sept. 30	7,948,843	(2,798,195)	—
1988-qtr. to Sept. 30	6,902,634	(3,276,724)	—
M/A-Com 1989-year to Sept. 30	441,133,000	178,000	.01 <sup>d</sup>
1988-year to Oct. 1	424,201,000	18,375,000	.65 <sup>c</sup>
1989-13 wk. to Sept. 30	135,324,000	(7,520,000)	— <sup>b</sup>
1988-13 wk. to Oct. 1	102,929,000	4,711,000	.18 <sup>c</sup>
Matsushita Electric <sup>d</sup> 1989-6 mo. to Sept. 30	20,776,000,000	790,000,000	3.70 <sup>e</sup>
1988-6 mo. to Sept. 30	19,329,000,000	751,000,000	3.52 <sup>e</sup>
1989-qtr. to Sept. 30	10,703,000,000	412,000,000	1.93 <sup>e</sup>
1988-qtr. to Sept. 30	9,837,000,000	378,000,000	1.77 <sup>e</sup>
MGM/UA Communications 1989-year to Aug. 31	876,533,000	(74,673,000)	—
1988-year to Aug. 31	674,886,000	(48,742,000)	— <sup>c</sup>
1989-qtr. to Aug. 31	196,537,000	(13,324,000)	—
1988-qtr. to Aug. 31	159,817,000	(37,904,000)	—
News Corp. <sup>f</sup> 1989-qtr. to Sept. 30	1,513,501,000	28,665,000	.23 <sup>e</sup>
1988-qtr. to Sept. 30	1,274,610,000	133,117,000	.83 <sup>e</sup>
Nostalgia Network 1989-9 mo. to Sept. 30	2,961,144	(1,816,589)	—
1988-9 mo. to Sept. 30	2,059,878	(1,345,909)	—
1989-qtr. to Sept. 30	1,053,189	(637,911)	—
1988-qtr. to Sept. 30	761,172	(411,486)	—

Company & Period	Revenues	Net Earnings	Per Share
Oak Industries 1989-9 mo. to Sept. 30	146,722,000	(8,299,000)	.05 <sup>c</sup>
1988-9 mo. to Sept. 30	147,894,000	7,770,000	.10
1989-qtr. to Sept. 30	45,449,000	(710,000)	—
1988-qtr. to Sept. 30	48,442,000	3,860,000	.05
Outlet Communications 1989-9 mo. to Sept. 30	71,684,000	12,726,000	1.94 <sup>c</sup>
1988-9 mo. to Sept. 30	75,094,000	(19,364,000)	— <sup>a</sup>
1989-qtr. to Sept. 30	22,531,000	(2,216,000)	— <sup>c</sup>
1988-qtr. to Sept. 30	25,720,000	(7,260,000)	— <sup>a</sup>
Recoton 1989-9 mo. to Sept. 30	28,157,000	293,000	.14
1988-9 mo. to Sept. 30	25,751,000	409,000	.19
1989-qtr. to Sept. 30	10,141,000	44,000	.02
1988-qtr. to Sept. 30	9,571,000	168,000	.08
Scientific-Atlanta 1989-13 wk. to Sept. 29	145,090,000	8,835,000	.38
1988-13 wk. to Sept. 30	124,944,000	6,732,000	.28
Tele-Communications 1989-9 mo. to Sept. 30	2,208,300,000	(188,900,000)	.10 <sup>a</sup>
1988-9 mo. to Sept. 30	1,669,200,000	34,500,000	—
1989-qtr. to Sept. 30	826,500,000	(73,900,000)	— <sup>a</sup>
1988-qtr. to Sept. 30	624,000,000	63,700,000	.17 <sup>a</sup>
Telemundo Group 1989-9 mo. to Sept. 30	79,261,000	(41,093,000)	—
1988-9 mo. to Sept. 30	70,061,000	(33,942,000)	—
1989-qtr. to Sept. 30	27,004,000	(13,302,000)	—
1988-qtr. to Sept. 30	24,789,000	(11,228,000)	—
Turner Bcstg. 1989-9 mo. to Sept. 30	765,814,000	40,261,000	.08 <sup>c</sup>
1988-9 mo. to Sept. 30	579,929,000	(76,444,000)	—
1989-qtr. to Sept. 30	260,329,000	35,193,000	.31 <sup>c</sup>
1988-qtr. to Sept. 30	198,028,000	(36,458,000)	—
United Artists Entertainment 1989-9 mo. to Sept. 30	859,000,000	(77,500,000)	—
1988-9 mo. to Sept. 30	633,900,000	16,600,000	.41
1989-qtr. to Sept. 30	366,300,000	(21,400,000)	—
1988-qtr. to Sept. 30	242,400,000	6,000,000	.15
Walt Disney 1989-year to Sept. 30	4,594,316,000	703,306,000	5.10
1988-year to Sept. 30	3,438,213,000	522,040,000	3.80
1989-qtr. to Sept. 30	1,345,263,000	212,704,000	1.54
1988-qtr. to Sept. 30	1,013,468,000	136,419,000	.99
Westmarc Communications 1989-9 mo. to Sept. 30	154,789,000	(2,051,000)	.05 <sup>c</sup>
1988-9 mo. to Sept. 30	83,886,000	(11,024,000)	— <sup>c</sup>
1989-qtr. to Sept. 30	52,665,000	8,427,000	.52 <sup>c</sup>
1988-qtr. to Sept. 30	33,017,000	(4,860,000)	—

Notes: \*Restated. <sup>b</sup>After special charge. <sup>c</sup>Includes special credit. <sup>d</sup>At rate of \$1=139 yen. <sup>e</sup>Per ADR. <sup>f</sup>Converted at current rate. <sup>g</sup>Includes special items.

**Sales of U.S.-made electronic products rose 7.9% to record \$28.7 billion in Sept., while orders increased 16% to \$29.7 billion, American Electronics Assn. (AEA) said. In 3rd quarter, sales rose 4.1% to \$73.2 billion and orders 7.2% to \$72.9 billion. Through first 9 months of 1989, sales increased 5.2% to \$216.8 billion, orders 3.7% to \$213.4 billion. Consumer product sales were up 25% in Sept. and 14.8% in 3rd quarter.**

**Japan's output of home VCRs totaled 2,493,000 in Sept., down 4.4% from Sept. 1988, EIAJ said -- first monthly decline since Oct. 1988. Of total, 521,000 were shipped to domestic suppliers, off 15.1%. Exports rose 12.2% to 2,502,000, 11th straight increase. Color TV production fell 13.5% to 990,000 in month, 781,000 for domestic market. Exports dropped 38.9% to 205,000.**

**First T-160 S-VHS cassette has been introduced in Japan by Fuji at list price of \$17.35. Sumitomo 3M is expected to follow in mid-Dec.**

# TELEVISION DIGEST®

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

With Consumer Electronics

NOVEMBER 27, 1989

VOL. 29, NO. 48

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**FINAL FCC NOMINEE IS DUGGAN:** Washington consultant who was late entry is mostly unknown in communications. Most broadcasters, telecom people never heard of the moderate Democrat, but Valenti praises him as 'quick study.' (P. 1)

**PSI CRITICIZES HDTV TESTING:** Firm misses deposit deadline, says test officials are trying to exclude small companies. ATTC promises 'fair process.' NYIT jumps back into chase. (P. 2)

**FAIRNESS DOCTRINE DUMPED** from final budget package, but legislators promise battle will be resumed. Doctrine could have caused presidential veto. FCC gets \$107 million funding. (P. 4)

**CABLE OUTPACES BROADCAST:** Cable revenues up 24.6% in 1988, compared with 9.3% for broadcast, study shows. Network figures lower than expected, with CBS up only 0.5%. (P. 4)

**TCI LIMITS RATE HIKES,** 'predicts' they will match inflation. MSO to move 4 program services -- AMC, ESPN, TNT, USA -- to optional basic tier. Plan takes effect next year. (P. 5)

**WORLD IS 'GLOBAL VILLAGE'** with communications 'glue' holding it together, Neuharth says, listing key problems. Dennis sees spectrum 'trade-offs' in HDTV. (P. 6)

**FCC NOMINEE DUGGAN MOSTLY UNKNOWN IN COMMUNICATIONS:** White House announced Nov. 21 intention to nominate Washington communications consultant Ervin S. Duggan to fill last (Democratic) seat on FCC -- causing some consternation among broadcast and cable industries because very few industry executives had ever heard of him. Said one: "It was a complete surprise to everyone." Another commented: "He is pretty much unknown in the world of broadcast regulation."

Not so, said MPAA Pres. Jack Valenti, who worked with Duggan in Johnson White House 1965-1969, when FCC nominee was speechwriter and worked in communications sector. Duggan "is a very able fellow," Valenti told us. "A very quick study and he understands the political arena very thoroughly." Most importantly, Valenti said, he has "open mind," unlike many others in Washington. Duggan himself was unavailable over Thanksgiving holiday.

Conservative Democratic political analyst Ben Wattenberg (who co-authored novel, *Against All Enemies*, with Duggan) had similar view of nominee, telling us: "I have known him as friend and colleague for many years. He is a first-class individual." Wattenberg described Duggan as "extremely bright and very knowledgeable," although he didn't know of any positions Duggan had taken on communications issues.

### Consumer Electronics

**DUMPING RULE CHANGE** targeting 'screwdriver' plants and assembly in 3rd-country factories, proposed by U.S. for GATT consideration to eliminate loopholes. (P. 9)

**ITA REVIEWS AND FORECASTS** state of market. Speakers express concern at videocassette price attrition, see good camcorder growth, disagree on DAT. (P. 10)

**SANSUI TO MAKE VCRs** in Japan, Taiwan, perhaps other countries, Polly Peck's Wirsching says. Company already has JVC license. Personnel to be augmented. (P. 11)

**ULTRA-LIGHTWEIGHT CAMCORDER** battle heats up in Japan. Sony boosts production of small 8mm product, Matsushita plans S-VHS-C introduction in Jan. (P. 12)

**HDTV CONSPIRACY HINTED** in think tank report that says ex-Reagan Cabinet officials are lobbying to turn U.S. effort over to Japanese. NACs study released. (P. 13)

**SONY DOUBLES PROFIT** in 2nd quarter on 24.2% higher sales, despite 'unsettled' economic environment. TDK net up 8.4% on 10.2% higher sales. (P. 13)

**ATARI AIMS** at regaining videogame market share from Nintendo with new portable color game. Launch is limited to N.Y. area because of product shortage. (P. 14)

**CD RECORDER** will be shown at CES by Taiyo Yuden, which will stress it's not consumer product. (P. 14)

Broadcast/cable executive who worked with Duggan in Carter Administration described him as "a very smart guy" who's "a Democrat of moderate views" but who has had little exposure to communications regulation.

Credit for Duggan's nomination is being given to National Assn. of Evangelicals, which met with President Bush and Vice President Quayle before nomination was announced -- leading one broadcaster to comment: "Fundamentalist religion wins again." Duggan, of Washington suburb Bethesda, Md., is chmn. of Presbyterians for Democracy of Religious Freedom. He made courtesy call on FCC Chmn. Sikes morning of his nomination, bumped into Comr. Quello on elevator. Source said Duggan is expected to make courtesy calls on other commissioners this week. Sikes left shortly after meeting for Thanksgiving in home state of Mo., couldn't be reached. Said Quello: "It'll be good to have the Commission up to full strength again. He made a good favorable first impression on me."

Duggan sprang on scene late as FCC candidate and fact that he's an unknown is what worries broadcasters. "The guess is that he'll be tough on indecency... and a strong enforcer of FCC rules," we're told. Others said he appears to meet requirement of Senate Commerce Committee Chmn. Hollings (D-S.C.) that "true Democrat" be appointed to post, sources said. Hollings had his own candidate for FCC -- former Commerce Committee aide Mary Jo Manning, now with Washington PR firm Hill & Knowlton and dir. of TV Operators' Caucus.

Duggan will receive 5-year nomination to fill seat formerly occupied by Patricia Dennis, whose term expired June 30. He's 50, grew up in Ga. and S.C., is graduate of Davidson College (which he attended with Sen. Fowler [D-Ga.], and they reportedly are good friends) with degree in political science and English literature, was officer in Army 1962-1964 before joining Washington Post for year as reporter, moving to Johnson Administration in 1965. He was member of State Dept. Policy Planning Staff 2 years in Carter Administration and was special asst. to HEW Secy. Joseph Califano 1977-1979. He also has been national editor of Washingtonian magazine, special asst. to then-Sen. Stevenson (D-Ill.), dir. of special projects, history and art at Smithsonian Institution, and published author with Doubleday & Co. He currently has his own Washington firm, Ervin S. Duggan & Assoc. He is married, has 2 sons.

**PSI MISSES DEADLINE, CRITICIZES HDTV TEST PROCESS:** FCC's HDTV test process underwent first serious public criticism last week when Production Services Inc. (PSI) claimed FCC's Advanced TV Advisory Committee (ATAC) is trying to exclude smaller proponents of HDTV transmission systems. Criticism came days after PSI failed to meet deadline for paying \$25,000 deposit to secure its test slot. Meanwhile, one proponent that had dropped out of test process earlier, N.Y. Institute of Technology, asked to be reinstated.

New round of meetings of HDTV testing officials is almost certain in wake of PSI criticisms, officials said. Advanced TV Test Center (ATTC) and FCC's Advisory Committee "remain committed to ensuring a fair process," they said in joint statement on PSI situation Nov. 22. Statement said that ATTC officials have been in touch with PSI and that ATTC and Advisory Committee will "confer about this situation."

PSI attributed failure to meet deposit deadline to misunderstanding and said "they [test officials] just want us to go away." In response, ATTC statement points out that application process was approved by Advisory Committee July 19 and was detailed to proponents at Sept. 28 meeting and in application forms and related materials. PSI said it understood it only had to submit application for fee waiver, not \$25,000 deposit, by Nov. 17 deadline. Current schedule calls for another \$150,000 to be paid by March 1.

Richard Wiley, chmn. of FCC's Advisory Committee, was first to disclose that PSI missed deadline, telling Washington Metropolitan Cable Club last week in response to question that it's "yet to be determined" whether PSI will lose testing slot. PSI Pres. Kathryn Gerdes said that what she considers premature announcement is indication that "they just want us to go away." PSI still plans to participate in test process if allowed to, Gerdes said. She said firm had understood that it merely had to submit request for reduction of testing fee by Nov. 17, and still hopes for cut. But PSI will pay \$25,000 if necessary and if given a few days, she said. PSI's system is expected to be ready for demonstration at NAB convention in March, well before scheduled July 24 test date, Gerdes said.

"It looks like the U.S. HDTV system will be selected based on the financial viability of the company, rather than on the technical capability of the system," Gerdes told us. She said Advisory Committee's Working Party 1, which oversees testing, has been "very discouraging" to smaller companies that are proposing HDTV systems: "They are actually trying to eliminate people." Gerdes said several people with "very promising systems" have dropped out of formal HDTV competition, even though they're continuing to work on systems, "because they don't want to get involved with Working Party 1."

FCC shouldn't rely on private industry to oversee test program rather than doing testing itself, Gerdes said. Private industry members of Working Party "are all our competitors," she said. "Most of the people who are left are those with a lot of money, though I'm not sure if they really have a system since they keep changing them."

PSI plans to demonstrate some peripheral developments arising from its HDTV work early next year, Gerdes said. She said firm already has conducted some transmission demonstrations during off-air periods of KMSB-TV Tucson-Nogales and has applied to FCC for experimental license. Next demonstration will be on Jones-owned cable system, Gerdes said.

NYIT applied for 2 testing slots, even though it didn't participate in Sept. 28 meeting to allocate slots, didn't submit reservation fee and specific slots it seeks already have been assigned to other proponents. Proposal was submitted by new Acting Dir. Kenneth Solomon, doesn't include former Dir. William Glenn. ATTC officials said FCC Advisory Committee will have to decide whether late application can be accepted.

NYIT is one of 4 proponents seeking "scholarships" to eliminate or reduce requirement for testing fee. NYIT and PSI are seeking full waiver, and NHK (which officially is nonprofit enterprise) and Faroudja Labs are seeking partial waiver. ATTC Exec. Dir. Peter Fannon said all 4 will have to "make their case to the [ATTC] board," which will make final determination on scholarships. If fees are waived, costs will be absorbed by ATTC budget, which is supported by broadcasters and cable industry. ATTC expects to spend about \$10 million to test 9 systems.

Meanwhile, Republican party insider Wiley refrained from criticizing Bush Administration for apparent decisions to cut back HDTV funding (see separate report in Consumer Electronics section), saying it's not up to him to suggest role for govt. But he said he "might be able to see some consensus" on middle ground of debate over federal role. Middle ground would include govt. setting standards for HDTV, modifying antitrust laws to allow risk-sharing consortia, making R&D tax credit permanent and providing some research seed money, Wiley said. He conceded seed money will continue to be controversial, but said without help from Pentagon's Defense Advanced Research Projects Agency "you won't see the stimulation of small companies," some of which he said are doing "world class" research.

U.S. probably is ahead of Japan and Europe in HDTV development, particularly in terrestrial broadcasts, Wiley said, but "jury is still out" on U.S. competitiveness in set manufacturing. He also said it may be time to consider broader definition of what is American set manufacturer. U.S. probably can't leapfrog foreign competitors to digital HDTV delivered by optical fiber, Wiley said, because technology isn't ready yet.

NBC said it will end all recreations in news programming and would shift Yesterday, Today & Tomorrow (YTT) -- which uses such recreations -- to Entertainment Div. Reporters on program -- Maria Shriver, Mary Alice Williams and Chuck Scarborough -- will leave show to remain with News Div. YTT program using recreation will air Nov. 28 with 3 correspondents listed, after which they will be replaced by as-yet-unnamed hosts. Recreations have been controversial on ground viewers often think they're seeing real news footage, although recreations are labeled as such. NBC News Pres. Michael Gartner said "we have determined that the practice can result in confusion to the viewer... Our primary responsibility at NBC News is to convey information clearly." CBS regularly uses recreations on Sat. Night with Connie Chung; ABC News has used them occasionally, now bans them.

CBS will pay \$1 billion over 7 years beginning in 1991 for exclusive rights to NCAA basketball tournament, moving entire event to broadcast TV from ESPN for first time since 1980. Deal also gives CBS rights to 15 other NCAA championships, including expanded coverage of women's basketball, as well as track and field, swimming, gymnastics, wrestling, volleyball. CBS officials said they will "cover every game" of 64-team tournament, although viewers may see only finishes or highlights of some simultaneous games because they will be aired on regional basis. Deal includes requirement that CBS reduce amount of beer ads from 90 sec. per hour to 60 sec.

FCC waived duopoly rules and approved acquisition of KOKI-TV (Ch. 23 independent) Tulsa by subsidiary of Clear Channel Communications (CCC), which also owns KAKC(AM)-KMOD(FM) Tulsa. FCC said Clear Channel "had demonstrated that the proposed common ownership would not create any undue concentration of control" of media in Tulsa, which is served by "a variety of diverse media sources with cable penetration of over 50%." After consummation of KOKI-TV deal, Tulsa still will have 32 broadcast stations with 24 separate owners, Commission said. CCC had argued that KOKI-TV (on air since Oct. 1980) never had been profitable and that combined ownership of 3 stations would permit KOKI-TV to improve and expand local news and public affairs programming. CCC is headed by NAB Chmn. Lowry Mays.

Ex-FCC Chmn. Dennis Patrick and his bride, Washington real estate executive Paula Grace, are in Hawaii on honeymoon, will return in early Dec. They were married Nov. 19 in small family ceremony. Patrick has opted not to join Washington law firm, instead has formed Washington-based consulting business Patrick Communications (202-331-7478), in association with William Clark, former national security adviser (TVD Nov 20 p8).

Voters approved 2nd bond issue for WTVI Charlotte in 2 years. Issue, okayed by 65% vote in Mecklenburg County, will provide \$7.8 million for several station projects, including new 1,200-1,500-ft. tower.

**FAIRNESS DOCTRINE DUMPED:** Political pressure to scale back major budget package prompted House and Senate conferees to agree finally to drop provision that would have restored fairness doctrine as federal law. Doctrine wasn't included in budget package approved by Congress early Nov. 22 as legislators scrambled to adjourn until Jan. Capitol Hill advocates of doctrine promised battle would be resumed another day.

FCC expects to receive about \$107 million as result of budget package, officials said. That's down from \$109.8 million recommended by President Bush and \$112 million Commission needed to allow for pay raises since 1988 and inflation, FCC said, but significant increase from \$100 million agency had last year. Figure of \$107 million assumes budget-balancing sequestration ends in Feb., as directed by Congress. FCC officials said they're now working on how to allocate funds throughout agency.

Fairness doctrine was dropped by conferees when it became clear that "the slightest thing" could be used as excuse by President Bush to veto bill. Conferees feared doctrine would prompt him to reject entire bill because White House has said he was willing to live with budget for FY 1990 held at sequestration levels. Funding withdrawn from all federal agencies last month amounted to 4.3-5.3% reduction in planned spending for each.

Fairness doctrine became imperiled in conference after Sen. Helms (R-N.C.) won passage of separate dial-a-porn ban. Doctrine had been linked to ban in bid to help ensure passage. But when reconciliation package itself appeared doomed, Helms won vote for separate ban bill that subsequently was matched in House. Twin votes apparently meant conferees no longer were beholden to doctrine backers. Ban also was dropped from reconciliation package.

Doctrine's advocates in House and Senate said they planned to resume battle to reinstate doctrine next year, with House Telecom Subcommittee Chmn. Markey (D-Mass.) reportedly making its passage and that of children's TV legislation his top priorities for year. Decision was praised by RTNDA Pres. David Bartlett, who said "freedom of the press is too important to be a political bargaining chip. Content regulations like the fairness doctrine are not only unconstitutional, they go against common sense. Fairness is best judged by the public, not politicians. Editorial judgments are best left to journalists, not bureaucrats and special interest groups."

Senate adopted schedule for boosts in FCC regulatory fees, with 2 exceptions -- new fee for amateur radio licenses and for Sec. 740 equipment import registrations. Conferees seemingly blended bills on charges for public safety licensees, agreeing to levy minimum fees on commercial ambulance and other public services and exempting nonprofit providers. Senate's plan called for hike in minimum fees to \$35 vs. \$30 in House. Senate bill didn't call for levies on public broadcasters. Conferees also retained proposal by House Ways & Means Committee to make permanent current 3% federal excise tax on telephone service, as expected. Telco collections of those taxes also would be accelerated.

**Cable TV rates** dipped 0.2% in Oct., dropping total price increase for first 10 months of 1989 to exactly half of gain in overall Consumer Price Index (CPI), latest Labor Dept. figures showed. While cable rates fell in Oct., overall CPI was up 0.5%. For first 10 months, cable rate increases totaled 2.1%, compared with overall CPI growth of 4.2%.

**CABLE OUTGREW BROADCAST IN 1988:** Cable TV revenues rose 24.6% in 1988, marking 3rd consecutive year of growth rates in excess of 20%, investment bankers Veronis, Suhler & Assoc. said in report. Broadcast TV and radio grew less than half as fast in 1988, report said, with revenues up 9.3% to \$16.6 billion. Network share was 60.7% (\$10.2 billion), leaving \$6.4 billion for stations.

TV revenue growth exceeded 7% average for last 4 years, but Pres. John Suhler said network revenues were lower than expected for year that included both national political campaigns and Olympics. Benefits were offset in part by delayed fall season caused by 5-month writers' strike, he said. Growth wasn't divided evenly among networks, study said -- NBC owner GE had 12.2% growth and Cap/ABC 9.2%, but CBS was up only 0.5%. Pretax operating income for TV industry was up 4.1% to \$2.7 billion and operating cash flow grew 4.3% to \$3.5 billion.

TV stations fared even worse because of increased competition (187 new stations since 1984), report said. Their operating income dropped 2% and operating income margins fell 2.6 points to end year 4.2 points lower than in 1984. Radio also suffered, Veronis, Suhler said, with network radio advertising gaining only 1.7% in 1988 after falling in 1987.

Main cable growth was among system operators, analysis of 44 publicly reporting cable companies found. System revenues were up 26.1% to \$7.5 billion, while cable networks grew 19.3% to \$2.1 billion. Cable network revenue growth more than doubled 8.8% annual rate in 1985-1987, report said, primarily because of expanded cable advertising and increasing fees. Veronis, Suhler attributed cable networks' lower revenue growth and profits to fact they operate in more competitive environment than cable systems. Systems' revenue and cash flow growth was boosted by acquisitions, and cash flow reached \$3.5 billion, 26.6% increase, and 24.6% revenue growth exceeded 22.9% average for 1984-1988.

Movie and TV program producers had 12.6% more revenue in 1988, reaching \$12.4 billion, but growth rate was slower than 16.5% average for 1984-1988 period. Pretax operating income was up 2.4% to \$1.1 billion. Recorded music industry revenues grew 34.5% to \$2.7 billion, report said, with pretax operating income up 49% to \$380 million.

Former Microband executives have resigned and formed new company, Frontier Communications, to promote domestic and international subscription TV events. Microband Chmn. Mark Foster and Pres. Don Franco said their departure from wireless cable company is "subject of a legal dispute between ourselves and the majority of shareholders and certain lenders and directors" of company. They said N.Y.-based Frontier will focus on integrating "variety of television, telephone and data services" with "alternative delivery technologies" for video.

**NAB** plans 100,000-sq.-ft. HDTV exhibit at Atlanta convention March 30-April 2, officials said. It will include advanced TV transmission systems and production exhibit, much of which will be sponsored and implemented by HDTV 1,125/60 Group, consortium of equipment manufacturers and producers. Others interested in exhibiting equipment should contact NAB by Jan. 2, 202-429-5300.

**FCBA** dinner honoring FCC Chmn. Sikes Dec. 6 has been shifted to J.W. Marriott Hotel, Washington, to accommodate large demand for tickets.

**TCI LIMITS RATE INCREASES:** TCI "predicts" it will limit basic cable fee increases to rate of inflation, but is stopping short of making firm promise, Vp-Govt. Affairs Robert Thomson said. Prediction is tied to TCI decision to move 4 or more program services -- including American Movie Classics, ESPN, Turner Network TV, USA and some regional sports networks -- to new optional expanded basic tier.

Decision is scheduled to take effect early in 1990, although TCI said in Nov. 13 notification letter to programmers that it could begin within 30 days. Letter, signed by TCI Senior Vp-Programming Peter Barton, said programmers were chosen for 2nd tier because their actual or projected fee growth exceeds rate of inflation. Identity of programmers on expanded basic tier could vary, TCI said, depending on location.

TCI can't promise to limit price increase to CPI rate, even for entry-level basic because it isn't possible to predict other cost boosts, Thomson said. But he said TCI "can predict that prices for entry-level basic will not increase faster than inflation under currently foreseeable circumstances." He said TCI for several years has had policy that basic rates would increase only as result of inflation and higher programming costs.

New tiering scheme at first will provide only minimal customer savings -- 40¢ to \$1.40 per month for persons who opt out of 2nd tier, based on fees TCI pays for programming, plus prorated share of cost of controlling access to tier. MSO is predicting only very small percentage of customers will switch from 2nd tier to entry-level basic, based on tests in which less than 1% dropped sports channel for \$1 rate reduction.

Tiering is "price control for the future," Thomson said: "As rates [for programmers on 2nd tier] increase over time, the consumer will have to see clear value or they will lose penetration." He emphasized that it's not "bad" that 2nd-tier programmers can't promise to limit cost increases -- in many cases TCI actively has encouraged them to seek additional programming. "It's clearly to everyone's benefit, including the customer, if they are subject to price/value judgments by consumers, rather than be screened from it by the cable operators," Thomson said.

TCI hasn't had formal reaction from programmers that will be moved to 2nd tier, Thomson said, but he predicted it won't be overwhelmingly negative. "I suspect that they're as confident as we are that in the near term virtually all basic subscribers will continue to take the optional channels," he said. Programmers still are reluctant to discuss change publicly, telling us they don't have all details. But ESPN previously filed suit against Cablevision Systems, claiming move to pay cluster violated contract. ESPN said network wouldn't comment until TCI formally announces change, but Thomson said MSO thinks situation is "very different from Cablevision since we are nearly certain that ESPN carriage will remain the same."

TCI still hasn't announced new plan formally, although Thomson indicated decision is final. He said company decided not to make big splash with tiering and price semifreeze because "it's not that big a deal." In letter to programmers, TCI said it has been "requested" to limit increases to CPI, and "after a great deal of thought and deliberation, we have decided on this plan." Thomson said "request" is "reference to the dynamics that you are quite familiar with," including pressure from Congress and consumers to limit cable prices.

**Broadcast financials:** SCI Television has been forced to extend restructuring of \$507 million debt because bond holders rejected bid to swap debt for equity. Swap deadline was extended to Dec. 4, but if restructuring fails, Gillet Holdings, which owns 55% of SCI, could be forced to forfeit \$100 million investment in SCI, which owns KNSD San Diego, WAGA-TV Atlanta, WJBK-TV Detroit, WJW-TV Cleveland, WSBK-TV Boston, WTVT Tampa-St. Petersbug. SCI failed to meet Oct. 15 interest payment, causing 3 bondholders to file to force company into involuntary bankruptcy... **Time Warner** will sell its textbook publishing subsidiary, Foresman & Co., to Harper & Row for \$455 million, including assumption of \$48 million of debt, companies announced. Time Warner said it's selling publishing operation because it's not core business, adding that sale will produce \$175 million pretax loss in 4th quarter... Australian court appointed receiver for **Qintex Australia**, allowing Qintex subsidiary to keep Australian TV stations operating. Company is \$780 million in debt... **Metropolitan Bcstg.** extended tender offer for its outstanding debt to Nov. 22 from original Nov. 17. Offer is for more than \$107 million of debt... **Pathé Communications** said French govt. has released shares of Pathé Cinema, which govt. had seized in June in connection with proceeding against investment group including Pathé. Govt. decision followed European Commission ruling that French opposition to purchase of Pathé by investment group violated Treaty of Rome... **Times Mirror** said it has resumed selective repurchasing of its stock, but hasn't determined number of shares it will buy.

**Private network business** TV market is expected to exceed \$230 million by 1990 and \$650 million by 1995, according to study by KJH Communications, Atlanta. Study said production segment will grow most rapidly as networks expand programming agendas. KJH said business TV market was \$120 million in 1988, double 1987 level. Report said private networks account for 70% of all business TV networks operational in 1988 and represent strongest area of growth in next several years. At beginning of 1989, 48 private networks were operating in U.S. -- 38 corporate, rest govt. agencies, religious organizations, other not-for-profit entities. Networks average more than 20 hours of satellite time per month, study said.

**Nearly 200 low-power** TV stations could qualify for inclusion in Nielsen surveys in near future, Nielsen National Sales Mgr. Robert Paine said. He told LPTV conference that 18 such stations already have met requirement for 2.5% viewership share and that Nielsen is tracking 179 more that "could show reportability in the near future." Arbitron Regional Sales Mgr. David Bright told same conference Arbitron data show 300% LPTV viewership growth since 1986 in 209 markets it measures. Meanwhile, FCC issued notice Nov. 24 setting 9 more LPTV lotteries Dec. 13. Largest is in Hawaii, where there are 138 applicants. Commission will issue public notice announcing tentative selectee after drawing. Details: 202-632-6410.

**International TeleSystems (IT) and Macrovision Corp.** (MC) have completed testing of performance and compatibility of former's TickeTV system and MC's ACP-170P pay-per-view (PPV) anticopy system and plan to begin marketing it to cable operators and programmers.

**FCC waived one-to-a-market rule** to permit Group W Radio to acquire WMMR(FM) Philadelphia, where Group W also owns KYW-TV-AM. Commission said waiver request "clearly meets" agency requirements for top 25 markets -- with Philadelphia having 56 separate media voices.

**COMMUNICATIONS 'GLUE' FOR WORLD:** World has become "global village and communications is the glue that's holding that global village together," retired Gannett Chmn. Alan Neuharth said. Speaking at "2001: A Communications Vision" conference sponsored by San Diego Communications Council in San Diego Nov. 17, he said news media have "the greatest opportunity" to serve public worldwide, but must solve 3 problems:

(1) Continued "use and abuse" of nonidentified sources. He said that this is primary reason why public holds press in low esteem and that "reporters often write more than he or she heard" when sources aren't identified. (2) Past discrimination against blacks and women. Listing several discrimination suits, Neuharth said he hopes there will be more because media must "not only preach but practice equal opportunity." (3) Failure "to put that spotlight of criticism on ourselves." He cited Washington Post (with which he often quarreled publicly as head of USA Today), saying "those of us who dish it out to others" must also be willing to take criticism in return. Neuharth was in San Diego promoting his book "Confessions of an SOB," which was being sold at conference. After speech, he held autograph session, giving book buyers membership in his "SOB Club."

At panel session on "A Glimpse into the Future" -- moderated by ex-House Telecom Subcommittee Chmn. Van Deerlin (D-Cal.) -- Irwin Dorros of Bell Communications Research and member of FCC Advanced TV Systems Committee (ATSC) said it's "inefficient" for govt. to protect established industries from new technology. But he said FCC charge to ATSC Standards Subcommittee (which he chairs) is "inadequate" and agency should show more leadership on HDTV and adopt standards that will benefit over-air broadcasters. Of NBC Pres. Robert Wright's comments on future of fiber optics previous day (TVD Nov 20 p8), Dorros said: "Bob Wright has visions." He said NBC recognizes that broadcasters' revenue stream is going down and that terrestrial broadcasters must move in other directions.

Everette Dennis, dir. of Gannett Center for Media Studies at Columbia U., said that personal computers, along with very specialized newsletters, are major reasons that videotex and teletext have been unsuccessful in marketplace. Whether either system ever will be viable still is question, he said, adding that fiber optics is "terribly important" to future of telecommunications.

Ex-FCC Comr. Patricia Dennis, now partner in Washington law firm Jones, Day, Reavis & Pogue, said there must be spectrum "trade-offs" in HDTV because "there simply isn't enough spectrum... So the issue will come down to what kind of trade-offs are going to be made." She said FCC has "a very appropriate role to play" in setting HDTV standards but doesn't have engineering expertise to evaluate systems that will be tested. She predicted any standards adopted by FCC will face court challenges. With 3 new commissioners in place and 4th on way, Dennis saw "a warming trend" in agency relationship with Congress.



**ACS Enterprises has started wireless cable in** Philadelphia area, including parts of Del. and N.J. suburbs, Chmn. Alan Sonnenberg said. Service, named Popvision, includes all Philadelphia stations, Arts & Entertainment, CNN, Discovery Channel, ESPN, HBO, MTV, Nickelodeon, WTBS Atlanta. ACS previously had been limited to one microwave channel but earlier this year acquired rights to carry 12, eventually 33.

**Proliferation of TV delivery channels -- including cable, independent stations and syndication -- hasn't been major benefit for creative community,** U. of Md. Prof. Jay Blumler told American Film Institute forum last week in L.A. Two-year study reports reactions of writers and producers to new environment. Not surprisingly, they generally welcomed fact that there are more TV outlets, but Blumler said "their positive reactions were seldom unqualified." He said virtually all would prefer to produce programming for major networks that have financial resources and provide opportunity for large audiences and recognition. Proliferation benefits have been limited by number of groups truly able to produce new programming, report said. Even though there are hundreds of programmers, it said only 9 have adequate resources to commission projects of significant scale and quality -- ABC, CBS, NBC, Disney, Fox, HBO, Showtime, TNT, USA. But, study said that even new alternatives face many of same financial and other pressures limiting receptivity to creativity. Proliferation also has had negative impact, it said, because audiences haven't increased viewing time significantly and there's little absolute gain in money to support networks, so nearly same sized pie is being divided among more programmers, limiting opportunities for each.

**Targeted audiences and specialized programming are main advantages of cable advertising,** new NAB study reported. Survey found 60% of 225 advertisers and 75% of 225 agencies listed targeting as benefit, and 59% of advertisers and 65% of agencies listed specialized programming. Main drawbacks were low audience reach (58% and 57.7%, respectively) and poor audience data (48% and 71%). NAB said study showed "advertisers are not overly impressed with the cable industry's own claims that it is a distinctively different medium for advertising" and pointed out cable accounts for only 4.2% of all U.S. ad revenues. Study indicated stronger future, however -- 65% of agencies had increased cable usage in last year and 69% said they were "very likely" or "somewhat likely" to do so in next year. More than 98% of respondents said cable is likely to have 10% of all national ad revenue in 5 years. Details: 202-429-5380.

**New legislation to reregulate cable was introduced just before Thanksgiving recess by Reps. Cooper (D-Tenn.) and Shays (R-Conn.).** Bill (HR-3826) is identical to one by Sen. Danforth (R-Mo.) with 14 co-sponsors (TVD Nov 20 p6). In remarks with bill's introduction, Cooper said cable deregulation "has produced all of the tell-tale signs of monopoly abuse," including rates that "are unchecked and soaring" and local distribution networks' being bought by conglomerates that also produce programming. As is usual when junior members of House Commerce Committee introduce bill, sponsors checked first with Chmn. Dingell (D-Mich.) and Telecom Subcommittee Chmn. Markey (D-Mass.). Committee spokesman said Dingell is pleased that cable bill was introduced, but stopped short of saying that Dingell endorsed it. In past, he has endorsed concept that cable should either be reregulated or be subjected to competition, but hasn't decided which route is preferable.

**Unlicensed private FM radio stations in Erlanger, Ky., and Brooklyn have been shut down by federal officials in cooperation with FCC.** Illegal Brooklyn station used call letters WJPL, operated on 91.9 MHz. Equipment was seized and action against operator (unnamed) is being pursued in federal court. Ky. station was operating on 90.5 MHz by Thomas Cason, who FCC said surrendered equipment, was fined \$750. Operation of unlicensed station calls for fine up to \$100,000 and/or year in prison.

**WESTERN CABLE SHOW SEEKS MORE SPACE:** Cal. Cable TV Assn. (CCTA) is negotiating for more space at Anaheim Convention Center for 1990 Western Cable Show as result of strong exhibitor interest in this year's event, Dec. 13-15. There's been waiting list since Aug. for exhibit space, organizers said, and advanced registration indicates attendance will meet or exceed last year's 9,800.

CCTA hopes to have 25-35% more exhibit space at 1990 show (Nov. 28-30) if convention center can make it available. This year, Western Show has 215 exhibitors, about same as last year, but actual rental area is down slightly from year-ago's 115,000 sq. ft. because convention center was reconfigured, CCTA spokeswoman said.

Cable-telco and optical fiber will be among major topics at convention, as will finance, according to preliminary and still-incomplete program. Closing session will feature CATA Pres. Stephen Effros moderating panel on "Telco TV: What You Don't Know Can Hurt You." CableLabs Vp Thomas Gillett will lead panel on economics of fiber at 2:45 p.m. Dec. 13. MetroVision Pres. Henry Harris will moderate panel on value of cable systems at 10 a.m. Dec. 14, including Daniels Senior Vp Brian Deevy, Intermedia Managing Gen. Partner Leo Hindery, Bear Stearns Vp Mary Kukowski, Waller Capital Pres. John Waller.

Panel on new basic program services at 9 a.m. Dec. 15 will be moderated by Jones Intercable Chmn. Glenn Jones. Panelists are Comedy Channel Pres. Dick Beahrs, HA! channel consultant Fred Silverman, Science Fiction Channel co-founder Laurie Silvers, Financial News Network Pres. Michael Wheeler. Other panels and moderators include: International market, NJK International Pres. Nimrod Kovacs, 2:45 Dec. 13; Cable in Classroom, Colony Chmn. Jack Clifford, same time; Regional sports, TCI Senior Vp Peter Barton, 8:30 a.m. Dec. 14; Pay TV, Newhouse Pres.-NCTA Chmn. Robert Miron, 10 a.m. Dec. 14; New technology, CableLabs Pres. Richard Green, 2:30 Dec. 14; Advertising, Heritage Vp David Oman, 9 a.m. Dec. 15; Syndicated exclusivity, Cox Vp David Woodrow, same time.

Other highlights of show: (1) CCTA and Nickelodeon will sponsor joint hospitality suite for children Dec. 13-14, with games, crafts, videos, evening buffet, sitters. Details: 415-428-2225. (2) CCTA board meeting is 8:30 a.m. Dec. 13 at Hilton Hotel, Huntington Room. (3) Exhibitors will meet at 5:30 p.m. Dec. 13 at convention center to elect associate member to board. (4) One-day customer service/business office manager track Dec. 14. (5) Series of legal round tables Dec. 15 dealing with subjects such as equal employment opportunity compliance, franchise renewals, signal theft, premises access, taxes, pole attachment.

**National Technological U.** will sponsor HDTV symposium Jan. 16 at U. of Md.-College Park. Speakers will include FCC's Advanced TV Advisory Committee Chmn. Richard Wiley, Advanced TV Systems Committee Exec. Dir. Robert Hopkins, Advanced TV Test Center Chief Scientist Charles Rhodes, NCTA Vp-Engineering Wendell Bailey, Philips Labs Chief Scientist Arpad Toth. Details: 303-484-6050.

**Citing "extensive personnel turnover" since April,** FCC has issued interim personnel telephone directory. It's available at 50¢ per copy from International Transcription Service, Suite 140, 2100 M St. NW, Washington, D.C. 20037.

**FCC approved call sign switch for KHJ-TV L.A. (Ch. 9 independent), effective Dec. 2.** New call letters will be KCAL.

Palmer Communications will sell Cable Div., plans to devote most of proceeds to cellular acquisitions, Pres. William Ryan said. Palmer has about 175,000 subscribers. Fla. interests include 105,000 subscribers in Collier and Lee counties, Bonita Springs, Captiva, Ft. Myers Beach and N. Ft. Myers, Marco Island, Naples, Pine Island, Sanibel; Cal. operations have 70,000 in Riverside County, Banning, Beaumont, Cathedral City, Coachella, Indian Wells, Indio, La Quinta, Palm Desert, Rancho Mirage. Palmer already is top-50 cellular operator and Ryan told employees Nov. 20 that company will "be forming more regional cellular networks, and the sale of our Cable Division will allow us to aggressively pursue additional acquisitions around the country in 1990. Palmer's future growth will not be limited to our current operations in the southeastern United States." Palmer wouldn't project sale price, but broker John Waller, chmn. of Waller Capital, predicted Palm Desert and Naples systems "most certainly will command record prices." Palmer also owns 2 TV and 6 radio stations.

Home satellite dish owners' choice of programming packages will be reduced by TCI's pending acquisition of 50% interest in Showtime Networks, PrimeTime 24 Pres. Kazie Metzger said. Comments, Nov. 17 in letter to Senate Communications Subcommittee Chmn. Inouye (D-Hawaii), complained that without inexpensive access to programming, number of packagers would decline "precipitously... TCI has demonstrated its intent to control more than 50% of programming sales through home satellite dish distribution, plus limiting access to many of the most important TV services." Metzger said TCI and Showtime share more than 60% of market and their "control" of important channels is barrier to market entry. She noted that MTV, Showtime, The Movie Channel and Viewer's Choice, which are owned by Showtime, aren't available to packagers, and there are restrictions on availability of American Movie Classics, Bravo, ESPN, TNT, WTBS Atlanta.

**BBC** actively opposed European Commission's attempt to impose quotas on non-EC programming by European broadcasters, Dir. Gen. Michael Checkland told IRTS luncheon in N.Y. Nov. 21. "I don't think it is sufficiently realized this side of the Atlantic how effective that opposition was," he said. "I think there is undue alarm here about the quota arrangement that finally emerged," which simply said majority of programming should be European -- "where practicable." He noted that with expansion of channels in Europe, including changes in Soviet bloc, total sales opportunities for programmers are increasing. He said BBC's deals with American companies have tripled over last 5 years and currently include production arrangements with ABC, Arts & Entertainment, Discovery Channel, HBO, Paramount and TBS, with PBS alliance "stronger than ever." He said BBC plans to develop "World TV News Service" patterned after its shortwave radio World Service.

**National Public Radio (NPR)** has had "most positive influence on American journalism" of 8 individuals, organizations and institutions listed in recent Times Mirror/Gallup poll. Survey, first work of Washington-based Times Mirror Center for The People & The Press, found that 88% of 400 surveyed had very or mostly favorable impression of NPR vs. 85% and 82% for next closest finishers, Pulitzer Prize and Ted Turner, respectively. Geraldo Rivera finished last in poll with 83% very or mostly negative rating. Overall survey found "significant erosion" of public confidence in news media as objective and impartial observers, but concluded public still views them as "far more believable" than President Bush and other public figures.

## Personals

**Bradley Holmes**, ex-chief of Policy & Rules Div. of FCC Mass Media Bureau, has been confirmed by Senate as head of State Dept.'s Bureau of International Communications & Information Policy, succeeding **Sonia Landau**... Recently announced White House appointment plans: **James Edwards**, pres., Medical U. of S.C. and former S.C. governor, as Comsat board member, succeeding **Michael McManus**; **John Lyons**, dir., National Bureau of Standards' National Engineering Lab, as dir., National Institute of Standards & Technology, succeeding **Ernest Ambler**.

**Changes at CBS:** **James Warner**, ex-vp, HBO Enterprises, joins as pres., CBS Enterprises, new post; **Rainer Siek** named senior vp-sales and mktg., CBS Best. International... **James Clayton** named dir.-sales, WCBS-TV N.Y.; **Barbara Terasaka**, ex-mgr.-business affairs, CBS News, appointed dir.-finance and business affairs, WCBS-TV.

**Changes at MultiVision Cable TV:** **Martin Pompadur**, vice chmn., adds post of pres.-COO, succeeding **Christopher Conley**, resigning; **Candace Christianson** resigns as senior vp-chief administrative officer... Changes at Turner Bestg.: **Julia Sprunt** moves from senior vp, Turner Cable Network Sales, to vp-mktg., WTBS Atlanta; **Rich Hylen** named dir.-international mktg., CNN... **Dan Churchill** moves from vp-new business, Comcast, to vp-U.K. cable operations... **Gary Loeffler**, ex-MTV network, named dir.-research, Arts & Entertainment Cable Network... **Paul Reader**, ex-NBC, joins USA Network as mgr.-media relations, new post... Additions at Jones Intercable: **Janice Huffman**, ex-United Artists, as pay-per-view dir.; **Susan Wood** as mgr.-financial reporting; **Tony Lasher**, ex-Centel Cable, as gen. mgr., newly acquired Gibson City, Ill., system... **Stuart Benson**, ex-Dino De Laurentiis Corp., joins Showtime Networks as dir.-ancillary markets administration... Newly elected 1990 officers of Washington chapter of Women In Cable: Pres. **Lynn Levine**, dir.-mkt. research and data sales, Warren Publishing; Vp **Fran Chetwynd**, partner, Cole, Raywid & Braverman.

**Marcellus Alexander**, station mgr., KYW-TV Philadelphia, promoted to vp-gen. mgr., co-owned WJZ-TV Baltimore, succeeding **Jonathan Klein**, named vp-gen. mgr., KYW-TV, replacing **James Thompson**, recently named Group W Radio pres... Appointments at KSDK St. Louis: **Ray Gilmer**, ex-WKTR-TV, Norfolk, as exec. producer-news; **Larry Dauer**, consultant, as local sales mgr.; **Terry Doll**, PR dir., promoted to community relations mgr., replaced by **Pat Bolling**, ex-Gardner Advertising... **Pam Golden** advanced to dir.-national program mktg., WQED Pittsburgh... **Brian Fiori**, ex-WCVB-TV Boston, named dir.-research KRON-TV San Francisco... **Ted Bryant**, ex-news dir., KOIN-TV Portland, Ore., joins Ore. Public Bestg. as news dir., 4-station radio network.

**Devendra Mishra** advanced to pres., LIVE Entertainment, succeeding **Roger Smith**, who remains chief financial officer... **Jon Wilkes**, ex-dir.-news and operations, FNN Business Radio, joins companion UPI Radio Network as vp-gen. mgr... Changes at Viacom: **Edward Schor** advanced to senior vp-gen. counsel-communications; **Joan Boorstein**, ex-Showtime Networks, named dir.-creative affairs, Viacom Pictures; **Steve Schmidt**, ex-dir.-creative affairs and acquisitions, Vestron, joins Viacom Pictures as dir.-development... **Don Dunkle**, ex-Acer America and Centigram, joins Chaparral Communications as dir.-customer service... **Alan Kirts**, moves from dir.-TV program acquisitions and scheduling, S.D. Public Bestg., to dir.-TV bestg., new post.

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**Cate Cowan** resigns Dec. 31 as dir.-promotion and public affairs, NPR, to start PR firm consulting with public broadcasters and others... **Mark Libby**, ex-gen. sales mgr., KJEO Fresno, named mktg. mgr., KCPQ Tacoma-Seattle.

**OBITUARIES**

**Philip G. Lasky**, 80, founder and first gen. mgr. of KPIX San Francisco in 1948, died Nov. 14 of cancer. He began career as teenager, building crystal radio sets and as shipboard wireless operator in Merchant Marine. He joined KFSO(AM) San Francisco in 1935, built radio studios for govt. that were used in World War II. Lasky was active in civic affairs before and after retirement in early 1960s, when he became area vp for KPIX licensee Westinghouse Bestg. He also was board member of KQED San Francisco. Wife, son, daughter survive.

**George J. Barco**, 82, cable pioneer, died of heart failure at his home in Meadville, Pa., Nov. 15. He was NCTA pres. 1957-1958, co-founder (with former Gov. Milton Shapp) of National Cable TV Center & Museum, served as deputy attorney gen. of Pa., founded Pa. Bar Institute. Surviving are widow, 2 daughters, including Yolanda, who is partner in Barco's law firm and also a cable pioneer.

# Consumer Electronics

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

## STATE OF THE INDUSTRY

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

	NOV. 4-10	1988 WEEK	% CHANGE	OCT. 28- NOV. 3	45 WEEKS 1989	45 WEEKS 1988	% CHANGE
TOTAL COLOR.....	372,389	432,875	-16.2	632,134*	18,826,395*	17,214,927	+ 9.4
DIRECT-VIEW...	367,628	426,923*	-13.9	622,459*	18,614,776*	16,970,015	+ 9.7
PROJECTION....	4,761	5,952	-20.0	9,675*	211,619	244,912	-13.6
TOTAL VCR.....	216,944	256,219	-15.3	399,556*	9,717,635	10,286,925	- 5.5
DECKS.....	181,585	220,207	-17.5	322,945*	7,921,989	8,676,097	- 8.7
CAMCORDERS....	35,359	36,012	- 1.8	76,611*	1,795,646*	1,610,828	+11.5

Color TV 5-week moving average: 1989--505,281\*; 1988--474,397 (up 6.5%).

VCR deck 5-week moving average: 1989--265,353; 1988--277,145 (down 4.3%).

Camcorder 5-week moving average: 1989--63,265\*; 1988--49,737 (up 27.2%).

\* Record for period.

**U.S. PROPOSAL AIMS AT 'SCREWDRIVER' PLANTS:** U.S. proposal to toughen antidumping penalties against exporters that price products at less than fair market value is aimed at so-called "screwdriver" assembly plants in U.S. and at suppliers that evade dumping penalties by shipping from 3rd-country plants. Commerce Dept. proposal to General Agreement on Tariffs & Trade (GATT), Geneva-based group that sets regulations for world trade, calls for amendments to GATT's 10-year-old antidumping code.

Negotiations on GATT rules are expected to be completed by end of next year and any changes could take effect worldwide some time in 1991 at earliest, said Ronald Lorentzen, economist in Commerce's Import Administration policy office. Proposed changes in antidumping rules, if adopted, could have significant impact on consumer electronics companies, many of which assemble products here using foreign-made components or assemble them in 3rd countries. For example, although color sets from Japan may be subject to dumping penalties, those assembled in Malaysia, Mexico or U.S. by same company from same components aren't. Screwdriver plants snap together substantially completed subassemblies that may be imported from countries subject to dumping penalties on complete product.

Growing trend to manufacture components in one or more countries, assembling finished products in another, then shipping products to importing country "have permitted firms to develop means to evade antidumping measures," proposal said. For example, manufacturer cited for dumping particular product can ship parts or components to importing country, or to 3rd country, for final assembly, thus evading antidumping penalties. Foreign supplier also can shift production to facilities in another country, or "quickly switch to another, related product and dump that product until caught again."

Because of evasion tactics, domestic industries hurt by dumping activity "have begun to lose confidence that antidumping remedies can provide effective relief from unfair competition," proposal said. "This lack of confidence, in turn, has contributed to pressures for protectionist 'solutions' outside the context of the antidumping rules."

U.S. plan has 3 main elements: (1) Basic principles of antidumping code should be updated to reflect new global trading environment. (2) Antidumping trade rules should be made more understandable to all participants. (3) Certain aspects of code can be made more specific "to provide clearer guidance to administering authorities." Among specific suggestions for dealing with evaders are extension of particular antidumping findings to cover: (1) Any alterations in products. (2) New investigations with accelerated antidumping relief to cover shifting of manufacturing or assembly to 3rd country. (3) New investigations with accelerated relief against foreign producer dumping more than one type of product in same general category of merchandise.

Second portion of proposal calls for more clarity in antidumping rules. Decisions of "investigating authorities should be sufficiently clear and detailed so that concerned parties can make an assessment as to whether the authorities complied with applicable rules." Proposal also recommends amendments to code to require: (1) Publication of decisions not to initiate antidumping proceedings. (2) Access by parties to comments and information submitted by other parties. (3) Listing of entities that would be considered "interested parties" under national antidumping legislation. (4) Any antidumping verification reports by investigating authorities be made available to firms involved. (5) Disclosure by authorities of details of antidumping calculation methods for both preliminary and final findings.

Final section of proposal calls for specific amendments to make code more effective. To prove dumping, it's necessary to show both that products are being imported at less than fair market prices and that they threaten to injure domestic industry. U.S. said code should list these additional factors for determining threat of injury from dumping activity: (1) Significant rate of increase of dumped imports into domestic market. (2) Freely disposable capacity in exporting country. (3) Exports at prices that will have "suppressing or depressing" effect on domestic prices. (4) Inventories in importing country of product being investigated.

Entire proposal "reflects the U.S. view that antidumping rules should be effective, predictable, transparent and fair and should reflect as nearly as possible the commercial reality" of products and industries under investigation, U.S. statement said. Existing antidumping code, "while fundamentally sound, can be strengthened and improved..." Japan and European Community, which already has taken steps to prevent screwdriver assembly plants through various antidumping actions, also will submit proposals to GATT.

**ITA REVIEWS AND FORECASTS STATE OF MARKET:** Annual ITA Update Seminar in N.Y. last week provided members with quick fix on where several audio and video hardware and software products stand today, with optimism (although not quite unbounded) and concern over price attrition, particularly in videocassettes, and disagreement over future of digital audio tape (DAT). Among highlights:

Richard James, Thomson Consumer Electronics vp, customer and marketing services, forecast increased stepup sales in both color TV and VCR. Unit sales of color TVs 30" and up should triple by 1992, he said. As for rear-screen projection, he saw sales of 250,000 this year, down from 300,000 in 1988, with increase to 270,000 in 1990, leveling off at 300,000 in 1991 and 1992. LCD TVs, including personal VCR combos, will sell 200,000 this year, he "cautiously" predicted, "growing steadily to 350,000-400,000 units in 1992."

Stereo is another bright spot in TV, James said, with more than 80% of 25" and up table models and 70% of consoles to be stereo by 1992 (vs. 70% and 55% this year). He forecast VCR deck sales remaining in 9.5-10 million range for "next several years," but 4-head models increasing to more than 40% by 1992 from 27% today, with growth of replacement and 2nd-unit buyers, which he estimated as 60% this year, going as high as 85% over next 5 years.

In camcorders, he said full-size models currently have about 2/3 of market, with 8mm over 25%. In future, he said in answer to question, full-size VHS camcorders will "slowly decline, stabilizing in the 60 to 62% range. The bulk of the remainder will be 8mm. VHS-C will remain, but the market will slowly decline." Speaking from audience, JVC Senior Vp Harry Elias differed from that appraisal, noting "tremendous turnaround in the last few months -- VHS-C categories have increased dramatically." Asked about S-VHS, James said sales were "currently in the 1 to 2% range," problem being scant availability of software. "We think it will stay there... The percentage will be above zero, but not much." However, he said, Thomson would continue to offer S-VHS hardware.

Ron Stoltenberg, vp of Tandy Electronics (tape), which he described as Tandy's biggest operation after Radio Shack, sized up blank videotape as "a no-profit business," but described audio tape as "healthy." "We have done an excellent job of convincing consumers that all videotapes are alike." He said videocassette prices are "spiraling down to ridiculous levels," with 1989 sales running 15% below 1988, but he predicted 4th-quarter improvement would bring 1989 sales up to last year's 300 million. In answer to question, he called increased sellthrough of recorded tape "definitely a factor" in decline of blank cassette sales.

"We must convince the buyer to step up," Stoltenberg said, noting that most consumers don't even know there are any tape lengths except T-120. "T-160 is a step in the right direction." As for 8mm vs. VHS-C, he cited EIA figures showing sales of VHS-C cassettes in year's first 8 months at 2.6 million units, 8mm at 1.4 million -- but 8mm up 50% from last year, VHS-C up only 10%. Beta has dropped around 30% in 1989, he added. As for S-VHS, "there's no market" because of lack of hardware in place.

In contrast, audio tape is riding wave, thanks to CD player, which Stoltenberg called "fastest growing consumer product in history." He cited projected shipments of 348.8 million audiocassettes this year, up from 333.2 in 1988 and 310 million in 1987, with high bias, metal and C-100 tapes showing increases.

Outlook for digital audio tape (DAT) is iffy in Stoltenberg's view. "The outcome of the agreement [between hardware and software groups] is still up in the air pending congressional action," he said, noting opposition by some software groups. He said there were "many questions" as to when prices would come down to level of \$499 recorder. "Will manufacturers who import them be punished? The future remains anything but clear. Time may be running out. Every delay brings the recordable CD closer." He predicted that "the lowest-priced DAT will always be more expensive than the lowest-priced CD [and] the lowest-priced analog recorder. Its audio quality will be no better than the CD."

Robert Loranger, pres. of Loran Cassettes, was more bullish in his outlook for DAT. His projections of prerecorded DAT software sales, assuming U.S. launch next year: 400,000 units in 1990, 2.9 million in 1991 (up 625%), 11.3 million in 1992 (up 289%), 26.5 million in 1993 (up 134%), 51.1 million in 1994 (up 92.8%), 74.9 million in 1995 (up 46.6%). In response to question from floor, he said estimates of DAT expansion were based on same rate of growth as CD software since its 1983 U.S. launch, but figures were "pared down" 50%.

While he sidestepped our questions about his use of 50% factor, he told us later his projections represented more than his company's "vested interest." DAT enjoys price advantage over CD at its launch 6 years ago, when average title sold for \$21.50 (about \$29 in 1988 dollars), he said, and with proper economies of scale, first DAT titles could sell for average \$19.70 and drop to \$16.32 within 3 years. Projections assume use of real-time duplication first 18 months, high-speed once market begins rolling.

Disctronics Exec.Vp Cal Roberts predicted overcapacity of CD production next year -- but oversupply "won't be as great as some would believe," noting statistical projections mirror ambitious plans of some factories to raise production before year-end. Roberts also held out possibility of "crunch" period this quarter, based on observation that 60% of all prerecorded software sales are made in 12 weeks before end of year. He predicted CD ownership in U.S. would climb to 8.1 million units in 1990, up 145% from 3.3 million in 1987.

Allied Film & Video Pres. William Smith gave snapshot of prerecorded cassette industry from poll of duplicators, blank tape and cassette shell suppliers. Median responses projected 18% increase this year in prerecorded tape manufacturing -- including business and industrial programs -- to 227 million from 192 million in 1988, with additional 28% jump next year to 291 million. Most optimistic figures were 415 million for 1989, 600 million (more than double median) for 1990. Other estimates by survey respondents: (1) Share of high-speed duplication, range of 3-25% (8.5% median). (2) Duplication at LP or EP mode, 4-25% (15%). (3) Percentage of tapes loaded by duplicators, 60-95% (85%). (4) 8mm increase to 2 million in 1990 from one million this year. (5) Beta decline from 11 million tapes (5.7% of total) in 1988 to 8 million (3.5%) this year, with further drop to 4 million (1.4%) in 1990.

Trylon Video Pres. Nicholas Santrizos cited Nielsen figures showing effect of recorded videocassette sellthrough. Rental volume was down in 1989 first half despite increase in both VCR and tape-renting households, with average monthly household rentals dropping to 2.4 from year-earlier 2.9. "Fewer new and different rental tapes were available," Santrizos suggested. Nielsen data, he said, show 53% of VCR households bought prerecorded tape in 1988, with average 3.5 cassettes that year; in contrast, 87% of VCR population rented cassette, averaging 33.5 tapes.

**SANSUI TO PRODUCE VCRs IN JAPAN, TAIWAN:** Under new parent Polly Peck International (PPI), Sansui will produce VCRs in Japan, Taiwan and perhaps other countries, said Norbert Wirsching, dir. of PPI's Electronics Div. and chmn.-pres. of subsidiary Capetronic Group, who is understood to be architect of Sansui purchase. Referring to reports of dollar volume expenditures and plans, Wirsching told us, "we will use whatever funds are needed" to enter major VCR manufacture. "We have not said how much we will spend on any specific projects. That is all speculation."

PPI bought 51% of Sansui for \$110 million in new common stock (TVD Oct 30 p15 et seq). Although PPI and its Capetronic Group have extensive electronics holdings, VCR manufacturing will be by Sansui, which has VHS license from JVC and "will produce and market VCRs on a worldwide basis," Wirsching said, adding that Sansui's VHS license remains in force after sale. "We have agreements in numerous countries where we can manufacture, and we are now exploring strategic locations" in addition to Japan and Taiwan, he said.

PPI, which is listed on London Stock Exchange, with ADRs traded OTC in U.S., in Sept was divided into Food, Electronics and Leisure groups. Company makes VCRs for Turkish domestic market, also manufactures TVs and microwave ovens there (latter in venture owned 25% by Goldstar). It has TV plant in Italy, where it makes Imperial sets for European market. Capetronic, strictly OEM manufacturer, has plants in Far East. PPI's Electronics Group, including Capetronic, has "work force of over 8,600 employees, including those at Sansui, in 19 factories in 8 countries," Wirsching said,

In U.S., Capetronic bought assets of Monitronix Corp., Westerville, O., supplier of high-resolution color monitors, earlier this year (TVD July 3 p13), now is expanding business with 100,000-sq.-ft. factory in Cal., Wirsching said, stressing that computer monitor operation will continue to be strictly private-label OEM business in division separate from company's consumer electronics business.

Wirsching reiterated that PPI bought control of Sansui because it needed worldwide brand name: "We will become a major [brand name] player in consumer electronics. We will continue to work in the Japanese arena -- we will stay and expand our activities there" as well as worldwide. "We intend to make Sansui a reasonable full-line producer -- we'll broaden the line, but we are not going into promotional categories." As for amount to be spent on project, "our intention is to put Sansui back in the black at the earliest possible time, whatever it takes to do that," he said

As for Sansui's personnel, Wirsching said: "We are maintaining all directors of Sansui, but we have added more and we [PPI] have a majority on the board." All officials will be retained -- "we have no plans to make drastic changes. It's more a question of realignment -- we definitely will have to add people." First to be added was Tatsuya Inamiya, new exec. vp-COO, who had career at Toshiba, last serving as mgr. of TV, Audio & VCR Div.

PPI will realign and consolidate Sansui offices and operations in Japan, but has made no announcements of specific plans, despite reports in Japanese press, Wirsching said. "Sansui is now operating out of various offices and locations. We are evaluating how to put related activities under one roof, to increase efficiency." PPI's Electronics Group will continue to supply OEM market, and potentially could increase its activities there. "We will be pleased to sell VCRs on an OEM basis," Wirsching said in answer to our question. "We will also buy OEM products from others" for sale under Sansui brand, he said, citing camcorders as major possibility.

**LIGHTWEIGHT CAMCORDER BATTLE:** Ultra-lightweight camcorder market is heating up in Japan, with Sony boosting production of its lightest model there because of growing demand and Matsushita planning introduction of "lightest and smallest" S-VHS-C camcorder in mid-Jan.

Shipments of Sony's smallest 8mm camcorder (TR-5 in U.S., TR-55 in Japan) have exceeded 200,000 units, including exports, in 5 months since debut in June, it said. To meet demand for 2.2-lb. unit, Sony will expand monthly production at Japanese factory to 100,000 from 60,000, through Dec. 1990. Sony said survey of TR-55 users showed 90.9% said they bought product mainly because of small size.

Matsushita will introduce NV-MV1 S-VHS-C camcorder in Japan at about \$1,100. It also weighs 2.2 lb., is 30% smaller than comparable Matsushita model unveiled in Sept., features stereo hi-fi recording. First shipment will total about 10,000. Matsushita had planned to deliver lightweight camcorder in Dec., but delayed move because its low-priced VHS-C camcorder is selling well.

At least one other supplier, Hitachi, is planning to introduce lightweight camcorder in first quarter of 1990. Japanese reports said Hitachi product will be VHS-C unit weighing less than 2.2 lb.

Public auction will be held Nov. 28 of Edison, N.J., hq of Crazy Eddie, consumer electronics retailer that went bankrupt following years of turmoil. Sale of buildings and other assets is expected to bring less than \$1 million.

**Emerson insider trading class action suit --** charging company misrepresented soft market in VCRs in 1986 and 1987 to give executives and their families time to sell stock at a profit -- came into public eye last week when Brooklyn, N.Y., U.S. Dist. Court Judge Jack Weinstein ordered company's prominent outside directors, Walter Mondale and Lyle Gramley, to determine whether it's conflict of interest for Emerson to be defended by attorney Jay Haft, also a director. Gramley is a former Federal Reserve governor. Long article in N.Y. Times Nov. 23 said suit, filed by 4 investors in Dec. 1987, accuses Emerson and 7 executives "of conspiring in late 1986 and early 1987 to mislead the public about Emerson's prospects while they sold more than 775,000 shares of the company's stock." Emerson and officials have denied allegations. Article quoted sales data filed with court as showing drop in VCR orders as early as Sept. 1986, but in Jan. Emerson officials still were painting "rosy picture." Senior executives, article said, sold their stock at or near peak, just before price started decline. Pres.-CEO Stephen Lane was quoted as calling charges "total nonsense."

**Atari signed preliminary agreement to sell 26 of its Federated Group electronics superstores in Cal. to Silo.** Deal is expected to be completed by year-end. Terms weren't disclosed.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 143 yen = \$1, except where noted.

**HDTV CONSPIRACY HINTED:** Two reports made public last week urged major govt. aid to domestic electronics industry. One, by Economic Policy Institute (EPI), broadly hinted at plot by Bush Administration to turn HDTV over to Japanese by cutting R&D funding and negotiating to buy Pentagon's HDTV displays from Japan.

EPI, which calls itself independent Washington think tank funded by business and labor, released study saying that failure to develop strong HDTV policy could lead to \$225 billion annual electronics trade deficit by 2010, costing 2 million jobs annually. It urged establishment of Dept. of Communications to coordinate U.S. telecommunications policy, financed by govt.-industry Network Trust Fund.

EPI memo accompanying study echoed recent charges that Administration has sold out electronics industry to Japanese (TVD Nov 20 p10). It cited classified preliminary budget decision by Office of Management & Budget (OMB) identifying HDTV projects to be cut from 1991 budget and classified Pentagon memo directing Defense Advanced Research Projects Agency (DARPA) to withhold all current fiscal year funding for HDTV technology, including projects already announced.

Decisions to cut HDTV development funds "appear to have been reached after consultations with former Reagan Administration Cabinet-level officials who are now paid lobbyists for Japanese corporations," study author Robert Cohen said in memo that didn't identify them. "Negotiations will soon be complete on a Dept. of Defense agreement with several major Japanese corporations to procure all advanced flat-panel imaging technology, including HDTV, from Japanese sources," memo said, adding that without Pentagon support, "the future of the U.S. electronics industry would be grim." Memo raised possibility that plan might "enable the Japanese firms in high-definition technology to purchase at rather low cost the significant technologies developed by U.S. corporations."

Study and memo were presented at Capitol Hill news conference attended by senators and congressmen favoring govt. HDTV aid as well as American Electronics Assn. (AEA) Pres. Richard Iverson and CWA Pres. Morton Bahr. Rep. Markey (D-Mass.) said Administration actions on HDTV read like first chapter of future best-seller titled "Who Lost America."

Earlier report that Administration will cut or abolish funding for Sematech R&D consortium was denied last week by Presidential Science Adviser Allan Bromley. He acknowledged there's controversy within Administration on HDTV funding, but said Sematech "should receive continued funding -- I've heard of nothing to the contrary."

Long-awaited report of govt.-appointed National Advisory Committee on Semiconductors (NACS) to Bush was released last week. As we reported, principal recommendation is establishment of "for-profit Consumer Electronics Capital Corp. (CECC) to resurrect the U.S. consumer electronics industry infrastructure by providing a multibillion-dollar pool of very patient, low-cost capital," among other measures to strengthen domestic consumer electronics and semiconductor industries (TVD Nov 6 p9). Report doesn't mention HDTV.

Sale of Discovision Assoc. (DVA) to Pioneer for \$200 million (TVD Oct 13 p16) was completed last week, sellers IBM and MCA announced. DVA's principal business is licensing approximately 1,100 optical disc patents and patent applications.

**SONY DOUBLES PROFIT:** Sony consolidated net earnings soared 97.6% in fiscal 2nd quarter ended Sept. 30, on 24.2% higher sales (see Financial Table). In first half, net rose 68.1%, on 23.8% higher sales. Results came despite "unsettled" economic environment in Japan, including sluggish consumer demand, drop in yen's value and severe trade friction, company said.

Sony said sales of 8mm VCRs were particularly strong in half, especially those of ultralight 8mm camcorder introduced in June. Color TV, audio equipment, computer displays and 3.5" micro floppy disc drives also had "favorable sales increases." Sony's record business, acquired from CBS, and video software operation also contributed to sales growth.

Operating income rose 26.3% to \$390 million in 2nd quarter. First-half U.S. sales increased 26.5% to 2.56 billion, Japan sales 16% to \$2.81 billion, Europe sales 30.3% to \$2.1 billion, other areas 26.7% to \$1.4 billion. Sales by product group: Video equipment up 23.3% to \$2.36 billion, audio equipment up 25.8% to \$2.32 billion, TVs up 24.4% to \$1.39 billion, other products up 26.1% to \$1.38 billion, records up 18.8% to \$1.39 billion.

TDK consolidated net rose 8.4% in fiscal 6 months ended Sept. 30 on 10.2% higher sales. Parent-only earnings gained 22.8% to \$78.6 million, on 5.7% higher sales of \$1.32 billion. Comparisons with year-earlier figures are only estimates because TDK changed its fiscal year in 1988. Sales by product: Recording media, up 0.5% to \$527.8 million, electronic parts 7.3% to \$323.9 million, others 87.5% to \$121.7 million.

Sony's DAT plans preclude any introduction of Dolby S noise reduction system, spokeswoman said last week, and doesn't plan Dolby S recorders because it "has instead decided to concentrate its efforts on developing a new generation of digital recording products." Dolby Labs and Sony "have enjoyed a close relationship" for years, spokeswoman said, noting that they are cooperating to develop Dolby S chips. "Given that today's consumer is already favorably predisposed toward advancements in digital music reproduction, Sony believes that DAT holds considerable promise as an important new product category for the future," statement said. "In addition, unlike the proposed Dolby S hardware, DAT should impact not only home high fidelity, but a complete new range of car and portable audio products as well." Spokeswoman gave no indication of Sony's immediate DAT marketing intentions.

**Coincidence?** (1) Last Sept., Japan's NHK, developer of Hi-Vision system, reached agreement to transfer its advanced HDTV receiver technology to Texas Instruments for undisclosed fee. At that time, TI said it planned to develop HDTV chips based on Japanese technology for sale to Japan and adapt technology for U.S. and European ATV markets (TVD Sept 18 p13). (2) In major surprise, Japanese govt. Oct. 30 quietly issued Texas Instruments basic patent covering virtually all integrated circuits made in Japan until 2001; TI's basic U.S. patent, issued in 1964, expired in 1981. TI applied for Japanese patent in 1961. One analyst said patent could mean more than \$2 billion in royalties to TI over its 12-year life.

**Matsushita plans HDTV research lab in U.S.** by early 1990, news release in Japan said. Company will announce concrete plans, including lab's site and scope, by end of year. Matsushita is said to be preparing for cooperative development of HDTV with U.S. manufacturers.

**ATARI'S GAME STRATEGY:** Atari is pinning much hope of regaining videogame market share from leader Nintendo on new portable color videogame system formally launched in N.Y. last week. Handheld videogame, called Lynx, was first shown at Consumer Electronics Show in June (TVD June 12 p11), intended for Sept. delivery, but was delayed because of inavailability of LCDs from Japan, Atari said. While officials hinted that 16-bit home videogame system may be on way from Atari, they said company is focusing efforts on new portable game.

Sales through end of 1989 will be limited to N.Y. area, which will serve as test market for product, Atari Entertainment Div. Pres. Ronald Stringari said. Nationwide availability is expected by next summer, depending on availability of LCDs. Atari had estimated sales of 100,000 units in 1989, but now forecasts only 40,000 by year's end because of product shortage. Hardware sales in 1990 are forecast at one million and software at 4-5 million, Stringari said. Software titles for game will be boosted to about 20 in 1990 from current 5, he said.

N.Y. rollout will be supported by \$1 million print and TV ad campaign. Product will be sold mainly through toy and electronics stores. Lynx, which has color graphics in 3.5" display, will compete with other portable videogame available, Nintendo's Gameboy, which has b&w display. Atari officials predicted consumers will be willing to pay higher price for Lynx (\$180 vs. \$90 for Gameboy) to get improved graphics in color. "A black-and-white videogame is like trying to get consumers enthusiastic over AM radio," Stringari said. Main target market for portable game is children, but secondary market is adults exposed to videogames in first boom period in early 1980s, when Atari dominated market. Software cards are priced \$35-\$40.

Atari plans videogame-related announcements at Winter CES in Las Vegas in Jan., possibly new hardware introduction, Stringari said, but he wouldn't elaborate. Atari expects demand for more advanced 16-bit systems to begin in 1991-1992 time frame. Competitors Sega and NEC unveiled 16-bit systems at last Summer CES, and Nintendo has said it isn't planning 16-bit product. Atari will introduce accessories for Lynx, including power pack that allows for longer playing time.

Atari faces enormous task of overcoming Nintendo "monopoly" in videogame business, despite fact that Atari brand is well known to consumers because of earlier market domination. "Everybody knows the name Atari, but they say 'what's Atari done lately,'" Stringari said. "We have to change their mindset."

In computer area, Atari said it has sold 100,000 of new one-pound "palmtop" personal computers introduced in July, and expects sales to approach one million in 1990. Product, called Portfolio, has full keyboard, expandable memory, MS-DOS-compatible text editing capability, at \$400. Atari by year-end will begin shipping new laptop computer with one megabyte on-board memory, 3.5" floppy disc drive, monochrome LCD display, at \$1,495.

Philips brand CDs, laserdisc players and CD boombboxes as well as optical discs will be produced in China beginning in Dec., according to China Newsletter Electronics, which said joint venture contract with Shenzhen enterprise provides that at least 85% of output will be exported. Venture, Shenzhen Laser Optical Systems, plans to produce 5 million CDs and 1.5 million laserdiscs annually. Plant has Philips equipment and Philips-trained technicians.

**CD RECORDER AT CES:** Taiyo Yuden (TY), owner of U.S. tape marketer That's America, will demonstrate its write-once recordable Compact Disc (CD-R) technology at Winter Consumer Electronics Show, but will take great pains to stress it isn't consumer product and will avoid even appearance of violating copyrights by engaging its own composer in residence to originate music it records.

That's America booth at Las Vegas Mirage Hotel will host demonstration without participation by Sony, TY's 50-50 partner in START, venture that will use system to duplicate short runs of CDs (TVD June 19 p13). TY will demonstrate CD-R as example of its R&D muscle in bid to raise credibility as technology giant in blank recording media, chiefly as peg to bolster sales of That's brand blank audio tape.

That's America Pres. Akio (Alex) Iida, mindful of political volatility of CD-R from copyright standpoint, emphasized that demonstration in no way represents planned product introduction. To lend impact to system without fanning copyright fire, Iida said, music to be recorded onto write-once discs in 4-a-day showings will be played live on synthesizer by musician who will compose selections especially for occasion. Intent is to avoid use of copyrighted Compact Discs or sheet music in face of opposition by music publishers, songwriters and other trade groups to recent agreement on digital audio tape (DAT). Moreover, Iida said, he will inform Recording Industry Assn. of America (RIAA) executives of intention to demonstrate technology, but not introduce it.

Iida's solo demonstration without START partner Sony comes at time when Sony's future intentions in recordable disc technology are unclear. Following June news conference in Japan to announce START venture (when it was revealed that Sony would make write-once recorder and TY discs), Sony's next initiative in recordable disc technology came last month when it made surprise showing at Japan Audio Fair of CD-MO (for magneto-optical) recorder that isn't compatible with TY write-once optical recording system (TVD Oct 9 p12). Indeed, discs made on CD-MO unit can't be played on conventional CD player, although Sony's combination recorder will play prerecorded software normally.

Lacking Sony as hardware collaborator at Mirage Hotel, Iida said demonstration discs will be made on modified Kenwood home CD deck. Completing elaborate hardware setup will be rack of professional audio components including digital encoder marketed by Kenwood's Test & Measurement Instruments Div. to professional community.

**To thwart takeovers,** Emerson board has adopted shareholder rights plan in which each holder on Nov. 28 has right to buy, at \$33, one common share of Emerson for each share held. Plan "is intended to protect the interests of shareholders in the event the company is confronted with coercive or unfair takeover tactics," Pres. Stephen Lane said.

**Toshiba will build** assembly plant for mass production of application-specific integrated circuits at undetermined U.S. site. Company expects to begin construction next year on West Coast, at cost of \$280 million. Plant would be Toshiba's first overseas integrated semiconductor unit.

**Texas Instruments** will take pretax charge of \$55 million in 4th quarter and lay off as many as 1,500 of its 75,000 employees because of sluggish chip market. TI said it has been hurt particularly by declining prices of dynamic random access memory (DRAM) products.

**JAPAN DOWN AS TV SOURCE:** Japan fell another notch, to 8th largest supplier of total TV sets to U.S. in Aug., despite rise in shipments, Commerce Dept. import statistics showed. Mexico again dominated color TV imports and Korea led in b&w TV.

In total TV, top suppliers were Mexico, Taiwan, Korea, Malaysia, China, Singapore, Hong Kong, Japan and Canada, in that order. Following Mexico, leading sources of color TVs were Taiwan, Korea, Malaysia. China continued to increase its color and b&w TV shipments significantly.

Through first 8 months of 1989, Mexico easily was top supplier of color TVs, followed by Taiwan, Korea, Malaysia, Singapore. Korea shipped most b&w sets. Following are VCR and TV import totals by country for Aug. and first 8 months of 1989:

	Aug.	% Chg.	8 Months	% Chg.
<b>VCR Decks</b>				
Japan....	646,600	-12.7	5,124,700	- 4.6
Korea....	213,600	- 5.9	1,595,300	+20.7
Taiwan...	77,700	- 3.7	461,500	+ 5.0
Thailand.	62,900	*	297,800	*
Singapore	10,200	*	29,100	*
Malaysia.	5,700	*	19,100	*
<b>TV Sets</b>				
<b>Mexico</b>				
color...	359,400	+26.0	2,557,700	+52.7
<b>Korea</b>				
total...	209,100	-33.6	1,805,300	-32.6
color...	103,100	-24.1	865,200	-23.4
b&w....	106,000	-40.8	940,100	-39.4
<b>Taiwan</b>				
total...	224,400	+ 6.1	1,493,300	- 1.7
color...	174,300	+ 2.3	1,101,200	-18.0
b&w....	50,100	+21.8	392,100	+123.0
<b>Malaysia</b>				
color...	96,300	+36.8	633,200	+23.2
<b>Singapore</b>				
total...	59,600	+36.2	414,100	+ 2.7
color...	57,700	+32.7	412,100	+ 3.3
b&w....	2,000	+524.9	2,000	-49.3
<b>China</b>				
total...	85,200	*	494,600	*
color...	44,600	*	242,600	*
b&w....	40,600	*	251,900	*
<b>Japan</b>				
total...	20,800	+14.7	352,000	+ 3.6
color...	15,100	- 9.7	288,600	+112.4
b&w....	5,800	+282.1	63,400	-40.9
<b>Hong Kong</b>				
total...	25,600	-10.4	216,900	+18.7
color...	4,700	-17.5	72,600	+ 7.1
b&w....	20,900	- 8.7	144,300	+25.6
<b>Canada</b>				
total...	9,100	-32.0	78,400	+72.6

\* No significant shipments in 1988.

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

Kyocera 8mm camcorder, now available in Japan, has 1/2", 410,000-pixel CCD, 8:1 power zoom, variable-speed shutter up to 1/10,000, at \$1,240. Kyocera plans monthly production of 1,000.

**COLOR TV WINS POLL:** Color TV set was cited as most enjoyable home entertainment product by consumers last week in Wall St. Journal survey on home entertainment. VCR placed 2nd with half as many votes, and AM/FM stereo was 3rd, said Journal, which didn't give actual votes or percentages.

Among other results: 29% of U.S. households own large-screen TV (larger than 21") and 54% are satisfied with product. Poll indicates "many other families have large-screen TVs high on their wish lists." Survey showed 38% of consumers said they would buy HDTV set for \$1,000, even though most have only heard about HDTV and haven't seen it. Journal said home computers and Compact Disc (CD) players "scored dimly" in survey of all consumers, but CD players rated higher among those who own player.

Survey indicated consumers would "continue to invest heavily in video entertainment, including large-screen TVs, but not so aggressively in the audio area, including Compact Disc players." About 36% of consumers rated home video rental as among best entertainment values, 2nd to dinner at restaurant, but 25% said they wouldn't buy prerecorded movie cassette at any price.

New still-video phone developed by Mitsubishi allows simultaneous transmission of video and voice by using portion of videophone frequency zone for color or b&w pictures. Other videophones on market require interruption of conversations for video transmission, company said. Product, expected to be available commercially within 2 years, uses new modulation technique developed by Mitsubishi to shorten transmission time of still-video images. B&w pictures take 3 seconds, color 74 seconds. Mitsubishi said it may propose format to other manufacturers as standard for videophones.

Accessories for Nintendo home videogame were introduced by Hudson Soft USA and Safe Care Products. Hudson Soft, Nintendo software licensee, unveiled attachment for game that allows player to hear sound effects through stereo earphones. Product, Joycard Sansui, was designed with help from Sansui and has been available in Japan for year. Safe Care Products introduced another device that locks Nintendo videogame by blocking chamber where game cartridges are inserted. It's similar to locking device developed earlier by Safe Care, but includes resettable barrel combination lock.

Next LCD projection TV due on market is 210,000-pixel system from Matsushita that will be introduced in June 1990, Japan's Nikkei Sangyo newspaper said. Projector will cost about \$4,860 in Japan. Matsushita spokesman wouldn't comment on details or delivery plans. LCD projectors are being marketed by JVC, Seiko-Epson, Sharp. Marketing of Seiko product is being transferred from Eastman Kodak to Epson America, affiliate of Seiko-Epson (TVD Nov 20 p13). Epson, which co-developed JVC projector (TVD Oct 23 p15), has no plans to market product under own name in U.S., spokesman said.

First 70" projection TV, new Mitsubishi rear projection model, will be shipped to dealers in Dec. with suggested list of \$6,399. Set is substitute for model shown last spring but postponed because of "unresolved patent issues with other manufacturers," understood to include Philips, on projection tube design (TVD Oct 30 p12). Price of new 70" is same as Mitsubishi announced for postponed model (TVD June 19 p16).

## Consumer Electronics Personals

**Alfred Markim**, VidAmerica Group chmn.-CEO, elected International Tape/Disc Assn. (ITA) chmn. at annual meeting in N.Y., succeeding **Philip Stack**, Sony Direct Markets Co. pres.; Stack continues on ITA board; **Maria Curry**, AGFA, named ITA pres. Other ITA officers: Du Pont's **Patrick Leonard**, Fuji's **Stanton Bauer**, MGM/UA Home Video's **Bud O'Shea** and Panasonic's **Steven Yuhas** elected vps. Reelected: **Andrew Bourne**, Rank Video Services, European vp; **Larry Finley**, Larry Finley Assoc., treas.; **Henry Brief** exec. vp. New members of ITA board: **Douglas Booth**, TDK; **Thomas DeMaeyer**, VCA Teletronics; **Harry Elias**, JVC; **Michael Gross**, Dynsan; **S. W. Park**, Sunkyong; **Nicholas Santrizos**, Trylon Video; **William Wells**, Hoechst Celanese.

**Donald Dunkle**, former Acer America, joins Chaparral Communications as customer service dir... **Takeo Fuji**, ex-Europe corporate representative, named Toshiba Europe gen. mgr., with hq in London... **Michael Olivier**, founder-former owner of Forum Home Video, becomes pres.-CEO of PICS Previews Entertainment Div., Stamford, Conn.-based in-store system that lets customer sample 30 sec. of music or video by touching album or video box on display panel... **Devendra (Dave) Mishra** promoted to Live Entertainment pres.-COO, replacing Chief Financial Officer **Roger Smith**, who had been acting pres. since death of Chmn. **Jose Menendez** and who has been named exec. vp and pres. of new Live Enterprises; **Alan Hirschfield**, former CEO of 20th Century-Fox and Columbia Pictures, and **Cy Leslie**, Leslie Group chmn. and ex-MGM/UA Home Entertainment Group chmn., appointed to board... **Heidi Diamond**, Erol's mktg. dir., departs Dec. 1 to pursue other interests.

**Changes at Video Store Magazine:** **Charles Orton** advanced to ancillary markets dir., **Kathy Wakeman** promoted to managing editor, freelance writer **Jack Sweet** joins as assoc. editor, **Bart Story** advanced to market research dir., **Leanne Burwick** named sales assoc.

Alternative to phone answering machine is being offered by some local phone companies. New service, Answer Call, allows caller to leave message stored in phone company equipment, to be retrieved only by use of special access number. Messages can be left if caller gets no answer or busy signal. Service costs about \$5 per month, or a little more per year than least expensive answering machines.

**First in series of Magnetic and Optical Media Symposiums** sponsored by International Tape/Disc Assn. (ITA) will be held Dec. 4-6 in La Costa, Cal. Symposium will feature sessions on future trends in digital audio tape (DAT) technology, recordable Compact Discs, other subjects. Registration is \$995 (\$795 for ITA members). Details: 800-248-5474.

**Pioneer** has bowed to the inevitable and decided to release "LaserDisc" trademark to public domain, making "laserdisc" name available to all companies with optical videodisc. Name has been widely used generically in recent years. Stylized "LD" logo used on its players will continue to be exclusive property of Pioneer.

**Japan's Clarion** has begun assembly of portable cellular telephones in Ky. plant. Clarion plans to produce 12,000 first year, 24,000 2nd and increase U.S. content to 80% after 2-3 years.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
<b>Ackerley Communications</b> 1989-9 mo. to Sept. 30	106,386,000	(4,365,000)	-
1988-9 mo. to Sept. 30	97,224,000	(2,399,000)	--
1989-qtr. to Sept. 30	32,743,000	(2,033,000)	--
1988-qtr. to Sept. 30	30,511,000	(1,195,000)	--
<b>King World Productions</b> 1989-year to Aug. 31	396,448,000	76,117,000	3.02 <sup>a</sup>
1988-year to Aug. 31	279,803,000	60,730,000	2.28
1989-qtr. to Aug. 31	92,974,000	16,718,000	.66
1988-qtr. to Aug. 31	64,991,000	13,049,000	.51
<b>Sony<sup>b</sup></b> 1989-6 mo. to Sept. 30	8,838,400,000	353,000,000	1.09 <sup>c</sup>
1988-6 mo. to Sept. 30	7,138,600,000	209,900,000	.71 <sup>c</sup>
1989-qtr. to Sept. 30	4,724,600,000	186,000,000	.55 <sup>c</sup>
1988-qtr. to Sept. 30	3,803,600,000	94,100,000	.31 <sup>c</sup>
<b>TDK<sup>d</sup></b> 1989-6 mo. to Sept. 30	1,596,700,000	80,600,000	--

Notes: <sup>a</sup>Includes special credit. <sup>b</sup>At rate of \$1=139 yen.

<sup>c</sup>Per ADR. <sup>d</sup>At yen's current rate; comparative results unavailable.

**Surround sound broadcasts** using Shure HTS Stereosurround process now include repeats of NBC's Saturday Night Live, whose sound has been remixed for process. Among upcoming Stereosurround broadcasts are 1990 Super Bowl (CBS), Grammy Awards (CBS) and Milwaukee Great Circus Parade (PBS), Shure said. Stereosurround broadcasts may be decoded by any Dolby Pro Logic surround system. Shure will demonstrate Stereosurround at home theater exhibits in Mirage Hotel, Las Vegas, during Winter Consumer Electronics Show.

**Sanyo** received order for 100,000 VHS VCR decks from E. Germany in deal valued at \$34.7 million, making it largest trade of completed products between 2 nations. Sanyo will deliver 50,000 VCRs by year-end, remaining 50,000 by March 1990. Order was placed by Forum Public Cooperation, organization responsible for purchasing foreign-made products. Sanyo was selected as supplier partly because it has sold video products to W. Germany.

**Consumer Electronics Show** has added about 20,000 additional sq. ft. in Riviera Hotel for Jan. 6-9 winter show in Las Vegas to accommodate potential exhibitors now wait-listed. Displays will encompass all product categories and most exhibitors will be newcomers to CES without priority based on past exhibition. Addition of Riviera brings total exhibit space to about 770,000 sq. ft.

**Video equipment sales** plunged in 2nd week of Nov., following record-breaking first week (see State of the Industry). Sales to dealers fell in every product category, EIA reported. Despite decreases, sales were up through first 2 weeks of Nov. for every product except projection TV: Direct-view color sets up 19.6%, home VCR up 21.2%, camcorders up 47%, projection down 6.7%.

**Pioneer** has produced demonstration LaserDisc for retailers. Disc has 25-min. presentation on audio and video capabilities of Pioneer LaserDisc hardware and software, includes clips from Empire of the Sun, Who Framed Roger Rabbit, rock concerts. Pioneer said it has pressed 6,000 copies of disc, called Laser Optics II.