

# TELEVISION DIGEST®

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With Consumer Electronics

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**PLESSER TO HEAD COMMUNICATIONS TRANSITION:** Attorney Ronald Plessner, partner in Washington office of Baltimore-based law firm Piper & Marbury, will head Clinton transition efforts on communications issues, according to informed sources. Report of Plessner's appointment drew fire from public interest groups that have opposed him on information access, privacy and other fronts.

Plessner has been active representing Information Industry Assn. (IIA) and Direct Marketing Assn. (DMA) on variety of issues ranging from access to govt. data bases to Caller ID and related privacy matters. As legislative counsel for IIA, Plessner in last session of Congress pressed for Federal Maritime Commission to revise rules on prices it wanted to charge private users for data on agency's computers. He also was principal author of IIA analysis of policies that state and local govts. should follow in allowing access to their databases. He has testified in state proceedings on information policy.

For DMA, Plessner was active in discussion of Caller ID issues on legislation that eventually died in last session of Congress. Long active on privacy-related matters, he was to attend conference this week in Paris sponsored by Organization for Economic Cooperation and Development (OECD) on new technologies of privacy. That trip probably will be canceled.

### Consumer Electronics

**56% OF CONSUMERS PREFER** widescreen to conventional sets, European survey finds, and 54% say they want one. They're willing to pay average 28% premium. (P. 11)

**CAMCORDER EXPORTS FROM JAPAN** to U.S. below level of sales here in Oct. Shipments down 1,152,000 in 13 months. Average prices continue at all-time low. (P. 12)

**FIRST SONY MINIDISC** recorders and players go on sale in U.S. Govt. issues interim rules on Audio Recording Act requirements. MD and DCC to star at CES. (P. 13)

**FTC CLOSES NINTENDO PROBE** on alleged antitrust violations, latest chapter in 3-year series of investigations by state and federal bodies. (P. 14)

**NOV. RETAIL SALES AHEAD** for 3 chains, with Circuit City comparable stores up 10%, A/VA up 2.4%, Best Buy up 36%. Is Best Buy going to Detroit? (P. 15)

**SHARP TO MAKE WIDESCREEN** sets in U.S. plant with 30W" tube starting in Sept. at 10,000 annual rate. (P. 15)

**'SUPERFLAT' NAME DROPPED** by Panasonic in favor of 'Gao' (which means 'king of pictures') in deference to Ad Review Board ruling. (P. 15)

**CHINESE SHADOW MASKS** for color tubes to be made by new \$21-million Toshiba joint venture. Some to be shipped here. (P. 16)

Plessner will head one of 2 groups in science and technology transition section led by ex-astronaut Sally Ride. Other group in Ride's section will evaluate hard science agencies such as NASA and National Science Foundation. Those transition groups were established to assess policies and agencies, not to make appointment recommendations. Personnel matters for permanent jobs are to be handled by ex-S.C. Gov. Richard Riley.

Clinton confidants praised Plessner's designation. "He's the right guy," we were told. "He'll take a snapshot of the agency," covering budget needs, personnel, similar matters. Transition team "will look to Ron for insights. He's the guy." Referring to much speculation in press about what Clinton has in mind and who his appointees might be, source said: "I wonder what on earth motivates some of this stuff... most of which is wildly inaccurate."

Most criticism of Plessner centers on his advocacy on behalf of DMA and IIA, particularly for advocating private sector control of databases constructed by public agencies. Taxpayer Assets Project Dir. James Love said Plessner "himself is the architect of the basic privatization policies that came about in the Reagan Administration." Plessner, he said, is "most ferocious opponent of librarians, citizen groups and the research community, who want to broaden public access to government, taxpayer-supported information systems. He's the devil himself when it comes to government information policy."

Similarly, Marc Rotenberg, dir. of Washington office of Computer Professionals for Social Responsibility (CPSR), said that "while there is personal regard for Ron Plessner, there is not happiness about this decision." He said that Plessner's clients have great deal at stake at FCC, including decisions on 800 number portability and automatic number identification (ANI) that affect direct marketers, as well as on video dial tone and access to networks. Plessner represents "a far end of the spectrum in the policy debates," Rotenberg said. He said CPSR's main concerns are in areas of privacy protection, public access to govt. information, communications infrastructure. In each of those areas, "Ron has been, from our viewpoint, on the opposite side of the issue."

Rotenberg said that if transition effort is merely to be brief fact-finding exercise, Clinton team could have sought out "someone with less bias," perhaps in academic community. Jeff Chester, co-dir. of Center for Media Education, said his group is "very concerned" about Plessner because "of the special interest lobbying baggage he carries with him." Chester said his group believes that appointment "places an extra burden, a double duty on the Clinton Administration, to find people for the FCC and other telecommunications policy positions who don't come with any kind of lobbying baggage and reflect the kind of public interest concerns the Commission definitely needs."

Transition team still is having difficulty deciding how to apply its proposed tough ethics requirements for Presidential appointees. There's still been no decision as "to how deep the 5-year restriction will be applied," we're told. That means, according to sources, restrictions -- when they finally come out -- may not go below Cabinet level. As for FCC appointees, and top staffers (such as bureau chiefs) brought in, it hasn't been decided whether attempt will be made to extend period they couldn't practice or lobby agency to 5 years from one year. Proposal has been roundly criticized by Democrats who are known to be, or expect to be, in line for top jobs in Clinton Administration.

Meanwhile, widely published reports say that Clinton plans to make his first Cabinet and economic appointments this week, and transition team is acknowledging that potential appointees are asking how their future livelihood would be restricted. N.Y. Times quoted transition officials as saying that rules are turning out to be far more complicated than expected. And, we're told, draft of proposed restrictions still hasn't been made available within transition team.

**CABLE BUOYANT AT WESTERN SHOW, URGED TO LOOK AHEAD:** Nobody seemed sure why cable industry mood seemed so buoyant at Western Cable Show that ended in Anaheim Dec. 4. But that mood clearly was apparent in attendance (up 7% to 10,729), exhibit space (up 5%), new technology such as multimedia, digital converters and ghost-canceling, and in heavy floor traffic throughout show.

Some level of regulatory certainty was given credit by many attendees for mood. "At least now we know where the [regulatory] floor is," one said. "From now on, everything is up." Others cited nationwide economic rise and availability of new digital technologies, which has led to surge in cable equipment orders. Even demise of highly leveraged transaction rules, which freed cable capital for more purchases, got some of credit.

Despite calling 1992 Cable Act "an awful piece of legislation," TCI CEO John Malone said industry "frankly didn't come out too bad on this bill." Other executives at Western Show said industry now must focus on new strategies to minimize impact of Act -- including using new technologies to expand outside of regulated core video business. He said cable deregulation was inevitable sooner or later: "We were getting too big and too powerful. We had to take a hit sooner or later. You could argue that we should have taken the hit 2 years ago, and some of us were working very hard to get a bill passed then." Former Fox Chmn. Barry Diller said cable "ought to be happy" that Act passed, especially since cable "got off well." But Turner Bestg. Chmn. Ted Turner said: "I don't feel happy."

Cable Act has had no major impact on industry spending plans, Scientific-Atlanta CEO William Johnson said: "Despite the bill, people are moving forward. I think the majority see this as the opportunity and the need to upgrade their systems to get new revenue streams." Times Mirror Cable Pres. Larry Wangberg said Act just means that "we need to accelerate the development of new businesses because our core business has new restrictions on it." CableLabs Pres. Richard Green said industry always knew it would have to invest in technology to go to a la carte program sales: "This just means a new timetable."

Mindset of cable industry now may be more important than "all of the pending regulatory proceedings put together," NCTA Pres. James Mooney said. He said cable must avoid acting like broadcasters, which he said "have tended to huddle around their historical core business, and to seek to use the regulatory system to maintain the status quo... We must not get so wrapped up in mourning the loss of the past that we fail to make for ourselves a future grounded in reality." Mooney said industry must focus on developing cable into telecommunications platform, so "the biggest telecommunications story of the decade may turn out to be not telcos' creating broadband networks, but cable technology and architecture proving to be the most efficient means of delivering the next generation of communications services."

Cable Act is "a bitter pill," Mooney said, "but it isn't the end of the world." Now, industry must work with FCC to develop rules that cable can live with, he said, and move "very quickly" to convince Clinton Administration not to fall into "propaganda trap" that telcos should provide 21st century telecommunications infrastructure. Clinton Administration probably won't launch any more major initiatives against cable because "Washington thinks it gave cable its comeuppance and now is occupied with other things," Turner said. He also said likely presence of outgoing Sen. Wirth (D-Colo.), "a great friend of cable," in new Administration will be good for industry. Malone said Clinton's pro-technology and pro-growth policies should be good for cable. He said new law is pushing cable "in the direction it should have been going anyway" -- toward a la carte sales: "We have kind of pushed one-size-fits-all television beyond its normal life expectancy."

Infrastructure modernization, rather than simply telco entry into cable, will be main issue in next Congress, congressional staffers said. Donald McClellan, aide to Sen. Burns (R-Mont.), said senator probably will introduce overall infrastructure bill, along with standalone bills on distance education, telemedicine, telecommuting. Michael Regan, Republican aide to House Telecom Subcommittee, said telco entry bill probably would be introduced in Jan. or Feb., but it will include reciprocity -- eliminating state rules barring cable entry into telephony. House Commerce Committee staffer David Leach said there's "increasing recognition" that there's need to reconcile regulatory disparities between industries.

Telco entry could be "swept up" in MFJ bill if that becomes center of communications legislation in next Congress, Regan said. Leach said there are indications that Rep. Brooks (D-Tex.) will make early effort to move his MFJ bill, but predicted it would have tougher time next year because members now believe there's time for it to pass, while it was introduced too late in last session. McClellan said Brooks-like legislation in Senate might provoke fight over giving FCC, rather than court, jurisdiction over MFJ. Bill to overturn retransmission consent will be introduced as soon as Congress reconvenes, House Telecom Subcommittee staffer Larry Irving confirmed. He said Congress probably won't act on compulsory license because it has other, higher priorities. He also said he expects Senate Communications Subcommittee staffer Antoinette Cook to be named FCC chmn., but others told us they doubt that for variety of reasons, including her pregnancy.

Getting supplemental appropriation for FCC "will be very tough," Leach said. He and others raised possibility that Commission's need for money to implement Cable Act will cause new pressure for spectrum and user fees. FCC congressional liaison chief Linda Solheim said agency still is trying to analyze total cost of Cable Act and will reply to Congress on issue before Christmas. Cost, along with budget problems, means that spectrum and user fees "continue to be on the table," she said. Robert Corn-Revere, aide to FCC Comr. Quello, said that even if supplemental appropriation is approved, it probably will arrive too late to help FCC implement Act, but "it will help with administration."

Commission is looking at "very creative and fairly detailed alternatives" to rate-of-return and price cap rate regulation for cable, said Sandi Wilson, mass media aide to FCC Chmn. Sikes. Agency is expected to act on 140-page rulemaking Dec. 10, so Wilson wouldn't provide details, but she said there are "lots of other approaches than price caps or rate of return. I'm fairly impressed with the range of options, and I think you will be, too." Regan had said earlier that "practical realities" of short time for FCC to set rules means that cable rate regulation "can't go too far afield from rate of return."

FCC probably will be involved in legal defense of must-carry and retransmission consent, Corn-Revere said: "I know Quello will advocate that." He said 2 previous times that courts rejected must-carry weren't good tests and there's "very different posture now." Cable Act won't change rates significantly, Hill staffers acknowledged. Leach said he assumes that rate regulation will be cost-based, so there will be "relatively little change" except in excessive cases. Irving said consumers' total cable bill may be same, but they will be able to pick and choose services they want, so they will be more satisfied.

**First Pacific Networks (FPN)** is launching 2 tests of using cable systems to provide local telephony. Main test begins in Jan., when about 50 subscribers to Time Warner's Queens cable system will be provided with FPN voice interface unit, allowing them to connect directly to MCI, bypassing N.Y. Telephone. FPN CEO James Gibby said before start of Western Cable Show last week that he hopes 6-month test is first MCI step into wider use of cable for bypass: "We are in discussions about subsequent opportunities. I don't think firms like MCI and Time Warner would enter something like this with a cavalier attitude." Key roadblock could be tough N.Y.C. regulatory environment, Gibby admitted, and he said if there's problem test could move to city that's "more regulatorily hospitable." Bypass allows about 48% of cost of typical long distance call, which now goes to local telco, to be divided among consumers, MCI and cable operator, Gibby said. Voice interface units are expected to cost \$400-\$425 in volume production, and to open door to interactive video by providing return link, he said. FPN began similar test with 40 homes in Canby, Ore., Nov. 15. City-owned telco is testing with FPN equipment, with cable system to provide telephony.

**Disney Co. Chmn. Michael Eisner** last week sold 3.45 million stock options in company for pretax profit of \$126.9 million. He was joined by Disney Pres. Frank Wells, who sold 1.64 million options for pretax profit of \$60.3 million. Both had been granted options at then price of \$3.59 per share when they joined company in 1984. "I had to" because of announced plans of incoming Democratic Administration to raise taxes on individuals, Eisner told stockholders. "It became evident that now was the time to exercise those options." Eisner and Wells retain substantial interests in Disney Co. from options granted when their contracts were renewed in 1989. Eisner's remaining options now are worth about \$180 million. Disney's revenue has risen to \$7.5 billion for fiscal 1992 from \$1.66 billion in 1984.

**Cable Ad Bureau (CAB)** will launch multi-million-dollar ad campaign in Jan. to promote advertising on cable, CEO Thom McKinney announced. CAB already is producing series of three 30-sec. ads that will be carried in time donated by cable networks, MSOs, local operators. Ads, including print ads, will target advertisers, agencies, business community. CAB Vice Chmn. Gregory Liptak of Jones Spacelink said ads are indirect result of cable regulation fight. He said battle focused so much negative attention on cable, and raised concerns about long-term success of industry, that ads are designed to "tell retailers that we are here to stay, and look at our growth."

**Hughes Communications** said it met Dec. 4 deadline for signing up at least 4 programmers for its DirecTV DBS venture under schedule set in \$250-million deal with National Rural Telecommunications Cooperative (NRTC) in April. But both organizations declined to provide specifics, with DirecTV spokesman Thomas Bracken saying venture may not disclose contracted programmers "until we have a 'critical mass' of programmers... [W]hen satellite transmission deals are signed, nobody wants to be announced first. They like to move in groups for fear of alienating the rest of the cable industry. So no one wants to break away from the pack." Although several programmers were polled confirmed they had been approached by DirecTV, none would confirm whether they had signed on. After reviewing contracts, NRTC by Dec. 11 must release from escrow account much of \$250-million tab for entire 20-program DBS package that DirecTV must provide to NRTC's rural utility systems by March 1994. DirecTV-NRTC deal targets estimated 12 million rural households beyond cable's reach. Most of customers are in Midwest and West and, to lesser degree, Southeast and Far Northeast.

**In what it said** was "unprecedented move to simplify one of the most complicated economic issues facing the broadcast industry," 20th TV announced Dec. 3 that it will waive all claims for payments under retransmission consent provision of Cable Act. Said Gregory Meidel, pres. of 20th Domestic TV: "Broadcasters will be strengthened if they are allowed to negotiate with cable companies... without any added interference from distributors." Shortly after Cable Act became law, Fox TV Senior Vp Preston Padden warned Fox Network affiliates that their retransmission consent rights were valuable and that they shouldn't give them away cheaply. Among programs distributed by 20th TV are *A Current Affair*, *Simpsons*, *Cops* and *MASH*, plus movies and specials. Next day, King World joined 20th TV in announcing that it won't seek retransmission rights for its programming under Cable Act.

**Zenith at Western Show** held first public demonstration of its new digital modulation technology that doubles number of TV programs that can be carried on single cable channel without compression. Zenith increases cable channel capacity by using 16-VSB (vestigial sideband) technology instead of 4-VSB.

**Cable TV Public Affairs Assn.** will hold annual conference March 31-April 2 at Westin Hotel Copley Place, Boston. Speakers include NCTA Chmn. Joseph Collins of Time Warner, C-SPAN Chmn. Brian Lamb, Continental Chmn. Amos Hostetter, Discovery Chmn. John Hendricks.

**TCI ORDERS GI/AT&T COMPRESSION:** In bid to set de facto N. American standard for digital video compression, TCI signed \$200-million—"plus" deal to buy compression equipment from partnership of General Instrument (GI) and AT&T. Deal commits GI to using MPEG-2 compression system that's still being finished, and to licensing its proprietary access and security system to other compression equipment manufacturers at price that TCI didn't disclose, but believes will stimulate market. And in N.Y., HBO announced that it had signed with GI to provide compression capability, starting in Jan.

"I expect that this will fairly rapidly become the North American cable industrywide decision in terms of technology," TCI CEO John Malone said. He told us that several other large MSOs will announce similar deals "pretty quickly" because "they are on the same wavelength." He said TCI will begin using GI equipment to deliver compressed video to satellite dish market by summer, then extend it to cable customers late next year or early 1994. He said \$200-million investment is for first 2 years, and TCI expects to make significant additional purchases.

TCI left door open for MPEG-2 purchases from GI's main competitor, Scientific-Atlanta (S-A), as well as Philips, other U.S. manufacturers and even Asian equipment builders. Malone said largest MSO's main interest in placing GI order was to assure that there would be multiple suppliers of MPEG open architecture video compression equipment, avoiding possibility of virtual monopoly such as GI's VideoCipher for satellite home dish market. Malone told news conference at Western Cable Show that getting fair cross-licensing agreement whereby GI will license its technology to other manufacturers was "most difficult" part of 6-month negotiations for deal: "We had to reward General Instrument and AT&T [for technology development] without precluding other suppliers."

Even though his company didn't immediately get order, S-A CEO William Johnson said he's "very pleased" about TCI commitment to MPEG, which is basis of S-A video compression. "TCI and Viacom [which recently placed order with S-A] have both made a very clear statement that they want a level playing field," Johnson said. He said S-A already is negotiating with TCI on future video compression purchases. Need to license GI technology isn't major problem, Johnson said, because "95%" of digital video compression equipment is either in-house technology or MPEG, leaving only 5% directly based on GI. He said S-A is "comfortable with" licensing agreement. MPEG-2 system is about 95% finalized, Johnson said, and final decisions probably will be made in Jan. He said MPEG-2 chips already are being manufactured in format that will allow last-min. "fine-tuning" to include final 5%.

**Cable Technical Notes:** Harmonic Lightwaves said it's offering high-power version of its HLT 6000 fiber transmitter, called HLT 6020... Antec and HollyAnne Corp. are marketing Safety Alert Monitor system that instantly alerts cable subscribers of life-threatening emergencies, such as National Weather Service warnings... Regal Technologies introduced what it said is cable industry's smallest full-bandwidth converter. RR-92 is capable of 550-MHz bandwidth, it said.

Local radio spot increased 6% in Oct. and 4% in first 10 months of year, RAB said. National spot in Oct. rose 3%, following 2% gain in Sept., RAB said, "signaling the start of an uptick in national radio revenue after 8 months of decline."

**FCC GETS NEW LEASE AT 2025 M ST.:** NPR is moving out of 2025 M St. NW, which means that FCC offices located in that building (half-block from 1919 M St. hq) won't be required to leave. It also means that money saved from not having to move will negate need for at least 2 forced furlough days (without pay) for agency employees, FCC Managing Dir. Andrew Fishel said. More furlough days can be saved through "early outs," he said, depending on how many veteran staffers accept that option.

Early outs are available to Commission employees through mid-March. However, process has 2 major drawbacks: (1) Those who accept option must give up 2% annually in retirement pay. (2) Those who leave early will be employees who have been around for some time and are skilled in Commission rules, customs and practices. Agency now expects 15-20 staffers to take early out option.

FCC has made no plans as yet for furloughs, beyond announcing last fall that "it's a certainty that they will be needed" (TVD Oct 5 p5). At that time, agency said each employee would be furloughed 8-10 days in current fiscal year (which ends next Sept. 30). That may change now, Fishel said, and in any case no furloughs are planned before Memorial Day weekend at end of May. Commission must negotiate furloughs with Treasury Employees International Union, which represents FCC employees, and that process hasn't yet started, we're told.

NPR, which had planned expansion at current site (forcing FCC out), instead has purchased building near Washington Convention Center, and Commission was told Nov. 27 that it had new 2-year lease. FCC Private Radio Bureau and portions of Common Carrier Bureau occupy 5th and 6th floors (32,000 sq. ft.) at 2025. Govt. Services Administration already had rented space at 1200 K St. NW for contemplated FCC move. More money will be saved because agency would have been required to provide shuttle bus service to K St. location.

**Retransmission consent** negotiations between cable operators and broadcasters almost certainly will be very public and very "political," CATA Pres. Stephen Effros predicted. He told panel at Western Show that NAB already has "ads in the can" to run whenever cable operator is particularly tough on negotiations. Effros warned that govt. almost certainly will get involved if consent negotiations result in either significant rate increases or loss of popular programs, and said cable operators must start informing public and govt. now of situation. He said retransmission consent negotiations may be toughest for rural cable systems. Fox Senior Vp Preston Padden said Fox would accept a la carte cable carriage "tomorrow" if same were true of all program services. Denver Telecommunications Dir. William Bradley, founder of National Assn. of Telecommunications Officers & Advisers (NATO), said cities and cable should cooperate on FCC action on Cable Act, just as they did on FCC technical standards. He also said NATOA "has got to get a lot more active in professionalizing its membership," suggesting small towns probably will have to hire, together or separately, outside consultants to help with regulatory issues.

**FCBA dinner Dec. 8** at Washington Hilton honoring FCC Chmn. Sikes also will feature former Chmn. Newton Minow (1961-63), Comr. Quello and Samuel Skinner, Republican National Committee chmn. Entertainment will be provided by Mrs. Foggybottom. Details: Paula Friedman, Sidley & Austin, 202-736-8149.

**CABLE CONFIDENT ON MULTIMEDIA:** Providing data transport for multimedia is "our business to lose" because high-capacity cable infrastructure already is in place, TCI Vp-Engineering Thomas Elliott said at Western Cable Show in Anaheim last week. Other executives at Show said that cable's success would depend on setting common multimedia standard, as well as coherent business plan. Telcos aren't ready to move data needed for multimedia, agreed James Albrycht, senior consultant for Digital Equipment Corp. (DEC): "Cable is really the network for multimedia."

Elliott said it will take telcos at least 20 years to develop high-capacity network comparable with cable, and computer and multimedia companies don't want to wait that long. That's why several computer and multimedia companies made first-ever appearance at Cable Show. In addition to Prodigy, Microsoft had displays in Jerrold booth and in special multimedia exhibit organized by CableLabs. Other interactive and multimedia companies at Show included DEC, Videotron, X\*Press, and several electronic program guide developers such as InSight Telecast.

Time for multimedia "hasn't arrived yet" because hardware isn't fully developed, Prodigy Senior Vp James Beall said. Trip Hawkins, pres. of multimedia firm 3DO, agreed that next year or 2 will be "really the research and development stage" because of hardware shortcomings: "We need breakthrough ideas in next-generation computer architecture." Beall said cable's high-speed transport capability means "the convergence is about to happen." However, Hawkins said multimedia requires "a very difficult merger of skills" because mentalities of traditional video companies and traditional computer firms are so different.

Multimedia has "tremendous potential, but also tremendous potential to go wrong," CableLabs Pres. Richard Green warned. He said cable operators should begin experiments as soon as possible to test multimedia ideas: "I would hate to see this be technology-driven rather than consumer-driven." Times Mirror Cable Pres. Larry Wangberg said cable "landscape is strewn" with previous interactive failures because they didn't provide enough incremental benefit to users, so consumer tests are "must" to make sure ideas are viable.

Despite interest, true cable-delivered multimedia isn't "just around the corner," Microsoft Vp-Multimedia Robert Glaser said. Before multimedia is success, he said, companies must make it easy to use and cost effective, conduct tests to show economic viability and perhaps most importantly set standardized, extensible architecture that includes all data protocols and formats. Microsoft believes that unified standards are needed to create compatibility and economies of scale.

Glaser told us he hopes that standards work will start within year, but called it "organic process" in which standards emerge from informal dialog. Final result, he said, often is like "lightning bolt" and he doesn't know when that will occur. Microsoft is having "interesting discussions" with some cable MSOs that could lead to field trials of multimedia systems as early as next year, Glaser said. He wouldn't provide details. Albrycht said multimedia technology already exists: "The problem is that we have 5 solutions for every problem, and we don't know which to pick." Comcast Strategic Planning Vp Mark Cobitz said cable still is trying to define even what multimedia is.

Microsoft displayed 2 examples of multimedia: (1) ESPN+ that allows viewer to watch baseball game, call up statistics and lineups while watching, even buy tickets for future games, all with remote. (2) Ability to watch MTV

videos, see album cover and cover notes, read lyrics, order Compact Disc. Cox Vp-Planning William Killen suggested multimedia newspaper that would display front page on PC and allow reader to "click" on photograph that would display TV station's video report on story. "What is going to drive this development is the availability of a rich choice of interactive services and applications and the presence of an open platform," Jerrold Pres. Harold Krisbergh said.

Problem is "trying to figure out one way or another to make a business out of it," TCI's Elliott said. Glaser said advertisers may become most aggressive multimedia users because they can target people interested in their type of product. Multimedia chicken-and-egg problem -- applications are needed to justify investment in infrastructure, and infrastructure is necessary to spur applications -- is eased by fact that multimedia demands exactly same cable infrastructure as PPV, telephony alternative access and other planned cable developments, Cobitz said. Only question, he said, is whether there's enough new business on any of them to justify fiber infrastructure.

Microsoft began delivering software development kit last week for its new multimedia product -- Modular Windows (MW). Kit will help other software companies develop specific applications for MW. Microsoft hopes MW, which is stripped-down version of Windows 3.1, will become standardized platform that other multimedia companies can use to interface with TV set. MW includes new user interface controls and adaptations for wireless remotes and memory cards. DEC showed multimedia technology based on Ethernet, adapted to use existing cable infrastructure.

Other multimedia exhibitors included: (1) Montreal's Videotron, which said Montreal TV station TeleMetropole began using Videotron multimedia equipment Nov. 9 to multiplex its TV broadcasts. Videotron said that after 2 years it has reached total of 200,000 interactive subscribers and 20% market penetration. Subscribers use system average of 11.5 hours per week. (2) X\*Press, which said it hopes to develop interactive prototype TV Guide On Screen for use with Modular Windows by late 1993. (3) InSight, which demonstrated patented interactive electronic program guide.

U.S. Supreme Court will review SMATV decision in which U.S. Appeals Court, D.C., said there was no rational basis for distinguishing between SMATV systems serving commonly owned buildings and those under different ownership (TVD March 16 p4). Court gave no reason for taking Beach Communications case in order issued Nov. 30. Appeals Court said FCC and Congress had "failed to provide any justification" for requiring SMATVs serving buildings under different ownership to get cable franchise if they didn't use rights of way and it "can conceive of no reason" for doing so. SMATVs serving several buildings under common ownership don't need franchise if they don't use rights of way. Supreme Court review was backed by Bush Administration lawyers, who said Appeals Court ruling conflicted with past Supreme Court decisions, and by NCTA.

Philips demonstrated first production models of its ghost-cancelling system at Western Cable Show last week in Anaheim. Company said production of ghost-cancelling began in mid-Nov. and units already are being delivered to cable systems throughout U.S. Cable is expected to adopt ghost-cancelling faster than broadcasters because single such receiver at headend can benefit thousands of cable subscribers.

**WIRELESS GROUP LIKES CABLE ACT:** Cable Act of 1992 was "resounding success" for wireless cable, primarily because of program access provisions, said Paul Sinderbrand, counsel to Wireless Cable Assn. (WCA). But economist Thomas Hazlett said program access has "massive loopholes" allowing MSOs to avoid provision by spinning off program networks and requiring wireless cable interests to prove program sales decisions are anticompetitive.

At WCA-sponsored seminar in Anaheim last week, Pres. Robert Schmidt said that despite concerns, it's "a whole new ballgame" for wireless cable. He said cable programmers that in past haven't sold to alternative media already are saying they're willing to sell now, although "I still want to see some evidence." Sinderbrand cited recent willingness of programmers to sell to direct broadcast satellites as evidence that Cable Act already is having impact. However, Schmidt said: "The fight isn't over. But program access is set in concrete." Sinderbrand said wireless cable owners shouldn't worry about appeals on Act: "Some of the provisions may not survive, notably must-carry. But we are on much firmer ground on the provisions of interest to us, especially program access."

MSOs are likely to spin off programming interests, similar to TCI action on Liberty Media, said Hazlett, U. of Cal.-Davis prof. who helped draft FCC's Personal Communications Networks rulemaking and has taken special interest in wireless cable. He said it may be difficult for wireless cable to prove that programming deals that exclude wireless are anticompetitive, since such exclusivity deals are common in entertainment. For example, Hazlett said, Justice Dept. Antitrust Div. "reflexively" assumes exclusivity isn't anticompetitive. Solution, he said, is to document facts in individual cases.

How FCC defines MSO's "attributable interest" in cable network will be important, Sinderbrand said in memo to WCA members. Since FCC used 5% ownership benchmark in video dial tone case, he said, that's likely to be starting point, but WCA will push for 1% of any network that shares officer, director or management employee with MSO. Sinderbrand said WCA believes Comrs. Quello and Duggan would support WCA plan and Chmn. Sikes and Comr. Marshall probably would oppose it, but he pointed out that latter 2 probably won't be on Commission when decision is made.

Program access also is protected in Cable Act's effective-competition provision, Sinderbrand said. Provision says there's effective competition (which precludes local rate regulation) if there's multichannel competitor -- but only if it has comparable access to programming. Even in cases where cable network isn't owned by MSO, Sinderbrand said, law prohibits MSOs from using coercion to keep programming away from competitors.

Rate regulation provisions of Act are "ugly," Hazlett said. Act allows direct regulation only of lowest cost broadcast tier, which he described as "a gimmicky low-ball tier that no one takes." Limits on rates for nonbasic networks probably will be minimal, he said, perhaps relating rate increases to rate of inflation, rather than requiring rollbacks. Sinderbrand said nonbasic rate regulation probably will generate much FCC paperwork, but little that is "meaningful." He also predicted many municipalities would forgo regulating basic rates because of complex paperwork required and relatively little benefit to subscribers. Rate regulation will provide incentives for cable to limit program quality, Hazlett said, because if operators can't raise rates, their only alternative for increasing profits is lowering costs.

"Bad" part of Cable Act is provision eliminating municipal authorities' liability, Hazlett said. He predicted that practical effect would be to encourage cities to continue refusing to grant 2nd franchise, particularly since municipalities would lose ability to regulate rates if there's effective competition. Sinderbrand said in-house cable wiring is becoming "major battleground," with cable operators, in bid to hurt competitors, even filing criminal theft actions against multichannel competitors that used in-house wiring left behind after subscriber disconnected cable, but Cable Act could help solve problem.

Wireless cable could be big beneficiary of digital compression, Schmidt said. He said compression, in addition to enabling wireless to carry more video channels, will allow it to enter new businesses, potentially including telephony: "Cable is fighting for spectrum, but we already have 200 MHz."

**FCC UPHELD ON BALLOT ISSUES:** Panel of 3 judges of 8th U.S. Appeals Court, St. Louis, on 2-1 vote last week upheld FCC ruling that fairness doctrine had been repealed legally and thus couldn't be applied to ballot issues. Majority (Judges Floyd Gibson and Arlen Beam) based their decision on legislative intent of Congress in 1959 amendments to Communications Act. They held that Congress didn't intend to codify fairness doctrine into law. Dissenting Judge John Gibson, relying primarily on language in 1959 House report, said Congress had codified doctrine.

Case, involving KARK-TV Little Rock, charged that station had failed to give adequate coverage to opponents in 1990 referendum involving Ark. usury limits. Ark. AFL-CIO and local group against referendum lodged fairness complaint with FCC, which on 3-2 vote (Comrs. Duggan and Barrett dissenting) dismissed complaint (TVD Jan 6 p4). Majority ruled that requirement for balanced coverage of ballot issues came from fairness doctrine -- which agency repealed in 1988 in move upheld by U.S. Appeals Court, D.C.

FCC also dismissed complaint as "moot," position rejected by Circuit Court, which said: "While the ballot measure at issue... was long ago decided, we find that this dispute is capable of repetition, yet evading review." Court also found "meritless" arguments by broadcast intervenors in case that it lacked jurisdiction.

Spokeswoman for appellants said that Court will be asked to reconsider case and that "our chances for legislation reinstating the fairness doctrine are greatly increased" under Clinton Administration. Democratic leaders of Congress have made repeated, albeit unsuccessful, efforts to restore fairness doctrine, and increased activity is expected when Congress convenes. RTNDA, in legal memorandum to its members, has expressed fear that fairness doctrine could become law.

Following Oct. 29 surgery for prostate cancer (TVD Nov 2 p7), FCC Chmn. Sikes returned to his office Nov. 30 on regular basis (he was in briefly week earlier). He canceled mid-Nov. trip to Russia, sending Kenneth Robinson, senior legal asst., and trip last week to Financial Times seminar in London, sending Chief of Staff Terry Haines.

**NAB has launched free fax-on-demand service to provide information, registration forms, etc., on its April 18-22 convention in Las Vegas. Users need no access code or special instructions to use 24-hour service, which will be updated regularly -- 301-216-1847.**

**FCC'S 2nd BIG CABLE DAY:** FCC is expected to take numerous actions to carry out mandates of Cable Act at Dec. 10 meeting -- including seeking comments on 7 rulemaking proposals as well as issuing order on information that systems will be required to file in connection with rate regulation proposal. This will be Commission's 2nd meeting since Cable Act became law, and situation is similar to Nov. 5 session when it issued first 3 rulemakings mandated by Act (TVD Nov 9 p6), with comments on one of those (cable wires into home) filed last week (see below). On agenda at same meeting is another congressionally mandated item requiring FCC to set single standard for AM stereo. As result, Commission will seek comments on its proposal that Motorola's C-QUAM be adopted as that standard.

Most controversial of cable items this week is proposal on rate regulation for services, conditions governing leased commercial access and itemizations required on subscriber bills. Rate regulation issue is unsettled, we were told by outside lobbyist: "It's hard to do something if you really don't want to do it." During Hill consideration of cable bill, FCC Chmn. Sikes didn't try to hide fact that he didn't like rate regulation requirement. In separate item, FCC is expected to adopt order requiring cable systems to submit considerable information in rate regulation rulemaking. Other cable rulemakings to be considered by Commission:

(1) Cable EEO rules (expected to be very close to those required of broadcast licensees). (2) Tier buythrough prohibitions in Cable Act. (3) Customer service standards. (4) Horizontal and vertical limits on ownership of MSOs and cable systems. (5) Program access and carriage regulation involving development of competition and diversity.

Meanwhile, things are moving rapidly at FCC in its first rulemaking on Cable Act: What should be done with inside-the-home wiring when cable service is terminated? MSOs filing comments asked agency to be flexible in rules it adopts to cover situation and to permit systems to sell in-home wiring to resident, along with other options. Commenters generally asked Commission to specify that rules will apply only to single-unit dwellings, thus excluding wiring in apartments and similar buildings.

Universal concern in comments was that leaving in-home wiring in place would make signal theft relatively easy and would have "numerous adverse consequences," Time Warner said. NCTA said that "on its face," congressional directive to FCC "appears to be a relatively simple matter." However, in asking for comments, agency recognized that it's not so simple assignment in "the balancing of a variety of important issues affecting both cable operators and homeowners." Assn. also said any rules should apply to "multiple dwelling units."

Any new rules must recognize differences in wiring of individual homes and multiple-unit dwellings, Times Mirror Cable TV (TMCT) said. It cited example (without naming city) of how its recently installed wiring in apartment complex was used by SMATV operator "who enticed the property owner with a percentage of its receipts" to cancel TMCT. However, TMCT said, "after approximately 2 years and numerous complaints about poor service, the property owner all but begged TMCT to restore service... To avoid protracted litigation, TMCT [negotiated] a buyout of the SMATV operator, who in essence successfully 'greenmailed' TMCT... We wish we could say that this was an isolated experience, but it is not."

CATA said it's "confident" FCC understands operator's need to protect business from "illegal and abusive activities"

such as theft of service or signing for free or discounted installation fee, then dropping service immediately. Commission should adopt, "to the greatest extent possible, regulations that are flexible enough to accommodate the many situations and individual needs of both subscribers and operators," CATA said. Cable systems should be allowed to reclaim wiring "when it's necessary to prevent theft of service" and existing contracts "should not be impaired." Citing telephone industry precedent, EIA told FCC that consumers should be permitted to own wiring in their homes (see separate story in Consumer Electronics section).

#### BBC appears likely to retain license fee as

cornerstone of its funding. In recent Green Paper that officially opened debate on BBC charter renewal due in 1996, govt.'s National Heritage Dept. said that "the BBC services have been paid from a license fee since 1927 and, so far, no one has devised an obviously better system." While it suggested possible expansion of subscription-based services as supplemental funding option -- "more use could be made of the night hours to show premium film and other" services -- 43-page document appeared to reject advertising and direct govt. grant as viable alternatives to license fee, of which BBC received estimated £1.36 billion in 1992. BBC reached similar conclusion in separate White Paper stating that "commercial funding methods... affect the types of programs which are made and broadcast" and instead called for "a long-term [govt.] commitment to continued license fee funding of [its] core services." In programming realm, BBC report called for development of fulltime TV news service that would be delivered by satellite and cable, and for fulltime radio news service that it previously had announced it would launch in 1994. Charter renewal legislation is expected to be introduced in Parliament in 1994.

**Carnegie Foundation** is funding 2-year study of future of communications in U.S., to be undertaken by ex-FCC Chmn. Newton Minow (now senior partner in Chicago law firm Sidley & Austin) and Craig LaMay, ex-editor of Columbia U.'s Media Studies Journal. Study -- "The Public-Service Television Project" -- is for American Academy of Arts & Sciences. Minow said he's perceived as "one of television's most persistent critics -- but that is because I believe so strongly in the medium's unfulfilled promise as a resource for furthering democratic values." He said TV has failed consumers in 4 important areas: Children's programming, educational TV, "medium's use in political campaigns," funding for public broadcasting. Study will include interviews with industry, political, educational and civic leaders, said Minow (a trustee of Carnegie Foundation), and will seek "to define a contemporary public interest standard for television and promote discussion of a national communications policy for the 21st Century... At the heart of our work is an old idea that dedication to the public interest is essential to making any public service standard meaningful and that exclusive reliance on the market to arrive at such a standard is insufficient."

**Jerrold** displayed automated A/B switch at Western Show. Switch can be added easily to cable converter without additional electrical connections, and can be activated from remote control. Mktg. Dir. Daniel Moloney said 1992 Cable Act, which includes retransmission consent, increased interest in A/B switches. Jerrold also showed concept "converter of the future" intended to gauge industry interest in such features as near-video-on-demand, renewable security smart card, 1-GHz tuning range, electronic program guide.

**New computer vision technology** that creators claim brings world "one step closer to the human computer" was introduced Dec. 1 by David Sarnoff Research Center (DSRC), Princeton. "Smart Sensing" technology enables personal computers to recognize images, "something that even the most powerful supercomputers today cannot do," DSRC said. Technology is programmed into single semiconductor utilizing "pyramid processing," high-level computer program that breaks images down in progressively smaller sizes, allowing microprocessors to deal with far less information. That process, when coupled with electronic eye, can enable computers to "intelligently respond to what they see," DSRC said. Technology combines several vision tasks -- object recognition, motion tracking, image compression and fusion, optical character recognition. Technology "selectively sorts through vast amounts of information in any visual scene, then isolates key characteristics such as movement, shapes, colors, letters and face patterns," DSRC said. It said it has formed new company called Sensar to commercialize technology.

**Revocation of Black TV Workshop (BTW) CP** for KEEF-TV L.A. has been recommended by FCC Law Judge Joseph Chachkin. In initial decision released Dec. 1, he concluded that "none of the persons or groups" involved in more than 5 years of legal maneuvering over station "possess the requisite qualifications to be or remain a permittee" of station. Despite "ostensible" local minority orientation of station, Chachkin said, "purpose" of BTW organizer Booker Wade from outset "was to establish a for-profit production company which would sell programming to BTW's station as well as the other stations in his planned low-power TV network." ALJ said: "Notwithstanding that BTW's application stated that control would be exercised by its directors, Wade intended from the outset to keep the reins of control in his hands." But Chachkin also found directors "culpable," concluding that "some walked away from BTW rather than challenge Wade. Others assisted him in removing directors who posed a threat to Wade's game plan."

**Video compression** either will shatter audience for sports programming, or will create new opportunities for niche programs, according to experts on panel discussion at Western Show. Home Sports Entertainment CEO Edward Frazier said proliferation of sports channels could fragment audience so much that none of networks would be attractive to advertisers: "We wouldn't be creating new revenue, we'd just be moving it around." But Century Pres. Andrew Tow saw "incredible opportunities" for new niche sports networks, particularly ones that bring international sports events to specific communities such as Hispanics or Asians, which he said could "satisfy an entire new group of potential subscribers." He also said ABC PPV experiment was "terrific" for cable operator since it generated new revenue: "It may not be a huge amount, but we should take advantage of it and share whatever pie is available."

**Consortium** including Time Warner launched first all-news TV channel in Germany Nov. 30. Channel, called n-tv, is available via cable and satellite to estimated 9.7 million homes. Time Warner owns 28% of n-tv, with rest divided among Rothschild Bank, Nixdorf family, founder Karl-Ulrich Kuhlo, several investment trusts. Most of programming is in German, although n-tv picks up English-language feeds from BBC. It's first of several planned European all-news channels, including those by Europe's public broadcasters and by Turner Bestg.

**Cardinal Communications** said it's trying to sell its cable assets. MSO, with about 87,000 subscribers in 6 Ind. system groups, retained Communications Equity Assoc.

**Courts should delay** effective date of must-carry and retransmission consent provisions of 1992 Cable Act at least until court review is completed, Daniels Cablevision said in Nov. 3 filing. Request to U.S. Dist. Court, D.C., cited decision to delay action on case until spring (TVD Nov 30 p7), saying that means that cable interests will be hurt longer if there's no restraining order. It said that, while no must-carry complaint procedure will be set up until spring, cable operators will be liable for must-carry violations beginning Dec. 4. Daniels also repeated its First Amendment arguments against must-carry, saying that it gives preference to broadcast speakers: "Grant of a valuable, scarce broadcast license does not confer the fortunate recipient with greater constitutional rights or privileges than those held by ordinary persons." Daniels said granting restraining order would simply "maintain the status quo" and wouldn't hurt either broadcasters or govt. interest.

**Cable Act will push cable** into telephony, data and other services because rate regulation will limit traditional cable services, Richard Perry, chmn. of cable equipment maker C-COR Electronics, predicted. "People are looking at new markets, how to get incremental revenue. People are realizing more than ever that they are in the communications business, not in cable. People don't like the Cable Act, but they're dealing with it." Partly because of realization, Perry said, C-COR's sales have been "very dynamic" in 2nd half of year, and are expected to continue strong in 1993 and 1994. C-COR announced several new products: (1) High-efficiency power supply system that cuts power consumption 10-15%. (2) Power surge terminator that helps eliminate nuisance outages. (3) Two new lines of cable line extender amplifiers. (4) New cable network management software.

**KCET L.A.** said it has settled differences with Roman Catholic Archdiocese of L.A. that dated back to station's broadcast of controversial point-of-view film Stop the Church in Sept. 1991. Archdiocese considered program anti-Catholic, as did "many viewers," KCET said. Upon reviewing station's program policy statement, Cardinal Roger Mahony, head of L.A. Archdiocese, said: "I believe that the concerns and sensitivities of the Catholic community, as well as other communities and groups in the Los Angeles area, will be considered in connection with future programming. With these assurances, I am renewing my own membership in KCET and I would encourage others to consider doing the same." Policy statement obliges KCET to achieve "a balance of views in its program schedule and [to] reflect its broadcast area's varied ethnic and cultural heritage."

**Scientific-Atlanta (S-A)** signed agreement in principle to buy Nexus Engineering of Vancouver, S-A CEO William Johnson said. In addition to giving S-A its line of SMATV equipment, he said deal will help provide new international distribution channels for other S-A products. Terms weren't disclosed. Nexus Chmn. Basil Peters said company agreed to deal because it can be more successful with large "strategic partner" such as S-A. Also at Western Show, S-A introduced next-generation set-top terminal, Model 8600X. Unit is based on current 8600 terminal, but has such add-ons as electronic program guide, advanced messaging, VCR controller, high-resolution on-screen graphics, near-movie-on-demand.

**Number of U.K. cable** subscribers rose 13% in 3 months ended Oct. 31, U.K.'s Independent TV Commission reported. Broadband cable systems in country have total of 380,297 subscribers, vs. 220,728 year ago (up 72%), regulatory group said.

## Personals

**John Hollar**, promoted to senior legal adviser to FCC Comr. Duggan, succeeding **Michele Farquhar**, now vp-law and regulatory policy, Cellular Telecommunications Industry Assn... **Anthony (Rick) Aurichio**, Arbitron pres., retires, will be succeeded by **Stephen Morris**, pres. of VidCode... **Sandy Grushow**, exec. vp, Fox Entertainment Group, named pres., succeeding **Peter Chernin**, now chmn., 20th Century Fox.

**Stephen Barden**, gen. mgr., British Sky Bestg., joins News Datacom as worldwide CEO-managing dir.; **Thomas Price** named deputy managing dir.-COO... **Robert Gordon** resigns as pres., Best. Communications Group of Ailes Communications, to form broadcast consulting and brokerage firm... **William Fowkes** appointed vp-sales support and trade mktg., Showtime Networks.

**Tom Mazza** promoted to senior vp-current programs, Paramount Pictures Network TV Div... **Kathryn Keesee**, ex-Mayfield & Assoc., appointed promotion mgr., Landmark Networks... **Michael Fuchs**, chmn., HBO, is keynote speaker at SBCA convention, San Diego Convention Center, Jan. 14.

**MTV Senior Vp-Affiliate Sales-Western Region** **Christine Sheehan** appointed senior vp-market development, and Senior Vp-Eastern Region **Nicole Browning** named senior vp-regional operations... **James Hatcher** appointed vp-gen. counsel, Cox Cable... **Jay Nordby**, ex-Telemundo Group, named vp, All News Channel... **Deborah Hamberlin**, ex-KTVU Salt Lake City, appointed vp-affiliate advertising and promotion, NBC Entertainment... Promotions at WCVB-TV Boston: **Elizabeth Cheng**, exec. producer of programming, adds duties of dir.-communications; **Ethel Shepard** to mgr.-media relations... **Robert Wright**, vp-PR, West Coast, ABC TV Network, takes early retirement at end of year.

**Geoff Calnan** promoted to senior vp-ads and promotion, Fox Bestg... **Michael Tadross**, movie producer, named senior vp-features production, Paramount Pictures Motion Picture Group... **Martha Zorno**, ex-MTV Networks, named vp-counsel/corporate, Viacom International... **Gregory Frost**, ex-law firm Bower & Gardner, named partner in N.Y. law firm Brown, Raysman & Millstein... NTIA Schedule -- Dec. 11: Dir. **Gregory Chapados** is luncheon speaker at "Private Networks & Public Objectives" conference, noon, Columbia U. Business School, N.Y.

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**CBS TV Network** has joined in deal with cable's Comedy Central to cross-promote *The Kids in the Hall*, which airs on both networks. Program is carried by Comedy Central Mon.-Fri. at 9:30 p.m., on CBS at 12:30 a.m. CBS and Comedy Central also are joining in Kids promotion that offers viewer and guest \$10,000 and weekend in Toronto with cast members of program. As part of deal, CBS gets 12 spots on cable network for each spot it airs. Series originally aired on HBO.

**Comcast and TCI-owned Liberty Media**, saying their interests on QVC Network board are underrepresented, said in filing at SEC that they plan to seek control. Jointly, Liberty and Comcast control 54% (including unexercised warrants) of QVC's outstanding shares and have 4 of 11 seats on board. QVC board meets Dec. 7 to consider request, which is said to be friendly. QVC Chmn. Joseph Segal said companies "have been very friendly and productive partners of QVC."

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**Cable theft** may be diverting equivalent of 24% of cable industry's total current revenue, according to new statistics released by NCTA Office of Cable Signal Theft. James Allen, head of office, said results of survey of cable operators and piracy arrests indicate that pirates stole programming and services valued at \$4.7 billion in 1991, \$2 billion for basic service and \$2.7 billion for premium. Allen said that NCTA didn't have enough data to estimate pay-per-view theft, but that 75% of 335,000 piracy devices seized in 1991 were equipped to bypass addressability and steal PPV programming. Theft of basic cable service was basically flat in period between last survey in 1989 and most recent study, Allen said, but there was "dramatic" rise in theft of premium service. Theft also was relatively flat at both small and large cable systems, but he said there was big increase at systems with 20,000-50,000 subscribers, possibly because they added PPV and other more desirable services. Digital compression will make it more difficult for pirates, but Allen said it's "not a panacea."

**Gerry Weaver**, vp-govt. relations for satellite TV programming packager United Video, resigned after he was indicted by federal grand jury in Washington, D.C., on drug, obstruction of justice and conspiracy charges. Weaver has been long-time lobbyist for United Video and proponent of satellite TV industry causes such as program access.

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 Nov. and year to date:

	NOV. 14-20	1991 WEEK	% CHANGE	NOV. 7-13	46 WEEKS 1992	46 WEEKS 1991	% CHANGE
TOTAL COLOR.....	762,619*	493,844	+54.4	587,010*	19,406,192	17,591,539	+10.3
DIRECT-VIEW...	750,478**	486,456	+54.3	580,011*	19,066,212	17,277,837	+10.4
TV ONLY.....	709,757*	474,760	+49.5	558,564*	18,275,476	16,713,822	+ 9.3
TV/VCR COMBO.	40,721*	11,696	+248.2	21,447*	790,736**	564,015	+40.2
PROJECTION....	12,141	7,388	+64.3	6,999	339,980*	313,702	+ 8.4
VCR DECKS.....	373,253*	228,323	+63.5	283,272*	10,737,460*	8,964,614	+19.8
CAMCORDERS.....	80,823	52,748	+53.2	60,313*	2,412,389	2,428,637	- 0.7
LASERDISC PLYRS#	4,982	5,133	- 2.9	1,893	182,098	156,641	+16.3

Direct-view TV 5-week average: 1992--615,933\*\*; 1991--509,797 (up 20.8%).

VCR deck 5-week average: 1992--386,798\*; 1991--273,974 (up 41.2%).

Camcorder 5-week average: 1992--79,076; 1991--75,489 (up 4.8%).

\* Record for period. \*\* All-time record. # Includes combi players, excludes karaoke types.

**EUROPEAN SURVEY -- 56% PREFER WIDESCREEN TV:** First major survey of European consumers and dealers on widescreen TV sets, which have been on market there almost 2 years, found that 56% liked 16:9 widescreen sets better than conventional models and said they would be willing to pay average of 28% premium. Survey results indicated that letterbox movies would drive widescreen TV market.

Conclusions were based by BIS Strategic Decisions on research involving 600 interviews in Europe, including 350 with consumers at demonstrations in shopping malls in France, Germany and U.K., and 250 discussions with dealers in those countries plus Scandinavia, Italy, Spain. In mall interviews, consumers were shown portions of same movie on standard 27" set and on 30W" widescreen set (32" European measurement). Movie on standard set was shown both full-screen (4:3) and letterbox (black bars at top and bottom), while widescreen set demonstrated full 16:9 version, 4:3 with black bars at sides and zoomed 4:3 (top and bottom cut off).

Consumers preferring widescreen gave 3 main reasons -- it was better suited to movies, had better picture, TV set was more attractive. Disregarding price as factor, 54% of respondents said they would buy widescreen set. When asked to say how much extra they would pay for widescreen set over 4:3 model, they cited average premium of 28%, lower than current price premium. Most dealers (63%) cited high retail prices as public's main objection to widescreen sets, followed by lack of software and programming (cited by 27%), poor picture quality (10%), with 7% saying set was too large.

Size of set was cited by 68% of consumers as potential drawback, when asked to cite possible barriers to ownership. Because 30W" sets were used in tests, survey report assumed that demand "will eventually be higher for smaller sets" -- listing 26W" and even 22W" versions. Only 9% of total respondents -- 42% of those who preferred 4:3 set -- objected to picture quality on widescreen set displaying PAL or SECAM picture, despite fact that widescreen sets originally were promoted widely in Europe for use with improved resolution of MAC or HD-MAC transmissions.

Movies, used as program source in consumer tests, obviously captured imagination of those preferring widescreen. Some 55% of those gave as reason "better for watching films" or similar comment. "The longer term market success is likely to depend at least partly on how well this aspect of widescreen TV is

demonstrated on the sales floor," report suggested. Other reasons for preferring widescreen: "Better picture," 54%; more attractive set, 16%.

Of total sample of dealers -- all types, from specialty retailers to hypermarkets -- 1/3 displayed widescreen sets. Although vast majority of dealers were pessimistic on near-term prospects for widescreen sets, most were optimistic over longer term. Survey revealed wide differences in consumer and dealer attitudes from country to country; for example, British viewers were prepared to pay premium of only 23% for widescreen TV, while French would pay 27% extra, Germans 35%.

For details on availability of complete survey, contact David Mercer, Group Mgr., Consumer Electronics, BIS Strategic Decisions in U.K. (phone 44-582-405678, fax 44-582-454828).

**Note:** Sharp says it will start manufacturing 30W" widescreen sets in Memphis plant next Sept. (details elsewhere in this issue). Thomson Consumer Electronics (TCE) is expected to show its first U.S. widescreen models (with 34W" tube) next week. Panasonic already has announced it will offer 16:9 projection sets in 50W" and 58W" sizes in U.S. next year (TVD Nov 16 p11).

**CAMCORDER SHIPMENTS NOW BELOW SALES LEVEL:** Fourteen months after Japan applied brakes, camcorders finally are selling faster than they're being shipped here. In Oct., Japan exported 297,482 camcorders to U.S., according to Finance Ministry figures, 29,800 fewer than were sold to dealers here in same month.

Inventories are expected to recede further as sales climb in Christmas season windup. For year's first 10 months, Japanese camcorder exports to U.S. were down 30.6%, and beginning in Oct. of last year, when declines began, Japan has shipped 1,152,000 fewer units here than in same months year earlier. Inventories here still are unbalanced, however, and believed to be top-heavy with 8mm and quite seriously short of full-size. Full-size camcorders totaled less than 10% of inventory at end of Sept., although they constituted about 25% of sales in year's first 9 months (TVD Nov 16 p12). More than 95% of camcorders imported into U.S. originate in Japan.

For 4th consecutive month, camcorder prices FOB Japan were in all-time low category, average value running 10-13% below year earlier. In Oct., value of average camcorder shipped here reached all-time low in yen, dropping below 64,000 yen mark to 63,514. Price broke in July, when average fell to 64,516 from 72,188 in June, decline of more than \$56 (TVD Sept 14 p11). Average dollar value, based on exchange rate in Oct. (122 yen = \$1) was \$520.61, nearly \$22 below year earlier. In dollars, average FOB price has hovered between \$510 and \$520 for 4 months, new lows despite decline in yen.

VCR deck shipments from Japan also continued to run behind last year. Japan now originates less than 50% of total VCRs arriving here, so decline is natural in view of buildup in other Far East countries, as domestic sales here head for record year. Despite fact that most high-end VCRs originate in Japan, average FOB price of VCR from Japan hit all-time low of 63,514 yen in Oct., down 10% from year-earlier figure, which in turn was lowest in history at that time. In dollars, based on Oct. exchange rate, average VCR in Oct. was valued at \$223.22, actually 3.3% (or \$7.22) higher than year earlier.

Videodisc player shipments from Japan hit 10-month high of 290,576, up 38.7% from same 1991 period, while CD players at nearly 5.8 million for period, were up more than million units. More than 75% of all CD players imported into U.S. come from Japan.

Japanese exports to Canada in Oct. (10-month shipments in parentheses): Color TV 299, down 64.6% (4,937, down 29%); VCR decks 50,451, down 6.1% (405,920, down 5.9%); camcorders, 27,287, down 45.1% (197,664, down 59%); laserdisc players 3,340, down 12.9% (18,231, up 19.6%); CD players 59,725, up 18.6% (455,173, up 14.1%). Oct. and 10-month exports from Japan to U.S.:

Product	Oct. '92	Oct. '91	% Chg.	10 Mo. '92	10 Mo. '91	% Chg
Color TV.....	11,636	7,759	+50.0	99,411	109,725	- 9.4
VCR decks.....	610,085	714,406	-14.6	5,137,372	5,602,469	- 8.3
Camcorders.....	297,482	410,226	-27.5	2,269,258	3,267,597	-30.6
Videodisc players	37,046	36,933	+ 0.3	290,576	209,483	+38.7
CD players.....	667,468	635,707	+ 5.0	5,795,382	4,760,489	+16.8

**FIRST SONY MDs AND GOVT. DIGITAL RULES ARRIVE:** In relatively low-key fashion compared with "DAT Day" marketing blitz 2-1/2 years ago (TVD June 25/90 p12), Sony last week started shipping first allocations of MZ-1 record-playback and MZ-2P playback-only MiniDisc (MD) portable to U.S. retail accounts. Meanwhile, U.S. Copyright Office (CO) issued interim regulations on form and content of "filing of notice" requirements under new Audio Home Recording Act, setting Jan. 4 deadline for public comments on interim rules.

Sony MD players were trucked or air-freighted last week from Ill. warehouse nationally to such key accounts as Circuit City, Good Guys, Macy's and Silo, Gen. Audio Mktg. Vp Mark Viken said. He said products would be available for sellthrough and advertising as early as this past weekend. As week closed, Macy's issued Christmas electronics circular featuring MZ-1 on cover at \$699 "holiday" sale price. Viken wouldn't discuss actual quantities of MD product in first allocation, but said shipments number "in the thousands rather than the hundreds," although he conceded quantities probably "are a little less" than some retailers would like. He reiterated that 1,500 retail outlets will have product to sell by end of Dec., with ramp-up to as many as 2,000 storefronts within 90-120 days.

Japan's Nikkei Sangyo newspaper reported last week that Sony is reporting domestic backorders of about 10,000 units of MZ-1 portable, which became available Nov. 1. Paper said 50% of 30,000 of MZ-1 and MZ-2P produced monthly have been allocated to overseas markets.

As for software support, we're told pool of 150-200 titles, dominated by 100-plus Sony Music albums, will have reached stores this week to coincide with hardware shipments. Sony Music Market Development Vp Jeff Shulman said company plans to add 50 titles in Jan., featuring such artists as Billy Joel, for whom contract clearances came too late to be included in startup catalog. Shulman said at least 750 outlets nationally will carry MD titles from Sony Music at start. Software quantities will be ample, he said, noting that some titles will be available in runs of 1,500-7,500 copies.

Copyright Office notice had few, if any, surprises. Agency said importer or manufacturer must file initial notice within 45 days following first U.S. distribution of digital audio recorders and blank media made after last Oct. 28 -- day that royalty legislation was signed into law by President Bush (TVD Nov 2 p16). CO said purpose of interim rules is "to allow persons to invoke the statutory license immediately, while permitting full public comment before the issuance of final regulations." Adding growing urgency to need for interim rules was fact that DCC products from Philips, Tandy and Technics began arriving on U.S. store shelves in Oct. and Nov., while first Sony MiniDisc shipments have begun hitting streets.

Agency said provisions for filing quarterly and annual statements of account and rules on actual submission of royalty payments will be addressed in separate rulemaking proceeding in "near future." CO officials have said rules on quarterly and annual filings -- to document actual digital audio hardware and blank media shipments -- are expected by end of Dec.

CO said initial notice should be submitted on forms available from its Licensing Div. (202-707-8150), where spokeswoman said forms are available by fax "for information purposes only," as actual filings to CO must bear original signature of company officer submitting data. Initial notice form asks for basic information on manufacturer or importer and nature of product shipments, such as "product category of a device or medium" (boombox stereos, handheld personal portables, etc.). Principal uses of information requested on form will include: (1) Preparation of detailed reports to Copyright Royalty Tribunal, which will be responsible for disbursement of royalty money to copyright interests. (2) Establishment and maintenance of public record. (3) Examination for compliance with requirements of royalty law.

Mockups of new digital audio formats will be highly visible at upcoming Las Vegas Consumer Electronics Show, as indicated in informal poll of exhibitors by our affiliated Audio Week newsletter. Sanyo will tout MD "in a big way," Vp Isaac Levy said, and plans to display 3 prototypes, including playback-only portable, 3-disc in-dash changer with removable faceplate, possibly home MD component. As for DCC, marketing corporately will be handled by Fisher because format at start is being positioned for home recording, Mktg. Vp Michael Shoemaker said. He said Fisher plans to show 2 home DCC prototypes.

Also aggressive on MD front will be Sharp, which plans to show MD portable, but not DCC mockup, spokeswoman said. Company issued statement saying its R&D labs in Japan "have worked steadily to develop their own laser optical mechanism" that allows for "smaller, more compact portable unit." Pioneer plans to showcase equal representation of MD and DCC mockups and will remain noncommittal for foreseeable future on marketing or pricing plans, Home Audio Mktg. Vp Michael Fidler said. Noteworthy aspect of minisized home MD prototype he described is that it's playback-only component.

Thomson Consumer Electronics (TCE) will announce marketing plans in one or both formats at Las Vegas show, Syracuse-based spokesman said. Although he confirmed TCE recently became dues-paying member of DCC Group of America, he advised against "reading between the lines" as to format involvement. Also noncommittal was Onkyo, which showed DCC mockup at Japan Audio Fair. National Sales & Mktg. Mgr. Ted Green indicated company would have more specifics to discuss at news conference first morning of show.

**FTC DROPS NINTENDO PROBE:** Federal Trade Commission has informed Nintendo of America that it has closed antitrust investigation of Nintendo of America (NOA) and parent Nintendo Co. Ltd. Probe was one of several actions against Nintendo in last 3 years over allegations of antitrust and related violations. Earlier this year, U.S. Dist. Court jury in San Francisco gave Nintendo victory in antitrust suit filed by Atari Corp., which had charged that Nintendo used its overwhelming share in 8-bit games to keep programmers from creating software for competing systems (TVD May 4 p21). Also, Nintendo reported, N.Y. Attorney Gen. in Sept. closed separate antitrust investigation.

"We gave complete cooperation to the federal and state agencies in these investigations and are pleased they decided to close them," Nintendo Senior Vp Howard Lincoln said. "Just as we were vindicated by a San Francisco jury after a 3-month trial, the closing of these investigations, without bringing any charges, clears us again. We're batting a thousand."

That batting average, however, apparently doesn't include most noteworthy outgrowth of investigations -- settlement reached last year among Nintendo, FTC and attorneys general of all 50 states involving charges that Nintendo had fixed retail prices (TVD April 15/91 p11). Under terms of that settlement, Nintendo admitted no guilt, with Lincoln saying Nintendo was opting "to get this behind the company immediately" rather than undergoing costly legal battle. But it also agreed to pay states nearly \$5 million, and offered \$5 discount coupons good toward purchase of Nintendo-authorized software and accessories, with maximum liability of \$25 million.

FTC form letter to NOA Pres. Minoru Arakawa last week said "it now appears that no further action is warranted by the Commission at this time. Accordingly... the investigation has been closed. This action is not to be construed as a determination that a violation may not have occurred, just as the pendency of an investigation should not be construed as a determination that a violation has occurred. The Commission reserves the right to take such further action as the public interest may require."

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**Affirming earlier order** (TVD Nov 9 p14), U.S. Court of International Trade (CIT) ordered International Trade Administration (ITA) to "proceed at once" with investigation of Brother Industries' antidumping complaint against Smith Corona on imports of portable typewriters. CIT earlier reversed ruling by International Trade Administration that since Brother wasn't U.S. manufacturer, it had no standing to file complaint, so no investigation could be conducted. Despite reversal, ITA said it would delay investigation pending Smith-Corona's appeal of CIT's decision to U.S. Appeals Court. However, CIT ruled last week that ITA investigation should go forward even as Smith-Corona's appeal is heard.

**JVC Introduces** palmtop-size character generator with uppercase and lowercase alphanumeric letters in 4 sizes, with scrolling, black character outlines, zoom effect, built-in signal generator. It's battery or AC operated, will be available in Jan. at nationally advertised price of \$250.

**China's largest satellite** receiving system manufacturer, Suman Satellite Technology Co., has capacity to produce 200,000 receivers per year. Installed in China, home system can bring in TV shows from France, Indonesia, Japan, Malaysia, Russia, U.S. and other countries, according to China Daily interview with Li Yongheng, a company senior manager. Central China TV, meanwhile, is starting new direct satellite channel receivable only by satellite dish in Beijing. There's one problem: Use of satellite receivers is banned in China. "Every time an individual comes to buy a satellite receiver system, we tell him there is an official ban and he is advised to use it only for TV shows from a Chinese satellite or frontier provinces," Li is quoted as saying.

**CD-based karaoke** system using full-motion digital video interactive (DVI) has been developed jointly by Nippon Columbia and distributor Daiichi Koshio. System uses separate CD+G discs for sound and CD-ROM discs for picture, so different backgrounds can be used with same music and lyrics. Called "Dogasys" (TVD June 1 p16), system can hold 200 CDs. Changer costs about \$4,000, controller \$6,450. It's 2nd CD-based karaoke system to be introduced, after JVC's CD-ROM/XA (TVD Oct 5 p13).

**OfficeMax**, office product and electronics superstore chain 92% owned by K mart, signed definitive agreement to acquire BizMart, 104-store chain, from Intelligent Electronics for about \$270 million. OfficeMax, which operates about 160 stores in 26 states, earlier this year bought OW Office Warehouse. When acquisition is completed, OfficeMax will emerge as company with more than 280 stores.

**New media** mean new opportunities for Playboy, Chmn.-CEO Christie Hefner told shareholders at annual meeting in N.Y. last month. Company is looking into CD-I and other CD-ROM formats for delivery of magazine on disc, she said. Plans call for development of programming in FY 1993 ending June 30. Another opportunity is virtual reality, Hefner said, and possibilities for Playboy are boundless.

**Summer Consumer** Electronics Show (CES) package of downtown Chicago hotel, transportation and airport transfer will be available to buyers at Winter show in Las Vegas Jan. 7-10 at \$499-\$599, said to be 10-50% saving. Packages will be sold at CES Buyers Lounge. After Winter show, packages and hotel reservations will be available from Chicago Convention Bureau, 800-723-2000.

**Sony's Digital Audio Disc Corp.** (DADC) in Sept. marked first month of million CD-ROM production. Company said it would ship more than 12 million CD-ROM discs this year, and moved its 10 millionth unit in July. DADC Chmn.-CEO James Frische called CD-ROM "one of our fastest growing markets."

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 124 yen = \$1, except where noted.

**NOV. RETAIL SALES ADVANCES:** Two publicly held consumer electronics and appliance retailers reported solid sales gains in Nov.

**Circuit City** Nov. sales rose 20% to \$328.1 million, with comparable stores up 10%. For 3rd quarter ended Nov. 30, sales jumped 16% to \$804.6 million on 8% comparable-store increase. Company will release full financial report for quarter next week, but Pres.-CEO Richard Sharp said earnings per share will be in 32¢-34¢ range, vs. 19¢ in last year's quarter.

"Sales for the month exceeded our expectations," Sharp said, predicting increased revenues and tighter expense controls "will more than offset an increase in promotional activity during the quarter." Company opened 18 superstores in quarter (one of which replaced former electronics-only outlet), giving it 213 superstores, 7 electronics stores and 39 Impulse mall electronics stores.

**Best Buy** said sales for 4 weeks ended Nov. 28 soared 114% to \$188 million, with comparable-store revenues up 36%. Sales gained 105% to \$474 million in 3rd quarter, with comparable stores up 30%. Through first 3 quarters of Best Buy's fiscal year, sales were up 71% to \$1.01 billion and comparable stores up 21%. That was first time Best Buy had exceeded \$1 billion mark in retail sales. Company acknowledged that 3rd quarter contained "a high level of promotional activity due to the opening of 31 stores." It now has 110 stores in 14 states.

Meanwhile, Detroit Free Press reported last week that Best Buy is seeking store locations in Detroit area, with developer in suburban Southfield having applied for local approval to tear down hotel and replace it with 23,000-sq.-ft. Best Buy store and 20,000-sq.-ft. OfficeMax outlet. Best Buy Regional Sales Vp Wade Fenn is quoted as saying "it looks fairly encouraging as far as available sites" for Best Buy around Detroit are concerned. Fenn said company is "not banking on" failure of troubled Highland Superstores to survive, though acknowledging it "would give us more alternatives -- not only available sites, but also releasing some exclusivity deals." No time frame was specified for entry into market.

**Audio/Video Affiliates** said Nov. sales gained 13.9% to \$25.4 million, with comparable-store revenues up 2.4%. For first 11 months of 1992, total sales were up 14.6% to \$159.4 million and comparable stores were 4.5% ahead of last year's pace.

Company last week reported financial results for 3rd quarter ended Oct. 31, with Chmn. Stuart Rose crediting improved expense control for 85% net income increase on 19% sales gain. Sales in quarter rose to \$48.5 million from \$40.8 million last year; net income soared to \$316,000 (5¢ per share) from \$171,000 (3¢).

For first 3 quarters, company's net income rose 46% to \$1.1 million (17¢) from \$784,000 (12¢) and sales 13.7% to \$139.3 million from \$122.5 million. "We have had a good performance during the first 10 months of the year, and are optimistic about the holiday selling season," Rose said. At end of Nov., company operated 106 stores, up from 98 year earlier.

Sharp expects to sell 50,000 LCD Viewcam camcorders in Japan this year, despite fact that they weren't introduced until end of Oct. Japanese news report said Viewcam has resulted in tripling number of dealers handling Sharp camcorders.

**SHARP TO MAKE 16:9 HERE:** Sharp plans to produce "16:9 widescreen TVs at the rate of about 10,000 a year at Sharp Manufacturing Co. of America starting in mid-Sept. 1993," parent Sharp Corp. in Japan announced. Sharp said details will be revealed at Winter Consumer Electronics Show next month in Las Vegas.

Statement was issued in response to article in Nikkei and English-language Nikkei Weekly reporting that company would manufacture widescreen sets at its Memphis plant. Nikkei referred to 32" sets, which in U.S. nomenclature would be 30W" size (about equivalent in height to 25" standard-ratio set).

In Oct., we quoted Sharp Pres. Haruo Tsuji as saying company would offer widescreen sets in U.S. next year and other officials as saying company would produce either 30W" or 34W" sets in Memphis (TVD Oct 26 p13).

In Japan, JVC last week announced its 4th widescreen set for domestic market -- 30W" model without MUSE converter, to list at about \$3,000. Monthly production of 3,000 is planned. Optional converter permits viewing of HDTV picture in normal NTSC resolution. Company introduced 26W" set last Sept.

**'SUPERFLAT' BECOMES 'GAOO':** Bowing to ruling by National Advertising Review Board (NARB) in case involving computer monitors, Panasonic has decided to drop "SuperFlat" designation for its reduced curvature tubes and revert to term used in Japan since introduction of new tube configuration -- "Gao." ■

Gao translates loosely from Japanese as "king of pictures," and it's understood parent Matsushita would prefer to use same trademark worldwide -- just as Sony changed U.S. name of its personal stereo from "Soundabout" to conform with Japanese designation of "Walkman," which quickly achieved worldwide currency.

Gao name won't be featured prominently in ads but will be included in some of them. Ruling on complaint by Zenith last fall in case involving NEC computer monitors, NARB said it was misleading to advertise tubes as "flat" when they have some curvature in faceplate (TVD Oct 26 p15). Zenith sells Flat Tension Mask (FTM) computer monitor, whose faceplate actually is flat.

**Memtek will field** line of 9 Memorex-brand clock radios scheduled for delivery in spring. Company said models will be \$15-\$170, top unit featuring built-in CD player. Lower priced (\$40 list) model has "instant weather" button for receiving National Weather Service band. Memtek Mktg. Mgr. Dave Williams described introductions as "2nd phase in our expansion strategy" following earlier debut of audio electronics under Memorex brand. He said company would continue to pursue growth by introducing increasing number of goods through larger distribution network aimed at "self-service" retailers.

**New Sanyo subsidiary** in Osaka will oversee sales of car stereo products and other automotive electronics. Sanyo Car Electronics will employ 80 at start and is projecting sales of about \$160 million annually after 2 years.

**New catalog** of all standards, specs and other publications of EIA and its affiliates, listing more than 1,000 items, is available free from Global Engineering Documents, 800-854-7179.

**CHINESE TUBE MASKS TO U.S.**: Joint Japanese-Chinese venture will build plant in Shanghai to produce color tube shadow masks for picture tube plants in China as well as for export to Toshiba picture tube plants in U.S. and Thailand, Toshiba announced.

Toshiba and Mitsui each will own 17.5%, and Shanghai Novel Color Picture Tube Corp. will own 65% of new Shanghai Yinshi Electronics, capitalized at \$21 million. Company is scheduled to start production in April, using technology from Toshiba. Announcement said new company will manufacture shadow masks for 21" and 25" tubes (overall diagonal measurement), which would be 20" and 23" in U.S. viewable diagonal (V) measurement.

Plant will make 5 million masks monthly, of which half will be shipped to Shanghai Novel, other half to Toshiba's 2 overseas tube plants. Toshiba's color tube plant in Horseheads, N.Y., makes 20" tubes among variety of sizes through 35", currently procures shadow masks domestically. The 23" (25" overall) tube isn't a U.S. size. Officials at Toshiba's U.S. tube plant said last week they had no information on China venture.

Toshiba announced it produced its 150-millionth color tube in Japan last month. Including production in its U.S. and Thailand plants, total stands at more than 160 million. Toshiba claims to be world's largest supplier of color picture tubes, with annual production of 13.2 million -- 9.6 million in 2 plants in Japan and 3.6 million in U.S. and Thailand -- accounting for 10% of world market.

Philips still claims title of world's largest producer of color tubes, with estimate of more than 15 million produced worldwide. In 1991 annual report, Thomson Consumer Electronics described itself as "No. 2 worldwide" in medium and large-size color tubes, producing 8.6 million annually. In addition to plants in U.S. and Italy, TCE's plant in Warsaw has annual capacity of 2 million smaller tubes.

European consumer electronics (CE) retailers can view U.S. retailing scene as portent of their own futures, Best Buy Senior Mktg. Vp Terry Strom told recent conference in London. "The overwhelming trend of consolidation among CE retail outlets in the U.S. may foreshadow the fate of European retailers over the next 5 years," he said at meeting sponsored by BIS Strategic Decisions. BIS consultant David Mercer cautioned that if European unification "pushes Europe even halfway towards a U.S.-type environment, independent dealers and even established [specialty chains] will have to look towards one-stop shopping superstores as the future of electronics retailing."

**Portable LCD projector** will be marketed under Philips brand name by Marantz in Japan in mid-Dec. Carrying list price of about \$635, it's designed to project 4" to 70" pictures on wall or screen. It uses single 0.7" active matrix LCD of 100,000 pixels, weighs 3 lb., measures 6.6x5.5x2.8". It has built-in sound system and speaker, video and audio inputs. Company says it plans sales of 10,000 annually for home and corporate use. No plans for export were given.

**Reorganization** of Philips Semiconductors (PS) will phase out U.S. subsidiary Signetics, shifting its operations to 3 organizations that report directly to PS in Netherlands -- N. American Regional Sales Organization (RSO), Standard IC Business Group, Application-Specific Business Group. RSOs also have been established for Europe, Japan/Korea, Southeast Asia.

**GO-VIDEO IN BLACK FOR QUARTER**: Go-Video eked out \$21,000 profit on \$6.1 million in sales in first quarter ended Oct. 31. In last year's quarter, company had \$3.6 million in sales, losing \$483,000. Pres. Robert Palko said profit was limited by costs associated with acquisition of new credit line (TVD Oct 26 p16); without those costs, profit would have been close to \$100,000, he said. Chmn. Terren Dunlap said: "Sharp upward sales trend is being matched by improving gross margins, which at 18% in the first quarter are double the 9% rate in the same period last year."

**TDK** reported consolidated net income fell 23.9% to \$85 million as sales dipped 2.1% to \$2.24 billion in 6 months ended Sept. 30. Company said sales in electronic materials and components, which account for 2/3 of revenues, were off 5.3% to \$1.54 billion as "orders for components used in audio and video equipment weakened significantly," although it achieved gains in semiconductors and magnetic heads for hard disc drives. Recording media sales rose 5.7% to \$700.7 million on "strong demand for floppy discs" and better-than-expected sales in conventional tape products driven by "a combination of effective marketing and products that matched consumer needs." Company said "outlook through the end of fiscal 1993 remains sluggish."

**Atari** posted 15.1% gain in net income even though sales fell 29.9% in 3rd quarter ended Oct. 3. Company blamed drop primarily on "continuing economic softness coupled with intense competitive pressure on the company's computer and videogame products." For first 3 quarters, Atari lost \$51.7 million (vs. \$28.1 million profit in year-earlier period) as sales fell 37.1%. Profit in 1991 period was more than accounted for by sale of manufacturing facility in Taiwan.

**B&O CUTS BACK IN EUROPE**: Bang & Olufsen (B&O) announced in Denmark it will reduce work force by 400 employees in austerity move aimed at making company profitable before current fiscal year ends May 31.

Financial Times reported that latest measures by Danish parent company will reduce costs about \$26 million annually, noting that main objective of cuts is to reorganize European sales operation by reducing total number of employees, but increasing number engaged in active selling. B&O America Pres. Dean Miller said sales in Europe are handled by 9 or 10 direct subsidiaries plus independent sales agents, resulting in significant duplication in services and jobs.

European news reports said 80 of 400 jobs being eliminated in latest round of cuts would be from subsidiaries operating abroad, but Miller said U.S. operations won't be affected. He said he welcomed cuts as benefiting company overall, noting that B&O management had been promising to "trim the fat" in European operations for some time.

Financial Times said parent expects to report loss of about \$8 million in first half ended Nov. 30 and forecasts undetermined loss for full year ending in spring. Miller said U.S. subsidiary trimmed its losses 80% in year ended last May 31 from year earlier and expects to be profitable in current fiscal year ending in May.

**Japan's electronic parts** manufacturers have been declared eligible for employment adjustment subsidies by Labor Ministry, and audio-video manufacturers are expected to apply for eligibility by end of month through EIAJ. After industry has been designated for subsidies, individual companies may request help when employment drops 5% (TVD Sept 21 p17).

**WORLD TAPE FORECAST:** Worldwide sales of 1/2" videocassettes and audiocassettes will rise only 1% in 1993, according to forecast by Magnetic Media Industries Assn. of Japan (MMIAJ). In 1992, videotape demand rose 2%, audiotape 1%.

Fastest growing of magnetic media is camcorder cassette category, encompassing 8mm and VHS-C cassettes (not included in videocassette tabulation). On top of 14% growth in 1992, MMIAJ expects further 13% increase next year. Floppy disc growth is predicted to rise 11% in 1993 after 15% gain in 1992. Blank videocassette sales in U.S. (excluding duplicator sales) are seen declining 1% to 350 million in 1993 after 1% dip this year.

Japanese production of videotape and audiotape is expected to decline for 2nd consecutive year, MMIAJ predicting output of 663 million videocassettes (including duplicator sales), down 3% from projected 681 million in 1992, which was down 12% from 1991. Audiotape production is forecast to be unchanged next year at 1.54 billion, with floppy discs (including software) up 11% to 1.96 billion. Here are forecasts for 1993 and 1992 projections in millions of units:

**1/2" VIDEOTAPE (T-120 equivalents)**

	1993 Forecast		1992 Projection	
	Units	% Chg.	Units	% Chg.
North America.	350	- 1	354	- 1
Japan.....	226	- 2	231	- 2
EC nations....	330	+ 3	322	+ 5
Others.....	<u>168</u>	+ 6	<u>158</u>	+ 7
<b>TOTAL.....</b>	<b>1,074</b>	<b>+ 1</b>	<b>1,064</b>	<b>+ 2</b>

**CAMCORDER VIDEOCASSETTES (8mm and VHS-C)**

North America.	46	+17	39	+23
Japan.....	44	+ 7	41	0
EC nations....	48	+16	42	+22
Others.....	<u>10</u>	+20	<u>8</u>	+25
<b>TOTAL.....</b>	<b>147</b>	<b>+13</b>	<b>130</b>	<b>+14</b>

**AUDIO TAPE (C-60 equivalents)**

North America.	418	+ 1	414	+ 2
Japan.....	385	- 2	392	- 3
EC nations....	449	+ 1	443	+ 1
Others.....	<u>668</u>	+ 2	<u>655</u>	+ 2
<b>TOTAL.....</b>	<b>1,920</b>	<b>+ 1</b>	<b>1,904</b>	<b>+ 1</b>

**FLOPPY DISCS**

North America.	1,563	+ 6	1,478	+ 8
Japan.....	429	+13	380	+14
EC nations....	992	+ 9	908	+19
Others.....	<u>346</u>	+11	<u>312</u>	+15
<b>TOTAL.....</b>	<b>3,330</b>	<b>+ 8</b>	<b>3,078</b>	<b>+12</b>

**Consumer LCD TV display** is being developed by Hosiden, based on 6.7" active matrix model it's selling to Boeing as cockpit display in new B-777 airliner. Display, which boasts 170° viewing angle, will be shipped to Boeing starting in mid-1993, Dempa reported.

China produced more than 20.5 million TV sets in 1992's first 9 months, State Statistical Bureau reported. Some 9.55 million were color, 10.95 million monochrome.

**STEREO TV PASSES 40%:** More than 40% of direct-view color sets sold in 1992's first 10 months had stereo sound capability -- first time that percentage has been exceeded on cumulative year-to-date basis in any year, according to EIA figures.

In Jan.-Oct., record total of 6,686,888 sets sold to dealers had stereo, representing 40.2% of 16,643,752 total color sets sold. In same 1991 period, nearly one million fewer stereo sets were sold -- 5,750,337 (37.7% of total sales of 15,238,336). Cumulative stereo color TV sales were up 16.3% in year's first 10 months, period when direct-view color sales were up 9.2% from preceding year.

In Oct., stereo was feature of 922,595 sets -- 43.4% of 2,123,743 sold in month. Both stereo number and percentage are 3rd highest ever for any month. In Oct. 1991, stereo sets totaled 741,905, 14.7% of 1,775,356 color sets sold to dealers. Oct. 1992 stereo color set total was 24.4% higher than in Oct. 1991, month when direct-view color sales rose 19.6%.

EIA's figures on stereo in color TV sets exclude projection TV (vast majority of which are stereo) and TV/VCR combinations (sizable majority of which are believed to be mono-only).

**VCR deck sales** to dealers surpassed 1991's 53-week total in 46th week of 1992, with year-to-date sales soaring to 10,737,460, compared with 10,718,336 last year. As we have noted, it's apparent that industry is headed toward record VCR year, exceeding 12,005,415 sold in 1986. Sales, which have been running ahead of last year all along, are surging late in year, with weekly records set in 5 of last 6 weeks, and all-time weekly record of 565,585 sold in last week of Oct. Meanwhile, 3rd week in Nov. was record direct-view color TV volume week, with 750,478 color TVs and combos sold to dealers.

In one of first actions toward better consumer electronics and cable interface under new Cable Act, EIA last week filed petition in FCC's proposed rulemaking on cable home wiring. Citing precedent in telephone industry deregulation, EIA proposed permitting consumers to own or lease their own in-home wiring, ending cable system's exclusive ownership at "point of entry to the customer's premises." EIA said policy "will lay the foundation for competition in the provision of cabling services, facilitate consumer choice among competitive video delivery media and encourage further growth in home automation capabilities" through such systems as EIA-developed CEBus.

Sega reported sellout of first shipment of 35,000 CD players "within 48 hours" at retail outlets nationwide. Total includes more than 6,000 customers of Software Etc. retail chain who had preordered system. Meanwhile, Amstrad said it will ship MegaPC -- standard 386SX PC that also can accept software for Sega MegaDrive (known in U.S. as Genesis). Unit, which will sell for about \$1,500, will be available in U.K. before end of year, Amstrad said. Machine has sliding front panel that lets user switch from PC mode to Sega mode and back without logging off computer. It originally was announced for Sept. introduction (TVD July 27 p15).

**Consumer LCD TV display** is being developed by Hosiden, based on 6.7" active matrix model it's selling to Boeing as cockpit display in new B-777 airliner. Display, which boasts 170° viewing angle, will be shipped to Boeing starting in mid-1993, Dempa reported.

## Consumer Electronics Personals

**Thomas Steckbeck** takes early retirement Jan. 2 as senior vp, Toshiba America Consumer Products, "in a well-planned transition;" duties will be assumed by Pres. **Hitoshi Ohashi** until successor is named... **Frank Reiter** retires Feb. 1 as national accounts sales vp, Philips Consumer Electronics... **Clayton Yeutter**, ex-U.S. Trade Representative and Agriculture Secy., elected to Texas Instruments board... **Masao Morita**, 38-year-old son of Sony Chmn. **Akio Morita**, promoted to senior gen. mgr., Sony Audio Components Group in Japan; he previously served as gen. mgr., Sony Strategic Planning Div... **Don Dunn**, who has covered consumer electronics during his 25 years at Business Week as marketing, media and ad editor and editor of its Personal Business Dept., leaves Dec. 31 to accompany his wife to Harare, Zimbabwe, where she will head office of U.N. Population Fund on 2-year assignment.

**John Loose**, exec. vp, Corning Information Display Group (IDG) and former CEO, Corning Asahi Video Products Co. (picture tube glass) and Corning International vp, on Jan. 1 becomes chmn.-CEO, Corning Vitro Corp., joint consumer products operation of Corning and Vitro S.A.; **Pamela Schneider**, Corning Asahi chief financial officer, joins Corning Vitro as vp-chief financial officer; IDG will report directly to Corning Pres. **Roger Ackerman**; Schneider's successor at Corning Asahi will be named later... **James Dykes** leaves as pres. of Signetics as Philips restructures N. American integrated circuit operations Jan. 1.

**Changes at JBL Consumer Products in Product Planning Group:** **Ara Gharapetian**, who last year joined JBL as product mgr. after 8-year stint with Alpine, promoted to mgr.-product planning; **Dan Siefert**, 8-year Harman International veteran, joins as product mgr.-specialty products, including Synthesis home theater systems and "wide range of future products"; **Brian Schultz**, product mgr.-Harman Speaker Mfg. subsidiary, assumes same post for JBL home speakers; **Carter Smith** moves to product mgr.-car audio from product planning post at Harman Kardon.

**Henry Ruggeri** promoted to Alpine car audio mktg. services mgr... Appointments at Soundstream Technologies: **Larry Harrison**, ex-Kenwood and Yamaha, joins as national sales mgr.-car audio; **Mark Spinella**, ex-AudioControl, named mktg. mgr... **Donald Patrican**, Polaroid, elected ITA vp and member of Exec. Committee. Elected to one-year terms on ITA board: **Joseph Colosi**, Du Pont; **Frank Goodchild**, Swire Magnetics; **Mark Mitravich**, Hoechst Diafoil; **Ram Reddi Nomula**, Disc Mfg. Inc.; **Terry O'Kelly**, BASF; **Isidore Philosophe**, Cinram; **William Robson**, Eastman Kodak; **Scott Sanderule**, Dow Plastics; **Ken Wiedeman**, Sony Recording Media; **Roy Zemanovich**, ICI Films.

**Phillips cut price** of CD-I player in Japan last week. Previously, about \$1,130 including one software title (valued at about \$72.50), player is being sold now at \$930 without software but with coupon for Photo CD disc.

## OBITUARY

**Yutaka Otoshi**, 76, chmn. of TDK, died of cardiac arrest Nov. 25 in Tokyo. Otoshi, who became TDK pres. in 1983, is credited for much of TDK's expansion in 1980s, including establishment of tape factory in U.S. Information on survivors wasn't available at our deadline.

**MECA CITES CONSUMER PROFIT:** Matsushita Electric Corp. of America (MECA) "maintained profitability in consumer products" this year and increased sales in information, communication and industrial products, Chmn. **Akira (Andy) Imura** told press in N.Y. last week. He said company's combined sales in fiscal year ending March 31 now are projected at more than \$6 billion, based on 6% increase over last fiscal year when total sales were given as record \$5.8 billion (TVD May 18 p14).

Imura cited Matsushita's recent tax deal with IRS based on new advanced pricing agreement (APA) method (TVD Nov 16 p10) as "a model of how companies and tax authorities can work together to better cope with the increasing globalization of business." He noted MECA paid \$279 million in taxes and tariffs last fiscal year, excluding what affiliates paid.

Imura said MECA exported \$160 million in goods from U.S. last year. He expressed hope "that the new Administration will avoid the temptation to adopt protectionist trade policies," noting that "welcoming foreign investment... has continued to serve America very well throughout its history."

Stressing MECA's corporate citizenship in U.S., Pres. **Richard Kraft** said Matsushita has invested more than \$1 billion in establishing sales and manufacturing operations in N. America and invested \$163 million in manufacturing alone last year. Six of company's plants have surpassed goal of 70% local content, and 30% of company's sales were of U.S. origin last year, expected to increase to 34% in fiscal 1993, toward eventual goal of 50%.

**Note:** Parent Matsushita's annual report for fiscal 1992 shows operating profit for audiovisual equipment and home appliances of \$1.4 billion in year ended March 31, 1992, down from \$1.77 billion (both based on 133 yen = \$1); profit of information, communication and industrial products was \$1.37 billion, down from \$1.76 billion; profit of entertainment segment, including MCA for first time, was \$154.9 million.

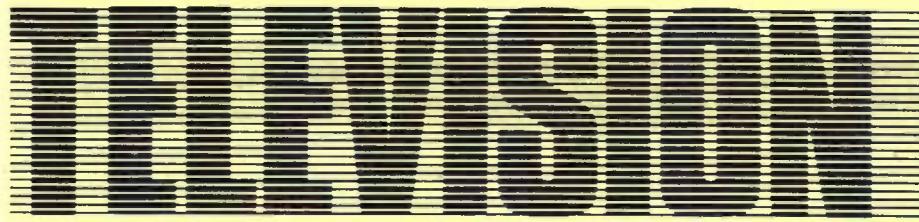
**Matsushita will sell** Sony-made Hi-Vision laserdisc players in Japan, according to Nikkei, as well as high-definition discs using MCA movies. Sony plans to begin marketing of HD-LD player next year at less than million yen (\$8,000). Nikkei said arrangement is Sony's first OEM sale of complete product to Matsushita.

**JVC will enter** U.S. cellular phone market early in 1993, according to Japanese report.

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DECEMBER 14, 1992

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**CABLE RATE REGULATION** proposed by FCC includes benchmarks. Refunds or rollbacks possible. Congress attacks recent rate boosts. (P. 1)

**FCC PROPOSAL SEEN MODERATE** on MSO ownership limits, program access, customer service, antibuythrough, EEO. 'The hard part is coming.' (P. 2)

**SIKES RESIGNS FCC** chmn. post effective Jan. 19, says he has no future plans. Debunks rumors of employment by MCI or Sprint. (P. 4)

**TRANSITION ETHICS RULES** not as tough as expected as Clinton transition team starts work at FCC. Hill aides prominent. (P. 5)

**TV VIOLENCE STANDARDS** set by big 3 networks. Sen. Simon optimistic on similar cable standards. (P. 6)

**MUST-CARRY STANDSTILL** order granted by court. Systems get at least 165 days to begin carriage. Both sides claim victory. (P. 7)

**CAP/ABC GOES SHOPPING**, is seeking purchase in \$5-\$8 billion range. Time Warner wants to sell some properties. (P. 7)

**DILLER BUYS INTO QVC** for \$25 million, may become chmn. Liberty-Comcast takeover and HSN merger delayed. (P. 8)

**FCC PROPOSES BENCHMARK CABLE RATE REGULATION:** Buttressed by strong letter from Congress, FCC proposed rate regulation plan for cable using "benchmark" rates for basic service, based largely on characteristics of similar systems around country. Commission made it clear that, even though rate regulation rules won't be put into effect until April, it still has authority to make certain that recent cable operators' rate increases in anticipation of cable law going into effect are acceptable, and that refunds or price rollbacks are possible.

Powerful group of lawmakers sent letter to FCC Chmn. Sikes saying that some cable operators were attempting to evade Cable Act by raising rates before new rules take effect and claiming that increases are result of Act. Letter said assertions are false because nothing in the Act requires rate boosts and it gives FCC and local governments new authority to regulate rates. Letter said Commission has authority to order rollbacks and "we are writing to you to underscore that the FCC's enforcement of the law must protect consumers against unreasonable rates."

Letter was signed by Senate Commerce Committee Chmn. Hollings (D-S.C.), Communications Subcommittee Chmn. Inouye (D-Hawaii), senior Committee Republican Danforth (R-Mo.), House Commerce Committee Chmn. Dingell (D-Mich.), Telecom Subcommittee Chmn. Markey (D-Mass.). Mass Media Bureau

### Consumer Electronics

**NOV. SALES SET RECORDS** in both TV and VCRs, putting industry on record pace in array of video categories through first 11 months of year. (P. 13)

**VIDEO EYEGLASSES** scheduled for sale in April by startup Virtual Vision at under \$900. Heads-up display system in 5-oz. goggles to be shown at CES. (P. 14)

**IMPORTS DOMINATED COLOR TV** supply in 3rd quarter, accounting for 52% of sets, up from 45.8% one year earlier, as Mexican plants increase output. (P. 15)

**PIONEER WILL SHOW MULTIMEDIA LD** at CES, reportedly aimed at such applications as interactive movies, electronic publishing, educational programs. (P. 15)

**CIRCUIT CITY NET SOARED** 89% in 3rd quarter on 16% sales gain, improved productivity, better comp store sales. Harvey Electronics shaves loss. (P. 16)

**SONY MINIDISC PORTABLES** in hen's-teeth category as inaugural shipments fall short of goal. More air shipments promised for last week. (P. 17)

**CD-I FMV CARTRIDGE DELAYED**, apparently until spring, awaiting availability of FMV software. (P. 18)

**PHILIPS APPOINTS** grocery magnate Pierre Everaert to management board. Restructuring of industrial products to cut staff, make sell-off easier. (P. 19)

Deputy Chief William Johnson, who is responsible for cable law implementation, said that even though FCC doesn't have rules yet in place, cable operators "shouldn't assume we are incapable of catching hold of the extra money," particularly if Commission implements cost-based rates.

Cost-based rate plan was one option proposed by Commission, but not one it preferred. It said it would prefer "benchmark" system, in which data would be collected from cable systems around country, including prices of services and characteristics of franchises such as amount of fiber or copper, number of subscribers, etc. Commission would draw up matrix of system characteristics with per-channel benchmark prices that would be sent to local govts., which are first line of regulation under Cable Act. Local govts. would compare prices charged by systems they regulate to national benchmarks to determine whether rates were reasonable. Staffers said that systems whose rates are outside benchmark could use special cost factors to justify higher rates.

FCC said factors that could be used to set benchmarks include: (1) Rates charged by systems facing effective competition. (2) Past regulated rates. (3) Average rates of cable systems. (4) Cost of service based on typical system; cost allocation and similar rules would have to be applied under this option. (5) Price caps.

System is like that set up for smallest telephone companies, called "average schedule" companies, which set their rates based on average industry costs rather than on costs of particular company. Average schedules are based on some costs, even if not those of companies affected. In case of cable, it's virtually impossible to construct similar regulatory plan because of lack of data, Comr. Barrett said at meeting Dec. 11. FCC Office of Plans & Policy Chief Robert Pepper said telcos are subject to Uniform System of Accounts in which costs are allocated to specific categories in same arrangement. There is no similar requirement for cable companies, some of which report costs at local, some at state, some at national or regional levels.

Benchmark rates are similar to price caps applied to largest telephone companies, with key exception. In price caps, Commission starts with assumption that existing prices were reasonable, Common Carrier Bureau Deputy Chief Kathleen Levitz said. In cable benchmark plan, that isn't assumed and any system that has rates outside of benchmark could be expected to have to justify those rates to local authorities, she said. Benchmark also would include formula to control how quickly rates could be raised. Commission also proposed formula on how benchmark mechanism would be adjusted. Comr. Marshall asked about "zone of reasonableness" for rates that would be similar to rate bands in price caps that allow prices to be changed by designated percentages but still be deemed as reasonable.

Notice will ask numerous questions on several topics, including clarifying FCC's authority in numerous areas. That's because Commission won't have time to issue further notices to clarify some issues, and wants some comments on record for each issue that could come up. One will be relationship between FCC authority and local authority. Commission clearly could come up with rate sheet to be applied by local govt., but that also could be considered as appellate body if there's disagreement at local level. There's question whether resolution of issue would move to FCC or to local courts. It's also unclear whether law preempts local cable operators that have been deregulated under their franchise agreements.

NCTA spokeswoman said FCC took "in general the right overall approach" to rate regulation but "the devil is in the details." She said Commission clearly is convinced that rate-of-return regulation won't work and said NCTA will encourage members to cooperate fully with agency "so the FCC has all the information it needs and understands fully the economic consequences" of rulemaking.

**FCC TRIES TO AVOID UNDUE CABLE INTERFERENCE:** FCC appeared to signal relatively moderate approach to implementing 1992 Cable Act in series of rulemakings launched Dec. 11 on cable ownership, program access, customer service standards, buythrough, EEO. FCC Chmn. Sikes and Comr. Marshall particularly indicated they don't want rules to intrude too much on market. Full texts of rulemakings weren't available, but most appear to be primarily questions, rather than tentative conclusions. Decisions won't be final for months, long after Sikes and probably Marshall leave FCC. Commissioners repeatedly commended staff for long hours drafting rulemakings, but Sikes said "in some respects the easiest part is done, the hard part is coming." According to texts released Dec. 11, comments on customer service rule are due Jan. 11, replies Jan. 26; deadlines for antibuythrough are Jan. 13 and Jan. 28.

FCC has "got to weigh the benefits of limits" on cable system ownership, Marshall said: "The viewer would not be well served by a simple-minded big-is-bad approach." Sikes agreed, saying market is changing

rapidly because of Cable Act and advent of new technology such as compression: "I am not disputing that there are legitimate concerns, but the concern expressed by Congress lags [behind current reality]. I hope that is taken into consideration in the final rules."

New rule is expected to suggest limiting single MSO ownership to range of 25-35% of all cable households, staffers said, although Mass Media Bureau Deputy Chief William Johnson, who's heading rulemaking process, said figures are "not exclusive." Even 25% ownership limit would appear to have little impact -- largest MSO, TCI, has interests in cable systems with about 11 million subscribers -- about 17% of nationwide total. Commission also: (1) Suggested using broadcast definitions of attributable interest and change of control. Marshall specifically asked for comment on issue, saying broadcast standard "may not be appropriate" for cable. Johnson acknowledged that issue is "extremely difficult," but said agency wants to "borrow" from broadcast as much as possible. (2) Indicated it believes there shouldn't be restrictions on MSO creation of programming. Staffers said Congress merely suggested that Commission consider issue. FCC asked whether restrictions are needed and whether they would limit MSO ability to finance new cable networks.

(3) Proposed to use complaint process to handle cross-ownership problems involving SMATV, wireless cable and satellites and asked whether formal reporting system is needed. It also asked whether current wireless cable cross-ownership rule can be applied to SMATV and satellites. (4) Called for comments on reasonable limits on number of cable channels that can carry networks in which MSO has interest and how to calculate occupancy. (5) Concluded tentatively that antitrafficking section of Cable Act is self-executing, but sought comments on FCC jurisdiction, what constitutes transfer of ownership, how to implement waiver authority, what information it should require.

Commission is "still sharpening up its tentative conclusions" on program access, Johnson told reporters, but Marshall said it's "clear" that agency won't require program providers to sell under identical conditions to everyone because "some are better negotiators. We're tiptoeing through a minefield." Rulemaking acknowledged that cost- and volume-related price differentials are justified and asks whether other factors might justify price differences. FCC asked comment on: (1) What geographic market is relevant for finding of anticompetitive harm. (2) What constitutes undue MSO influence over programmer. (3) What practices are "discriminatory." (4) What effect public interest has on determination. (5) What constitutes *prima facie* showing of unfair practice. Commission proposed setting up streamlined FCC adjudicatory proceeding for complaints, triggered only by *prima facie* showing. (6) What practices regarding taking interest in programmer in return for carriage should be prohibited and what are appropriate complaint procedures.

It would be difficult to set single standard for customer service, staffers said, so rulemaking asked whether standards should be based on size of system and include range of standards within which system and franchiser can negotiate. They said they don't want too-stringent standards to cause rate increases. Rulemaking asked whether NCTA-agreed standards are acceptable and whether federal standards are self-executing or whether local authorities must implement them. At request of Comr. Duggan, staff will insert question into rulemaking on whether there would be what he called "escalating floor of standards" that would "ratchet up" over time to avoid obsolescence. Sikes agreed that standards should improve, but said that probably will happen anyway because "much more rivalrous marketplace" will emerge: "I believe we can close this lemonade stand down in about 3 years."

"Core" of antibuythrough rulemaking is defining which systems aren't addressable, Johnson said after meeting. Law says nonaddressable systems can require subscribers to buy expanded basic tiers to get pay services, but addressable systems can't. All systems potentially are addressable, Johnson said, and many are partly addressable: "I don't think every household has to be addressable. The question is where on the spectrum [to draw line]." Marshall expressed concern that requiring addressability could "jack up" rates and limit "customer-friendly" marketing options and program packages. Duggan said he wanted to "flag" issue of effect of antibuythrough and a la carte pricing on program networks that rely on mass market for ads. He said a la carte forces networks from wholesale to retail marketing strategy with high costs, potentially resulting in "slow strangulation or death."

EEO rulemaking requested comments on proposed rule changes required by Act to expand EEO coverage of cable, broadcast, wireless cable and satellite industries. Act requires FCC to collect employment data from cable operators, conduct midterm EEO review of broadcast TV licensees and inform them of improvements needed, and extends EEO rules to wireless cable and satellites.

**SIKES RESIGNS AS FCC CHMN. EFFECTIVE JAN. 19:** FCC Chmn. Sikes wrote President Bush and President-elect Clinton Dec. 7 to announce his resignation, effective Jan. 19 -- day before Clinton's inauguration. Sikes gave no indication of his plans, but it's known his first activity will be vacation (site undecided, we're told). Sikes confidant told us: "He doesn't really know what he wants to do... There's nothing even remotely concrete concerning his future." Chmn. himself had no comment.

In letter to President, Sikes detailed agency's accomplishments over his 3-1/2-year tenure, saying Commission has "helped enable these extraordinary technical advancements and helped assure America's cutting-edge global leadership because we have been guided by several pivotal principles. We have opened markets to assure real competition... We have made good progress in reducing regulation as market forces took over and eliminating regulations which failed to survive the cost-benefit analysis."

Sikes began his letter to Bush by stating: "Today, I have informed President-elect Clinton of my intention to resign, effective 19 January 1993," as FCC chmn. He's 22nd chmn. of agency since it was formed in July 1934.

In his letter to Clinton, Sikes said FCC is preparing transition materials (under direction of Linda Solheim, dir. of Office of Legislative Affairs) and pledged his support during process. He said Commission faces "a difficult but potentially rewarding future during your tenure as President." Citing several unresolved issues (HDTV, finsyn, implementation of Cable Act, others), he said: "The successful conclusion of work on these and similar initiatives will require a great deal of time and talent from within the agency at a time when crushing burdens face it. Implementation of the Cable Act without the timely availability of new resources and handling the divisive financial interest and syndication rules dispute threaten the Commission's ability to work capably and coherently" on other unresolved issues.

Sikes resignation had been expected since Clinton victory Nov. 3 -- only timing was in question. Clinton also will have seat of Comr. Marshall to fill since her term expired last June 30. She wasn't reappointed by Bush, but can continue to sit until her successor is confirmed by Senate. Sikes and Marshall are Republicans, and at least one new appointee must also be from GOP side or an independent to maintain congressional mandate of no more than 3 of 5 commissioners being from party in power at White House.

At Dec. 8 dinner in his honor, hosted by FCBA, Sikes said he's leaving Commission "in good spirits" and with "no hard feelings," but his speech struck nearly everyone we spoke to as extremely acid. Sikes even acknowledged reaction to remarks, most of which were meant to be humorous but which evoked little real laughter, saying "who ever said comedy was nice?" Among Sikes' comments: (1) Finsyn is simple for anyone who understands "Hollywood accounting" and, in apparent reference to finsyn backing by Marshall, called it "the new Marshall plan." (2) He gave his "Where's Waldo Award" to Comr. Barrett, saying he's only commissioner who has to get guest pass to enter FCC building. Sikes also gave his "Serendipitous Windfall Award" to Barrett's travel agent. (3) He gave "Leon Trotsky Award" to "those who gave away LEC property" in colocation order. (4) He bestowed award for federal judicial propriety on Coalition to Preserve Finsyn. (5) Memorial "Sloan-Kettering" award went to "shock jock" Howard Stern who said he hoped Sikes' prostate cancer would spread; Sikes recently underwent surgery. Sikes also promised that after leaving FCC post Jan. 19 he won't become MCI chmn. or take over Sprint Washington office, as rumored.

Sitting Democrats on Commission are Quello and Duggan, and one of them (most observers are picking Quello) is expected to be designated interim chmn. until Senate confirms successor to Sikes.

**No further testing of improvements in HDTV systems** will be conducted before FCC's Advanced TV Advisory Committee begins process of selecting winning system in Feb., Chmn. Richard Wiley said. In letter to all 5 proponents, each of which sought retesting of improvements, he said that "adequate time does not exist" for new tests. Advanced TV Test Center said each system would require 3 weeks of test time, plus 3 days at CableLabs facility and 3 weeks at Canada's Advanced TV Evaluation Lab. Centers also would need time to prepare written reports, Wiley said. As result of cost of meetings of full Advisory Committee, as well as "the loss of overall momentum that postponement would entail," Wiley said Feb. date is "immutable." He also cited lack of consensus view among proponents as to whether new testing is needed. Decision doesn't foreclose possibility of at least some testing after Feb. meetings, Wiley said.

**Cable advertising** on 6 major cable networks grew 17% in 3rd quarter to total of \$336.3 million, Arbitron reported. It also added TNT and Lifetime to cable networks it tracks, with total of \$67.6 million in additional ads in quarter. Biggest jump was by largest advertiser, Procter & Gamble, which more than doubled cable ad spending on original 6 networks to \$33.4 million. Other big increases were by Philip Morris (\$9.9 million vs. \$6.6 million), General Motors (\$8.9 million vs. \$4.7 million), Mars (\$7.6 million vs. \$4.8 million), Arbitron said.

**Cable rates increased 0.8%** in Nov., first month after passage of 1992 Cable Act, vs. overall consumer price increase of 0.1% in same month, Bureau of Labor Statistics (BLS) reported. For full year to Nov., cable prices rose 5%, vs. overall 3% increase in Consumer Price Index, BLS said.

**CLINTON ETHICS RULES NOT SO TOUGH:** New ethics rules for President-Elect Clinton's transition team and for those appointed to federal jobs in new Administration won't be nearly as tough as first thought (TVD Nov 9 p1). And last week, Clinton's FCC transition team made its first visit to agency and established offices on 5th floor.

Under ethics rules announced last week, proposed lifetime ban on representing foreign interests in U.S. was deleted (except for foreign govts.). Extension of curb on representing clients before govt. agency for which former govt. official worked to 5 years from one year now will apply to less than 1/3 of Clinton appointees after they leave govt., transition officials said. New rules will cover about 1,100 Clinton appointees (including 700 requiring Senate approval), but not to 2,000 others.

Proposed tougher ethics rules were hurting incoming Administration's recruitment activities for such agencies as FCC, incoming Democrats and outgoing Republicans alike said. Under ethics rules released last week, Clinton appointees paid more than \$104,000 annually will fall under 5-year ban against lobbying or representing clients before agencies for which they worked; for others, one-year prohibition remains in effect. Same 5-year restriction will apply to White House staffers for agencies for which they had "substantial personal responsibility." In campaign, Clinton had pledged to halt "revolving door" among ex-govt. officials and industry and to reform campaign process -- issue that has been before Congress for many years.

While Clinton transition team has been touting its stricter ethics rules, members probably were embarrassed by its efforts to seek free rent in Washington area. Team asked National Assn. of Realtors (NAR) to help it find "free temporary housing for members of their group for just a few days or weeks." Jill Masich, NAR govt. affairs official, was detailed to handle responses. Washington-area real estate agents said this was first time they had heard of organized effort to find free temporary homes for transition team members of new Administration.

Clinton FCC transition team paid its first visit to agency Dec. 8, meeting with Chmn. Sikes' Chief of Staff Terry Haines. Transition team currently is composed of 8 persons and its charge has been described as effort to take "snapshot" of operations at agency, rather than go into great policy detail or make personnel recommendations. "Their mission is to come up to speed with what's going on at the Commission and report back to superiors," we were told.

Composition of team makes clear that effort is being made to work closely with Congress, even before Clinton takes office. About half of team members are congressional staffers. Senate Commerce Committee is represented by Antoinette (Toni) Cook (who has been mentioned often as possible FCC chmn.) and John Windhausen, and House side by David Leach of Commerce Committee and Gerald Waldron of Telecom Subcommittee. (Telecom Subcommittee staffer Larry Irving also will be working on telecommunications infrastructure issues for another part of transition). Team also includes Howard U. Prof. Clay Smith, ex-chmn. of EEOC (and husband of Patti Smith, who is deputy dir. of policy and planning for FCC associate managing dir.) and Henry Parrett of Villanova U. Others will be named later.

Transition team leader is attorney Ronald Plessner of Washington office of Baltimore law firm Piper & Marbury (TVD Dec 7 p1). He met last week with Haines. Later, Haines met with bureau and office chiefs and commissioners' aides to inform them what is going on, and asked them to give full cooperation.

And, while transition is continuing, Vice President Quayle recently sent memo to regulatory agencies reminding them that moratorium on new regulations established 11 months ago by President Bush still is in force. White House held Nov. 23 meeting of agency heads to stress that deregulation "is still the order of business," Administration official said. However, another source described session as a "farewell meeting" with nothing much substantive discussed.

According to AP, Clinton has said that he wants to hold more news conferences than President Reagan, fewer than Bush. Said George Stephanopoulos, Clinton communications chief: "He'll have more periodic, regular press conferences and be available [to reporters]. We're not going to commit to any number right now." Reagan rarely held full-scale news conferences, while Bush frequently held Q&A sessions with reporters. Stephanopoulos said Clinton wants "a reasonable balance" between media's rights to cover President and his desire for privacy: "We're all searching for that balance right now."

Although thousands of resumes have been sent to transition team, Clinton operatives have hired Resumix Inc. to assist in assembling White House staff and filling other govt. jobs, Cal.-based firm said. Resumix will scan resumes and develop list of qualified people.

Meanwhile, Mandate for Change, report published Dec. 7 by Progressive Policy Institute, think tank for Clinton's Democratic Leadership Conference, endorsed national fiber network, criticized FCC for failing to enforce standards for children's TV and attacked media for role in family disintegration.

Report suggested as part of regulatory reform that new Administration "press for regulatory changes to encourage electric utilities, telephone and cable television companies to build a new fiber optic system linking U.S. homes and businesses." Same suggestion was made earlier this year in Progressive Policy Institute paper by Steven Rivkin and Jeremy Rosner: "Without a penny of public spending, we could speed the completion of a network that might do as much for our economy in the 21st century as the interstate highway system did after World War II." New communications infrastructure "built upon fiber optics would unleash a new wave of entrepreneurial energy and job creation," report said, endorsing results of study by Economic Security Institute released earlier this year that predicted U.S. productivity could be boosted more than \$300 billion by year 2010 if copper were replaced with fiber.

FCC also came in for mention in discussion critical of trade policies, which report said were "fragmented and cumbersome." It cited telecommunications as "an excellent example of overlapping functions," noting that 4 agencies -- Commerce Dept., State, U.S. Trade Representative and FCC "often have duplicative jurisdiction." There's always "competing intra-agency jurisdiction," such as NTIA and ITA at Commerce; Economic and Business Affairs, and Communications and Information Policy at State. Report resurrected suggestion to combine existing trade agencies into Dept. of Trade and Technology.

On general regulatory principles, Clinton should establish Regulatory Sunset Commission, report said. Such commission would review federal regulations affecting entrepreneurs and, where possible, recommend "replacement of bureaucratically controlled policies with market-based policies at least as effective but less costly." Overall Sunset Law would require approval of all govt. regulations and reauthorization of all federal programs at least once every 7

years, while directing agencies to eliminate 2 regulations for each new one created.

Meanwhile, among those attending Clinton's economic summit in Little Rock this week are at least 2 communications officials -- Comcast Pres. Brian Roberts, member of NCTA board, and BellSouth Chmn. John Clendenin.

**NCTA and regulators** in Pa. and Washington, D.C., filed objections with FCC to C&P Telephone's proposed trial of Asymmetric Digital Subscriber Line (ADSL) technologies. Company wants to offer ADSL to employees in Va. NCTA said test doesn't qualify as video dial tone (VDT), calling it "a facilities experiment that violates the cross-ownership rules because, in addition to providing facilities, C&P is also involved in noncarrier activities." NCTA said that under FCC rules, VDT is limited to providing platform for service without having telco determine how programming is presented for sale to consumers, or deciding price, terms and conditions of programming. NCTA said C&P test also doesn't qualify as VDT because telco "proposes to discriminate among customer-programmers, deal directly with subscribers and determine how video programming is presented for sale to consumers." Assn. conceded that C&P won't have recognizable financial interest in programming, but said there's "no evidence that the telephone company has taken steps to limit its role as clearly as required by the rules." While C&P said unaffiliated programmers would be responsible for providing content, NCTA said: "C&P does not assert... that the company will not be involved in the selection of the unaffiliated video programmers." Assn. said that if access to platform isn't available on nondiscriminatory basis, and if C&P is involved in selection of programmers (even if not choosing specific programs), then service wouldn't meet definition of basic platform of VDT. Pa. Office of Consumer Advocates said it supported C&P proposal to exclude from regulated rate base equipment any facilities and service added to network for VDT trial, but said FCC should allocate portion of other costs, such as copper line, to VDT as safeguard against cross-subsidy. D.C. PSC agreed, saying that cost data presented by C&P didn't show any allocation of local loop expenses to VDT: "This means that voice users will continue to pay all the costs of local loop facilities, even though video dial tone usage is far higher than voice usage."

**Broadcast networks** don't believe they did anything wrong with intense coverage of arrival of U.S. military in Somalia, despite Pentagon claims that it could have endangered troops. About 300 journalists, including at least 6 camera crews with high-intensity lights, were on beach when first U.S. Navy Seals landed with objective of "securing" beach area already crowded by press. Commanders on scene, as well as Pentagon spokesman, claimed that presence of TV lights blinded troops and made them potential targets for snipers. Executives of all 3 major broadcast networks said Pentagon had publicized arrival widely, in part on theory that intense coverage would discourage sniper-type activity and that media would shut off lights as soon as Defense Dept. requested it. CNN also said it turned off lights as soon as it was asked. CBS and NBC had top anchors on scene, and ABC sent Nightline host Ted Koppel. CBS and NBC interrupted regular programming to cover landing, but ABC waited until Nightly News. CBS Anchor Dan Rather admitted that coverage had "certain Hollywoodish, even cartoonish quality." ABC spokeswoman, when asked why it was only network that didn't send anchor or break into regular programming, said: "I think we made the right news decision."

**TV VIOLENCE STANDARDS:** CBS, ABC and NBC TV networks have agreed to joint voluntary guidelines on depiction of violence in entertainment programming, and Sen. Simon (D-Ill.) -- sponsor of 2-year-old law that gave them antitrust immunity to pursue such accord -- said first fruits of agreement "should be evident in the fall programming of 1993... The networks have assured me you will see a difference" by then. At news conference Dec. 11 in Washington, he also said networks are calling for "industrywide" conference in L.A. in spring "to further debate and discuss what to do" on depiction of violence.

Cable industry, which has authorized study of issue by U. of Pa.'s George Gerbner, is expected to participate in L.A. conference, and Simon said he's optimistic that cable will adopt "some" standards on entertainment violence. (Some cable representatives are expected at Dec. 15 hearing on TV violence to be held in N.Y. by Rep. Schumer [D-N.Y.].) MPAA Pres. Jack Valenti also is expected to participate in L.A. conference, although Simon stressed that effort involves only TV and not films or home video. Fox TV Network position couldn't be learned by our deadline.

Simon described joint guidelines as incorporating "best" aspects of individual networks' existing policies on violence and said "net effect" is "strengthening" of standards. Networks said in paper released at conference that joint standards "are consistent with each of the networks' long-standing" violence standards but that in pact "they are set forth in a more detailed and explanatory manner."

Among 15 items in joint agreement: (1) "All depictions of violence should be relevant to the development of character, or to the advancement of theme or plot." (2) Programs "should not depict violence as glamorous, nor as an acceptable solution to human conflict." (3) "Scenes showing excessive gore, pain or physical suffering are not acceptable." (4) "Realistic depictions of violence should also portray, in human terms, the consequences of that violence..." (5) "The portrayal of dangerous behavior which would invite imitation by children... should be avoided." (6) "Extreme caution must be exercised in any theines, plots or scenes which mix sex and violence." (7) "Certain exceptions" to standards may be made, "as in the presentation of material whose overall theme is clearly and unambiguously antiviolent."

**In bid to speed video compression arrival,** Scientific-Atlanta announced joint development and marketing agreement with U.K.'s National Transcommunications Ltd. (NTL) for systems based on MPEG. NTL (privatized technical arm of Britain's Independent Bctg. Authority) will provide encoder with full-motion compensation to be used with S-A's video compression decoder and other equipment, S-A Chief Technical Officer Allen Ecker said. S-A's own encoder with full-motion compensation won't be ready until at least April, he told us. S-A video compression demonstrations to date have used previously encoded material or S-A encoder that doesn't do intraframe encoding. "This is important because it means that we will combine our resources and be quicker to market," Ecker said. NTL Business Development Dir. John Oaks predicted that video compression market is "about to explode" and said deal "will mean digitally compressed networks can roll out faster than our individual plans would have allowed." Agreement also includes joint marketing arrangements, which Ecker said will benefit S-A "particularly in areas where they are well-known." Financial terms weren't disclosed.

**COURT DELAYS MUST-CARRY:** Cable operators don't have to extend must-carry to noncommercial stations until at least spring, despite 1992 Cable Act effective date of Dec. 4, under agreement worked out among parties at status hearing in U.S. Dist. Court, D.C., Dec. 7. Three-judge panel -- Stephen Williams, Stanley Sporkin, Thomas Jackson -- also said court will hear must-carry arguments March 4, potentially issuing decision in time for U.S. Supreme Court review next year, and will hold another hearing Dec. 15 to decide how to handle 1992 Cable Act elements other than must-carry.

Cable systems won't have to grant must-carry to noncommercial stations until 165 days after they must file must-carry complaint at FCC, under voluntary agreement approved by Dist. Court. That includes 120 days for FCC to rule on complaint and, if must-carry is justified, 45 days for system to add station to program lineup. Parties also agree that no sanctions will be imposed on cable system that initially refuses must-carry to noncommercial station.

Both sides claimed victory. "Now the cable operator can relax, knowing that even if we lose they will have at least 45 days so they can let their subscribers know and do this in an orderly way," said Bert Carp, vp of Turner Bestg., which filed must-carry appeal. "We obviously would have liked to have seen the arguments a little bit sooner, but given the chances that we'll get to the Supreme Court next year and the solid state of the standstill order, it's okay." NAB Exec. Vp Henry Baumann said agreement was good because it avoided possibility of temporary restraining order, gave broadcasters time extension they had sought and prevented FCC from being enjoined against continuing rulemaking. Delay will give Clinton Administration chance to intervene. Justice Dept. under Bush Administration refused to defend Act in court. Carp said new Administration would have been involved in expected Supreme Court appeal anyway, so action now isn't major change. Cable lawyer Bruce Sokler also said current timetable should allow court to act before April 3 deadline for FCC rulemakings.

Big remaining question is what will happen to "ancillary issues" in case, including appeals of retransmission consent, program access, rate regulation, other factors. Baumann, in position echoed at least in part by one cable lawyer, predicted that Dec. 15 hearing would result in decision to refer only must-carry to full 3-judge panel: "I didn't think the judges were leaning toward taking jurisdiction over anything [besides must-carry] except possibly retransmission consent." Cable lawyer said overloaded court may be reluctant to commit 3-judge panel to any issues not required by Cable Act itself, but indicated that issues could be spun off to one-judge court.

Meanwhile, 2 more groups filed petitions to intervene in Cable Act cases: (1) Atlanta Interfaith Bestrs., which provides nonbroadcast religious programming to cable systems with 500,000 subscribers, said must-carry would force systems to carry religious broadcast stations rather than religious cable programs, and action "has the effect of favoring one religious voice and harming another," thus violating freedom of religion clause of First Amendment. (2) National Rural Telecommunications Co-op (NRTC) defended constitutionality of program access, saying it would document cable's history of monopolistic pricing against satellite home dish industry. "There is extensive legal precedent to show that media-based businesses cannot hide behind the First Amendment to protect anticompetitive, monopolistic business practices," NRTC Pres. Robert Phillips said.

**CAP/ABC GOES SHOPPING:** Cap/ABC is looking for purchase in \$5-\$8 billion range if right deal comes along, CEO Daniel Burke told media conference in N.Y.C. last week organized by PaineWebber. Meanwhile, Time Warner (TW) said it's interested in "monetizing" about \$3 billion of its assets, and other broadcast groups were more optimistic in past, but CBS official said networks won't benefit much until late 1993 from economic turnaround.

Burke wouldn't identify Cap/ABC acquisition targets, but analysts speculated that they could include reentering cable system ownership or buying book unit of Time Warner, or even Paramount. Strategic acquisition is "something that we would desire devoutly," Burke said, but other alternatives could include stock buyback or startup of new business. He said Cap/ABC has paid off most of its debt. Its 1992 profits probably won't be significantly better than 1991 because ad revenue is flat or even down, Burke said.

TW said it will consider selling \$3 billion worth of assets, including its 50% stake in cable system partnerships with 1.5 million subscribers and its 21% of Turner Bestg., 16% of Black Entertainment TV and 37.5% of Whittle. Divestiture plan is designed to reduce TW's \$9.2-billion debt and boost stock price, Senior Vp Geoffrey Holmes said. In addition to sale, Holmes said, TW would consider other ways to "monetize" assets, such as use of convertible debt offerings. Transactions would highlight value of assets, said Holmes, who claimed correct valuation of those assets alone could add \$8 to price of TW share. He also predicted that for next 5 years TW would match 13% growth rate it experienced in last 5.

Broadcast networks won't benefit much from economic turnaround, at least until 4th quarter of 1993, CBS Senior Vp Planning & Research David Poltrack said. If turnaround continues, retailers will increase advertising, he said, but networks already have sold most of their ad inventory in up-front market at prices just marginally above 1991-1992. That leaves only limited scatter market sales opportunities, Poltrack said. As result, networks will be lucky in first quarter of 1993 to match 1992 first-quarter performance, which was aided by Winter Olympics, he said, although 2nd quarter could show some "positive movement." Third quarter is virtually certain to be down from 1992, which benefited from Summer Olympics and political ads. Poltrack said network growth "could be substantial" in 4th quarter, but full-year figures for broadcast networks probably would be flat to plus-2%. Ratings haven't been strong so far this year -- network prime-time audience is down 1%. Cable is up 8%, he said, but most of that is short-term preelection gain at CNN that already has disappeared, and ratings for top-20 syndicated shows dropped to 7.1 from 7.6.

Other comments from conference: McCann-Erickson Senior Vp Robert Coen predicted that ad spending for all media would increase 6.9% next year, vs. 4.5% this year... Gannett TV revenue was up 6% through Nov., largely because of political and Olympics advertising, Chmn. John Curley said. Overall, Gannett expects 15% growth in operating profit for full year on 3% revenue gain, Curley said... Times Mirror said it expects difficult year in 1993 because of lower newspaper profits... N.Y. Times said profits will be up if one-time charges are excluded. It said broadcast operations are improving... Tribune predicted higher profits in 1993 because of 4-5% revenue improvement from newspapers. Profits are expected to be flat in 1992, but it said most of its media businesses have been profitable this year.

**DILLER BUYS INTO QVC:** Former Fox Chmn. Barry Diller is investing \$25 million in stock of QVC shopping network, giving him about 2.8% ownership (833,000 shares), and is discussing becoming chmn.-CEO in Jan. when Chmn. Joseph Segel retires, Segel said. Agreement also gives Diller option to buy 6 million additional shares (20%) at higher price and agreement among Diller and largest QVC stockholders -- Liberty Media (21%) and Comcast (14%) -- to vote their shares as bloc. Deal was endorsed by 3rd largest stockholder, Time Warner (2.9%).

It wasn't clear what effect deal will have on bid by Liberty and Comcast to take majority of seats on QVC board, or on bid by Liberty to gain control of both QVC and rival Home Shopping Network (HSN). Liberty agreed earlier in week to buy controlling interest in HSN for \$144 million in cash and stock, companies said. Liberty will pay \$60 million cash to RMS Ltd. Partnership, which is controlled by HSN Chmn. Roy Speer, for 20 million shares of HSN stock; Partnership will get 4 million shares of Liberty Class A stock, valued at \$84 million. Price represents about 50% premium over most recent price of HSN common stock. HSN founder Speer will remain as HSN chmn. and will be named to Liberty board in deal expected to close by Dec. 31.

Two deals led to speculation that Liberty would try to merge shopping channels, but QVC board rejected takeover proposal and scheduled no further meetings until regular quarterly meeting in March. Although they together own only 35% of QVC stock, Liberty and Comcast can exercise options giving them 53%. Diller-controlled Arrow Investments Inc. is paying \$30 per share for stock that had been trading at about \$29 before deal was announced. Stock's 1991 high was \$18.50. QVC didn't disclose sellers of stock, although they reportedly were Liberty and Comcast.

Diller, who received \$34 million when he left Fox in Feb. and has been rumored to be leading groups interested in buying media properties ranging from NBC to Paramount, said he believes interactive TV is ready to explode with advent of digital compression, and QVC is way to take advantage of that. He said QVC "has a true great opportunity for growth. I believe we are at the very beginning curve in the home shopping industry." QVC, which reaches 42 million cable subscribers, vs. Home Shopping Network's 27 million, said it generated \$1 billion revenue in year ending Nov. "When I resigned from Fox I said that I had hoped to find a company that was unique, had an unlimited horizon and one where it would be possible for me to have a principal role," Diller said. "I'm convinced I've found it."

Diller takeover could lead QVC to expand channel offerings, industry observers said. Segel, who called Diller "the most sought-after executive in the entertainment industry," said his experience "should enable QVC to expand into others areas of television programming." In addition to extra shopping channels, observers said QVC could form basis for new group of entertainment and interactive channels. Rest of QVC management won't be changed, Segel said. He would become chmn.-emeritus, Michael Boyd would remain pres.-COO and other senior officers would keep present positions, he said.

**WCTP (Ch. 36)** Charleston, S.C., went on air Dec. 2, raising operating U.S. TV stations to 1,506, of which 1,138 are commercial, 368 noncommercial. Independent is owned by Caro Bctg. Ltd. (Lee Andrews and David Wagner, 40% each; Elise David-McFarland, 20%); Arnold Baynard is gen. mgr., Michael Baynard sales mgr., Beamon Meares chief engineer.

**DISCOVERY PLANS TV MENU:** Discovery Communications is proposing industrywide partnership for new package of software and hardware to ease cable viewer access to 500-channel digital compression environment, Chmn. John Hendricks said. Your Choice TV (YCTV) system was developed by Discovery "skunk works" over last 18 months and presented to CableLabs board, which includes CEOs of most MSOs, Dec. 10 in Denver. Hendricks said he will make individual presentations to most major MSOs in next few weeks and hopes to have "founders' meeting" of potential partners 2nd or 3rd week of Jan.

YCTV combines special remote with new software and chip that would be included in digital compression set-top converter. Hendricks said system could be operational when first digital cable compression begins in late 1993 or early 1994 (TVD Dec 7 p5). TCI, which is launching digital compression, is part-owner of Discovery and is almost certain to launch YCTV, Hendricks told us. In addition to TCI and Discovery owners Cox and Newhouse, Hendricks said he hopes to have at least 7 other MSO partners at launch.

Concept for YCTV is relatively simple. Current 50 or so cable channels would be accessed as they are now, via numerical keys on remote. Rest of 500 channels would be accessed via menu keys. If viewer hits sports button, menu of sports programs comes up, allowing user to select. Menu for specialty channels might include those that are bought on monthly basis, while hit movie section probably would be pay-per-view. All would be billed automatically by YCTV. Hendricks said he envisions menu categories including hit movies, sports, children's, documentaries, news, entertainment. Last could include, for example, video-on-demand reruns of broadcast TV shows that might cost about 50¢ each, he said. YCTV also could do data.

YCTV would add \$20-\$25 to cost of digital converter, Hendricks said, raising total converter cost to about \$200 per subscriber. Research began as result of Discovery efforts to assure that it would be able to offer multiple versions of its programs when compression begins, Hendricks said: "We found that there is no delivery vehicle [for 500-channel cable], no software. It became clear that we needed new national menus that would become the new TV paradigm. The numerical remote control has become hopelessly antiquated by the channel choices offered through digital compression."

System such as YCTV could generate additional \$18-\$22 revenue per subscriber per month, according to Discovery's consumer research, Hendricks said. "Based on our focus groups, it's clear that if we can get the good stuff to them when they are ready to watch, they'll buy it." Discovery has applied for patents for "alpha-iconic" remote control, 4-way cursor, entire "uplink to set-top" system. Hendricks said Discovery will license technology on nondiscriminatory basis to all equipment suppliers in order to encourage its adoption as industry standard.

**BET Holdings** profit grew 26% to \$2.9 million in quarter ended Oct. 31 and revenue 31% to \$17.3 million. Company's Black Entertainment TV channel had 37% ad revenue growth to \$8.9 million and 25% subscriber revenue increase to 7 million.

**FCC Actions:** Commission is seeking comments on petition by **TV 14 Inc.** to change designation of Atlanta TV market to Atlanta-Rome, Ga... FCC refused to reconsider grant of wireless cable licenses in Biloxi, Milwaukee, Lubbock and Idaho Falls, Ida.

**INDECENCY RULES 'UNWORKABLE':** Proposed FCC rules to limit indecency and obscenity on cable are unconstitutional restrictions on speech, according to comments filed by cable and public interest groups. Cable groups also said that if Commission implements rules required by 1992 Cable Act, it should: (1) Allow cable systems to rely on programmer certifications that material isn't indecent. (2) Allow access channels to be split between indecent and nonindecent programs. (3) Require 45-60 days' notice of indecent programs. (4) Preempt state and local regulations and franchise agreements. (5) Allow cable to include costs of complying with rules in rate base.

Cable Act indecency provisions are "on very shaky constitutional grounds" and probably will be overturned by court, NCTA said. CATA said provisions "put cable operators in the untenable position of requiring them to do what the government cannot do by acting as censors of programming." Joint filing by ACLU, People for the American Way, Alliance for Community Media (formerly National Federation of Local Cable Programmers) and Alliance for Communications Democracy said Cable Act provisions unconstitutionally limit speech because they aren't least-intrusive means of restraining such programming and discriminate in favor of other cable programming such as Playboy. For example, it said, lockboxes are less intrusive. Group said rules as adopted would prohibit such things as health shows and sex education, and live programming such as call-in shows.

Allowing cable to rely on certifications from access channel programmers is "the only way to make this scheme work," NCTA said, and FCC must "immunize operators from liability if they rely on such certifications." Access programmers, rather than cable operators, then would be liable for any indecency. Indecency rules will virtually eliminate any live access programs since cable operators can't take chance of surprise indecent act, CATA said. Assn. said rules are "unworkable" for small systems because they would "require an inordinate commitment of manpower to review all access programming." Continental Cablevision said "unduly cumbersome" rules would cause de facto ban on such programming.

NCTA said cable operators need at least 60 days' notice of indecent programs, rather than 7 days FCC proposes, to allow system to set up channel that can be blocked, notify subscribers and give them chance to say whether they want access. Continental suggested 45-day notification. "Burdensome administrative obligations" of indecency rules would include requiring cable operator to install additional scrambler at each headend and traps or other unblocking equipment for each subscriber, as well as cost of installing and maintaining equipment, CATA and Continental said.

Cable operators couldn't set aside entire channel for indecent access programming, Continental said: "Most of Continental's systems have few, if any, leased access program hours per year. With channel space at a premium, cable operators cannot afford to devote 2 channels to leased access programming that would otherwise fit on a single leased access channel." MSO suggested that cable be allowed to scramble programs that include indecency, but keep other programming on same channel. Potentially setting up yet another ground for eventual court appeal of FCC rules, joint filing by ACLU and others said FCC violated Administrative Procedure Act by failing to provide complete description of proposed rule before seeking comments.

**FCC FAVORS C-QUAM AM STEREO:** Responding to mandate from Congress and after 10-year delay, FCC issued rulemaking Dec. 10 proposing to adopt Motorola's C-Quam AM stereo system as standard for U.S. stations. Commission had authorized AM stereo in 1982 but refused to choose among 5 competing systems (with Comr. Quello dissenting to decision not to pick single standard), saying market forces should decide issue. That pretty much has happened, with about 90% of AM stations equipped for stereo choosing C-Quam.

In Telecommunications Authorization Act of 1992, Congress ordered Commission to adopt single system (main competitor was Kahn/Hazeltine, which threatened to sue if FCC picked C-Quam). In picking Motorola, agency said there are 24 million C-Quam receivers in use in U.S. and that 6 other countries -- Australia, Brazil, Canada, Japan, Mexico and S. Africa -- have embraced system. Under rulemaking (comments are due April 5, replies April 20), FCC said it intends to incorporate C-Quam standard into its rules and require stations using another system to switch to C-Quam within one year. Adoption of C-Quam would be conditioned on requiring Motorola to license system to others "under fair and reasonable terms."

Quello said FCC should have acted "9 or 10 years ago." Comr. Duggan said selection of standard is "an idea whose time has come and gone and come again." Chmn. Sikes said issue is "moot" because C-Quam is de facto standard. NAB Exec. Vp-Gen. Counsel Henry Baumann said: "It's unfortunate the FCC didn't take this step a decade ago, but we hope the adoption of an AM stereo standard will make a significant contribution to recent radio industry efforts to improve the performance and fortune of AM radio."

Sen. Pressler (R-S.D.), who sponsored AM stereo amendment to Telecommunications Act, said rulemaking "is a significant step in improving AM radio quality. Without a national standard, broadcasters have been reluctant to invest in AM stereo for fear of choosing the wrong system." He said FCC action "will break this cycle of confusion and doubt, which has brought the AM stereo market to a complete standstill."

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Rep. Moorhead (R-Cal.) won election as ranking Republican on House Commerce Committee, beating back challenge by Rep. Bliley (R-Va.). Seven new members from each party were named to Committee, including 5 first-term Democrats and 2 first-term Republicans. Democratic incumbents joining panel are Frank Pallone (N.J.) and Craig Washington (Tex.). Democratic freshmen are Lynn Schenck (Cal.), Sharrod Brown (O.), Mike Kreidler (Wash.), Marjorie Mezvinsky (Pa.), Blanche Lambert (Ark.). Incumbent Republicans joining committee: Cliff Stearns (Fla.), Bill Paxton (N.Y.), Paul Gillmor (O.), Scott Klug (Wis.), Gary Franks (Conn.). Freshmen Republicans: James Greenwood (Pa.) and Mike Crapo (Ida.). Subcommittee assignments will be made when Congress organizes formally in Jan. Also on Hill, Rep. Wise (D-W.Va.) is expected to leave chairmanship of Govt. Information Subcommittee to take over Public Works Subcommittee dealing with rural development issues. Wise was strong FCC critic, particularly on telephone network security.

Daniels cable system near San Diego will be site of first commercial launch of interactive cable system developed by GTE, called GTE Main St. Addition will allow 50,000-subscriber system to offer more than 50 educational, financial, shopping, entertainment and other interactive services for \$9.95 per month.

**FINSYN RULES FOR 120 MORE DAYS:** Leaving no finsyn rules in place while FCC considers remand of case "is unacceptable because of the Commission's history of procrastination in dealing with the finsyn issue," 7th U.S. Appeals Court, Chicago, ruled last week. In order released Dec. 7 staying its early Nov. decision vacating finsyn rules (TVD No. 9 p2), Court noted that in 1983 Commission had found that finsyn restrictions on networks "were obsolete and should be abrogated... but it was not until 1990 that it began to consider new rules to replace them... We have no assurance that it would not take another decade... meanwhile [FCC would be] enforcing rules that we have found to be unlawful."

Court said it would be "out of the question" to permit 1970 finsyn rules to remain in place while Commission acts on remand. And it's "also unreasonable" to "vacate everything," meaning there would be no finsyn restrictions in place at all during remand, Court said. Therefore, it said, "our only defensible choice" is to leave 1991 rules in effect for 120 days. If FCC doesn't act in that time frame to justify rules, or adopt new ones acceptable to Court, "such a default would support the networks' argument that there is no rational basis for continuing to impose any restrictions on them," Court said.

Order was written by Judge Richard Posner, who for 2nd time refused to recuse himself in appeals of FCC finsyn rules. In appeal of his earlier refusal, Hollywood Coalition asked that request be considered by other 2 judges on panel (TVD Nov 30 p6). However, in his latest order (dated Dec. 8 but not made available to parties until Dec. 11), Posner stated: "The other judges [William Bauer and Thomas Fairchild] have declined to consider the petition."

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**FCC caved in to "political pressure from narrow interest groups" in its enforcement actions against radio "shock jock" Howard Stern, Sen. D'Amato (R-N.Y.) said in terse letter Dec. 8 to FCC Chmn. Sikes. D'Amato also said fines are clear violation of Stern's First Amendment rights. Commission already has said it will fine L.A. radio station \$105,000 because of Stern broadcasts and is said to be considering huge fines or hearing against stations owned by Stern's employer, Infinity Bestg. "While Howard Stern may not be everyone's cup of tea, censorship is clearly not the American way," D'Amato said. "The First Amendment was designed to protect speech that many may find objectionable, not simply speech that offends no one. The fines proposed by the FCC are designed to muzzle Stern."**

**Arbitron plans to test first "pocket people meter" in at least 2 media markets by late 1994, it said Dec. 8.** Device is called first truly passive people meter, since users just put it in pocket or carry it like pager. Unit picks up inaudible code etched into sound tracks to record TV viewing, including in bars, at work or in 2nd home. Arbitron wouldn't say how much it's spending to develop system in cooperation with BBM Bureau of Measurement, Canadian industry cooperative. BBM said it intends to use new technology in at least one Canadian market, starting by spring of 1995, and AGB McNair has signed to license system in Australia. System uses technology developed by Martin Marietta for Pentagon.

**Home satellite dish industry has reached one million authorized program subscribers, Satellite Bestg. & Communications Assn. (SBCA) said. Assn. also estimated that 4-millionth satellite system would leave factory in 1993 first quarter.**

**FCC proposed to establish new microwave service to deliver video and data, but refused Dec. 10 to grant new pioneer's preference to Suite 12 Group, which proposed service. New local multipoint distribution service (LMDS) would operate in 27.5-29.5-GHz band and licensees would be allowed to polarize signal, doubling amount of information carried, if Commission gives final approval to rule. So-called 28-GHz band would be divided into two 1,000-MHz blocks, with one block assigned to each of 2 licensees per geographic area. Staffers said that, for example, single licensee could carry 49 video channels on one polarization and comparable amount of digital data on other. Rule would set minimum technical standards, require that service be available to 90% of homes in area within 3 years, set one-day filing window for license, select winner by lottery or auction, give preference for minority or diversity. FCC said Suite 12 meets criteria for pioneer's preference, but already has license for N.Y.C. and shouldn't get 2 major cities as pioneer. Commission said company would be awarded preference for L.A., for example, if it gave up N.Y.C. Suite 12 officials said its CellularVision system provides lower cost, higher quality alternative to cable, as well as interactive video, data, telephony. Company said lower overhead for wireless system means costs are about 60% those of wired cable. Suite 12 is delivering service commercially in Brighton Beach area of Brooklyn (TVD May 18 p7). Signals are sent and received via window-mounted flat panel antenna.**

**Former partners** in National Economic Research Assoc. (NERA) have joined in forming Strategic Policy Research Inc. (SPR) to offer "Fortune 100 companies a one-stop shop for public policy consulting," they said in news release. Firm said it will specialize in "analysis of regulatory, economic and technological aspects of telecommunications policy issues." Partners moving from NERA are Harry (Chip) Shooshan, ex-chief counsel of House Telecom Subcommittee; Charles Jackson, ex-FCC and Telecom Subcommittee; John Haring, ex-chief of FCC Office of Plans & Policy. Also joining SPR are Calvin Monson, ex-dir. telecommunications, Ill. Commerce Commission, and Jeff Rohlfs, ex-Bell Labs. SPR address: 7500 Old Georgetown Rd., Bethesda, Md. 20814, 301-718-0111.

**Sen. Breaux** (D-La.), member of Senate Commerce Committee, suggested that President-elect Clinton set up commission on communications policy, chaired by Vice President-elect Gore. Breaux, successor to Clinton as chmn of Democratic Leadership Council, said such commission would be "means of resolving some of the contention" involving communications policy and would provide framework for dealing with infrastructure and MFJ issues: "Attempts by Congress, in cooperation with various segments of the industry and the public, to define rational communications policies have lately degenerated into Balkanized battlegrounds." He criticized committees for engaging in "jurisdictional maneuvers."

**Audio feed** of FCC meeting Dec. 10 was available for first time through National Narrowcast Network's "Hearings-On-The-Line" service, Commission said. Narrowcast Network picks up audio feed from FCC audiovisual service and makes it available to anyone who calls in and pays fee. George Mason U., which provides video feed of FCC meetings, has subcontracted similar service to Conference Call USA. Narrowcast Network plans to carry FCC meetings and other open proceedings -- 202-966-2211.

**In possibly precedent-setting cable case, jury in U.S. Dist. Court, L.A., awarded \$2.99 million in antitrust must-carry case to Sunbelt TV, owner of KVVT (Ch. 64, independent) Barstow, Cal. (TVD July 9/91 p2). Decision Dec. 10 is believed to be first in which court said it can be antitrust violation for cable system to refuse to carry TV station. Jones Intercable, owner of 56,000-subscriber cable system in Lancaster, Cal., that was object of suit, said it will appeal. Lawyers familiar with case said it may lead to many similar claims by other TV stations, as well as shopping channels. "The fact that this got to a jury, and that the jury awarded \$3 million, means that lawyers all over the place will be lining up to take these cases on a contingency basis," one lawyer said. Such antitrust claims have been made in past, but never went to trial, in part because of high cost of antitrust case. However, others warned against overestimating precedential value of case, saying that antitrust lawsuits inevitably require close look at facts of each local market. Sunbelt had claimed that Jones excluded it from Lancaster system to make it easier for Jones to sell ads in city, even though KVVT provided only regular TV news coverage of city. Sunbelt, which said it had been seeking carriage since 1988, originally sought \$4 million damages, figure that would have been trebled.**

**Encore cable network** wants to widen court challenge to 1992 Cable Act, in filing in U.S. Dist. Court, D.C. In addition to opposing must-carry, program access and access channel portions of Act, Encore seeks injunction and declaratory judgment against limits on previews of R-rated films. Act requires that subscribers be notified and given opportunity to block such previews. Suit charges there's no such requirements for broadcasters, which have carried unedited versions of R-rated films such as *Deer Hunter* and *Apocalypse Now*. Suit also said provision is overly broad since R-rated film of 1970s such as *Harry and Tonto* might be considered PG now. Encore said program access provisions discriminate against programmers owned by MSOs and prohibit it from seeking best program distribution deal. It also cited First Amendment infringements. Encore Chmn. John Sie said: "There are sections of the law that clearly violate our fundamental constitutional rights [and] threaten our viability without any commensurate benefit to cable subscribers."

**On its own motion**, FCC waived sunshine rules to allow Commission personnel to participate in "Coping With the Cable Act" conference today (Dec. 14) sponsored by Warren Publishing and FCBA, it said in order released Dec. 11. Agency said waiver is needed because orders for some of rulemakings released for comments at FCC meeting Dec. 10 won't be released before conference. Sunshine rules normally would preclude FCC personnel from hearing presentations by outside parties before rules are issued, and panel presentations at conference would fall under rules. Several FCC officials are participating, including Chmn. Sikes. Agency said it waived rules because it "believes participation in this forum by Commission personnel will serve the public interest," but it noted that presentations must be disclosed pursuant to ex parte rules.

**Pa. House** Speaker-elect William DeWeese (D) canceled WITF-TV (PBS) Harrisburg's 3-month-old exclusive contract to cover House proceedings, but WITF-TV Vp-Corporate Communications Constance Rannels was optimistic that it would have some role in whatever TV coverage plan ultimately is adopted. Rannels called dispute "media-created issue," saying that station planned to provide "straightforward" coverage of House proceedings under contract and that "it's hard to imagine any specific charge of conflict of interest" coming into play.

**Transactions:** Time Warner said it will offer \$1.55 billion of new liquid yield debt through Merrill Lynch, with receipts used to pay off higher interest debt... **News Corp.** said it will redeem \$193.8 million of preferred stock at price 7.65% above current liquidation value. Instead of cash, preferred stockholders will have option of converting to common... **Time Warner Cable** said it's purchasing cable systems serving 37,000 subscribers in several central Fla. communities from overbuilder Telsat Cablevision, terms not announced. Systems are in Citrus, Orange, Osceola and Seminole counties... **Multimedia** said it completed previously announced purchase of cable systems with 28,000 subscribers in Valparaiso and LaPorte, Ind., and surrounding communities... **Interactive Network** said it sold \$5 million of new common shares to Gannett at \$5 per share; previous investors include Cablevision Systems, Groupe Videotron, NBC, Nielsen, United Artists... Several MSOs, including Comcast, Continental, Cox and Time Warner will take equity stakes in **TVSM** as part of restructuring of company that publishes cable TV guides. Deal also includes splitting **TVSM** into **TVSM Inc.**, publisher of monthly *Cable Guide*, and **Total TV Inc.**, publisher of system-specific listings of cable programs.

**Rebirth of FCC's Cable TV Bureau** was main topic, at least jokingly, at reunion of staffers of now defunct Bureau (which was merged with Best. Bureau into Mass Media Bureau decade ago) Dec. 7. In fact, cover of program featured phoenix being reborn from flames. More than 100 former staffers attended celebration at Touchdown Club in D.C. of 20th anniversary of founding of bureau. Talk of reviving bureau has surfaced repeatedly as result of 1992 Cable Act. Those attending included former bureau chiefs Sol Schildhause, James Hobson, Willard Nichols and William Johnson (described jokingly as once-and-future-bureau chief). Former Bureau Chief Phillip Verveer and staffer Thomas Casey, both of whom have been linked to Clinton transition, didn't attend.

**For first time** in 50-year history, Advertising Council asked manufacturer to withdraw ads for nationally advertised product and stop selling it. Council said that ads for Crash Dummies toys, among most popular this Christmas, are jeopardizing national public service ad campaign that uses Crash Dummies to promote seat belt use. National TV networks have been refusing to broadcast public service ads using Dummies, saying that PSAs would be unintended commercial promotion for toys. Ad Council didn't criticize networks for position. National Highway Traffic Safety Administration, which developed Crash Dummies campaign, licensed Tyco Industries to sell toys.

**Press of other** legal issues justifies extending deadline for filing on fairness doctrine, lawyers for Ark. AFL-CIO said. Andrew Schwartzman, representing group, said lawyers don't have enough time to prepare motion for en banc rehearing before U.S. Appeals Court, D.C., citing delay in receiving notice of earlier court decision, Cable Act proceedings at U.S. Dist. Court, D.C., and "numerous" Cable Act rulemakings at FCC. Appeals Court ruled earlier this month that fairness doctrine had been repealed legally, despite AFL-CIO claim that it hadn't been. Schwartzman said FCC and intervenors didn't object to delaying deadline for motion to Jan. 15, from Dec. 16.

**One hundred thirty** new episodes of Spanish-language version of *Sesame St.* will be produced with funding from UNICEF and Coca-Cola Mexico. Adaptation, co-production of Children's TV Workshop (CTW) and Televisa S.A., is to air in 17 Latin American countries.

**Personals**

**David Moulton**, legislative dir. for Rep. Markey (D-Mass.) and senior counsel to House Telecom Subcommittee, becomes Telecom Subcommittee staff dir. and gen. counsel when Congress reorganizes, replacing **Herbert Brown**... **Elizabeth Noyer**, ex-Perot Presidential campaign, appointed dir.-news information, ABC News... Changes at NAB: **Michael Warling** promoted to vp-govt. relations; **Catherine Ramsey**, consultant to NAB, joins fulltime as dir.-broadcaster-govt. relations; **Tristan Warren**, dir.-congressional liaison, House, moves to same post, Senate; she's succeeded by **DeDe Ferrell**, promoted from mgr... **Amy Zoslov**, FCC Mass Media Bureau Enforcement Div. attorney, detailed to staff of Comr. **Duggan** as legal adviser.

**Frank Stanton**, former CBS pres., will receive RTNDA Foundation First Amendment Leadership Award at March 24 banquet, Mayflower Hotel, Washington... **Tracy Dolgin**, ex-HBO Video, joins Fox Bcstg. as exec. vp-mktg... **Randall Bongarten**, ex-exec. vp, Emmis Bcstg., appointed pres.-gen. mgr., GAF Bcstg., succeeding **Matthew Field**, resigned... **John Winston**, ex-asst. dir., external affairs, Commerce Dept. Minority Business Development Agency, named acting dir., new FCC Office of Small Business Activities; he and staff will be introduced at brown-bag lunch today (Dec. 14), noon, FCC hq, Rm. 856.

**Thomas Harbeck**, ex-Ogilvy & Mather, joins WTBS Atlanta as senior vp-mktg.; **Pat Mitchell**, ex-VU Productions, named senior vp, TBS Productions... Advancements at Americana TV Network: **Rene Ray** to vp-affiliate relations, **Nan Olson** to vp-ad sales... **Rene Freedman** promoted to mktg. mgr., WUSA Washington... **Dennis Johnson**, senior vp-original programming, West Coast, Showtime Networks, elected pres., National Assn. of Minorities in Cable... **Madeline Forrer**, ex-Family Channel, joins Prevue Networks as corporate mktg. mgr., new post.

**David Wan** named senior vp and dir.-strategic planning, Paramount Communications, succeeding **Janet Wickler**, resigned... **Mark Harrad** promoted to vp-corporate relations, Viacom International... **Geoff Calnan** promoted to senior vp-advertising and promotion, Fox Bcstg... **Robert Lingle** advanced to vp-corporate engineering, IDB Communications Group... **Charlotte English**, KSHB-TV Kansas City station mgr., promoted to vp-gen. mgr... **Phyllis O'Reilly** joins KWGN-TV Denver as mgr.-human resources... **Joseph DeFeo** advanced to news dir., WBFF Baltimore.

**Jean MacCurdy** promoted to pres., Warner Bros. Animation... **Charles Johnson**, anchor-reporter, KSTW Tacoma-Seattle, also named news dir... FCC Calendar -- Dec. 14: Chmn. **Sikes** is closing keynote speaker at Warren Publishing/FCBA "Coping with the Cable Act" conference, Capitol Hilton, 4:30 p.m. **Roy Stewart**, chief, Mass Media Bureau, addresses same conference on "FCC Implementation Overview," 9:10 a.m. **Kathleen Levitz**, deputy chief, Common Carrier Bureau, addresses conference on cable rate regulation, 9:55 a.m. **William Johnson**, deputy chief, Mass Media Bureau, participates on "Programming, Ownership, and Customer Service Regulations" panel, 3:15 p.m.



**FCC will hold lottery** today (Dec. 14), 9:30 a.m., Rm. 856, to select tentative winners of LPTV permits in 21 markets.

**Local activities** of TV network affiliates have "a substantial impact on the stations' financial performance," according to new survey -- *A Financial Profile of Television Stations by Network Affiliation* -- released last week by NAB. Such activities as news, marketing and local involvement often enable affiliate to overcome any "disadvantage" from network's performance, NAB said. In 1991, average NBC affiliate realized highest pretax profit, while average ABC affiliate had highest ad revenues. However, pretax profit varied widely by affiliation from market to market. Study (which included Fox TV Network) showed that while affiliates had cut expenses in most markets, "their commitment to news has not diminished." Report is available from NAB Services Dept. (202-429-5373), \$50 for members, \$100 for nonmembers.

**European Bcstg. Union (EBU)** is moving toward Jan. merger with its counterpart in Central and Eastern Europe -- International Radio & TV Organization (OIRT). Move, backed by Western European funding, is expected to provide satellite TV to isolated Eastern European and Russian homes and open market for Western European satellite broadcasters. Earth stations are being installed in Bucharest, Budapest, Prague, Sofia and Warsaw to access Eurovision and Euroradio exchanges through 4 transponders on Eutelsat II (F-4), Eutelsat said. EBU will guarantee all EBRD loans to Eastern European broadcasters. EBU and OIRT will move into combined hq in Geneva next month.

**Japan** got digital HDTV last week -- in form of demonstration of AD-HDTV system that's being shown in Tokyo to more than 500 representatives of Japanese consumer electronics and broadcasting industries, according to sponsor Advanced TV Research Consortium (ATRC), composed of Philips, David Sarnoff Research Labs, Thomson Consumer Electronics, NBC and Compression Labs. ATRC said it was first demonstration of digital HDTV in Japan. System also is being shown in N.Y. at NBC studios, where equipment used in Washington tests has been installed and will remain until Feb. System was demonstrated recently in Ottawa to Canadian communications officials and industry.

**Estimated 500 customers** of Working Assets Long Distance called FCC to urge strict enforcement of new Children's TV Act. San Francisco-based company provided its customers with free calls to Chmn. Sikes, who referred callers to Barbara Kreisman, who's coordinating agency implementation of Act. Effort was facilitated by Center for Media Education, which recently released study showing that some stations are citing cartoons in documenting how they have met Act's requirements for educational and informational fare.

**Sen. Packwood** (R-Ore.) at Washington news conference last week admitted he had made unwelcome sexual advances to many women over last several years, but said he wouldn't resign from Senate. He begins new 6-year term in Jan. He said what he had done was "not just stupid or boorish, [it] was just plain wrong." He has promised to cooperate "fully" with Senate Ethics Committee investigation of his actions. Packwood is ranking Republican on Senate Communications Subcommittee.

**Program Notes:** National Media Corp. signed deal to launch new **Quantum Home Shopping Channel** in Europe. Program will be transmitted to 37 million homes in 28 countries via unused time on Eurosport channel... Cox Cable Omaha has launched **TV Trakker** interactive on-screen program guide.

# 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 Nov. and year to date:

	NOV. 21-27	1991 WEEK	% CHANGE	NOV. 14-20	11 MONTHS 1992	11 MONTHS 1991	% CHANGE
TOTAL COLOR.....	692,401*	580,818	+19.2	762,619*	20,098,593*	18,172,357	+10.6
DIRECT-VIEW...	678,356*	567,551	+19.5	750,478**	19,744,568*	17,845,388	+10.6
TV ONLY.....	635,481*	547,218	+16.1	709,757*	18,910,957*	17,261,040	+ 9.6
TV/VCR COMBO.	42,875*	20,333	+110.9	40,721*	833,611**	584,348	+42.7
PROJECTION....	14,045*	13,267	+ 5.9	12,141	354,025*	326,969	+ 8.3
VCR DECKS.....	414,568*	295,128	+40.5	373,253*	11,152,028*	9,259,742	+20.4
CAMCORDERS.....	140,693*	78,431	+79.4	80,823	2,553,082*	2,507,068	+ 1.8
LASERDISC PLYRS#	6,344	5,109	+24.2	4,982	188,442	161,750	+16.5

Direct-view TV 5-week average: 1992--620,379\*\*; 1991--529,513 (up 17.2%).

VCR deck 5-week average: 1992--374,181\*; 1991--277,630 (up 34.8%).

Camcorder 5-week average: 1992--90,345\*; 1991--82,862 (up 9.0%).

\* Record for period. \*\* All-time record. # Includes combi players, excludes karaoke types.

**STRONG NOV. SALES PUT INDUSTRY ON RECORD PACE:** "Records, records everywhere" is theme of latest monthly EIA report on sales to dealers, with strong Nov. finish putting industry at record unit pace in every video category for which we have historical data. Final week of Nov. saw record sales in every category with exception of laserdisc players, which showed 24.2% increase to 6,344 units (see State of the Industry). That could very well be highest ever for week, but we have data only for last year and current one, so it would be presumptuous to declare record.

Furthermore, past month was record Nov. for direct view color TV, TV/VCR combos and VCR decks, and sales for first 11 months of year are at record pace in all categories. By end of Oct., industry had passed previous full-year record in sales of TV/VCR combos.

Cautionary note must be emphasized, however. As we have noted throughout year, parallax effect caused by addition of 53rd week to statistical 1991 has often generated tremendous gains in final week of 1992 month, and huge shortfalls in first week of following month, particularly in high-volume months. So, despite generally upbeat reports we have been receiving from retailers, extent of increases listed here may be overstated.

Seasonally adjusted annualized sales rate for color TVs hit 25.6 million in Nov., highest rate this year and highest for any month in at least 3 years. That brought rate for first 11 months to 22.1 million sets, number that has climbed almost without interruption since Feb. In our forecast last month, we predicted 1992 would be first 22-million-set color year (TVD Nov 23 p12).

Sales rate for projection TV, however, dipped in Nov. to 368,500, well below rate of 439,400 in Oct. Decline pulled 11-month rate down to 410,000, which still would be industry record, first time category will have broken 400,000 mark.

Seasonally adjusted rate for VCRs dipped slightly from preceding month to 13.2 million, and stood at 12.7 million for first 11 months of 1992. Camcorder sales suffered similar dip on seasonal basis, running at rate of 2.85 million in Nov. and 2.98 million for year.

Here are EIA's figures on sales to dealers in Nov., with 1991 and 1990 comparisons. For data on year to date and final Nov. week, see State of the Industry.

Product	Nov. 1992	Nov. 1991	% Change	Nov. 1990
Total color.....	2,421,482*	2,128,065	+13.8	1,971,114
Direct-view...	2,380,950*	2,087,028	+14.1	1,926,036
TV only.....	2,267,205	2,022,704	+12.1	1,878,310
TV/VCR combo.	113,745*	64,324	+76.8	47,726
Projection....	40,532	41,037	- 1.2	45,078*
VCR decks.....	1,305,320*	1,078,919	+21.0	1,055,458
Camcorders.....	307,808	320,778*	- 4.0	300,790
Laserdisc Plyrs..	18,149	22,168	-18.1	N.A.

\* Record for any Nov.

**VIDEO EYEGLASSES SCHEDULED FOR SALE IN APRIL:** Long-sought dream of video eyeglasses -- subject of hundreds of patents -- could be about to come true, on basis of claims by Virtual Vision, Redmond, Wash., startup company that will display product at Consumer Electronics Show next month and has scheduled first deliveries for April at retail price of less than \$900.

"Virtual Vision Sport" viewer consists of 5-oz. wraparound eyeglasses projecting "virtual image" TV screen that, according to developer, "appears to be up to 60 inches in size and 8 to 15 feet in front of the viewer." Belt pack contains TV tuner, telescoping monopole antenna, battery and jacks for VCR, camcorder or cable TV. Eyeglass earpieces contain earphones. "Sport" TV receiver is first in what company expects to be line of products.

System is based on "heads-up" principle used in aircraft to superimpose flight data on windshield. Subject of patent granted last month (No. 5,162,828, "Display System for a Head-Mounted Viewing Transparency"), it uses LCD smaller than 1" and various lens-prism arrangements to "project an enlarged image at an apparent optical distance from the user" without interfering with actual visibility of other objects. While most principals of Virtual Vision are new to consumer electronics, Rusty Bennett, former Aiwa America sales and mktg. vp (TVD Nov 30 p18), has been named sales vp.

Video viewer is adaptation of design originally developed by engineer Peter Purdy, who formed company called Insight to market products using technology in scuba diving mask (alphanumeric display of depth, tank pressure, air supply, temperature, etc.) and ski goggles (speed, etc.). Purdy is listed on patent as one of 4 inventors.

Company promises "long line of specially designed eyewear products [using] virtual imaging technology that allows a person wearing them to see what's going on in front of him or glance over at a virtual TV image that appears to float in space." Future products planned "in the next several years" include display screen for personal computer, system to permit surgeon to monitor charts and other information without moving head, security systems to let guards monitor video screen while performing other duties, voice recognition systems for hearing-impaired or foreign travelers, translating sounds into words on screen. More immediate will be uses as display for videogames, aircraft entertainment and as camcorder monitor.

President of Virtual Vision is Gordon Kuenster, credited with developing Advanced Technology Labs (medical scanners), Seattle Silicon and Rainbow Peripherals startups. He purchased technology from Purdy and has financial backing from "group of silent investors representing different business industries in Washington state." Mktg. Vp Brian Durwood has worked in hi-tech marketing for Data I/O (engineering tools) and Applied Voice Technology as well as service with NBC. Durwood said company will do own marketing in U.S., but may license others overseas. Virtual Vision now employs "more than 30 people," expects to increase to 75 by end of 1993.

Sony recently demonstrated "Visortron," goggle system using 2 LCDs, each with own plastic magnifying lens, and is exploring various commercial applications (TVD Nov 16 p8). Already on market is "Private Eye" viewer from Reflection Technology Inc., Cambridge, Mass., tiny system that can be clipped to eyeglasses or helmet providing equivalent of 12" image in space, but that has yet to be adapted to TV (TVD Dec 19/88 p10 et seq.).

**IMPORTS DOMINATED 3RD-QUARTER TV SUPPLY:** Reversing trend of recent years, imports accounted for majority of color TV supply in 3rd quarter, and quite likely in year's first 9 months, according to our analysis of EIA and Commerce Dept. figures.

Our quarterly tabulation indicates that 52% of total color TV supply was imported in July-Sept., as opposed to only 45.8% in same 1991 span. Actually, both domestically assembled and imported sets showed increases, with almost 20% more introduced into supply lines during period -- but U.S. production increased modest 6.2% while imports soared 36.1%.

In year's first 9 months, domestic assembly represented just about half of total -- our data indicate 49.7%, vs. 50.3% imports, statistically insignificant difference. We derive our domestic assembly data by subtracting Commerce Dept. data on imports from EIA's figures on "production" (which include imports) for same period.

Supply of color TVs, including TV/VCR combos but not projection, totaled 16,134,000 in first 9 months, up 21.2% in year and almost exactly one million more than sales to dealers in same period. Third-quarter supply, up 19.9%, was only 224,000 above sales. With soaring sales to dealers in 4th quarter so far (see separate report, this issue), there appears to be no probability of inventory glut.

Increased ratio of imports to total supply shows effect of movement of final assembly to Mexico from U.S. Zenith, GoldStar and Samsung have shifted vast bulk of their assembly there and others have increased assembly there. Color TV imports from Mexico increased by more than million units in first 9 months of 1992, constituting most of increase in total imports (TVD Nov 30 p15).

Imports constituted 54.3% of total TV supply (color plus monochrome), all monochrome sets being imported. Monochrome sets seem to have halted slippage, at least temporarily, supply increasing 13.3% in 3rd quarter after continual decline over the years. Total of 17,539,000 TV sets were produced or imported in first 3 quarters, of which 1,405,000 (8%) were monochrome. Following tables give breakdown of total TV supply for 9 months and 3 months ended Sept. 30 (significant color TV category is underlined):

**TOTAL TV SUPPLY, 9 MONTHS, 1992 vs. 1991**

		<b>U.S.—</b> <b>Produced*</b>	<b>% Change</b>	<b>% of Total</b>	<b>Imports*</b>	<b>% Change</b>	<b>% of Total</b>	<b>Total Supply</b>	<b>% Change</b>
<b>Total TV</b>	1992....	8,018,000	+15.0	45.7	9,521,000	+22.9	54.3	17,539,000	+19.1
	1991....	6,975,000	-22.0	47.4	7,750,000	-10.4	52.6	14,725,000	-16.3
<b>Color TV</b>	1992....	8,018,000	+15.0	49.7	8,116,000	+28.1	50.3	16,134,000	+21.2
	1991....	6,975,000	-22.0	52.4	6,334,000	-7.0	47.6	13,309,000	-16.6
<b>B&amp;W TV</b>	1992....	0	--	--	1,405,000	-0.8	100.0	1,405,000	-0.8
	1991....	0	--	--	1,416,000	-23.1	100.0	1,416,000	-23.1

**THIRD QUARTER**

<b>Total TV</b>	1992....	2,914,000	+ 6.2	44.2	3,682,000	+32.3	55.8	6,596,000	+19.4
	1991....	2,743,000	- 2.6	49.6	2,783,000	- 6.9	50.4	5,526,000	- 4.8
<b>Color TV</b>	1992....	2,914,000	+ 6.2	48.0	3,157,000	+36.1	52.0	6,071,000	+19.9
	1991....	2,743,000	- 2.6	54.1	2,320,000	- 4.4	45.8	5,063,000	- 3.2
<b>B&amp;W TV</b>	1992....	0	--	--	525,000	+13.3	100.0	525,000	+13.3
	1991....	0	--	--	463,000	-19.1	100.0	463,000	-19.1

\* Imports include assembled sets and unassembled but complete kits (chassis with tubes).  
U.S.-produced sets include those made from imported chassis.  
Figures include TV/VCR combinations, but not projection TV.

**PIONEER TO UNVEIL MULTIMEDIA LASERDISC AT CES:** Pioneer reportedly is preparing to introduce new multimedia laserdisc applications at Winter Consumer Electronics Show (CES) next month in Las Vegas.

Sources in Japan told us Pioneer's plans include such applications as electronic publishing, interactive movies, interactive educational programming, other multimedia programming.

New player, which also would function as conventional laserdisc player, reportedly would operate via Macintosh-like graphical user interface (GUI). Pioneer spokeswoman in U.S. declined to comment on any aspect of report. However, media last week received invitation for Jan. 6 Pioneer news conference on eve of CES at which company promised to explain "the meaning of L.I.F.E.", understood to mean "Laser Interactive Family Entertainment."

Pioneer has been long-time champion of laserdisc format, which as consumer product has settled into niche primarily as favored playback medium of videophiles. In recent years, player sales have been aided by advent of "combi" models that can play CDs as well as laserdiscs and by moderate spread of laser karaoke machines. Through Nov., 188,442 laserdisc players had been sold to U.S. dealers this year, 16.5% increase over 11-month sales in 1991, but dwarfed, for example, by 11.1 million VCR decks sold to dealers in same 1992 period.

As we reported (TVD Oct 5 p14), Pioneer earlier this year ran ad in such publications as Wall St. Journal and Financial Times to tout advantages of LD-ROM technology over various CD-ROM formats. At the time, Pioneer Home Electronics Div. Senior Mktg. Vp Michael Fidler called LD-ROM "the most promising future technology for providing an interactive multimedia world. It is the most feasible way to combine high-quality video images, CD sound and system data information." He pointed out that 12" laserdisc contains not only same 540 Mb of digital signal storage as CD formats, but also analog storage space for up to one hour of visual motion.

**CIRCUIT CITY NET JUMPS:** Circuit City's net income soared 89% to \$16.6 million (34¢ per share) in 3rd quarter ended Nov. 30 as "continued improvement in the expense ratio more than offset the lower gross profit margin" in competitive retail market, said Pres.-CEO Richard Sharp. As we reported (TVD Dec 7 p15), company's sales rose 16% to \$805.4 million on 8% comparable-store sales gain.

Sharp said improvement in expense ratio "reflects ongoing productivity gains, a contribution from our private label credit card program and the higher-than-anticipated comparable-store sales." Gross margin in quarter was 27.5%, compared with 27.8% in last year's quarter. Sharp said "markets throughout the country remained highly competitive."

Earnings for first 3 quarters increased 45% to \$49.5 million on 15% sales increase to \$2.17 billion on 6% comparable-store sales gains.

\* \* \* \* \*

**Harvey Group**, parent of N.Y.-area retailer Harvey Electronics, reported that sales in 3rd quarter ended Oct. 31 dropped 24.7% to \$4.98 million, but company was able to cut operating loss more than half to \$424,000. In last year's quarter, company took \$545,000 charge related to unfavorable outcome of legal action.

Pres. Arthur Shulman said sales decrease "is primarily due to soft market conditions and a decrease in corporate sales. Despite these conditions, we have seen continued improvement in our margins and reduction in losses from continuing operations." He also said company is "successfully merchandising and selling the concept of home theater... With home theater and other exciting new technologies, including the MiniDisc and Digital Compact Cassette, we are looking forward to the holiday selling season."

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**JVC's 15th Tokyo Video Festival** drew 1,364 entries from 26 countries. Top prizes went to Japanese video director and Japanese girls' high school, with other high prizes to natives of Philippines, France, Germany.

**VCR programming chart** is subject of patent application in U.K. by Samsung. Under Samsung proposal, VCR would come with transparent panel, or "programming board," divided into days of week (horizontally) and time in 15-min. segments (vertically). To program VCR, viewer uses colored felt pen or grease pencil to make one colored mark at intersection of day and time indicating start of program and another colored mark at day and time for program to end. User then slides board into slot in VCR, where it's sandwiched between matrix of LEDs and phototransistors. Photo sensors translate pattern of blocked light into digital code that sets VCR's timer. After taping, viewer simply wipes marks off panel and it's ready for reuse.

**Sanyo** revised downward its profit projection for fiscal 1992, which ended last month, and announced its first dividend cut in 22 years. Although final figures haven't been posted, company said its pretax profit would fall 73.3% to \$80.6 million, net profit after taxes dropping 72.1% to \$46 million. Sanyo expects operating loss of \$137.1 million vs. \$91.1 million operating profit in fiscal 1991, with sales expected to decline 8.4% to \$8.71 billion. Increase in value of yen resulted in \$25.8-million foreign exchange loss. Audio-video equipment sales fell 18%, largely because of poor sales in Europe.

**U.S.-Chinese** joint venture will produce thin-film coatings for LCDs in Yantai, China. U.S. partner is Donnelly Corp., Holland, Mich., glass products company. Yantai Radio Factory No. 1 will be 50% partner in China. At capacity, venture is expected to generate \$20 million in annual sales.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 124 yen = \$1, except where noted.

**MD PORTABLE SHORTFALL:** Sony technically managed to meet announced early-Dec. launch target for its first 2 MiniDisc (MD) portables -- but finding MZ-1 record-playback or MZ-2P playback-only unit available for purchase last week seemed as difficult as hitting Lotto jackpot.

Sony Gen. Audio Mktg. Mgr. Mark Viken declined comment on report from Japan that company had planned shipment to U.S. of 4,000 MZ-1 portables, but that only 2,000-3,000 actually were air-freighted Nov. 30-Dec. 1 in time for first allocations to be shipped from Sony warehouse in Ill. (TVD Dec 7 p13).

Sony (Japan) spokesman told our Tokyo correspondent that short supplies were attributable mainly to "difficulties" in producing new technology, saying allocation problems could result in delayed shipment of product to some U.S. stores. But he denied contention in letter distributed to customers of Macy's flagship Herald Sq. (N.Y.) store that "due to production problems," MZ-1 portables wouldn't be available until early Jan.

Japanese spokesman said additional shipments were due to be air-shipped here by late last week. Another spokesman at Sony Japan said company plans to produce total of 40,000 units in Dec., at least 12,000 to be shipped to U.S. and 12,000 to Europe.

Macy's letter invited customers to reserve MZ-1 for early Jan., promising choice of 3 free blank or recorded MDs "as our gift to you for your patience and understanding." Letter said Sony was unable to supply "an adequate number" of MZ-1 portables to cover Macy's Dec. 10 ad circular featuring MZ-1 on cover at \$699 "holiday" sale price. Revised version of Macy's letter later in week dropped references to Sony production problems, but retained offer of 3 free discs.

Viken indicated that free software offer was at store's own discretion and expense, as Sony program calls only for packaging of blank MD and prerecorded music sampler with purchase of MZ-1 portable. Viken denied Macy's contention that customers would have to wait until early Jan. to purchase unit, saying additional allocations would be available for sale much sooner.

With scarcity of units actually on store shelves, any conclusions about success of product were premature. Prevailing view last week was that most retailers received average of "one to show, one to go," based on number of stores in particular account. Executive at one large chain said he was "exhilarated" at response to MZ-1 among "early adopter" customers, but frustrated that buyers had to be turned away. Different story apparently was told at San Diego-based Dow Stereo & Video, whose spokesman Tom Campbell was quoted by USA Today as saying shipments promised for delivery Dec. 5 never arrived, forcing retailer to scrub radio promotion planned for that evening.

Overall shipment of Matsushita RS-DC10 DCC decks has totaled 5,000 units thus far, Japanese news reports said last week. Of total, they said, 2,000 were shipped in Japan and U.S. markets, rest in Europe. Matsushita executives were quoted as saying that consumer response to product has been stronger in overseas markets than in Japan.

Meanwhile, separate news accounts said Matsushita had doubled its earlier projection of worldwide demand for DCC, saying now it expects demand for 10 million. In Sept., company had projected demand of 5 million by 1995,

climbing to 10 million by 1997. New estimates put total worldwide demand at 15.5 million by 1996, 20 million by 2000. Among factors accounting for upward projection, reports said, was company's belief that DCC would be marketed in car and portable configurations sooner than was case with CD.

Matsushita reportedly plans to start producing DCC portables and boombox stereos at Sendai factory in June and other companies will market similar products in abundance by next fall. Meanwhile, Nikkei said Philips will introduce DCC portable in Japan in spring measuring slightly larger than existing analog portable tape recorder, but smaller than first-generation Sony MD portables. Also due for Feb. introduction in Japan is minisized DCC recorder. Report quoted Philips as hoping to achieve DCC hardware sales of one million globally in 1993.

**Sixth Ave. Electronics** says it's making "dramatic shift in the company's corporate operating philosophy" aimed at "attracting a new customer base as well as new suppliers." Company, which last year opened 61,000-sq.-ft. store in N.J. described as "consumer electronics theme park" (TVD Dec 2/91 p14), said it's dropping "price-only orientation in advertising and marketing," instituting more service-intensive marketing proposition. Company, which has been well-known in N.Y. area for "laundry list" ads, also says there will be "gradual elimination of nonauthorized vendors" in ad programs, "with the goal in the near future to include only authorized vendors in all advertising insertions." Company last week announced appointment of Tasso Koken, former executive at The Wiz, as exec. vp-COO.

**Panasonic**, which recently opened R&D Center in Germany, demonstrated projects there that it says were developed in Europe for European market. Among highlights were cooperative effort by Panasonic, TV maker Loewe Opta and ITT Intermetall for digital TV set in 16:9 format with improved picture quality and new features. Included in set, already on market, is flicker-free image with high number of lines, digital zoom, digital format changes. Another project, demonstrated in computer simulation, would put at least 2 hours of digital full-motion video with stereo sound and better than S-VHS quality on standard 5" CD. In cooperation with Darmstadt Technical U., Panasonic is developing all-digital terrestrial HDTV system.

**Sony** is "revolutionizing the electronics industry" again, London Financial Times said -- this time not by introducing new products but "by adopting lean manufacturing." Article said Sony had cut by 2/3 time needed to assemble a VCR. Company now orders parts only 48 hours before they're needed, down from one month, article said. Production Engineering Gen. Mgr. Yoshitaka Kato is quoted as saying that project was started in 1988, and is possible only when product cycles are relatively long, without frequent changeovers. With pace of new developments slowing, Kato said, "we can concentrate less on technology and more on manufacturing the product."

**Single AM stereo standard** -- Motorola's C-Quam -- was proposed last week by FCC, in response to mandate by Congress to pick one system. Commission said that there are now some 24 million C-Quam receivers in use in U.S. and that 6 other countries have adopted system. FCC rulemaking ends decade-old ill-fated experiment into "marketplace" choice of broadcast standard. (Details in Bcast./Cable section.)

**CD-I FMV CARTRIDGE DELAYED:** Plug-in cartridge to give Philips CD-I player capability of reproducing full-screen full-motion video (FMV) won't be available at retail in Jan., as company had said as recently as Sept. Instead, sources in Europe said cartridge now will be available in spring, latest slippage in marketing plan for device that could give CD-I players capability of playback for theatrical motion pictures, as well as interactive movies and range of other applications.

In response to our inquiry, Philips issued statement last week that didn't specify when FMV cartridges would hit stores or be offered to those who had bought CDI910 players. But it acknowledged delay, implying that lack of FMV software -- not hardware problem -- is cause. It noted that since company first demonstrated FMV segments at Chicago Consumer Electronics Show in May (TVD June 1 p13), Philips "has been actively working with key production partners to increase the availability of CD-I FMV production capability and the number of FMV titles in the U.S. and Europe. Currently title production is under way in both the consumer as well as the professional marketplace."

Philips said: "Although the original timing for the release of FMV cartridges to the market has been adjusted due to chip production delays, cartridges have been made available to a limited number of key developers. CD-I FMV encoding services are currently available in the U.S. at PIMA [Philips Interactive Media of America], GTE ImagiTrek and Optimage. Consumer market availability of FMV cartridges will coincide closely with retail shipments of the first FMV titles in 1993."

Although statement issued here doesn't specify new timing, sources in Europe said cartridge will ship in spring at equivalent there of about \$200. They said minimum of 15 FMV titles would be available at launch -- mixture of linear programming (music videos, animated titles) and interactive programming. Theatrical films on 5" disc would be available in fall, sources said, with accent on material from Philips' 80%-owned PolyGram subsidiary.

Statement concluded that "sales of CD-I players have grown dramatically in the past few months. CD-I FMV technology is perceived as a significant catalyst that will further expand growth of the CD-I market worldwide." In recent weeks, Philips renewed aggressive marketing campaign -- including first network TV commercials -- that, combined with reduction to common \$599 street price in Aug., has helped boost sales rate, several dealers said.

Meanwhile, Philips is offering CD-I version of Compton's Interactive Encyclopedia (CIE) free with purchase of CD-I player (TVD Nov 2 p16). Currently, consumer is given coupon redeemable by mail for either \$100 worth of CD-I programs or Compton's disc, which carries \$299 retail value. When Philips starts shipping next version of CD-I player, CIE will be packed in. Program will be maintained at least through end of first quarter. Offer is being promoted on cut-in inserted into current CD-I TV commercials and, at store level, via posters, countertop displays and header that fits atop CD-I merchandising kiosk.

CIE includes more than 30 partial screen video sequences running at about 24 frames per sec. for total of 18 min. About 20 min. of CD sound accompanies array of text and still images. Information can be accessed via variety of channels; one technique lets user "type" topic by pointing cursor to letters on keyboard -- each letter successively winnows down possible topics, and as soon as desired topic appears, it can be highlighted and accessed.

CIE also includes unique "time machine" access, which lets user "travel" through time, visually simulating intergalactic journey as time periods pass by. Any time period can be designated, and user can select specific event from that era to view.

PIMA also announced completion of shooting on first interactive motion picture produced for CD-I. *Voyeur*, starring Robert Culp and Grace Zabriskie, is joint production of PIMA's Philips POV Div. and Propaganda Films. It's described as political thriller combining "suspense of Hitchcock's *Rear Window* with the erotic overtones of Polanski's *Chinatown*." Finished product will let viewers participate in solving mystery, choosing which rooms to look into and what characters to follow. Film was shot using combination of 3-D computer graphic sets and actors shown against blue screen. Disc, which will be viewable either as linear story or interactive experience, is set for late next year.

\* \* \* \* \*

No Zenith-brand Video Information System (VIS) machines will be on market for current holiday season, spokesman confirmed to us last week. He said company's major retail customers already had completed merchandising plans for fall selling season by time Zenith was able to offer them VIS, so machine couldn't make it onto selling floors. Zenith was scheduled to supply players to Tandy Name Brand retail outlets, but those stores now are stocking players carrying Tandy's own Memorex brand. Zenith spokesman stressed company retains long-term interest in Tandy-developed multimedia player and expects to meet with Tandy officials early in 1993 to discuss future arrangements.

**China High-Definition and Digital TV Group**, established in 1989 by govt., promises to bring digital HDTV to China, but first will work toward digital signal processing in conventional sets. Dir. Hu Bangde said 41 members of group -- 33 factories and 8 research institutes -- are capable of developing digital TVs, thanks to technology purchased from "a German company" (presumably ITT Intermall). Test marketing of 200 digital TVs with 23" screens was successful, she said. Mitsubishi is seeking Chinese partner to make digital TVs, China Daily said, and Philips has established research center with Suzhou TV Factory to develop digital TV.

**Component vendors** will have opportunity to visit Japanese-owned plants in U.S. and discuss requirements in 21-day 16-city tour sponsored by American Electronics Assn. (AEA) and EIAJ Jan. 19-Feb. 5. Plants listed are those of Matsushita, Mitsubishi and Oki in Atlanta; JVC, N.J.; Sony, Boca Raton; NEC, Boston; Matsushita, Chicago; Toshiba, Lebanon, Tenn.; Sharp, Memphis; Sanyo, Forrest City, Ark.; Pioneer, Cal.; Matsushita and Sony, San Diego; Toshiba, Irvine, Cal.; Matsushita, Santa Ana; Fujitsu and NEC, Ore.

**Car rental companies** in Japan will offer navigation systems to customers at \$40 per day. Sony Finance International is offering systems to rental companies at \$310 per month for one-year contract or \$175 for 2 years. Company aims at renting 100 sets of equipment.

**Amstrad Chmn. Alan Sugar** failed in attempt to take company private (TVD Nov 30 p15), 58.7% of stockholders voting against his plan to pay about 46¢ per share. Asked where his consumer electronics company goes from here, he said his plans for Amstrad haven't changed.

**CHANGES AT PHILIPS:** Philips last week named Pierre Everaert, currently chmn. of Ahold retailing group of Netherlands, which owns supermarket chains in Europe and U.S., to its 5-member management board. He will succeed Ype Bouwkamp, now responsible for Philips activities outside Europe, and for Professional Products Div., when he retires May 6.

Philips didn't say what responsibilities will be assigned to Everaert, who now presides over company with annual sales of \$11.34 billion. Everaert, Belgian-born U.S. citizen, is said to be expert on retailing, with strong knowledge of U.S. market. Ahold owns First National (Finast) and 2 other U.S. supermarket chains. Philips also plans to expand 10-member management board, adding Henk Bodt, who heads consumer electronics activities.

Earlier, Chmn.-Pres. Jan Timmer expressed "great satisfaction" and "deep disappointment" in year-end message to Philips employees -- satisfaction with improved financial performance of some divisions and disappointment "with the developments in the markets for consumer electronics, which have affected us badly." At same time, company announced moves to reduce employment further and cut real estate holdings.

"The simultaneous effects of sales stagnation and price erosion" in consumer electronics, Timmer said, "have wiped out the positive effect of Centurion," Philips' name for its belt-tightening comeback operation.

As of Jan. 1, Philips will restructure Industrial Electronics Product Div. into small holding company with 20 employees, which will own several "highly autonomous operating companies," of which 12 were listed in Philips News house organ. In reorganizing, about 300 jobs will be eliminated. As announced earlier, test and measuring equipment activities will be transferred to Fluke Co. of U.S. Communications & Security Systems business unit, which employs 1,400, will be transferred to Philips Consumer Electronics Div. in March.

Splitting division into individual subsidiaries, in addition to giving them more autonomy and freedom of action plus individual financial accountability, obviously will make each separate operation easier to sell off if necessary. Timmer already has said company won't sell off any major divisions, but Philips officials did indicate some operations could be sold or spun off.

Fred Bok, who heads Philips Industrial Electronics, used this simile: "Today we have something that acts a little like a plate of spaghetti -- if one of the pieces is pulled, everything moves because it all is connected... What we want to end up with is more a plate of asparagus spears, where the pieces are nicely separated and where if one piece is taken off, this doesn't affect the others."

In separate but related move, Wim de Kleuver, who heads Components Div., said company hopes to cut its excess office and building space 50% or more in next 3 years, reducing total real estate holdings about 25%.

**Air and rail video:** Philips Airvision, part of N. American Philips, has signed agreement with Korean Air for installation of 6" LCD monitors at first and business class seats on B747-400 aircraft on evaluation basis... Sharp LCD panels are mounted on back of passenger seats of Germany's high-speed ICE trains between Hamburg and Munich.

**MORE TAPE FORECASTS:** U.S. consumer VHS videocassette sales rose 1.5% this year over 1991 and will show similar increase in 1993, according to forecast by Fuji Magnetic Products Mktg. Dir. Brad Friedrich at recent ITA Membership Update Seminar in N.Y.

Friedrich's worldwide videocassette sales forecasts are close to those by Magnetic Media Industries Assn. of Japan, as reported last week (TVD Dec 7 p17). Latter, however, saw U.S. sales declining 1% in 1992 and 1993. Here are Friedrich's figures on VHS cassette sales for 1991 with projections for 1992 and forecasts for 1993 (in millions of units):

	1991	1992	% Chg.	1993	% Chg.
U.S. ....	336	341	+1.5	347	+1.8
Japan....	234	231	-1.3	225	-2.6
Europe....	309	321	+3.9	331	+3.1
Other....	165	175	+2.7	198	+7.4
<b>TOTAL</b>	<b>1,044</b>	<b>1,068</b>	<b>+2.3</b>	<b>1,101</b>	<b>+3.1</b>

As for camcorder tapes, U.S. sales in 1991 were 32% VHS-C and 68% 8mm, but Friedrich sees VHS-C gradually increasing in total percentage, to 36% this year (with 8mm 64%) and to 40% in 1993 (8mm 60%). In full-size VHS, T-120 continues to be standard, he said, although longer versions increased 17-18% this year. However, T-160 and T-180 lengths constituted only 5% of market.

In U.S., bulk cassettes -- unboxed cassettes shipped to duplicators -- constitute fastest growing segment of market, with pancake next. Here's breakdown of VHS sales by type:

	1991	1992	% Chg.	1993	% Chg.
Consumer..	336	341			
Industrial	9	10	+11.1	11	+10.0
Bulk.....	25	30	+20.0	33	+10.0
Pancake...	228	245	+7.5	262	+6.9
<b>TOTAL</b>	<b>598</b>	<b>626</b>	<b>+4.7</b>	<b>653</b>	<b>+4.3</b>

**Terk Technologies** will introduce "Leapfrog" remote control extension system that attaches directly to infrared remote control handset, at upcoming Consumer Electronics Show. Company said that range from remote to small base station, placed near components, extends to 150 ft., and will sell optional transmitting and IR flashers for "daisy chaining" multiple components. Basic starter kit will have suggested retail price of \$59.

## OBITUARY

**David Smith**, about 80, who served with Philco and successor Philco-Ford in top engineering posts, died Dec. 3 in Bryn Mawr, Pa. He was active in development of American TV standards, serving as member of first National TV System Committee (NTSC), which developed b&w transmission standard, and as a vice chmn. of 2nd NTSC, which developed color; he was named a fellow of IEEE in 1955. Smith joined Philco (then Philadelphia Storage Battery Co.) in 1939 as research dir., later was named research and engineering vp and served on board, continuing in same post for Philco-Ford until retirement in 1967. He spent 2 years as pres. of HRB Singer, then military division of Singer Co. Until last year, he held various engineering teaching posts, including prof. of engineering, U. of Pa. He's survived by 4 children.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Audio/Video Affiliates 1992-9 mo. to Oct. 31	139,334,000	1,143,000	.17
1991-9 mo. to Oct. 31	122,529,000	784,000	.12
1992-qtr. to Oct. 31	48,507,000	316,000	.05
1991-qtr. to Oct. 31	40,843,000	171,000	.03
BET Holdings 1992-qtr. to Oct. 31	17,300,000	2,900,000	.14
1991-qtr. to Oct. 31	13,200,000	2,300,000	.12
Circuit City Stores 1992-9 mo. to Nov. 30	2,171,517,000	49,466,000	1.02
1991-9 mo. to Nov. 30	1,886,907,000	34,185,000	.73
1992-3 mo. to Nov. 30	805,426,000	16,638,000	.34
1991-3 mo. to Nov. 30	694,031,000	8,799,000	.19
Go-Video 1992-qtr. to Oct. 31	6,121,000	21,000	--
1991-qtr. to Oct. 31	3,641,000	(483,000)	--
National Semiconductor 1992-26 wk. to Nov. 29	964,300,000	57,200,000	.44
1991-26 wk. to Nov. 24	824,200,000	(162,100,000)	--a
1992-13 wk. to Nov. 29	491,900,000	35,300,000	.27
1991-13 wk. to Nov. 24	413,200,000	5,900,000	.03

Note: <sup>a</sup>After special charge.

## Consumer Electronics Personals

**Terry O'Flynn** resigns as pres. of Mitsubishi Electronics America Consumer Electronics Group "for personal reasons," no replacement named... **John Esposito** leaves as Mitsubishi Northeast regional vp to head audio and video software for The Wiz... **Tasso Koken**, ex-Damark and The Wiz, joins 6th Ave. Electronics, N.Y. area retailer, as exec. vp-COO; Gen. Mgr. **Richard Aquillina** resigns... **Rusty Bennett**, former Aiwa sales and mktg. vp (TVD Nov 30 p18), is sales vp of Virtual Vision, developer of video eyewear system (see separate report, this issue)... **Gail Wellington**, ex-Commodore, named mktg. and sales vp, OptImage Interactive Services, to expand programs for company's CD-I authoring tools.

Recent promotions and realignment at Sharp (Japan): **Yutaka Wada** promoted from senior exec. dir. to senior exec. vp in charge of international business; **Kazuo Kubo** advanced to senior exec. vp, serving also as gen. mgr. of Domestic Sales & Mktg. Group; **Katsuhiko Machida**, gen. mgr., International Business Group, promoted from exec. dir. to senior exec. dir.; **Seiji Shiotsu**, dir., advanced to exec. dir. and gen. mgr., TV & Video Systems Group; **Toshikazu Mitsuda**, **Isamu Washizuka** and **Masaru Umeda** also promoted from dir. to exec. dir.; Dir. **Magohiro Aramoto** named deputy gen. mgr., Corporate R&D Group... **Tom Seah**, official of Donnelly Co., named gen. mgr., Donnelly Yantai Electronics Corp., joint venture in China to produce thin-film coatings on glass for LCD applications.

Changes at Carver in major restructuring: **Mark Friedman** resigns as senior vp-sales and mktg. to pursue other opportunities in audio industry; **Patrick Mountain** appointed dir.-consumer audio sales and mktg.; **Charles Boornazian**, East Coast regional sales mgr., adds duties of mobile audio national sales mgr.; **John McCready** named dir., product development and planning; **William Lewis** rejoins company as mktg. dir., professional audio; **James Croft** named dir., product research and mktg.

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development... Appointed to new posts at EIA: **Melissa Carey**, ex-Harris Corp., as dir.-govt. relations; **Patricia Franco**, ex-Kirkland & Ellis law firm, as staff dir.-environmental affairs... **Richard Antonio** named Ampex vp-sales development, succeeded as vp-sales and customer service by **Richard Miller**, ex-Teletrack Advance Technology Systems... **Michael Armstrong** named chmn., GM Hughes Electronics, effective Jan. 1, succeeding **Harry Pearce**, who continues as exec. vp at parent General Motors; **Gary Dickinson** becomes Delco exec. vp-CEO Jan. 1, succeeding **Donald Almqvist**, retiring.

**Andrew Kairey** promoted to MCA/Universal Home Video senior mktg. and sales vp... **Mark Siegel** departs as Shamrock Entertainment Group pres.-CEO to join Blockbuster as Music Retailing Div. pres., reporting to Blockbuster Pres. **Joseph Baczkowski**, following Blockbuster's purchase of Shamrock's Sound Warehouse and Music Plus chains... **Marc Berman**, Daily Variety staff writer covering home video, film, AIDS and gay/lesbian issues, will depart Dec. 23... **Tracy Dolgin**, ex-Lucas Arts Entertainment and HBO Video, appointed Fox Bctg. exec. mktg. vp... **Brett Boal**, ex-Price Waterhouse, named Sony Music Video special projects dir.

# TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 21, 1992

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**CABLE RATES 'HAMMERED':** Markey says hikes that stick out will be hammered down. FCC rate regulation to be 'simple,' but speakers at our conference say uniform accounting is needed. (P. 1)

**ACT HELPS BROADCASTERS,** Reilly says in conference keynote. FCC to try to avoid regulatory delay in rulemakings. Consent fee of \$2-\$2.50 said justified. TCI calls consent unbalanced. (P. 2)

**FCC FINES INFINITY** record \$600,000 for Stern program, expresses concern over 'pattern of apparent misconduct.' Infinity's Cook Inlet purchase okayed. (P. 4)

**TELCO-CABLE APPEALED:** Bell Atlantic challenges telco-cable cross-ownership restriction in 1984 Cable Act, plans to overbuild Jones. First Amendment cited. (P. 4)

**SIKES' LAST SPEECH:** Chmn. says Cable Act 'goes well beyond what I think should have been done' but cable future is secure because of technology. (P. 5)

**FCC TRANSITION REPORT DUE TODAY:** Clinton team won't make policy recommendations, will deal mainly with procedures, budget. Sessions held with outside groups. (P. 5)

**CABLE RATES UP 4-6%** in our spot check. Highest hike is 15%, lowest 3.5%. Retiering cited in big increases. (P. 6)

**NBC PLANS EXPERIMENTS** using new ACTS satellite. Remote newsgathering, mobile communications featured. (P. 6)

**CABLE RATES TO BE 'HAMMERED DOWN':** House Telecom Subcommittee Chmn. Markey (D-Mass.) said Congress won't tolerate rate increases by cable operators seeking to evade Cable Act rules. Speaking at "Coping With The Cable Act" conference sponsored by Warren Publishing and Federal Communications Bar Assn. Dec. 14, he rephrased Chinese proverb to say that cable operators whose rates stick up "will get hammered down." Companies that raise rates will be "singling themselves out for special attention," Markey said: "It is their choice. They will invite the law of unintended consequences if they increase prices."

Congress struck balance in new law between rate regulation and introduction of competition, Markey said, with one goal being to bring benefits of new technologies to consumers. He said he will reintroduce broad legislation next year that, among other things, would push telephone companies to make ISDN available more readily to residential subscribers. Congress is concerned about rate increases taking place now, agreed Antoinette Cook, senior counsel to Senate Communications Subcommittee and rumored candidate for FCC chairman. But she said she doesn't "really anticipate" that would be widespread problem since there's opportunity for rollbacks and refunds.

FCC is trying to regulate rates in way that's "simple" both for cable operators and for regulators, said Common Carrier Bureau Deputy Chief Kathleen Levitz, whose comments were limited by agency rules because of pending rulemakings. She said FCC prefers benchmark regulation (TVD Dec 14 p1) "if possible," but that will depend on how

### Consumer Electronics

**'CINEMASCREEN - MADE FOR MOVIES'** is pitch for feature-laden 16:9 TVs under RCA and ProScan logos at \$4,999 list. Sales of 10,000-15,000 seen in 1993. (P. 10)

**DUAL-DECK PRICE COMPETITION** looms as new company announces \$499 deck to ship in May, and Go-Video slates its own new product at that price. (P. 11)

**HIGH CLINTON APPOINTEES** familiar with CE industry: Tyson sees lesson in HDTV race. Brown was active in HRRC. Reich finds no evil in foreign TV firm ownership. Little TV job loss seen in NAFTA. (P. 12)

**CAMCORDER INVENTORIES** fell again in Nov., now near satisfactory level, with full-size models seen insufficient to cover demand at 4-week supply. (P. 13)

**ACTION TO REVOKE** active LCD dumping decision started by ITA at request of only U.S. maker. Smith Corona reopens word processor battle with Brother. (P. 14)

**BEST BUY SOARS** to 125% profit increase in 3rd quarter. Fretter gains, but Highland loses on bankruptcy, restructuring. (P. 14)

**'PERSONAL PROJECTION TV'** is theme for promotion of Virtual Vision goggle system through high-end dealers. (P. 15)

**PARAMOUNT TECHNOLOGY GROUP** is new unit of communications giant to chart integration of new media and technologies into company's other businesses. (P. 15)

completely cable operators respond to requests for rate and cost information. She said data won't necessarily be confidential unless cable officials request confidentiality.

Uniform tracking of cable company costs and expenses, similar to that imposed on telephone industry, may be necessary for cable industry as result of 1992 Cable Act, lawyers for cable and cities said. It would be "serious mistake" if Uniform System Of Accounts isn't developed for cable, said Nicholas Miller, lawyer representing many cities. He indicated that FCC's proposed "benchmark" system of rate regulation may be necessary for short term because it's impossible to move to cost-based regulation within 6 months. But he said cost data are necessary to solve long-term problem because benchmarks aren't long-term solution: "If benchmarks are the long-term solution, this will be back at Congress within 2 years."

Cable itself may need uniform accounting of costs, NCTA Vp-Regulation Daniel Brenner said, even though cost-based regulation is "a difficult and expensive way to go." Cable is legally entitled to adequate return on capital investment, he said, and even benchmark system envisions allowing systems to use costs to justify rates higher than benchmark, so "some system has to be in place" to justify costs. Frank Lloyd, who represents cable operators, said full rate-of-return regulation "simply does not work" at this point of industry's maturity. He predicted it would take 10 years to achieve uniform accounting and said most cable operators would love AT&T's rate of return, although it would require tripling or quadrupling rates.

Local franchising authorities should be able to do their part in regulating rates, said David Olson, pres. of National Assn. of Telecommunications Officers and Advisers (NATOA). He said his cable authority in Portland, Ore., handled many rate increases before 1987 with fewer staff members than it has now. FCC rules should be simple to follow and, if they're well written, should be all the guidance local officials need, he said. Olson predicted there could be some rate rollbacks, which would vary by community, although he didn't see "massive movement" toward rollbacks. Less intrusive regulations, such as rate freeze, might be used to deal with increases, he said.

Attorney Norman Sinel, who represents municipal cable authorities, said FCC is likely to conclude that many current cable rates are "monopoly rents" and order customer credits, rate rollbacks or freezes. But panelists said some cities might want to sit back and allow FCC to regulate basic cable rates. Continental Cablevision Senior Vp Robert Sachs said "a number of cities won't seek certification" from FCC to regulate rates. Sinel said that regardless of what cities do, cable law suggests that FCC has mandate to assure that rates for basic service are reasonable. If cities don't certify as regulators, responsibility will be with FCC, he said.

More attention should be given to details of cable increases than simply looking at percentages, Sachs said. He cited press report that Continental had raised installation fees in South-Central L.A. to \$40 from \$20. However, he said, that figure covers less than half of costs of installation and is lower than other 3 cable operators in city. Yet Sachs said city authorities said after law was passed that they would challenge rate when given power by Cable Act, noting that city had said nothing when rate change was announced in Sept.

Brenner said FCC must provide flexibility in way it handles rates and costs. For example, he said that cable customarily doesn't charge full cost of installations and that it doesn't believe full charges would be good policy. But he indicated that if cable can't make up difference in other charges, full installation fees might be necessary. Cook said Congress recognized that there's need for "some flexibility. It would be impossible for Congress to foresee every possible effect. That's why we have an expert agency."

One question is whether Cable Act supersedes franchise language, some of which forbids local rate regulation. Miller and Cook said it's hard to interpret Act's rate regulation as not applying to those systems, but Lloyd said it's "legitimate argument" that contract such as franchise agreement is defense against franchising authorities' certification requests.

**CABLE ACT MOVES BROADCASTERS TOWARD EQUALITY:** Cable Act is just first step in "making broadcasters a less unequal partner" in video marketplace, McGraw-Hill Bcstg. Pres. Edward Reilly said at "Coping With The Cable Act" conference Dec. 14 sponsored by Warren Publishing and Federal Communications Bar Assn. At same conference, FCC officials said they would try to avoid delaying other licensing matters while they deal with Cable Act rulemaking and regulation, but said supplemental appropriation is needed.

Studies indicate that broadcasters could justify fee of \$2-\$2.50 per customer per month for TV carriage, Reilly said in broadcast keynote, but actual payment is likely to total 65¢-\$2 for all stations in market. Networks have "pretty much taken a hands-off approach" to retransmission consent negotiations, Reilly said, and broadcasters are likely to spend just about all they receive on improved programming. He also said broadcasters will be looking for local advertising partnerships with cable, rather than just consent payments.

FCC will try to avoid delaying processing of other mass media applications while it handles Cable Act rulemakings, Mass Media Bureau Chief Roy Stewart promised. He said Bureau's "number one priority is authorization of service," but that will depend on Congress's approving supplemental funding for FCC. Commission is "actively working on" supplemental request now, Stewart said, but he wouldn't give numbers: "If we get the supplemental as soon as possible, the Act should have a negligible effect" on other licensing actions.

Cable should focus on issues in current FCC rulemakings, rather than refighting Cable Act, Stewart said, and neither side should expect extensions of filing deadlines. TCI COO Brendan Clouston noted that largest MSO had fought some provisions in Act, "but we lost. Life goes on. Our policy is to go the extra mile to comply. We have neither the time nor inclination to fight last year's battles."

TCI will refuse to pay retransmission consent fees, Clouston repeated, but MSO's Senior Vp Robert Thomson said his company "doesn't want to drop anybody" and will carry stations "as long as the law lets us." Clouston said current regulatory environment gives broadcasters too much advantage, which would result in unjustified fees. TCI will announce its plan to comply with Cable Act in Jan., Clouston said, and "I suspect that some of the skeptics will be surprised." He said arrival of digital compression will take much of pain out of complying with Act, since there will be "plenty of shelf space at the store." He also said that allowing customers to buy services a la carte would remove most of rate pressure.

FCC rulemakings on programming, ownership and customer-service regulations "ask a lot of questions" without proposing any answers, said FCC Mass Media Bureau Deputy Chief William Johnson (who heads Bureau activities to implement mandates of Cable Act). Paul Sinderbrand of law firm Keck, Mahin & Braverman said law leaves "mixed bag" of program access provisions. Relief will depend on how FCC interprets law, he said -- position with which other panelists agreed. Brenda Fox of Dow, Lohnes & Albertson and ex-NCTA gen. counsel, said that there already have been court challenges to program access provisions of law.

Turner Bcstg. Washington Vp Bert Carp said legislative history of bill doesn't deal properly with unfair methods of competition, leaving FCC with "extraordinary range of discretion" on issue. Law says nothing specific on exclusive deals among cablers, and FCC will have to deal with that, he said. Media Access Project Exec. Dir. Andrew Schwartzman agreed that FCC has "very, very broad range of authority" under Cable Act and that it depends on Commission decisions as to whether law will turn out to be good or bad for consumers. He said there are many antitrust-type issues in FCC rulemakings that govt. hasn't pursued in years, and there are no "caveats built in clearly" in law that Commission must follow.

Carp asked FCC for "workable, clear rules" on ownership restrictions, urging agency not to make them "too stringent and then waive them to death." Fox said it wouldn't make sense to adopt strict ownership rules and disrupt industry that isn't overly integrated to begin with. Hal Lefcourt of Levittown, Pa., complained from audience that "we have no recourse" to anticonsumer actions of cable systems. "We have nobody in the federal government that we can talk to." Schwartzman said that will change under provisions of S-12. N.Y. Cable Commission Chmn. William Finneran said some state regulations on service quality and on technical quality now are far ahead of what FCC has proposed. His commission has power to revoke franchises that don't need standards, he said, and must "approve systems in detail."

Broadcast TV ad revenues posted "hefty, double-digit" increases for 3rd quarter of 1992, compared with 1991, TvB R&D Vp Harold Simpson said. "The positive performance by bellwether categories... is a good indication of an upturn in the economy," he said. Local and national spot ads each rose 14% in 3rd quarter to \$1.392 billion and \$1.385 billion, respectively. Network TV was up 18% to \$2.32 billion, national syndication (which includes Fox TV Network) 17% to \$528 million. For Jan.-Sept. period, local was up 8% to \$3.558 billion, national spot 6% to \$3.872 billion, network 7% to \$7.233 million, national syndication 10% to \$1.491 billion. Total broadcast TV ad spending for first 3 quarters was \$16.423 billion (up 7%), Arbitron's MediaWatch service reported.

Advanced Media Systems (AMS) is developing cable advertising software in first phase of preparing for electronic data interchange on cable spot ad availabilities, company said in joint announcement with Donovan Data Systems. System would operate much like Donovan's spot ad service for broadcast stations. AMS's CableTrack has data on more than 2,000 cable systems with 48 million subscribers. Next step will be to add electronic ordering and invoicing, companies said.

FCC should reconsider decision not to set aside specific HDTV channels for noncommercial educational use if it adopts first-come, first-served allotment procedure, public broadcasters said in joint petition. Group also said FCC should reconsider decision not to give noncommercial stations priority if there are too few HDTV channels. Commission's allotment plans would reserve some noncommercial channels, filing said, but they're likely to be least desirable ones or, "even worse, the few VHF channels that may be required." Public broadcasters said handful of VHF HDTV channels may be needed, and VHF slots would "substantially increase the costs of the station's conversion" to HDTV.

Continental and Comcast said each is buying 20% of Teleport Communications Group from owners Cox and TCI. Terms of purchase of newly issued stock weren't disclosed, but deal will leave Cox and TCI with about 30% each. Teleport operates fiber networks in 30 communities for digital and voice communications. Continental Pres. Michael Ritter said several of MSO's subsidiaries have been pursuing alternate access opportunities and Teleport will be "umbrella organization for developing our business telecommunications services."

**STERN INDECENCY GETS \$600,000 FINE:** Unanimous FCC Dec. 18 announced proposed record \$600,000 fine against 3 Infinity Bcstg. radio stations for what agency ruled were repeated indecent statements on Howard Stern morning program. Same type of broadcasts earlier in fall had resulted in \$105,000 fine against KLSX(FM) L.A. (TVD Nov 2 p5), which isn't owned by Infinity. At same time, and over dissent of Chmn. Sikes, Commission approved Cook Inlet's \$100-million sale of 3 radio stations in Atlanta, Chicago and Boston to Infinity.

Fine, called "unprecedented" by commissioners, had been rumored for weeks after Infinity told FCC that same Stern programs for which KLSX was fined also were aired by Infinity-owned stations. Several parties had asked FCC to withhold approval of Cook Inlet deal until agency decided Infinity's fate because of Stern program. However, Commission ruled that Cook Inlet (primarily owned by 6,500 native Alaskans) shouldn't be penalized by holding up sale. Sikes dissent was based on fact that no condition was put on approval. In opposing conditions, Comrs. Barrett and Duggan noted that Sen. Helms (R-N.C.) -- outspoken foe of programming he considers indecent -- week ago had withdrawn his opposition to sale.

In fining Infinity stations -- WYSP(FM) Philadelphia, WXRK(FM) N.Y., WJFK(FM) Manassas, Va. (D.C. area) -- \$200,000 each, FCC said licensees' "apparent misconduct may reflect an ongoing indifference to the requirements of federal law governing indecent broadcasting." In his dissent to Cooke Inlet sale, Sikes asked: "What, if anything, has Infinity been doing in response to our various enforcement proceedings... Perhaps Infinity management has viewed our indecency fines merely as a cost of doing business." He said "proverbial straw that breaks the camel's back" is new complaint that charged indecency broadcasts on Stern program Nov. 9-15, well after Commission had fined KLSX.

Other commissioners also questioned Infinity's qualification to remain licensee, but said Cook Inlet is innocent party and shouldn't be penalized. Said Quello: "To upset the sale would simply penalize Cook Inlet for the sins of Infinity." Barrett said transfer is separate matter: "To have denied this transfer, or to have placed conditions on it, would have been a penalty on Cook Inlet -- an innocent party." Duggan said "some elaboration" is necessary to explain FCC's unprecedented fine. He said Commission "has found it necessary to impose repeated enforcement actions [against Infinity]. Now, we find ourselves wondering whether Infinity is willing to listen." He said fines underscore FCC's "determination to ensure that Infinity takes seriously the clear command of the United States Code" against indecent programs.

Infinity issued statement late Dec. 18 contending that Stern program "is presently in compliance with the FCC's indecency rules" and said it would appeal agency's liability notice. Licensee has 30 days to submit formal response. ACLU came out on side of Infinity (before new fines were announced), urging Clinton Administration to stand up for Stern's right to be "obnoxious." Said ACLU: "Howard Stern's rude social commentary and scatological humor are well within traditional First Amendment protections... and are hardly likely to harm children, who so frequently engage in similar humor themselves."

CPB plans to develop "diverse group of new producers" and to support "public comment segments for some major series," Pres. Richard Carlson said in recent letter soliciting input on proposal for implementing objectivity/balance requirement. Carlson declined to comment, referring us to CPB spokeswoman Melissa Duprat, who wouldn't provide additional details, while stressing that overall plan wouldn't be finalized until late Jan.

**TELCO-CABLE APPEALED:** In bid to overturn 1984 Cable Act prohibition on telco entry into cable, Bell Atlantic (BA) filed suit in U.S. Dist. Court, Alexandria, Va., Dec. 17, charging that prohibition violates First and Fifth Amendments. Company said it wants to build cable system and provide programming in city, but is prevented from doing so by law that makes it illegal for common carriers to offer programming to users in its telephone service area. Proposed telco cable system would overbuild 34,200-subscriber system owned by Jones Intercable.

Suit is believed to be first to be heard by court on claim that limit on telco entry into cable violates Constitution. "The difference between telcos and other businesses such as newspapers is that they have a legally enforceable monopoly over switched voice," NCTA spokeswoman said. "The question before the court will be whether that monopoly makes a difference. We believe it does." Case's importance "clearly goes beyond the circumstances of any particular franchise area," Jones Intercable spokesman said: "The cable industry had been expecting this. We just didn't know where or when." Geography may have been factor in decision to raise issue in Alexandria, spokesman said. In addition to being relatively fast-moving, lightly loaded court district that's been dubbed "the rocket docket," Alexandria is close-in suburb of Washington, D.C., and home to many govt. personnel.

Suit was filed against U.S. govt., FCC and Justice Dept., all of which have agreed that restrictions barring telco entry into cable programming should be eliminated. That situation should work to BA's advantage, Asst. Gen. Counsel John Thorne said. Govt. "has no basis defending the case" because of public statements by Attorney Gen. William Barr, FCC and other officials advocating removal of restriction, Thorne said. Suit noted that despite agreement on policy grounds, "defendants have indicated that they will continue to enforce the prohibition." Suit also said law violates Fifth Amendment guarantee of equal protection because it doesn't bar other utilities from cable, doesn't apply to cable companies and in fact is applied only against telcos that provide video programming, and not against cable TV companies that seek to provide telephone service.

Thorne said BA case is based on claim that video programming is form of legally protected speech, as U.S. Supreme Court has ruled twice. Because Cable Act suppresses BA's rights to provide that speech, it should be declared unconstitutional, he said. Although law has been on books for 8 years, BA didn't believe time was right to challenge it because recently lifted MFJ information services restriction also kept RHCs out of cable programming. BA affiliate Chesapeake & Potomac Telephone wants to build broadband fiber network of "several hundred channels" in Alexandria that would provide video-on-demand, and another affiliate, BA Video Services Co., would provide some programming. Network also would be available to other video programmers on common carrier basis.

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Digital Satellite Bstg. Corp. (DSBC) filed FCC application to launch satellite that company said would broadcast more than 500 digital radio channels. DSBC said satellite signal is strong enough to be received "almost anywhere cars go." System, which will be sold by subscription, will carry standard music formats, public radio, foreign language channels, education services and travel information, company said. Its DigiStar system also is designed to activate selected receivers automatically, so emergency warnings -- such as tornado alerts and traffic congestion -- can be transmitted to particular area, company said. Basic service should cost about \$5 per month, it said. Antenna, to be mounted on car roof, will cost \$200-\$300. GE Aerospace assisted in design of system, DSBC said. It uses spread spectrum technology and 31 regional beams. DSBC's founder and pres. is Richard Anglin, former pres. of Omnitel Corp.

**SIKES' LAST SPEECH:** Cable Act of 1992 "goes well beyond what I think should have been done" and there's "irony" in that, FCC Chmn. Sikes said at Washington seminar on coping with new cable law, sponsored by Warren Publishing and Federal Communications Bar Assn. In what he said was his last public speech as chmn. of Commission (his resignation is effective Jan. 19, day before Clinton inauguration), he admitted "this is a tough speech for me... There's a little bit of suspense that's gone out of listening to me" as lame-duck chairman.

As for what lies ahead, Sikes said, "from my perspective" cable will be well served in future if it gets and stays on leading edge of technology: "The market forces have been gathering because of a hunger" to get into information business. However, he said, cable faces problem with consumers because industry isn't perceived as based on "quality" and "the future is perilous indeed" as result of "heated competition" that's coming from other technologies. However, Sikes predicted that cable industry would provide "new class of offerings" to build larger subscriber base.

"No it can't," Sikes responded when asked if FCC could carry out its mandates under Cable Act without supplemental funds and still perform its regular functions. He said Act will "absorb a great deal of FCC's resources... and much of the Commission's time." As for disappointments in his nearly 3-1/2 years as chmn., he said of TV deregulation rulemaking: "That's one that I had hoped to be able to finish up... If the right steps aren't made [such as permitting one licensee to own 2 TV stations in same coverage area] the broadcast TV industry is in trouble." He said: "I inherited a reasonably clean slate [at FCC]. I don't leave a clean slate" -- citing cable rulemaking, HDTV, video dialtone, TV deregulation, other pending matters.

Sikes gave no clue to his plans except to say he has accepted some overseas speaking engagements following departure from Commission -- including Montreux and Singapore. He said he will participate in discussions and vote at Jan. 14 agenda meeting. Shortly after that (and before his term expires), family will vacation in Naples, Fla.

Ruling could come as early as Dec. 21 on requests for preliminary injunctions prohibiting implementation of non-must-carry sections of 1992 Cable Act, U.S. Dist. Judge Thomas Jackson said after 4-hour hearing Dec. 18. Three-judge panel decided earlier in week that Jackson should hear all 1992 Cable Act cases, other than must-carry, on solo basis rather than as part of 3-judge panel. Vote on issue was 2-1, with Jackson dissenting. Judges Stephen Williams and Stanley Sporkin voted to refer other issues to single-judge court on ground that Congress required only that must-carry go to 3-judge panel and court docket is too crowded to assign 3 judges to other issues raised in suits by cable groups, including Turner Bctg. and Time Warner (TVD Dec 14 p7). Panel's decision followed nearly 2 hours of arguments Dec. 15 on how cases should be handled. Lawyers said it appeared from bench statements that 3-judge panel still may consider argument that retransmission consent is so inextricably linked to must-carry that if must-carry fails, consent does too. But panel won't consider arguments against retransmission that aren't linked directly to must-carry, lawyers said. Jackson said decision could be delayed slightly, but certainly would be out before Christmas. Regardless of which side wins, it probably will be appealed. Paul Sinderbrand, who represented Wireless Cable Assn., called schedule "very aggressive." Injunction requests by Time Warner and Discovery are challenging rate regulation, program access, channel positioning, leased access and other provisions of Act (TVD Nov 23 p5). Jackson asked only 2-3 questions. Oral arguments were made by lawyers for Time Warner, Discovery, several municipal groups, Wireless Cable Assn., federal govt., National Rural Telecommunications Co-op, public broadcasters.

**FCC TRANSITION REPORT DUE:** Clinton Administration's FCC transition team is due to report today (Dec. 21) on its recommendations for agency's future. However, recommendations won't deal with policy matters, will concentrate on procedures, budget and other nonpolicy issues. Team, headed by attorney Ronald Plessner, met Dec. 16 with public interest groups, Dec. 19 with trade associations and unions. It also has had sessions with individual commissioners and top FCC staffers.

Group met for about 2 hours with 2 dozen representatives of public interest groups to get their views on how FCC processes and procedures can be opened up more to public. Consensus was that with so many pending items, including cable regulations, appointments to FCC should be made more quickly than normal. Same consensus was reached at meeting with trade associations 2 days later.

Public interest session, which many participants described as very positive, also included discussions on what groups see as failure of FCC over last 12 years (under Republican leadership) to listen to them (particularly minorities) and to include their views in policy development. Pluria Marshall, head of National Black Media Coalition, came away encouraged. "It looks like they're going to put those words 'public interest, convenience and necessity' back into [FCC] regulatory actions," he told us.

Meetings with trade associations and public interest groups were described as information-gathering sessions. "They [transition team] very carefully didn't say they were going to do anything," said participant in Dec. 16 meeting. "I didn't hear any policy or people committed to." As for members of transition team, they were saying nothing.

Meanwhile, Vice President-elect Gore said he would resign his Senate seat Jan. 2, allowing Tenn. Gov. Ned McWherter (D) to appoint successor. Rep. Cooper (D), member of House Telcom Subcommittee, is a leading contender, along with ex-PSC Comr. Jane Eskin. Gore will have served 16 years in Congress -- 8 in House, 8 in Senate.

U.S. Supreme Court has agreed to consider provision of U.S. Code that prohibits stations licensed in states that don't sponsor lotteries from airing lottery ads from states that do. Case arose when WMYK(FM), licensed to Elizabeth City, N.C., with transmitter 3 miles from Va. border, sued because law prohibited it from carrying commercials for Va. lottery. Station has dual identification with Virginia City, Va., and licensee Edge Bctg. is based in Norfolk. Judge Frank Kaufman in U.S. Dist. Court, Norfolk, ruled in favor of WMYK, declaring law couldn't "constitutionally" be applied to WMYK. On 2-1 vote, panel of 4th U.S. Appeals Court, Richmond, agreed with Kaufman: "This ineffective or remote measure to support North Carolina's desire to discourage gambling cannot justify infringement upon commercial free speech." U.S. Solicitor Gen. Kenneth Starr, on behalf of Justice Dept., appealed case to Supreme Court. Govt. based appeal on 1986 Supreme Court decision allowing P.R. to ban all advertising for casinos that were directed toward Puerto Rico residents. Several years ago, when state lotteries came into vogue, Congress amended law banning all lottery broadcasts to permit stations to carry spots for such lotteries -- but only those licensed in states with lotteries. Case is being watched closely because outcome would have impact on many other border stations.

In action on so-called C-SPAN rule, House won't cut short "special orders" time, at least not yet, controlling House Democrats decided. Period, in which House members make speeches to generally empty chamber, plus C-SPAN audience, currently is virtually unlimited. Democrats had considered limiting it to 3 hours per day, but postponed decision because of Republican protests.

**CABLE RATES UP 4-6%:** Most cable systems are targeting 5% end-of-year rate increases, according to our spot check of 36 announced boosts. More than 55% of those checked are raising rates in 4-6% range in Dec. and Jan., although one announced 15% hike and several are in 8-10% range. Smallest hike we found was 3.5%, although inflation rate was about 3% in past year. Most of those with larger increases are retiering, including converting previously pay services to expanded basic. Spot check of all sizes of systems, from 345 subscribers to 215,000, in variety of geographic regions focused on most popular expanded basic service when available.

Amount of rate increase didn't seem to depend on size of cable system, although many of larger hikes were in smaller systems. Continental's Springfield, Mass., system with 37,705 subscribers, was largest to top 8%, increasing rates 8.2% to \$21.05 for expanded basic Jan. 1. Largest boost was by Harron system in Rockland, Mass. (13,858 subscribers), which hiked expanded basic rate 15% to \$22.88 Dec. 1. Mgr. Glen Hawes told us system converted regional sports network to expanded basic from pay, and itemized franchise and copyright fees as addition to bill.

Crown Cable system in Haleyville, Ala. (2,165 subscribers) appeared to have been typical of those with larger-than-average rate boosts (up 8.3% to \$24.85 for expanded basic effective in Feb.). Spokeswoman said system converted Disney Channel to expanded basic from pay and added Nickelodeon and MTV, as well as promising to freeze rates for at least 18 months. Others with larger increases include Falcon in Marshall, Tex. (up 9.5% to \$26.53), Insight in Franklin, Va. (up 9.1% to \$23.95), Falcon in Dallas, Ore. (up 8.9% to \$24.89), Storer in E. Brunswick, N.J. (up 8.6% to \$24.70).

Large MSOs such as TCI and Time Warner appeared to be keeping tight rein on rate increases. All 5 Time Warner systems we checked announced 5% hikes. Five TCI systems were 3.5%-6.9%. Among MSOs, Continental ranged from 6.9%-8.9%, Crown 5.1%-8.3%, Falcon 5%-9.5%, Storer 5.1%-8.6%, Viacom 5.3%-7.6%. Systems with smallest rate hikes included TCI Martinsville, Ind., (3,626 subscribers), 3.5%, Heritage Germantown, Tenn., (12,251), 4%, TCI Bloomington, Ind., (20,149), 4%, Cablevision Industries Stafford, N.Y., (28,400), 4.3%. New rates ranged from low of \$15.70 for basic on TCA system in Eureka Springs, Ark., to high of \$26.53 for expanded basic on Falcon system in Marshall, Tex. Lowest expanded basic price was \$17.05 at Time Warner system in Honolulu. Nearly 1/3 of rates we checked clustered between \$22 and \$24, with 8 of 36 systems charging less than \$20 and 25% charging \$24 or more.

Time Warner Cable Houston has draft agreement for renewal with city that calls for higher franchise fees, \$100-million fiber upgrade, tougher customer-service and technical standards, possibility of damages for failing to meet terms. City Franchise Mgr. Rhonda Andrews said City Council is likely to vote on tentative 15-year agreement by late Jan. for franchise expiring in Feb. 1994. TW will install 125 miles of fiber backbone for 120,000-subscriber system by Dec. 1997, expanding capacity to 75 channels from 43. System also will pay 5% franchise fee, vs. current 3%. New customer-service and technical standards include all provisions in National Assn. of Telecommunications Officers & Advisers (NATO) agreement but "go well beyond them," Andrews said. She said city believes damages portion is significant because its only previous recourse was to withdraw franchise.

Prime Cable Income Partners has sold Lakeshore Cablevision systems to Multimedia Cablevision. Terms weren't disclosed. Lakeshore serves 28,000 subscribers in Valparaiso and LaPorte, Ind., as well as Chesterton, Porter, Dune Acres, Kingsbury, Kingsford Hts. Deal increases Multimedia's subscriber count in Greater Chicago area to 95,000, companywide to 408,000.

**NBC PLANS SATELLITE EXPERIMENTS:** NBC is preparing proposal to conduct HDTV, narrowband video and mobile communications experiments using NASA's Advanced Communications Technology Satellite (ACTS), we're told. NBC Field Acceptance Mgr. Robert Sisko said that, pending approval of corporate financing, company will submit plans to Jet Propulsion Labs (JPL) "as soon as possible." JPL will operate ACTS Mobile Terminal (AMT) on satellite, which is scheduled for shuttle launch June 30. Sources said CBS Radio is considering testing high-quality audio using AMT, but network had no comment on report.

Sisko said "NBC has strong requirements" for advanced communications capabilities. He said network would like to: (1) Send and receive compressed video to and from moving satellite newsgathering trucks. (2) Participate in broadcast HDTV. (3) Transmit narrowband video at low data rate (6-10 Mbs). (4) Develop advanced mobile communications for sports and news crews.

AMT project, which would cost JPL \$12-\$13 million, would test suitability of Ka-band for communications. Fear is that such high frequency could be unsuitable when clouds or rain are present. JPL AMT Task Mgr. Thomas Jedrey said response to earlier JPL requests for experiments has been "overwhelming" -- in just over 2 weeks, he has had submissions from more than 20 companies and govt. agencies, and more are expected. He said IDB Communications proposed experiment to run in conjunction with NAB convention in spring, but didn't know details. IDB and NAB didn't provide details by our deadline.

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Bell Atlantic (BA) signed 2nd video dialtone (VDT) deal in month, agreeing to provide fiber-based network to 38,000 homes in Dover Twp., N.J., to be used by FutureVision of America Corp., Downington, Pa. FutureVision will use network to overbuild portion of Adelphia cable system with 91,000 subscribers in Dover. BA earlier had announced video-on-demand trial using copper pairs in Northern Va. FutureVision, recently formed, will use 124 video channels on VDT system, although only 60 will be available to each neighborhood, which will be allowed to select them from those available. BA will use fiber technology from BroadBand Technologies Inc. BA-FutureVision deal calls for companies to explore development of new services, as well as possibility of extending VDT network beyond initial geographic area. FutureVision also said it will have opportunity to provide entertainment and information services that compete with similar BA services. "The old model of cable companies versus telephone companies is no longer appropriate," Bell Atlantic Information Services Pres. Arthur Bushkin said. "New information providers will emerge to create new models of business relationships."

Cap/ABC confirmed that it's offering early buyout to nearly half of its more than 5,000 employees, including many of highest-paid, long-time personnel, with special incentives for those over 55. Offer won't apply to publishing and TV-radio station groups or to union members. Cap/ABC is expecting net income this year to be "flat," source said, after 1991 earnings fell 28% to \$343.5 million. However, Pres. Daniel Burke told Paine Webber conference in N.Y. 2 weeks ago that company is seeking to invest \$5-\$8 billion in another company (TVD Dec 14 p7).

In bid to resolve cross-ownership violations by investor Mario Gabelli (TVD Nov 23 p5), Hector Communications said it had reached tentative agreement to issue nonvoting convertible preferred stock in exchange for his common stock. Hector said its N. American Communications Corp. subsidiary completed purchase of cable system with 580 subscribers in 4 small Minn. towns from Renaissance Cable TV. N. American also has begun building systems in Northrom and Kelliher, Minn., and expects to start Garrison, Minn., system in Jan.

Telcos would "reap a handsome economic benefit" if FCC gave them unrestricted access to cable-installed wiring immediately after it's in place, as some suggested, CATA said in reply comments in Commission's home wiring proceeding. Idea, based on rules for telephone wiring, was proposed in comments by American Public Power Assn., Bell Atlantic (BA), EIA, Nynex (TVD Dec 7 p8). CATA said it would be unfair if such groups could get free access to households that had been wired by cable. Telco model isn't appropriate, CATA said, because telcos and cable have different interests in maintaining control of wiring and cable must meet signal leakage limits. Meanwhile, BA said FCC should require cable operators to provide in-home wiring on unbundled competitive basis and give consumers control over wiring. BA said it's impossible to distinguish between telephone and cable wiring for regulatory purposes, and concerns about signal leakage should be handled by prescribing technical standards for such wiring that must be met by all manufacturers and installers.

Cable needs nationwide "electronic highway" to boost its ad sales, CableLabs Ad Technology Task Force reported. "There are clear signs that cable's historic approach to the business may not be up to the challenge of further growing core local spot business or penetrating new markets," report said, partly because "it is simply not profitable for advertising agencies to deal with the complexity and cost of dealing with cable to place national spot buys. The key for cable is... to make it as easy as possible to use cable." Report said that half of local ad sales are on ESPN and CNN, and another 20% on USA and TNT. More importantly, it said that less than half of cable's ad inventory is sold because "inventory management capabilities are limited." Gross cable ad revenue topped \$3.04 billion in 1991, with per-subscriber revenue of \$15.14, Task Force said. "Highway," details of which are included in report, must include ability to deliver ads to cable systems and return information on carriage and billing, it said.

CNN is buying 27.5% of new German-language all-news channel, n-tv, in deal aimed at increasing coordination of newsgathering efforts, companies said. Financial details weren't available. Deal will allow immediate exchange of news footage and information, as well as cooperative use of facilities, and each network is expected to use other's news on air immediately. N-tv began Nov. 30, providing 24-hour all-news programming to nearly 10 million German cable households. CNN also will provide help in development of n-tv, Managing Dir. Karl-Ulrich Kuhlo said: "From the very outset, it was clear that we did not want to merely copy CNN since German viewers have completely different news requirements and a different understanding of news compared with American viewers. But our new colleagues can certainly help us to avoid many mistakes and to move in the right direction."

CableLabs spending will drop 4.6% to \$12.4 million in 1993 under budget approved by board. Operating budget grows to \$5.84 million from \$4.37 million, but R&D spending will decline to \$4.69 million from \$5.78 million, and capital spending to \$676,586 from \$2 million. New budget will pay to set up demonstration center in Boulder, Colo., hq for new video technologies, field trial of regional hub concept, further digital characterization testing. Budget also allows 4 new employee positions -- for computer liaison, advanced TV development group, telecommunications engineer, general engineer. Sitting board members and executive committee members were reelected. New board members include Trygve Myhren of Providence Journal Co. and Scott Chambers of Chambers Communications.

PBS said FY 1992 National Program Service attracted \$89.5 million in corporate underwriting -- up 22% from previous year's \$73.4 million. However, it said, Foundation support fell 20% to \$19.4 million from \$24.1 million year earlier.

N.Y. Telephone bid to set up video dialtone (VDT) system in N.Y.C. with Liberty Media is "a sham that has been created merely to allow a cable operator to operate a cable system without a local franchise," Time Warner (TW) said in petition for FCC to deny telco's Sec. 214 application (TVD Oct 12 p8). Petition called VDT plan "a creative bid to allow a large, unfranchised SMATV operator... to become a cable system operator." TW said plan would "indisputably" create cable system and even N.Y. Telephone admits it's not true VDT system. In application, telco called it experimental facility that eventually could be expanded to include true VDT. TW said plan lacks "fundamental requirement" for VDT -- common carrier platform: "Such a proposal clearly falls short of video dialtone and is thus defective." MSO also said telco plan would discourage competition and failed to provide required regulatory safeguards.

Cable operators should be allowed to contract with subscribers as to whether customer or operator will own in-home cable wiring if individual disconnects, Cal. Cable TV Assn. (CCTA) said in FCC filing recommending "flexible rules." Commission would "encourage extension of service" to new subscribers by leaving disposition of wiring to contracts, CCTA said. Group said some operators prefer to retain ownership of in-home wiring "to protect themselves from multichannel competitors who would appropriate the inside wiring without reasonable compensation" to original operator, or to assure that it meets cable signal leakage requirements. Other operators prefer to deed wiring over to homeowner to avoid property tax exposure, filing said. Other comments in FCC rulemaking were filed earlier this month (TVD Dec 7 p8).

Cable industry won't be ready to discuss violence on TV until next year, when study by George Gerbner, dean emeritus of Annenberg School of Communications, is complete, NCTA Pres. James Mooney told Rep. Schumer (D-N.Y.) in letter. Mooney said industry had to decline invitation to participate in Schumer hearing on TV violence Dec. 15 in N.Y.C., even though "we share your view that this is an important subject." He said Gerbner study will be completed in first quarter of 1993 and "until we have the facts... we believe it is premature for us to attempt to reach conclusions as to violence on cable-originated programming, or an appropriate industry response." Witnesses for ABC, NBC and CBS -- which agreed Dec. 11 to voluntary guidelines on violence under exemption from antitrust laws -- said there's no need to Congress to extend exemption.

**Financials:** Home Shopping Network said its profits dropped to \$5.8 million in quarter ended Nov. 30, from \$13.1 million year ago, and net sales fell 8.9% to \$265.8 million. Chmn. Roy Speer said he was disappointed, but said Dec. sales have improved... Fitch has assigned BBB- rating to \$1.5 billion of new Time Warner liquid yield option notes. Investment service said that since debt is backed by TW shares in Hasbro, TW is using notes to "effectively monetize" its Hasbro holdings... Instant Video Technologies (IVT) announced 1-for-14 reverse stock split, effective Dec. 21, potentially raising per-share price above \$5. IVT, formerly known as Explore Technology, demonstrated video-on-demand system in 1991.

Amount of CNN and C-SPAN air time devoted to economic summit organized by President-elect Clinton was "staggering," according to letter to networks from Senate Republican Leader Dole (Kan.) and House GOP Leader Michel (Ill.). Letter claims that cable networks devoted as much as 17 hours to live coverage of event, amount Dole and Michel said "rivals almost anything in recent memory, especially given the fact that the event was paid for by the Democratic National Committee." CNN officials said coverage was justified by news value of event and network had given similar coverage to GOP events.

Cable regulators in Portland, Ore., and 5 neighboring municipalities are finalizing agreement to merge into single entity, to be called Consolidated Cable Communications Commission (CCCC) by Feb. Merger is expected to save municipalities \$50,000-\$100,000 in first year, give local govts. more bargaining power because new entity will represent more subscribers, and reduce costs for cable operators, said David Olson, Portland cable administrator who will head CCCC staff. Olson, who also is pres. of National Assn. of Telecommunications Officers & Advisers, said merger agreement should be ready within few weeks, municipalities should give consent by end of Jan., CCCC should meet by Feb. CCCC will oversee cable service for 100,000 subscribers to 2 Paragon systems, plus 25,000 to TCI. Olson said Paragon is supporting merger because of reduced regulatory burden and opportunity to merge 2 systems eventually. TCI hasn't opposed it. In addition to Portland, CCCC will include Multnomah County and cities of Fairview, Gresham, Troutdale, Wood Village. Olson said CCCC is being structured to allow several communities south of Portland to join.

**Technology Notes:** Paramount said it's setting up technology group to research new technological developments and work on strategic alliances. Group will be headed by Keith Schaefer, former CEO of Paramount's computer curriculum group... Scientific-Atlanta received first order for its dual wavelength AM fiber supertrunk, which can handle 1310 and 1550 nanometer wavelengths. Metrovision will use equipment for Cook County, Ill., cable system... Service Electric Cable TV signed contract to buy Jerrold 750-MHz fiber equipment for 2,500-mile rebuild of Lehigh Valley, Pa., system. About 85,000 subscribers will be affected by rebuild, which includes initial upgrade to 550-MHz from 450-MHz, with option of going to full 110-channel 750-MHz.

High-profile, 2-day economic summit in Little Rock held by President-Elect Clinton last week included several telecommunications and cable representatives, apparently nobody from broadcasting. From telecommunications industry: Robert Allen, AT&T, and Glen Fukushima, AT&T (Japan); Barbara Wilson, U S West; John Clendenin, BellSouth; Margaret Green, S. Central Bell; Robert Hurst, Mich. Bell; Delano Lewis, C&P Telephone. Cable industry was represented by: John Cooke, Disney Channel; Thomas Freston, MTV; Robert Johnson, Black Entertainment TV; Kay Koplovitz, USA Network. Craig Fields, head of MCC (Microelectronics & Computer Technology Corp.) also was invited.

**Oregonians for Ethical Representation** asked Senate to refuse to seat Sen. Packwood (R-Ore.) when 103rd Congress convenes Jan. 5, claiming he was elected to 5th term by "fraud on the voters." Packwood first denied sexual harassment charges, which were published after election, and since has admitted that he has harassed women over years. Meanwhile, senator attended NBC's Sun. night taping of Christmas in Washington, accompanied by Patsy Smullin, pres. of Oregon-based Cal.-Ore. Bctg.

U.S. shouldn't sign any trade agreement "that fails to address the trade barriers against U.S. films and television programs," Sen. Majority Leader Mitchell (D-Me.) said in letter to U.S. Trade Representative Carla Hills. Mitchell said he's concerned that General Agreement on Tariffs & Trade "might not adequately protect" video industry since "certain members" of European Community "have imposed numerous restrictions on the distribution of audiovisual materials."

Britain is continuing to block European Community funding totaling \$625 million for HDTV development. Eleven of 12 countries issued statement Dec. 8 backing 5-year funding plan, but British approval is needed for it to go ahead. Telecommunications ministers of countries supporting plan indicated they plan to raise issue again.

**Transactions:** Home Shopping Network said it will distribute Silver King Communications stock to shareholders Dec. 24 under previously announced spinoff of TV station-owning subsidiary... Middlesex Cable of U.K. said it will buy Jerrold cable equipment, including addressable converters, headend modulators, scramblers, amplifiers, line extenders and fiber equipment for cable systems passing 171,000 homes in Hounslow and Hillingdon... Syndicated Communications bought cable system with 12,120 subscribers in South Gate and El Monte, Cal., from Three Sixty Corp. for undisclosed price. Broker: Daniels... Fanch Cablevision bought cable system with 1,385 subscribers in Jefferson and Creek Counties, Colo., from Mountain Valley Communications, and system with 760 subscribers in Park County, Colo., from Mount Evans Cable for undisclosed prices... Graff Pay-Per-View is acquiring share of U.K. cable channel Home Video Channel Ltd. in deal brokered by CEA. Deal, which is being finalized, calls for Graff to buy 25% of channel over 2-year period for undisclosed price.

PBS has signed 2nd partner for its future AT&T Telstar 401 satellite berth. National Technological U. (NTU), which distributes continuing education and graduate courses for engineers, scientists and technical managers, will lease one Ku-band transponder on bird, scheduled to be launched late next year. NTU "expects to operate 12 to 14 digitally compressed video channels on its leased transponder," Pres. Lionel Baldwin said. Private nonprofit NTU, based in Ft. Collins, Colo., is joining public TV joint distance learning venture Satellite Educational Resources Consortium on bird; announcement of 3rd Telstar partner is expected soon.

Ariz. Corporation Commission is seeking \$61,000 in fines plus restitution from American Microtel, wireless cable application preparation firm that it shut down in Jan. Commission said it will seek payments from Microtel itself, parent Halo Holdings and James Greenbaum, who it said is owner. Commission claims that Microtel in effect was selling securities without providing required prospectus and written disclosure. Microtel attorneys said they expect to appeal decision on ground that firm was only assisting in preparing applications, not selling securities.

FCC reports 1,509 U.S.-licensed TV stations were operating Nov. 30, of which 1,146 are commercial (588 UHF, 558 VHF), 363 noncommercial (239 UHF, 124 VHF). On radio side, there were 4,961 AM stations, 6,351 FMs (4,766 commercial, 1,585 noncommercial) along with 1,943 FM translators and boosters operating, 2,431 UHF translators, 2,515 VHF translators. There were 1,311 low-power TV stations on air, of which 842 were UHF, 469 VHF.

Land mobile licensees shouldn't have to shift from UHF Ch. 14-20 as part of broadcasters' move to HDTV, as suggested in earlier rounds of FCC rulemaking, Land Mobile Communications Council (LMCC) said. In reply comments, LMCC said such proposals are "far beyond the scope of this proceeding" and "ignore the massive costs and disruption to vital communications services of such a relocation."

"Rumor is FALSE," FCC said Dec. 17 for umpteenth time about reports that agency was about to ban religious broadcasting. Commission said it has received more than 21 million pieces of mail about rumor since 1974, with new round now arriving, prompting latest statement. FCC said it doesn't have authority to restrict or ban religious broadcasts and urged public "to ignore this rumor."

CableLabs issued request for proposals for TV lab to test direct pickup (DPU) interference involving TV sets and VCRs. Responses are due Jan. 9. Effort is expected to result in accepted technique for measuring DPU, and CableLabs expects to share information with FCC and manufacturers to establish performance standards required by 1992 Cable Act.

## Personals

Cathleen Creany, slated to become chmn. of CBS affiliates board Jan. 1, named vp-gen. mgr. of ABC affiliate WFAA-TV Dallas, replacing David Lane, promoted to pres.-A.H. Belo TV Station Group. Creany is vp-gen. mgr. of WTVH Syracuse... Ted Harbert, exec. vp-Prime Time, ABC Entertainment, named pres., ABC Entertainment, effective Jan. 1, succeeding Robert Iger, promoted to pres., ABC TV Network Group... William Johnson resigns as CEO, Scientific-Atlanta, succeeded on interim basis by James Napier, who remains chmn.; Jay Levergood returns as senior vp and pres., Broadband Communications Group.

John Lack, ex-pres.-CEO, ACTV, joins ESPN as exec. vp-mktg. and programming, new post... Changes at Turner: Kim Long and James Wilberger named vps-production, TNT; Robert Sieber appointed vp-audience development, Turner Entertainment Networks; Michael Klatt named coordinating producer, new Turner Sports special projects unit... Rodi Rosenweig-Hall promoted to dir.-daytime publicity, ABC TV Network... Jonathan Guttenberg named dir.-business development and operations, Viacom New Media; Kenneth Miller appointed technical dir.

Tribune Co. Chmn. Stanton Cook retires Jan. 1, succeeded as CEO by Pres. Charles Brumback; Cook remains on Tribune board and as chmn. of Chicago Cubs... Keith Schaefer appointed a vp, Paramount Communications, and pres., new Paramount Technology Group; Sueann Ambron and Bruce Churchill named vps, Technology Group... Promotions at Media General: Stephen Dickinson to controller, Stephen Zacharias to treas... Broker Robert Mahlman folds his company, joins Communications Equity Assoc. as vp... David Simon advanced to senior vp, Buena Vista Productions.

David Trabert, vp-gen. mgr., WTRF-TV Wheeling, named to same post at co-owned WMTV Madison, Wis... Lise Markham promoted to vp-gen. mgr., KMPH Visalia-Fresno, succeeding LeBon Abercrombie, who moves to parent Pappas Telecasting hq as senior vp-planning and development.

Brian Lockman, C-SPAN, elected chmn., Congressional Radio-TV Correspondents' Gallery, succeeding Carolyn Gorman, H&C Communications; William Headline of CNN named chmn.-elect... Promotions at CableLabs: COO Baryn Futa adds exec. vp title; Stephen Duke to vp-advanced network development; Dorothy Raymond, gen. counsel, adds vp and asst. secy.; Scott Bachman to vp-operations technologies projects... Robert Bouknight and Ron Scalera promoted to vps, on-air, Fox Bcstg... Jim Thompson, pres., Group W Radio, named chmn., NAB Radio Show Steering Committee; Eric Udler, joins NAB as exhibit sales mgr.

Eugene Cowen, retired Cap/ABC Washington vp, opens communications consulting firm Jan. 1, 1828 L St. NW, Suite 402, Washington 20036, 202-466-7744... Changes at Continental Cablevision: Jeffrey DeLorme, senior vp-Fla. region, advanced to corporate exec. vp, succeeding Charles Younger, retiring after more than 25 years; Nancy Hawthorne moves from senior vp-treas. to chief financial officer, new post... Victor Ganzi advanced to senior vp-chief financial and legal officer, Hearst Corp., new post.

J.J. Jamieson promoted to dir.-miniseries and motion pictures for TV, NBC Entertainment... Andrea Hein named pres., Paramount Licensing Group, new unit responsible for all of company's licensing and merchandising activities... Bradley Siegel, ex-American Movie Classics, joins Turner's TNT network as exec. vp... David Simon promoted to senior vp, Buena Vista Productions International, London hq... Kim Montour, news dir., Fox's WTTG

Washington, moves to special asst. to Fox News Pres. Van Gordon Sauter Jan. 20; Montour will be replaced by Piers Akerman of Fox parent News Corp... Actor Burt Reynolds will host NATPE Irish Awards Jan. 28 during convention in San Francisco; NATPE Lifetime Achievement Award will be presented to comedian Milton Berle.

Charles Dutcher promoted to pres.-gen. mgr., Conus... William Graham named pres.-COO, C-COR, succeeding Richard Perry, who remains chmn.-CEO... Serge Marti-Volkoff promoted to regional dir., FCC San Francisco Field Operations Bureau... Alex Best, senior vp-engineering, Cox Cable, named head of CableLabs Technical Advisory Committee.

Sale of Univision by Hallmark Cards for \$550 million was completed Dec. 17 (TVD April 13 p7), following FCC approval. Members of purchasing group led by Jerry Perenchio, who will be majority owner, include Televisa of Mexico and Venevision of Venezuela. Deal includes Univision network, which reaches 91% of U.S. Hispanic households, plus 9 full-power and 4 low-power TV stations and *Mas* magazine, said to be largest Spanish-language magazine in U.S.

Televangelist Pat Robertson's new radio news service, StandardNews, will go on air in Feb., company said. Service will provide 7 radio newscasts per hour to estimated 600 stations, about half of which are religious. StandardNews will offer separate secular and religious newscasts, company said. It said Robertson, who failed in bid to buy UPI, is committed to providing objective news.

Partnership of Oak Industries and Bain Capital will buy 85% of common stock of Gilbert Engineering for about \$100 million, companies said. Gilbert management will retain remaining 15%. Oak will own 80% of acquisition partnership, Bain the rest. Closely held Gilbert makes specialty connectors for cable TV and other electronic products.

Fox Bcstg.'s FNM Films, formed 2 years ago to produce made-for-TV movies, has changed name to Fox West Pictures to "associate the movie company more clearly with Fox," said Rick Bieber, pres. of Fox West Pictures. Company said it expects to be involved in 15-20 original movies each year.

Transcripts of CNN programs will be available on-line 24 hours after airing under new agreement with DataTimes. Data service expects to carry transcripts of about 50 CNN programs per week, is storing transcripts dating back to Jan. 1, 1991.

FCC reference center for Mass Media and Adjudications Branch (Rm. 239) was closed for maintenance Dec. 18, also will be closed Dec. 24 and 31.

## OBITUARY

Mark Goodson, 77, highly successful producer of TV game shows with partner Bill Todman, died of cancer Dec. 18 at his N.Y.C. home. Goodson-Todman produced *The Price Is Right*, *What's My Line* and *To Tell the Truth* and, after Todman's death in 1979, Goodson continued to produce game shows. He also owned chain of weekly and daily newspapers, including Pottstown Mercury and Trenton Trentonian, which won Pulitzer prizes. Last week, Goodson was elected to TV Academy of Arts & Sciences Hall of Fame. Survivors include son, 2 daughters.

# Consumer Electronics

A Section of *Television Digest with Consumer Electronics*

## STATE OF THE INDUSTRY

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

	NOV. 28- DEC. 4	1991 WEEK	% CHANGE	NOV. 21-27	48 WEEKS 1992	48 WEEKS 1991	% CHANGE
TOTAL COLOR.....	467,367	533,871	-12.5	692,401*	20,565,960*	18,706,228	+ 9.9
DIRECT-VIEW...	457,912	519,966	-11.9	678,356*	20,202,480*	18,365,354	+10.0
TV ONLY.....	436,530	502,190	-13.1	635,481*	19,347,487	17,763,230	+ 8.9
TV/VCR COMBO.	21,382*	17,776	+20.3	42,875*	854,993**	602,124	+42.0
PROJECTION....	9,455	13,905*	-32.0	14,045*	363,480*	340,874	+ 6.6
VCR DECKS.....	229,522	476,747*	-51.9	414,568*	11,381,550*	9,736,489	+16.9
CAMCORDERS.....	49,592	111,190	-55.4	140,693*	2,602,674	2,618,258	- 0.6
LASERDISC PLYRS#	6,587	9,205	-28.4	6,344	195,029	170,955	+14.1

Direct-view TV 5-week average: 1992--567,772\*; 1991--521,399 (up 8.9%).

VCR deck 5-week average: 1992--306,968; 1991--311,133 (down 1.3%).

Camcorder 5-week average: 1992--71,480; 1991--86,394\* (down 17.3%).

\* Record for period. \*\* All-time record. # Includes combi players, excludes karaoke types.

**'CINEMASCREEN - THE TV MADE FOR MOVIES'**: Previewing its first 2 "CinemaScreen" widescreen 16:9 TV sets with unique cabinets and vast assortment of super-high-end features, Thomson Consumer Electronics (TCE) made it absolutely clear that it's aiming product at "movie purists," well-heeled videophiles and "early acquirers" and has no intention of upsetting current booming market for conventional color sets. Both models with 34W" tube -- sleek ProScan table model with separate storage base and textured RCA console that can be used as standalone or built-in -- carry new "magic" \$4,999 list (TVD Nov 16 p11).

"Our objective is not to set sales records for CinemaScreen," said Joseph Clayton, exec. vp, mktg. and sales--Americas. "We're establishing a niche product at a high price level, and we're realists on the potential for that market." In answer to question at news preview of widescreen products in Ft. Myers, Fla., he said he had little idea of how many sets could be sold at current price (street level \$4,499), but "we'll be happy with 10,000 to 15,000 sales next year."

Feature package in 2 sets is outstanding. ProScan table model is in sculptured gray plastic, completely dominated by screen, with slim pedestal stand; RCA brand unit has blue-gray cloth covering most of front of set, with storage area built in. Sets are identical electronically, with 10-w-per-channel audio and Dolby Pro-Logic, including large subwoofer bass enclosure. Picture is IDTV, with double normal number of scan lines. New on-screen system duplicates numeric keypad on supplied universal remote for instruction in each major menu system. Color logos of major networks and program services (MTV, NBC, CNN, etc.) appear for channel identification.

Set has all picture tricks we've ever seen displayed on widescreen sets -- and more: 2-tuner picture outside picture (POP); PIP with swap, freeze, expand; channel guide, with as many as 15 pictures on screen; various cinema mode picture expansions for standard TV and widescreen pictures; pan feature that moves picture up or down; 3 zoom ratios; closed captions. Unique feature is split-screen that permits viewing of 2 pictures side by side, undistorted (displaying 67% of each 4:3 picture), with audio for one program coming through speaker, other through headphones.

New rollout schedule, as indicated last month (TVD Nov 9 p11): Jan. -- Official debut at Consumer Electronics Show (CES) in Las Vegas. Feb. -- Demonstration sets at electronics retailers in L.A. (Circuit City, Good Guys, Ken Crane, the Broadway) and in Indianapolis (H.H. Gregg) as well as flagship software stores in both cities. (Sets already have had preview exposure at Tandy's Incredible Universe stores.) Nationwide rollout will come in 2nd quarter, with sets first available to selected flagship stores and then to all RCA and ProScan dealers.

In keeping with tagline, "The Television Set Made for Movies," TCE considers prime prospects to be owners of laserdisc players, which Clayton said now number nearly million, forecasting growth to 3 million by 1996. He said more than 600 titles are available now in letterbox laserdisc format. Video Programming & Software Support Vp Bruce Babcock said purchasers of either set will be sent \$200 worth of coupons, in \$10 denominations, toward laserdisc purchases, along with catalog of letterbox discs and list of dealers.

As for expansion of widescreen line, Clayton said he would like to have 38W" tube, "but this is not likely" (34W" tube itself weighs more than 300 lb., set nearly 400). Although 26W" and 30W" tubes will be available, "30-inch is probably as small as we can go" for size-oriented U.S. market. As for projection TV, "we could do what Panasonic is doing [TVD Nov 16 p11], but if the HDTV decision comes early next year, we'll move directly to HDTV" instead of adding larger widescreen NTSC sets.

TCE officials emphasized that CinemaScreen was completely designed, engineered and manufactured in U.S. and wasn't clone of company's European widescreen sets. Although tube currently is being made in TCE's plant in Agnani, Italy, they reiterated that it will be built in Marion, Ind., facility when demand warrants and that will bring price down sharply.

Clayton pooh-poohed any thought that consumers would confuse widescreen sets with HDTV, noting that potential CinemaScreen buyer "will be a very sophisticated and informed consumer." He indicated widescreen sets will be way of moving gradually into HDTV, providing valuable "learning experience." He forecast that "every major [TV brand] player will be in 16:9 -- the only question is when."

TCE's marketing plan adds 16:9 to rest of its line as very specialized, high-priced set. Company will "concentrate our CinemaScreen sales efforts in markets with high levels of laserdisc player ownership and a ready availability of laserdisc movie titles" as rollout progresses, and "then we'll expand from there." TCE clearly regards CinemaScreen as supplement to its line, "a bold technology statement," as Clayton put it -- "an extension of our... home theater program [and] the opportunity to introduce change, to signal a new approach without frightening customers away."

TCE now has 6 camcorder models with 16:9 capability in all major formats, latest being Hi8 with image stabilization and digital zoom at \$1,399. All models have switch for letterbox recording. Others are compact 8mm with digital zoom and titler (\$999), 2 full-size VHS versions with digital zoom, flying erase, digital effects, light and case (\$899 and \$999), palm-size VHS-C with 8:1 zoom, titler, wireless remote (\$999), VHS-C without titler (\$899). Company will introduce S-VHS VCR with more sophisticated widescreen system next year. (TCE's progress and goals, as outlined by officials, will be found in separate report, this issue.)

**PRICE COMPETITION COMES TO DUAL-DECK VCR:** First challenge to Go-Video's exclusive position in U.S. dual-deck VCR market apparently will come from new company located few miles from its own Scottsdale hq. Vista International, Tempe-based firm whose principals are former Go-Video shareholders, last week said it intends to ship Intelestar dual-deck VCR at \$499 retail in May.

At last week's end, Go-Video issued news release announcing intention to introduce new line of dual decks with 8 models beginning at same \$499 -- \$200 below current opening price point. Go-Video Pres. Robert Palko said company had planned to unveil new models at Consumer Electronics Show (CES), but "we decided we'd better announce it sooner" in wake of Vista's disclosure.

Vista Pres. Steven Abboud said company is going after portion of dual-deck market that Go-Video has ignored. "They haven't touched the discount market yet. That's where we think the big money is." He implied that Go-Video's costs are inflated unnecessarily. In what could be construed as dig at Go-Video, news release quoted Vista comptroller as saying that "due to substantial concessions on management salaries, Vista is able to pass the savings on to the end user." Abboud estimated company could sell \$70 million worth of dual-deck VCRs in U.S., Canada and Mexico in 1993, which at \$414 wholesale price would represent about 170,000 units. He said he disposed of last of his Go-Video stock earlier this month; at peak, he controlled 50,000 shares, less than 1% of company, he said.

Abboud said Vista has contracts for decks to be built by unidentified Taiwanese manufacturer, which he will identify at CES, where Vista will have booth. He said company has 11 employes, of whom 3, including chief engineer, are stationed now in Taiwan. Intelestar DDV-500 incorporates 2-head VCP and 2-head VCR, with built-in video stabilizer, "enabling the duplication of any prerecorded tape."

Vista also is planning to begin shipping in Jan. standalone video stabilizer (\$39 retail) "which defeats copy guard technology for clearer rental tape viewing and clean copies between single-deck VCRs," brochure said. Other products

in Vista's plans are surge protectors and, some time in future, "8mm-to-VHS video adapter [which] allows 8mm cassettes to be viewed on standard VHS machines." Abboud said device, which hasn't passed testing, is similar to adapter that allows VHS-C tapes to be played on VHS VCR. He declined to estimate suggested price or shipping date.

Palko said any company entering dual-deck market in U.S. "faces several hurdles," most important being Go-Video's patents "which speak for themselves." Go-Video last week said it will receive latest dual-deck patent by U.S. Patent Office (No. 5,177,618) Jan. 5. Notably litigious company also reiterated intention to "aggressively enforce its proprietary rights." Abboud, on other hand, said Vista "effectively designed around their [Go-Video's] patents," receiving opinion to that effect from local patent attorney. At same time, though, "I would venture to say they probably will come at us from a legal aspect," he said.

Palko said issue for Go-Video "is not a question of will we have competition, but a question of when," expressing belief that it "can compete against anybody in the dual-deck VCR business" with innovative engineering and product design. New "3000" series, due to begin shipping in May, encompasses 4 basic feature packages spread over 8 models. Palko said series incorporates "completely different transports and completely different chassis." Low-end model is 2-head VCP/4-head VCR combo with features including time/date stamp and sequenced play. Top models in series will be combination of pair of 4-head hi-fi decks with ability to record slow-motion play on one-deck onto normal speed on 2nd deck. Not included in series is planned 8mm/VHS combo, scheduled to be introduced for Christmas 1993 selling season.

**CLINTON APPOINTEES FAMILIAR WITH CE INDUSTRY:** Picked for high posts in Clinton Administration are at least 3 appointees with strong opinions on matters affecting consumer electronics industry -- Laura Tyson, Ron Brown and Robert Reich, picked as chmn. of Council of Economic Advisers and Commerce and Labor secy., respectively.

They don't necessarily see eye to eye on all matters, but certainly will prompt detailed debate on necessity of encouraging American high-tech industry. Some observers were quick to characterize Tyson as "Japan-basher" and Brown as "Japanese lobbyist," while Tyson and Reich are considered authorities on trade competitiveness, but hold differing views.

Most closely identified with consumer electronics is Brown, chmn. of Democratic National Committee. As Washington lawyer-lobbyist, he represented U.S. subsidiaries of Japanese consumer electronics manufacturers on Home Recording Rights Coalition (HRRC), body organized largely by EIA Consumer Electronics Group (CEG), which campaigned first for legality of VCR and later for right of consumers to make audio tapes. Brown has attended at least one Consumer Electronics Show, and was even observed manning HRRC booth and soliciting signatures on petitions to Congress for freedom to tape.

Tyson also has EIA-related background, preparing position paper for that overall group (not CEG) on international competitiveness and serving as liaison for EIA to Berkeley Roundtable on International Economics. She doesn't deserve "Japan-basher" or protectionist rap on basis of her new book, "Who's Bashing Whom? Trade Conflict in High-Technology Industries," published last month by Institute for International Economics (11 Dupont Circle NW, Washington 20036, 202-328-9000).

Tyson describes herself in book as "cautious activist" and sides with "moderate free traders," who support ideal of free trade but conclude that unilateral measures to serve national interest may be justified under some circumstances. In book, she supports "more generous R&D tax credit and increases in public funding for civilian R&D and education" (as does Clinton) and says "measures to support particular technologies or industries are sometimes warranted." Her book examines high-tech trade conflicts among U.S., Japan and Europe in several areas, including computers, semiconductors, VCRs.

Citing lessons of Europe's actions to preserve domestic VCR industry, she says "voluntary restraint agreements" involving quotas or price-fixing tend to raise domestic prices without improving competitiveness, complaint she voices about dumping penalties as well. She vigorously attacks International Trade Administration's antidumping penalties on active matrix LCDs (see separate report, this issue) as "misguided protectionist trade policy." She says dumping penalties "seldom serve the national interest" and proposes amending law to use portion of dumping penalties to compensate companies injured by dumping.

Acknowledging U.S. digital HDTV system could leapfrog European and Japanese technologies, she cautions: "There is no guarantee that American producers or the U.S. as a production location will reap the benefits." So even with choice of American system, "Japanese firms may yet win the HDTV production competition." Japanese and European producers, "who already have substantial production and marketing facilities in the U.S. and better access to long-term

capital than many potential American competitors, are likely to emerge as dominant producers of HDTV sets designed to an American standard."

As for direct foreign investment in U.S. industry, Tyson calls it "2nd best alternative" (to dependence on imports) when U.S. investment isn't available option, but she opposes foreign ownership of companies here where it has "potential anticompetitive effects."

Same subject was tackled by Reich, Harvard prof. of political economy and management, in 1990 Harvard Business Review article titled "Who Is Us?" Citing such companies as Philips, Thomson, Sony, Sharp and Toshiba, he notes that they may well create more U.S. jobs than, for example, IBM, Whirlpool or Texas Instruments, American companies increasingly moving jobs overseas.

Answering question posed in title of article, he defines "us" as "the American work force, the American people, but not particularly the American corporation," adding: "If we hope to revitalize the competitive performance of the U.S. economy, we must invest in people, not in nationally defined corporations. We must open our borders to investors from around the world rather than favoring companies that may simply fly the U.S. flag... The American corporation is simply no longer 'us.'"

Buttressing his argument, Reich appended to his article table from EIA/CEG listing 21 U.S. TV plants and their total employment (in 1988), only 2 of them (Harvey Industries and Zenith) U.S.-owned. (After appearance of article, Harvey ceased production and Zenith moved most of its production to Mexico). Appointments of Brown and Reich must be approved by Congress, where they may face strong opposition. Tyson's appointment isn't subject to confirmation.

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President Bush signed N. American Free Trade Agreement (NAFTA) in Washington last week. Move was his last official act in what promises to be drama to be played out in Congress, think tanks and coalition groups, pro and con. As pointed out here (TVD July 27 p10), under treaty's terms, TV sets with screen sizes larger than 13" must have N. American-made picture tubes to qualify for duty-free treatment, in effect tightening current ruling affecting maquiladora border plants.

Study by Economic Strategy Institute (ESI), nonprofit independent think tank, called agreement good "but improvable," saying it would bring "early improvement" in U.S.-Mexico trade balance but its "net benefits will disappear over time and the U.S. may suffer significant job losses in the long term." Before picture tube stipulation was added to agreement, ESI said it "considered it likely that TV set producers would ship large amounts of components from Asia for minimal assembly operations in Mexico and eventual sale in the U.S. market. This led to an estimate of a rising U.S. trade deficit in this sector and the potential loss of 20,000-50,000 U.S. jobs."

Under rules eventually negotiated for TV sets, however, "only sets with picture tubes made in N. America will be eligible for the elimination of duties... This requirement will greatly reduce the likelihood of Mexico becoming an assembly point for foreign TV components destined for the U.S. market, and thus also the likelihood of a rising U.S. trade deficit and significant job loss." At another point, report says "some industries such as electronics and TVs" will make less new investment in Mexico "than originally intended as a result of NAFTA's [modified] provisions."

**CAMCORDER INVENTORIES PLUNGE:** Pipeline inventories of camcorders (at importer plus distributor levels) fell another 38,000 units in Nov., but imbalance between full-size and compact stocks remains -- compacts approaching normal levels, full-size far too low.

At end of Nov., inventories totaled 491,236 units, which would appear to be very satisfactory level of less than 7 weeks' supply at present sales rate. However, less than 12% of those are full-size, whose sales so far this year have been running close to 25% of total. Thus 48,000 full-size units in inventory constitute less than 4 weeks' supply, while compacts (8mm and VHS-C) at about 353,500 represent just over 8 weeks' supply. (Estimates are based on Dec. and Jan. sales' equaling 1991.)

Inventories have fallen in 11 months from almost 650,000 at end of 1991 to current 401,000. Sales to dealers in Nov. were 20.7% full-size (63,800) and 79.3% compact (244,000). In year's first 11 months, full-size units comprised 24.2% of total (618,200) to compacts' 75.8% (1,934,900).

Sole applicant for Britain's 5th terrestrial TV network was turned down by Independent TV Commission (ITC) last week. ITC rejected application by Channel 5 Holdings Ltd. because of dissatisfaction with its business plan. Applicant group was headed by Thames TV, reportedly with commitment by Time Warner to take 30% stake. Behind ITC's rejection presumably was necessity to modify virtually every VCR, videogame and satellite receiver in U.K. after technical journalists pointed out that frequencies for new transmitters were close enough to interfere with those used to connect video devices to TV set antenna terminals (TVD July 13 p17). Although details of application are confidential, company said last July that Thorn and Granada rental companies would handle door-to-door retuning task.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 123 yen = \$1, except where noted.

**LCD DUMPING UNDER REVIEW:** Commerce Dept.'s International Trade Administration (ITA) has begun review whether to revoke ruling of last year that in effect barred imports of active matrix LCDs from U.S. market by levying 62.67% antidumping duties on units imported from Japan (TVD Aug 19/91 p10, July 15/91 p10).

Review is being undertaken because of "changed circumstances," ITA said. Original ruling was widely criticized because there's only one known maker of active LCDs in U.S., while all computer manufacturers depend on Japanese LCDs for high-quality color LCD screens. Computer makers cited ruling as death knell for laptop industry here and made plans to move manufacture overseas.

Meanwhile, major interest in sole U.S. maker, OIS Optical Imaging Systems, was acquired by glass firm Guardian Industries. Presumably under pressure from computer industry, Guardian asked revocation of antidumping order. ITA said that was "good cause" for conducting "changed circumstances" review. Comments are due Jan. 11, replies week later.

LCD finding also has resulted in multiparty action in Court of International Trade (CIT), seeking reversal of antidumping findings. Decision in that case is imminent.

Although major implications of case so far have involved quality displays for computers, it also could affect TV industry. LCD TV sets are subject to antidumping penalties because of ruling on dumping of color sets from Japan and elsewhere. Dumping penalties on displays themselves could prevent assembly in U.S. of TV sets using LCDs imported from Japan.

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In latest chapter of bitter, long-running battle, Smith Corona has asked ITA to find that Brother is circumventing antidumping duty on personal word processors by importing parts and components and assembling them here, adding little domestic value.

Companies have been involved in legal and administrative battles over word processor and electronic typewriter dumping for years. Brother recently won victory when CIT reversed ITA ruling that it wasn't U.S. manufacturer of portable electronic typewriters (TVD Nov 9 p14). Japan-based Brother had filed antidumping complaint against Smith Corona's imports of typewriters from Singapore, claiming to be U.S. manufacturer because it has plant in Bartlett, Tenn. CIT upheld Brother, ordering ITA to continue dumping probe, while Smith-Corona filed notice of appeal to Appeals Court.

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New projection TV screen, made in U.S., is claimed to be superior to existing versions (mostly from Japan or Scandinavian countries) at less than half cost. Telescreen brand "Chroma Screen" is made by Hudson Photographic Industries, largest worldwide supplier of projection TV mirrors. Screen combines new Plexiglas acrylic diffuser technology of AtoHaas N. America with Hudson's contrast-enhancing thin-film technology at cost claimed to be half that of current 2-piece screens. Claims for new material: Increased resolution, high contrast in ambient light, wider viewing angle, truer color with excellent saturation, high gain with no hot spot, durable abrasion-resistant coating. AtoHaas is joint venture of Rohm & Haas (Plexiglas) and Elf of France. Screen will be displayed at Infocomm in New Orleans next month — Hudson Photographic, 914-591-8700.

Sharp will produce 19" and 20" color sets in Thailand beginning next summer, presumably for domestic market there. It began making 13" sets in Nov. Addition of new sizes will increase Sharp's annual production there from 80,000 in year to March 1994 to 100,000 in fiscal 1995 and 130,000 in fiscal 1996, Japanese press reported.

**BEST BUY SOARS, HIGHLAND FALLS:** With improved expense ratio offsetting lower gross margin from Concept 2 stores, Best Buy reported 125% increase in net income to \$5.22 million in 3rd quarter ended Nov. 30 (see financial table). Through first 9 months, net income soared 102.5% to \$9.08 million. As we reported (TVD Dec 7 p15), company's sales increased 106% to \$474.4 million in quarter, and 70.6% to \$589.8 million for first 9 months of year.

Company said higher level of promotional activity due to opening of 31 stores helped drive gross profit margin down to 16.4% in quarter, compared with 19.3% in same quarter last year. On other hand, 30% increase in comparable-store sales helped reduce selling, general and administrative (SG&A) expense to 14.3% from 17.2% in same quarter year ago.

Meanwhile, Highland Superstores net loss for 3rd quarter ended Oct. 31 rose to \$26.8 million, from \$3.5 million year earlier. Most of loss in this year's quarter (\$22.9 million) came from charges related to company's bankruptcy filing and exit from Chicago marketplace (TVD Aug 31 p16).

Sales in quarter plunged 36.5% to \$73.1 million as store count dropped to 30 at end of quarter from 49 year ago. Highland said comparable-store sales in 30 stores it now operates in Mich., Ohio and Ind. were off 15.9% in quarter and 14.2% for first 3 quarters of fiscal year.

Fretter said net income for 3rd quarter to Oct. 31 rose 66% to \$774,000 on 29.9% sales increase to \$86.8 million. However, sales gain included addition of revenues from 18-store Fred Schmid Appliance, which was acquired in Sept. 1991. Factoring out those revenues, Fretter's comparable-store sales dipped 0.8% (\$400,000), which company attributed "principally to the sales mix and the increased competition in current markets."

Sales for first 9 months increased 30.2% to \$189.5 million, including Fred Schmid's revenues. Comparable-store sales during period fell 4.2% (\$7.1 million) "principally due to the decline in air conditioner sales." Net income rose 120.8% to \$2.01 million.

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Following year-long pattern, sales to dealers of virtually all major video products were down sharply in first week of Dec. compared with last year (see State of the Industry). Only exception was in TV/VCR combos, which long ago passed previous full-year record, seemingly headed toward 1992 sales of about 900,000. For year to date, only category trailing year-ago performance was camcorders, which was slightly off last year's pace after week in which sales declined 55.4%. At same time, though, sales of direct-view color TVs and VCRs were running at record pace through 48 weeks.

Sony Software formed division to coordinate merchandising activities for characters, artists and properties emanating from Sony Music, Sony Pictures and Sony Electronic Publishing. New Sony Signatures unit will be headed by former Winterland Productions Pres. Dell Furano. Sony Software Pres. Michael Schulhof said many of Sony's properties (videogames, TV programs, movies, etc.) "lend themselves to merchandising opportunities. Sony Signatures will enable our companies and artists to maximize these opportunities."

Matsushita will become latest major company to invest in General Magic, Silicon Valley company said to be working on development of handheld multimedia communication technology, Japanese press reported. Others investing include Sony, Motorola, AT&T.

**PERSONAL PROJECTION TV:** Virtual Vision Sport, video eyewear developed by Redmond, Wash., startup Virtual Vision Inc. (TVD Dec 14 p14), will be promoted as "personal projection TV" and company will recommend that retailers display it in projection TV depts. As we reported last week, it's scheduled for sale in April at suggested list of less than \$900. Unit will be demonstrated at Virtual Vision (VVI) exhibit in Las Vegas Convention Center at Consumer Electronics Show next month.

We tried out Virtual Vision eyewear last week and found 4.8-oz. headpiece with wraparound lens mask comfortable to wear. Video screen appears as brightly lighted rectangle away from major field of vision, so that other tasks can be done while watching TV. Because it uses 1" LCD with only 96,600 pixels resolution, it appears relatively coarse. Picture seemed brighter and more satisfactory when we were looking into darker or black background. When we faced nearby wall, picture appeared to be smaller than looking off into distance.

"This is not virtual reality," VVI Mktg. Vp Brian Durwood said. "It is a way to watch TV while doing something else." He suggested watching football game while raking leaves, for example. Headpiece has tiny LCD and adjustable reflective lens for positioning picture, connected by slim wire to 2.2-lb. belt pack that contains electronics, standard snap-on battery of type used in Sony-made camcorders, telescoping antenna, TV tuner. Each set of eyewear comes with 2 snap-in eyeshades, for indoor and outdoor use.

System will be available in 2 versions -- for dominant right-eye or left-eye vision. For use as camcorder monitor or viewer, belt pack snaps onto Sony-type camcorder and can be connected to other camcorders by cable. Accessory, yet to be priced, is snap-on cordless receiver with companion transmitter using FCC-approved 900-MHz frequency for remote TV or VCR connection with 50-100-ft. range.

System, which will be pushed as "life-style enhancer" rather than as TV set, will be marketed through high-end dealers who can take time to demonstrate it, according to Durwood, who said \$900 suggested retail includes generous margin. He said company hopes to sell about 50,000 in 1993. Durwood said it's willing to license technology to others -- for example as monitor in combination with camcorder, or combined with portable 8mm player. Following consumer launch, other versions are planned.

LCD is imported from Japan, and some electronics are from other overseas sources, but assembly is in U.S. at VVI. Durwood told us he attracted considerable attention on flight from N.Y. to West Coast while watching movie in his seat (using 8mm camcorder as source). "Japanese!," exclaimed flight attendant when he let her look at picture. "American," he corrected her, proudly.

**PARAMOUNT TECHNOLOGY GROUP:** Paramount Communications (PC) became latest major communications behemoth to begin positioning itself publicly for onslaught of new media with formation of Paramount Technology Group, with former Atari and NEC executive Keith Schaefer as pres. Group will have hq in Palo Alto, where it will operate "Media Kitchen" -- R&D center.

Group's mission includes evaluating how and which new technologies can be applied to existing Paramount businesses, identifying strategic alliances, developing new business opportunities. "New technologies are fast crumbling the walls that separate entertainment and publishing," PC Pres.-CEO Stanley Jaffe said.

Schaefer, most recently CEO of Paramount's Computer Curriculum publishing operations, said that "such breakthroughs as

digitalization, data compression and networking are creating new platforms and markets for Paramount's vast library of entertainment and publishing copyrights." He defined group's mission as working with various Paramount companies "to accelerate the development and profitable use of those technologies."

Media Kitchen is led by SueAnn Ambron, who founded Apple's multimedia lab during her 9 years with company, also spending time at Atari and as Stanford U. prof. Bruce Churchill, formerly with Paramount Pictures, will be group's vp in charge of strategic investments.

Paramount's announcement is only most recent action by Hollywood company to explore or develop new technologies. Sony Pictures and MCA (owned by Matsushita) are involved intimately with multimedia activities of parent companies, while Warner Bros. parent Time Warner is major investor in 3DO, company unveiling new platform at Winter Consumer Electronics Show. "If you're going to be a major player in entertainment software, you're going to have to get involved in interactivity, which ends up in multimedia," said Lee Isgur, who follows entertainment and technology for Volpe, Welty & Co. investment firm.

**AUDIO SALES UP IN OCT.:** Double-digit gains in portable audio and systems lifted factory audio dollar sales to respectable gains in Oct., EIA Mktg. Services figures show. However, components continued to struggle, declining for 16th consecutive month, although rate of decline was below 5% for 2nd straight month.

Overall Oct. factory dollar sales climbed 7.5% to \$788.92 million from \$734.18 million year ago, EIA said. But missing spark in Oct. -- compared with Sept.'s 21.3% gain -- perhaps could be found in highly seasonal aftermarket autosound category, which had soared 30.7% in Sept., but rose only 6.4% in Oct. Strongest segment once again was CD-invigorated portable audio, up 13.5%. Popularity of minicomponent ensembles undoubtedly contributed to 11.6% increase in systems. Components managed to remain 2nd largest among 4 broad-based EIA classification, despite 3.4% decline in Oct. Modest dip followed nearly identical 3.5% drop in Sept., far below double-digit declines posted in recent months.

Unabated erosion in components sales was reflected in 13.9% decrease for 10 months. Remaining categories, however, finished period with significant gains, led particularly by portable audio, which rose 17.9%. Also strong was aftermarket car stereo, rising 17.1%, systems also registering strong 8.1% gains.

Here's EIA breakdown of audio dollar sales to dealers in Oct. and in first 10 months of year:

**FACTORY SALES OF AUDIO EQUIPMENT  
(add 000)**

Product	Oct. 1992	Oct. 1991	% Chg.
	10 Mo.'92	10 Mo.'91	% Chg.
Portable audio*.....	\$298,203	\$262,832	+13.5
Components.....	188,966	195,618	- 3.4
Systems.....	178,979	160,357	+11.6
Autosound (aftermarket)	<u>122,766</u>	<u>115,376</u>	+ 6.4
<b>TOTAL.....</b>	<b>\$788,915</b>	<b>\$734,183</b>	<b>+ 7.5</b>
Portable audio*.....	\$1,997,366	\$1,694,522	+17.9
Components.....	1,294,924	1,503,965	-13.9
Systems.....	1,112,130	1,028,388	+ 8.1
Autosound (aftermarket)	<u>1,248,015</u>	<u>1,066,164</u>	+17.1
<b>TOTAL.....</b>	<b>\$5,652,435</b>	<b>\$5,293,039</b>	<b>+ 6.8</b>

\* Includes home radio.

**SOUND ADVICE RESTATES REPORTS:** After investigations by outside auditors and independent special counsel, Sound Advice (SA) has issued much-delayed financial report for year ended June 30 and restated its results for previous 4 fiscal years. In most recent year, company said it lost \$2.5 million on sales of \$137.7 million (see financial table). Earnings included \$9-million 4th-quarter pretax adjustment, in addition to previously reported \$3.5 adjustment taken in 3rd quarter, both related to investigations. Separate 4th-quarter results weren't reported, pending restatements.

Company's 10-K filing with SEC said "while special counsel did not find sufficient credible evidence to prove any pattern of willful violations of financial disclosure or accounting standard by senior company personnel, [SA] did not expend the resources necessary to fulfill its accounting and disclosure obligations. The report revealed one sequence of intentional activities that affected [SA]'s previous financial statements and cited isolated actions seemingly taken to misstate [SA]'s financial results or position. The report notes that [SA] appears to have taken aggressive and erroneous positions in certain accounting areas and points out weaknesses in accounting procedures and controls."

Special counsel was retained last spring following charges by unidentified former employee that Sound Advice's 1991 financial reports "included intentional misstatements" (TVD May 11 p17). At time, company took \$3.5 million in adjustments for such factors as "writedown of doubtful accounts receivable, merchandise and inventory." Counsel's investigation paralleled similar probe conducted by Deloitte & Touche (D&T), Sound Advice's auditors, who originally were approached by ex-employee. Sound Advice news release said D&T "expressed an opinion" on 1992 balance sheet, but not on other aspects of 1992 report, nor on restatements of previous years' reports.

"This has been a difficult period for us, and we regret the need for the adjustments and the resulting loss for fiscal 1992," Chmn.-CEO Peter Beshouri said. "We are fully committed to upgrading the accounting and financial management functions, and have already taken several major steps to ensure that the problems which caused the adjustments do not recur." Among moves was hiring 2 months ago of Thomas Floerchinger as chief financial officer (TVD Oct 5 p13).

Sales and earnings for prior 4 fiscal years in millions (with previously reported figures in parentheses): 1988 -- Sales \$54.8 (same), net income \$1.62 (\$2.25); 1989 -- sales \$76.6 (same), net \$2.19 (\$2.89); 1990 -- sales \$92.7 (\$91.2), net \$1.25 (\$2.58); 1991 -- sales \$119.6 (\$117.6), net \$1.56 (\$2.95).

**NEW HOME THEATER GROUP:** Organization of Home Theater Industry Assn. (HTIA), coalition of manufacturers committed to bringing "benefits and enjoyment of state-of-the-art home entertainment into as many homes as possible through the concept of home theater," is being spearheaded by John Kellogg, mgr. of technology mktg. for Dolby Labs. He was among driving forces with EIA in establishing home theater pavilion in Chicago last May at Summer Consumer Electronics Show (SCES).

Kellogg said HTIA's objectives would include: (1) Exposing more consumers to home theater through advertising and promotion. (2) Expanding market for home theater products. (3) Educating dealers toward guiding consumers in informed purchasing decisions. (4) Fostering better value in home theater products. (5) Enhancing communication among industries marketing home theater products and services. (6) Establishing technical standards.

Targeted for HTIA membership would be hardware manufacturers in audio, video and satellite industries, as well as

software marketers, cable and pay-TV firms, film producers and directors, trade associations and licensing, consulting and service organizations. He said he doesn't foresee extending membership to individual retailers, although Video Software Dealers Assn. (VSDA), Custom Electronic Design & Installation Assn. (CEDIA), Professional Audiovideo Retailers Assn. (PARA) and other dealer trade groups will be invited to participate. "The best way to represent dealers' interest is to have their organizations represented," he said.

Annual fees will be determined by HTIA membership and will cover costs of Assn. functions, staff and special events, Kellogg said. "If a lot of people participate, it doesn't cost very much," he said, adding that HTIA isn't intended to be "a profit stream for some association management company -- as soon as it becomes that, I'm out. We just want it to pay for itself."

Preliminary planning meeting was held earlier this month, Kellogg said, with first organizational meeting scheduled for Winter CES in Las Vegas next month. Input so far, he said, has been supplied by CEDIA, Harman Video, LucasArts Entertainment (THX), NHT, Pioneer, Runcor, Sony and Yamaha, among others.

**TCE OUTLINES GAINS:** Thomson Consumer Electronics (TCE) "returned to historic levels" in market share of basic "core line" TV business last year while establishing major presence in high-end product, according to company officials outlining objectives for 1993 at news preview of its widescreen TV products (see report elsewhere in this issue).

Success in core products is "crucial for market leverage, cost efficiency and is the base required to help fund future growth," said TV Div.-Americas Senior Vp James Meyer. He forecast company would retain its newly restored core business position in 1993 as result of completely redesigned GE line (TVD Nov 9 p11). Other goals for 1993 are "significant increase" in high-end market share and "aggressive pursuit of new product opportunities related to the explosion of digital technology," as exemplified by TCE's participation in DirecTV high-powered satellite program.

Commenting on ProScan program, he said that at its inauguration in 1990, it was sold in 6 markets by 14 dealers with 165 storefronts, and now has expanded to national distribution by 70 dealers with 600 storefronts. (As foreshadowed recently, advertising now identifies ProScan as "an RCA television product.")

Conceding that RCA brand in 1988 "had a poor position" in high-end color TV, Meyer said TCE now has "a leadership position" in large-screen market and controls "nearly half the 35-inch direct-view market." He said company's projection TV market share has tripled since it started making own sets 2 years ago, gaining nearly 5 points this year alone.

Discussing "impact" of TCE's improvement in large screen, he said "one of our leading competitors in the high end has suffered nearly a 2-point loss of market share since we came on line with our [very large screen] program in 1990."

Britain blocked EC plan to subsidize European move to HD-MAC satellite HDTV system with grants of more than \$600 million to satellite broadcasters and program producers, in effect exercising veto power. Plan was backed most strongly by France and Netherlands, whose Thomson and Philips have spent most money developing European HDTV technology and presumably have most to gain in set sales. U.K. officials, according to Financial Times, argued that digital technology could overtake analog MAC system within 5 years.

**MD MISSES CHRISTMAS:** Maybe it was the Grinch -- Sony's not saying -- but somebody or something snatched Christmas away from MiniDisc (MD) or vice versa. Notwithstanding Sony's long-standing promise to meet Christmas delivery on its first MD portables, some dealers last week were scrapping preholiday MD ad plans and resigning themselves to fact that meaningful allocations weren't in the cards until new year.

Sony tried to make best of situation, furnishing dealers with "recommended MiniDisc reservation form" for distribution to customers who had to be turned away. Form didn't give reason for supply shortage, other than attributing it to "strong demand" for MZ-1 record-playback portable and MZ-2P playback unit. It said supplies "are initially limited" in U.S. and abroad, adding that reservation form "ensures that you'll receive a MiniDisc unit as soon as we have more available."

Product shortage also was obvious last week in U.K., where Sony subsidiary had scheduled official Dec. 15 launch date. But our London correspondent had same difficulty locating MD hardware among retailers he sampled, including Harrad's, famous department store featuring flagship Sony boutique.

Beyond first tier of power retailers and department stores unable to procure MDs (TVD Dec 14 p17), shortage last week hit home with smaller specialty dealers or merchants in secondary markets for whom supplies recently had been promised for Dec. 17. Sony (Japan) spokesman last week wouldn't respond directly to our queries on how many units had been shipped stateside, but some sources took issue with our estimate last week that only 2-3,000 were airfreighted at end of Nov., saying first allocations actually numbered only 900.

As of Fri., Harvey Electronics in N.Y. still was awaiting delivery of its first units, said Pres. Arthur Shulman, among those who seemed to have written off possibility of meaningful quantity before Jan. Harvey scrapped MD ad that had been planned for N.Y. Times today, he said. He said he was glad Harvey opted for caution by leaving MD references out of Christmas catalog put to bed in Sept. "Our desire is to be involved in the biggest possible way" in MD launch, Shulman said, noting that Harvey has long history of working with vendors in being among first to promote new technology.

Shulman said it's "beyond obvious" that MD production problems are responsible for short supplies, although Sony executives worldwide continued issuing vehement denials last week. Nevertheless, Shulman was diplomatic when asked to assess impact, saying "Sony is Sony, and they'll get it right." He said philosophically that delay "now gives us the opportunity to start off the new year right with an exciting new technology."

DCC Group of America will sponsor booth at Las Vegas Consumer Electronics Show (CES) to showcase "the unprecedented synergy between the strong support of the hardware and software industries behind DCC." Group said booth will feature new display units for DCC hardware, recorded and blank DCC tapes. Philips, Technics and Marantz will contribute DCC recorders for daily giveaway drawings at show, in addition to T-shirts, caps and other merchandising materials to be handed out.

Thomson Consumer Electronics (TCE) will show MD and DCC prototypes in booth on main floor of CES, but isn't likely to make product introduction in either format before late 1993, Exec. Vp Mktg. & Sales-Americas Joseph Clayton said. He reiterated that despite contributions TCE has made to DCC technology, he personally is leaning toward MD on ground that future holds more promise for optical format (TVD Aug 31 p15)

## Consumer Electronics Personals

Shinichi Takagi becomes Sony U.K. managing dir. Jan. 1, reporting to Jack Schmuckli, chmn. of Sony European Operations; Yasuhiro Kuga, currently senior gen. mgr., Sony Recording Media Mktg. Group in Tokyo, will succeed Takagi as pres.-COO, Sony Recording Media of America... David Patterson joins Hyundai Electronics America, San Jose, Dec. 28 as Information Systems Div. sales dir., leading company's thrust into consumer computer mass marketing; he's currently Samsung asst. gen. mgr. for video, color TV, TV/VCR, laserdisc player and video printer systems... Setsujiro Onami, onetime pres.-CEO of Pioneer Electronics USA and now a dir. of Japanese parent company, takes responsibility for domestic marketing and sales, moving from head of International Business Div., in new effort to rebuild company's sales in Japan as part of major reorganization.

Richard Scarfo promoted to Consumer Electronics Shows staff dir., exhibits and sales... David Farr advanced to senior vp-gen. mgr. of new Corporate PR Div. in restructuring of communications activities by Canon U.S.A., with Makato Takahashi as senior dir.-gen. mgr. of new Events Promotion Div. and Tetsuo Hirasawa dir.-asst. gen. mgr. Advertising Div... Yasunobu Namiki, Kenwood USA senior exec. vp, becomes pres. of Kenwood Americas Corp., Long Beach, Cal., subsidiary to oversee Kenwood operations in N. and Central America... Laurie Farrell promoted to International Jensen mktg. program administration mgr.; Elizabeth Andersen joins as mktg. communications supervisor.

Appointments at Paramount Communications' new Paramount Technology Group (see separate report): Keith Schaeffer, ex-NEC, Worlds of Wonder and Atari, pres., and vp of parent company; Sueann Ambron, ex-Apple and most recently advanced media vp at Paramount's publishing operations, vp; Bruce Churchill ex-financial planning vp for Paramount Pictures, vp, overseeing strategic investments... Dell Furano to leave as pres. of Winterland Productions to become pres. of Sony Signatures, new Sony Software merchandising unit; coordinating with Sony Signatures: Sony Music Vp Al Smith, Sony Pictures Entertainment Mds. Vp Lester Borden and Sony Electronic Publishing Legal & Business Affairs Dir. Lester Greenman.

Terry Shea, ex-Golin Harris and Rowland Co., most recently on Sony and Nintendo accounts, joins Robert E. Griffen PR firm Jan. 4 as vp... Stewart Wolpin leaves Philips after 6-month PR assignment on DCC project to resume editorial free-lance career.

Recent European PR changes, courtesy of Bulletin of Union Internationale de la Presse Electronique (UIPRE): Holm Kilbert, ex-press secy., Germany's Federal Ministry for Research & Technology, named head of Grundig's Press, PR and Communications Dept. at hq in Furth (Bavaria), Germany... Hans-Heinz Hoffman heads Corporate Communications Div. of new Philips & Grundig Funk, joint venture to manufacture and market cordless phones (TVD March 30 p16); Hoffman is succeeded as PR mgr. of Philips Kommunikations Industrie, Nuremberg, by Albrecht Fehlig, ex-Deutsche Aerospace... Erhard Wehrmann retires Jan. 31 as PR dir., Mitsubishi Consumer Electronics Sales Div. in Germany, to be succeeded by Jrgen Menzel.

"Dealers have been keeping strong inventories of consumer electronic products to support their expectations of a terrific holiday season. And with a massive advertising push by retailers in both print and on TV, everyone is upbeat about holiday sales. I believe that the end of the year will close very strongly for the consumer electronics industry." -- JVC Exec. Vp Harry Elias, as quoted in EIA news release.

# TELEVISION DIGEST

With Consumer Electronics  
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**Sony and Julliard School, N.Y.**, announced creation of Sony ES awards to be given for first time to Julliard music students in late Jan. Sony said awards are part of \$500,000 program to support Julliard over 5-year period. It said program includes three \$10,000 awards -- for musical excellence, freshman scholarship and fellowship for upperclass member to support concert performances for one year.

**Compaq**, which moved into mass computer retailing through Circuit City, CompUSA and Office Depot in Sept., says it expects to triple retail presence from current 600 storefronts by end of first quarter. Company said it's "preparing to authorize several new retailers" at Winter Consumer Electronics Show.

**Philips** color TV plant in Greeneville, Tenn., and cabinet-making facility in Arden, N.C., received ISO9002 certification from British Standards Institute, representing excellence in quality.

Chinese factories produced 10.8 million color TVs and 12.3 monochrome sets in 1992's first 10 months.

## 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>Best Buy</b> 1992-39 wk. to Nov. 28	1,006,353,000	9,079,000	.79
1991-39 wk. to Nov. 30	589,763,000	4,493,000	.50
1992-13 wk. to Nov. 28	474,442,000	5,220,000	.45
1991-13 wk. to Nov. 30	230,573,000	2,321,000	.25
<b>Fretter</b> 1992-9 mo. to Oct. 31	246,679,702	2,014,264	.14
1991-9 mo. to Oct. 31	189,458,730	1,239,624	.09a
1992-qtr. to Oct. 31	86,853,375	774,045	.05
1991-qtr. to Oct. 31	66,845,387	565,075	.04a
<b>Highland Superstores</b> 1992-9 mo. to Oct. 31	257,687,000	(34,259,000)	--b
1991-9 mo. to Oct. 31	420,759,000	(156,893,000)	--b
1992-qtr. to Oct. 31	73,084,000	(24,582,000)	--b
1991-qtr. to Oct. 31	115,048,000	(3,531,000)	--
<b>Home Shopping Network</b> 1992-qtr. to Nov. 30	265,800,000	5,800,000	.07
1991-qtr. to Nov. 30	291,800,000	13,100,000	.15
<b>Microdyne</b> 1992-year to Sept. 30	72,693,000	(2,156,000)	--c
1991-year to Sept. 30	56,533,000	8,824,000	.76
1992-qtr. to Sept. 30	16,142,000	(7,791,000)	--c
1991-qtr. to Sept. 30	19,724,000	3,460,000	.24
<b>Prism Entertainment</b> 1992-9 mo. to Oct. 31	14,681,000	745,000	.35
1991-9 mo. to Oct. 31	7,452,000	(122,000)	--
1992-qtr. to Oct. 31	4,447,000	192,000	.09
1991-qtr. to Oct. 31	3,149,000	102,000	.05
<b>Sound Advice</b> 1992-year to June 30	137,670,000	(2,487,000)	--
1991-year to June 30	119,572,000	1,564,000	.42d
<b>Tektronix</b> 1992-26 wk. to Nov. 28	638,109,000	17,915,000	.60a
1991-25 wk. to Nov. 16	591,767,000	17,685,000	.60
1992-13 wk. to Nov. 28	333,485,000	8,433,000	.28
1991-12 wk. to Nov. 16	303,203,000	8,060,000	.27
<b>Texscan</b> 1992-6 mo. to Oct. 31	17,661,000	(5,763,000)	--c
1991-6 mo. to Oct. 31	19,068,000	(370,000)	--
1992-qtr. to Oct. 31	9,827,000	(4,211,000)	--c
1991-qtr. to Oct. 31	10,254,000	109,000	.05

Note: <sup>a</sup>Includes special credit. <sup>b</sup>After special items. <sup>c</sup>After special charge. <sup>d</sup>Restated.

**CableLabs** issued request for proposals for TV lab to test direct pickup (DPU) interference involving TV sets and VCRs. Responses are due Jan. 9. Effort is expected to result in accepted technique for measuring DPU, and CableLabs is expected to share information with FCC and manufacturers to establish performance standards required by 1992 Cable Act. CableLabs Pres. Richard Green called DPU one of most damaging interface problems between cable and consumer electronics.

New brand name for Sanyo rechargeable batteries will be announced Jan. 7 in Las Vegas. Sanyo Energy Corp. forecasts "bold new marketing venture" will make new brand "the undisputed share leader in sealed cylindrical nickel cadmium batteries in North America."

**Recoton** said it filed suit in U.S. Dist. Court, N.Y., charging Gemini Industries with patent infringement and unfair competition "in appropriating the nonfunctional design features" of Recoton's TV-600 amplified antenna. Gemini officials couldn't be reached for comment.

# TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 28, 1992

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**FCC MOVES ON CABLE**, proposing new rate regulation and program access rules Christmas Eve. Rulemakings have more questions than answers. FCC also mails rate questionnaire to 850 cable operators. (P. 1)

**ATRC RESULTS GOOD** but mixed in HDTV testing. Good picture quality and transmission claimed. Picture degradation and high-motion depiction seen as possible problems. (P. 3)

**CABLE VICTORY CLAIMED** by both sides in Dist. Court decision. Judge takes jurisdiction over non-must-carry appeals, rejects injunctions, says Cable Act raises First Amendment issues. (P. 4)

**FINSYN REHEARING SOUGHT**: Studio group urges en banc ruling by Chicago court, saying policy choice belongs to FCC, not court. (P. 5)

**TIME WARNER CHANGES** board makeup in wake of Ross death. Analysts see emphasis on cable. Levin heads company, isn't named chmn.; 9 directors leave. (P. 5)

**FCC TRANSITION TEAM REPORTS**: Finds agency out of mainstream in administrative practices because of delays. Discusses establishing consumers' counsel office, downgrading international involvement. (P. 6)

**TELEVISA BUYS INTO PANAMSAT**: Mexican company will pay \$200 million for 50% of TV satellite operator. (P. 6)

**FCC PROPOSES CABLE RATE REGULATION RULES**: FCC issued 98-page, 234-footnote proposal Christmas Eve suggesting how cable rates might be regulated (TVD Dec 14 p1). Commission asked for comment on dozens of issues ranging from fundamental effects regulation would have on cable service to more technical subjects. Comments are due Jan. 27, replies Feb. 11. Day earlier, FCC ordered 850 cable systems to spend about 20 hours each answering questions on costs and rates for use in rulemaking proceeding. Commission also issued program access proposed rulemaking Dec. 24.

Commission pictured itself as sort of junior partner in regulation process, largely taking back seat to state or local authorities -- even if those franchising authorities aren't particularly keen on regulating cable. FCC concluded that it can regulate cable rates only if local authorities don't, saying that Commission authority "appears quite limited" and that it can regulate basic rates "only if we have disallowed or revoked the franchise authority's certification." It seemed to push most of burden onto state and local authorities, even to extent of asking whether FCC preemption powers can grant regulatory power to local authorities that don't have it currently. Agency raised question about implementing rule to lift certification if rules aren't applied correctly. Alternative interpretation is that FCC "ensure by regulation" that basic rates are reasonable, Commission said, asking for comment as to which scenario is right.

### Consumer Electronics

**TCE TO GET \$200-MILLION** infusion from GE this week in exchange for stretchout of GE's ownership of former RCA consumer electronics patents. (P. 8)

**SALES OF BIG-SCREEN TVs** with tubes 30" and over up 52% in first 9 months. Some 150,000 sets with 35" tubes sold in period, 1% of total color TV sales. (P. 9)

**DIGITAL HOME HD-VCR** developed by Zenith and GoldStar could be sold for \$1,000 in 1996, companies say. System compatible with standard VHS analog tapes. (P. 10)

**CD-I CHANGER IS CONSIDERED** for 2nd half by Philips; unit also probably would be first CD-I player with built-in FMV decoder. (P. 11)

**WIDESCREEN TV AT CES** and vicinity in Las Vegas to be shown by at least 5 companies, 4 of which have plans to introduce them in 1993. (P. 11)

**ZENITH'S McCARTHY BULLISH** on industry sales for 1993, sees all video products setting new records, blasts industry stance on caption TV pricing. (P. 12)

**NEW WINTER CES FEATURES** include CD-ROM, business productivity and mobile office pavilions, high-end audio shuttle, bar-coded badges. (P. 13)

**DIM FORECASTS FOR JAPAN** electronics production in 1993 by EIAJ. Consumer segment down 3.5%. (P. 13)

At most elementary level, Commission asked for comment on what effect rate regulation would have on ability and incentive of cable operators to create programming and tier packages "that will be useful and valuable" to subscribers. It questioned whether "any regulatory alternative would, as a practical matter, unduly restrict the ability of cable operators to provide a full range of services on basic or higher level service tiers."

Commission discussed 3 forms of regulation -- benchmark, cost of service, new alternative. While it said it would use benchmarking as primary rate regulation tool, it also said traditional cost-of-service regulation could be used for individual cable systems that want to justify rate above benchmark. FCC asked for comment on what it should use in matrix to set benchmarks, including rates charged by services subject to competition. Commission also asked whether higher cost systems should be able to opt for cost-based regulation if benchmark rates proved "unreasonably low," to provide "safety valve to prevent confiscatory rates."

FCC dismissed traditional cost-of-service regulation as "neither simple nor inexpensive" to administer, and said it isn't preferred as primary type of regulation "unless we are unable to gather the information needed to develop one of the other alternatives." Problem with benchmark alone, FCC said, is that operators with prices below benchmark could raise those rates quickly. It asked whether it should institute price cap to determine how quickly systems with rates below benchmark could raise rates and on what mechanisms could be used to adjust benchmark over time.

Commission proposed another option, called "Direct Cost of Signals Plus Nominal Contribution to Joint and Common Costs." Under that rule, franchise authority would be required to find reasonable basic service rates that allowed recovery of direct costs, including programming payments paid to cable networks and retransmission fees. Alternative also would require nominal contribution to joint and common costs of system as whole, but would include elaborate set of cost-allocation rules. As part of those options, FCC asked how it should factor in alternatives such as systemwide regulation across geographic region, or how 2 or more communities served by same cable system could regulate jointly.

Expressing concern about formation of basic tier, FCC asked about effects it would have. On one hand, it said, such tier could make cable more widely available to those with low incomes; on other hand, it asked whether such tier as practical matter could create incentives for cable operators to limit basic service simply to statutory minimum. And if rules require very low basic rates, should there be flexibility in pricing higher tiers, FCC asked.

Role of telephone companies also came into question, with FCC asking about definition of video programming distributors. Does telco offering video dial tone qualify, it inquired, or TV station offering multiplexed multichannel service? In determining whether there's effective competition, Commission suggested that market shares of 2 competitors to largest system be measured cumulatively, to reach 15% mark needed for competition determination.

FCC mailed questionnaires to 850 cable operators in previously announced move to gather information on competition, rates and costs for its 1992 Cable Act rulemakings. Questionnaires, which FCC said will take 20 hours each to fill out, are due back at Commission Jan. 22, and it said systems that fail to respond or provide inaccurate information could be subject to disciplinary action. Agency said questionnaire went to systems in competitive markets, random sample of others, plus group of large systems added to compensate for small number of large systems likely to be included in random sample. Information shouldn't be "competitively sensitive," FCC said, so it doesn't plan to offer confidentiality, but systems are allowed to seek special grant of confidentiality. Questionnaire is 28 pages long, plus cover letter and 9 pages of instructions. Among other things, FCC asks number of households, amount of addressability, whether plant is above or below ground, amount of fiber, revenue from subscriptions, premium channels, pay-per-view, advertising, equipment rental, outlet and installation charges. It also asks about extent of multichannel competition, MSO ownership, franchise fees, tiering, program lineup.

FCC will use something resembling benchmarks that it proposes for rate regulation to resolve complaints of program access discrimination, according to proposed rule. Commission proposed to set up system of presumptions or benchmarks, based on comments in rulemaking, to determine whether there's clear evidence of discrimination, and asks for comments on what those presumptions should be. It also tentatively concluded that it won't enforce program access rules retroactively, but asked how quickly it should require existing program contracts to meet new requirements. Several standards for determining what's reasonable price differential among program services are being considered, including zone of reasonableness, standards based on federal antitrust rules, variation of International Trade Administration dumping analysis. Comments on rulemaking are due Jan. 25, replies Feb. 16.

Some exclusive program marketing agreements may be beneficial to public, FCC tentatively concluded. Rulemaking said exclusive distribution deals may be essential to introduce new cable networks "and thus should be permitted to the extent necessary to ensure continued program diversity." FCC noted, however, that they probably should be time-limited, possibly to 2 years.

Other conclusions and questions in rulemaking: (1) "Critical issue" is what level of harm is needed to trigger FCC enforcement action. (2) Some price differentials are justified, but FCC asked how to define and measure such justifying factors as creditworthiness, financial stability, technical quality, actual costs of distribution. It also asked whether it's allowed to consider other economic factors such as volume of subscribers. (3) It asked whether "attributable interest" definition should be based on 5% level used for broadcast and for telco-cable cross-ownership, or whether some other standard should be used and whether it also should establish behavioral guidelines. (4) It asked how relevant market should be defined, including whether price differential between noncompeting geographic regions is acceptable. (5) It sought comment on how it should determine that cable operator is coercing network ownership share in return for carriage. (6) It proposed monetary fines for frivolous program access complaints.

**ATRC HDTV TEST RESULTS GOOD, BUT MIXED:** Advanced TV Research Consortium (ATRC) is claiming big victory in HDTV testing by Advanced TV Test Center (ATTC), including "outstanding picture and sound quality" even on "noisy" video material, and "superior transmission characteristics" despite less-than-optimized HDTV equipment. But test results showed some problems, including little benefit from ATRC's highly touted gradual degradation characteristics (TVD Oct 5 p5) and problems with high-motion video. ATRC members are NBC, Philips, Sarnoff Research Center, Thomson.

Unimpaired image quality of ATRC's AD-HDTV system "was judged to be quite good," according to prepublication draft of ATTC's final report. Expert viewers said they usually could distinguish between original program material and transmitted pictures, but difference was negligible. Audio quality also was judged excellent, and often virtually indistinguishable from original. Immunity to co-channel interference was called "excellent" by experts, report said, and virtually all other interference characteristics were good or better.

AD-HDTV is "less interfering than other proposed [HDTV] systems," ATRC claimed in its comments on test results. It also said that tests showed that AD-HDTV would provide larger overall service area in simulcast environment than competing systems: "The ATTC test results clearly demonstrate AD-HDTV's fundamental advantages over competing systems in picture quality and simulcast transmission characteristics." ATTC earlier released test results on HDTV systems built by NHK (TVD May 4 p7), General Instrument (GI) (TVD Sept 14 p3) and Zenith (TVD Nov 30 p1). Test results for GI/MIT system haven't been released.

ATRC system "did not quite achieve the full performance potential," consortium said, because it was "constructed and integrated on an extremely aggressive schedule." Start of AD-HDTV testing was delayed 12 days because system wasn't ready (TVD June 15 p4), and retesting was needed after improper filter was replaced. Among other things, ATRC said performance would be improved by more powerful trellis code, debugging of several hardware problems, more mature buffer-control algorithm, improved transmitter and receiver filters and equalizers, improved motion search range for encoders.

Gradual degradation capability provides little benefit, ATTC experts said. ATRC said system is designed to provide acceptable picture in fringe areas, rather than have picture disappear suddenly, by putting most-important picture data on high-priority (HP) signal that's delivered at higher power level. However, expert observers said they "saw very few images other than stills that could be rendered in usable form by HP data alone" and there was only 1-1.5 dB range where HP signal could be useful. They said audio data carried on HP signal remained useful: "The observers believe that, for most reasonably active images, the form of gradual degradation embodied in this system has utility only for short, temporary and infrequent signal fading." ATRC replied that even that's a benefit compared with alternative of no picture at all.

Problem with depiction of rapid motion was mentioned several times by experts, who said they "noted image degradation... in areas of rapid motion and judged the level of degradation as likely to be objectionable even to nonexpert viewers." Experts speculated that problem was result of limited range of motion vectors in hardware. ATRC agreed that problem resulted from hardware and said it could be fixed.

Other ATTC comments: (1) AD-HDTV caused no special problems for cable distribution. (2) Scene cuts were rendered "very well." (3) Lower adjacent channel and upper adjacent channel interference with NTSC didn't occur at maximum power level.

**COURT VICTORY CLAIMED:** Both govt. and cable claimed victory in decision by U.S. Dist. Judge Thomas Jackson, D.C., to take jurisdiction over non-must-carry appeals of 1992 Cable Act, but not to grant injunctions against enforcement. In order, Jackson said several of appeals raised substantial First Amendment arguments, but cable interests hadn't shown that they would face significant harm if he didn't grant preliminary injunction.

Jackson's "most important power would have been to grant injunctive relief, and he didn't do that," said Media Access Project Exec. Dir. Andrew Schwartzman, who argued against injunctions. "That could have meant that enforcement would have been delayed 6 months to 2 years." But CATA Pres. Stephen Effros said "nobody expected" that Jackson would grant injunction, so it wasn't unexpected loss. Cable would have preferred that injunction be issued, NCTA spokeswoman said, but was "encouraged" by Court's recognition of importance of First Amendment issues.

Jackson could have thrown out entire case on ground that U.S. Appeals Court has sole jurisdiction, based on precedents that some read to indicate that only that Court can review FCC actions. "He could have taken the easy way out and no one would have been surprised," Effros said. Dismissing case would have delayed appeals process significantly because cable interests wouldn't have been able to begin appeals until FCC completed rulemakings, potentially including reconsideration. "This puts this on the fast track," Effros said. Argument that only Appeals Court could handle case was rejected in Jackson order, despite precedent in Telecommunications Research & Action Center (TRAC) vs. FCC. Govt. had claimed that Dist. Court action would foreclose FCC move, depriving Appeals Court of opportunity to review decision. But Jackson said such arguments ignored "the jurisdiction of the Court of Appeals to review the decisions of this Court." He also said Cable Act appeals differed from TRAC case because appeal was challenge to congressional legislation.

Govt. considered Jackson decision near-complete victory, FCC official said. He acknowledged that Jackson had cited significant First Amendment concerns and took jurisdiction, both of which govt. opposed, but said "it may have been a bit bittersweet, but only a bit." Schwartzman said Act backers "got a strategic leg up" because Jackson "didn't find [cable's] arguments particularly persuasive."

Cable interests failed to "demonstrate a level of irreparable harm of sufficient imminence and moment" to justify injunction, Jackson said: "The record clearly reveals that no deprivation... is presently occurring, and none is likely to occur before the merits of this controversy are decided." Cable appeals claimed that systems would retier and limit carriage of new networks in anticipation of Cable Act rules, but Jackson said "there will be time enough... when the measure of its menace can be taken to exorcise it if it truly represents the constitutional evil the plaintiffs perceive... None of these asserted injuries has or can occur until the FCC adopts implementing regulations." He said potential for present injury also is limited by standstill order in must-carry case (TVD Dec 14 p7).

Cable Act "appears to present significant First Amendment issues," Jackson said, but "acts of Congress enjoy a presumption of constitutionality." For example, he said, limits on system ownership and on programming by MSO-owned networks raise "substantial" free speech questions, but claim that Act already is limiting speech "depends on the undemonstrated hypothesis" that Act will cause cable operators to limit investment in new programming. In case of rate regulation appeal, Jackson

said that any present negative effects are result of voluntary activities by cable operators, "and are not attributable to any direct activity by the federal defendants. It is not clear that [injunction] would prevent operators from retiering anyway." On issue of notice requirements for R-rated previews, Jackson said First Amendment doesn't guarantee speaker right to force views on unwilling captive audience, and previews are "a marketing choice plaintiffs have made for themselves. The federal defendants are not driving them to it."

Schwartzman dismissed importance of Jackson findings that Act had significant First Amendment implications: "Other than ruling on the injunctions, Jackson's opinion matters, but not all that much. Ultimately, the Supreme Court will decide these issues." Jackson set oral arguments on issues for March 4, schedule that Schwartzman said would allow "a chance to complete this litigation on a more reasonable schedule" rather than "crazed pace" that would have occurred if it were necessary to appeal injunctions.

**Financials:** QVC is offering to convert warrants issued by CVN before QVC took it over for common stock in what QVC officials described as "win-win" deal. If all warrant holders (mostly MSOs that received them in exchange for carrying CVN) accept deal by deadline today (Dec. 28), QVC will issue about 5.8 million new shares of stock at conversion price of \$37.75, vs. closing price Dec. 23 of \$39.50. In addition to lower price, QVC said it would benefit by eliminating drag of warrants on stock price. Warrant holders benefit because they can acquire stock without cash outlay or market risk. Liberty Media and Time Warner immediately said they would exchange warrants for total of 3.5 million shares, although their total ownership share will still drop slightly. Other big QVC owner, Comcast, didn't immediately announce decision on warrants... Spelling Entertainment said it will redeem \$12.5 million of 12.25% debt, effective Feb. 1... Infomercial firm Regal Communications said it had \$2.7-million loss in quarter ended Sept. 30, vs. \$632,000 profit year ago, largely because of nonrecurring cost of acquiring competitor. Revenue grew to \$24.5 million from \$4.9 million... Wireless cable operator ACS Enterprises said it completed public offering of one million shares of common stock, netting \$10 million. ACS has system in Philadelphia.

Abington Twp., Mass., is seeking overbuilder of Harron Cable system that serves it and nearby Rockland, Mass., according to John Walsh, chmn. of township selectmen. Walsh said selectmen subcommittee will meet with several potential overbuilders shortly after first of year, but there's no timetable for awarding 2nd franchise. Officials are annoyed that Harron system raised price of expanded basic 15% to \$22.88 Dec. 1, highest increase in our spot check of cable rates (TVD Dec 21 p6). System Mgr. Glen Hawes said boost was justified because system converted regional sports network from pay to expanded basic and itemized franchise and copyright fees as addition to bill. Walsh told us that township officials also are angry because rate hike is "the second increase of that magnitude in a year."

Beginning next session of Congress, members of House and Senate will be able to exchange electronic mail. Pilot program has been operating for 2 months among several offices, notably House and Senate Budget Committees. But with fiber network across Capitol Hill completed week ago, planners are studying potential applications, and E-mail will be one of first. House could be on high-speed network by late Jan., and other entities by Feb., but Senate is year away from E-mail trial over fiber.

**EN BANC HEARING SOUGHT ON FINSYN:** Whether to keep finsyn rules in place is "a policy choice that belongs" to FCC and not panel of 7th U.S. Appeals Court in Chicago. That's among arguments in motion for en banc hearing before full Court filed Dec. 21 by Coalition to Preserve the Finsyn Rule and Ariz. Consumers Council. In Nov., panel of 3 judges vacated finsyn rules, which restrict TV network participation in ownership and syndication of programming (TVD Nov 9 p3). However, Court has stayed that decision for 120 days to give Commission time to react (TVD Dec 14 p10). If FCC doesn't act within that period, no finsyn rules will be in place, according to Coalition.

Appeals Court may determine that agency failed to justify its action, Coalition said: "The Court may not, however, vacate the original regulations as well as the agency's modifications when, as here, the agency has expressly held that repeal of the regulations is not warranted and the Court has acknowledged that continued [rules] can be justified. The panel's determination... that no regulation is 'preferable' to continued regulation amounts to nothing less than the substitution of its judgment for that of the agency."

Coalition said that FCC, in adopting new finsyn rules last year, rejected networks' requests for "total repeal" of restrictions and didn't "abrogate" those it first adopted in 1970. "Given the Commission's unambiguous intent, the panel could not properly bifurcate the Commission's order and vacate it," Coalition said. "In light of the FCC's... express statement that there should be continued regulation of network acquisition of financial interest and syndication rights... the panel's decision, if allowed to stand, would severely harm program producers and independent stations, thereby reducing program diversity to the detriment of the public interest."

In vacating finsyn rules, 3-judge panel held FCC to "a much higher standard" than normal, Coalition said: "Although cloaked in the language of judicial deference... the panel ignores facts found by the Commission and states as 'facts' claims made by the networks that the Commission expressly rejected... This approach to judicial review is inconsistent with established law and misapprehends the nature of informal rulemaking proceedings."

Motion for en banc hearing won't automatically trigger new round of filings with Appeals Court. That will happen only if Court asks parties to submit statements. At FCC, meanwhile, 3-commissioner majority (Barrett, Duggan, Marshall) was on fast track last week to meet Court's 120-day deadline to adopt new finsyn order. Proposal to seek new comments on what action Commission now should take was circulated to commissioners late Dec. 22 and closely followed Court's order, we're told. However, Barrett was said to want to expand on questions asked to seek comments on putting in sunset provision for finsyn rules (he had sought same thing when new rules were adopted in 1991). Commission notice now is expected to be released this week, according to several sources.

**FCC extended comment deadline for 3rd HDTV rulemaking** until Jan. 7 (replies Feb. 8) from Dec. 21 (replies Jan. 29), at request of public broadcasters. Joint request by APTS, CPB and PBS said there wasn't enough time to fully consider 3rd rulemaking because deadline for reply comments in 2nd HDTV rulemaking was Dec. 16.

**Comsat bought** one million shares of On Command Video for undisclosed amount. Comsat's stake in supplier of programming to hospitals rose to 65.7% from 50.4%.

**TIME WARNER CHANGES:** Time Warner board changes are expected to continue for months in wake of death Dec. 20 of chmn./co-CEO Steven Ross, 65, in L.A. of complications of prostate cancer. Board immediately announced that it would downsize to 12 members from 21 by mid-1993 and that co-CEO Gerald Levin, 53, would become sole CEO. Analysts also predicted that changes would include increasing TW's emphasis on developing cable systems.

Board didn't decide immediately on successor to Ross as chmn., and spokesman refused to provide likely timetable. Levin is expected to be leading candidate, but speculation also has included such outsiders as Michael Ovitz of Creative Artists Agency and former Fox Chmn. Barry Diller. Most analysts believed board changes would strengthen Levin's hand, but indicated chance of board fight remains. All but 2 inside directors -- Levin and former Time Warner Co-Chmn. Richard Munro -- will leave board as part of downsizing. Insiders planning to leave by shareholders' meeting include Bert Wasserman, who will continue as exec. vp/chief financial officer; Jason McManus, who will remain editor in chief of Publishing Div.; Allan Ecker, Deane Johnson. Three outside directors -- Vice Chmn. Martin Payson, Henley Group Chmn. Michael Dingman and Continental Companies Chmn. Benjamin Holloway -- resigned, and former Radcliffe Pres. Matina Horner said she would resign in 1993 for personal reasons. Time Warner had been studying board changes since Sept., but delayed them because Ross was too ill to have input but was expected to be available by Jan.

Ross took leave of absence from management in June at suggestion of doctors who wanted him to undergo further treatment. Despite long cancer battle, his death was unexpected. After minor operation week ago, physicians gave board letter indicating that his prognosis was good. Ross took control of merged Time Warner after he engineered 1989 deal for Time stockholders to buy Warner, which he controlled. Following year, he was subject to criticism because of his \$78.1-million pay package. Ross' estate is expected to receive payments of at least \$300 million, and possibly several hundred million more, from Time Warner stock options, Wall St. Journal reported. Ross began career managing father-in-law's funeral parlor business, parlayed that into increasingly larger company that bought Warner and other media firms in 1969.

Europe's MAC and IID-MAC systems were effectively killed off Dec. 21, in view of TV industry observers in Europe, when U.K. reaffirmed its veto of European Commission (EC) plan to subsidize analog systems. Britain refused to back compromise plan committing EC to consider report on prospects of digital HDTV and possibly review its strategy early next year. Although issue is expected to come up again in May, observers believe digital technology will have gained enough adherents by then to give analog system little chance of gaining British vote. Engineers from Britain's Independent TV Commission are expected to demonstrate digital terrestrial TV system soon. BBC already has demonstrated digital HDTV system.

**Dominican Republic** cable operator agreed to stop retransmitting pirated U.S. cable networks under agreement with MPAA. MPAA said Telecable Nacional accord will provide operator with legal source of programming and is "important step" toward legalizing Dominican cable industry, which MPAA said has been "100% pirate" for 10 years. Agreement calls for Telecable to make substantial refundable deposits, plus nonrefundable payments, MPAA said, and Dominican govt. agreed to pass legislation regulating cable industry.

**FCC TRANSITION TEAM REPORTS:** Clinton-Gore FCC transition team filed its report to higher-ups on schedule Dec. 21, concentrating on agency's operations, analysis and recommendations on what team perceived as structural problems. Following instructions, team, headed by Washington attorney Ronald Plessner of Piper & Marbury, didn't discuss policy issues or make any recommendations in that area.

President-elect Clinton was expected to fill his final Cabinet posts on Christmas Eve, leaving retiring Sen. Wirth (D-Colo.) off list. Wirth had been considered for either Secy. of Energy or Interior. Senate Commerce Committee has set Jan. 6 for confirmation hearing on Commerce Secy. nominee Ron Brown, currently chmn. of Democratic National Committee.

It's known that Senate Republicans opposed Wirth appointment to Cabinet post and filibuster had been discussed privately if that had happened. There's also been speculation that Vice President-elect Gore is unhappy that Wirth opposed passage of Cable Act, a bill Gore strongly supported and returned from campaign trail in Oct. to vote for override of President's veto. However, at news conference in Washington last week, both Clinton and Gore "went out of their way" to defend Wirth, according to Washington Post. Clinton said he that wanted to find spot for Wirth in new Administration and that he had "had a long talk" with senator. President-elect called reports that he was worried about confirmation fight over Wirth appointment "a bunch of bull."

With top Cabinet spots filled, Clinton people now are expected to turn their attention to sub-Cabinet and agency appointments. Currently in charge of process is ex-S.C. Gov. Richard Riley (TVD Nov 23 p3), who also has been nominated to be Secy. of Education and is expected to leave personnel function. Two upcoming vacancies at FCC -- to replace Chmn. Sikes, whose resignation as commissioner is effective Jan. 19, and Comr. Marshall, whose term expired last June 30 and who wasn't reappointed by President Bush -- are expected to be among first filled, Democratic sources tell us. That's because of heavy load facing Commission under Cable Act, with Congress establishing deadlines for FCC to adopt numerous new rules (TVD Oct 19 p2).

FCC transition team reportedly was surprised to learn that Office of Managing Dir. now is allocated about 20% of agency's budget, 3rd behind Common Carrier and Mass Media Bureaus. It also was concerned that Commission is out of mainstream in administrative practices, given delays in issuing orders. Other factors that reportedly attracted team's attention included relationships among chairman, commissioners and bureau staffs, frequency of agenda meetings and use of circulation voting. Team decided such problems were based more on personalities of officials involved, and that relationships could be changed without structural alterations. Transition group also considered issues such as establishment of consumer counsel and downgrading of international communications office. It conducted 2-hour meeting with about 50 representatives of business and labor organizations Dec. 18, which had been preceded by sessions with FCC commissioners and top agency officials, public interest groups, attorneys and others, before filing its report.

Radio's longest-running program, The Grand Ole Opry, will be inducted into NAB's Bestg. Hall of Fame during April 18-22 convention in Las Vegas. Program began in Nov. 1925 as WSM Barn Dance and has run continuously since.

**TELEVISA BUYS PANAMSAT:** Mexico's Televisa will buy 50% of PanAmSat for \$200 million. PanAmSat officials said deal, along with internal cash flow, will assure adequate financing to continue growth from single satellite to 4-satellite system, which will be mainly used to relay TV. FCC approval would allow PanAmSat to pay Hughes to restart construction of 3rd satellite, which was halted during summer, and begin construction of 4th, Pres. Fred Landman said.

Chmn. Rene Anselmo will continue to own 50% of PanAmSat and his PanAmSat Inc. managing firm will have sole responsibility for operation. Ownership of main satellite and other assets will be divided equally between Anselmo and Televisa, but he will retain full ownership of management firm.

Deal renews Anselmo's partnership with Televisa owner, Mexican media billionaire Emilio Azcarraga. Televisa and Anselmo were partners in Spanish International Network (SIN) and stations that were sold to Hallmark in 1986, providing seed money for Anselmo's PanAmSat venture (Televisa owned majority of SIN). Televisa is Mexico's largest media company. Its holdings include stake in Univision network in U.S.

Forcing cable operators to carry indecent programs, as suggested by access channel programmers, would "seriously infringe freedom of speech" of operators, NCTA said in reply comments on FCC's cable indecency rulemaking. Assn. said access programmers "are quite sensitive to the First Amendment implications of governmental efforts to restrict indecent programming... but are wholly oblivious to the First Amendment implications of forcing cable operators to carry such programming." NCTA said courts have struck down regulation of indecent cable programming, but also have rejected mandatory access requirements: "If it is impermissible to expropriate channels for access use, it is even worse to require that cable operators bear the burden of creating a separate channel for indecent programming and of implementing some method of restricting access."

USA Video, whose patented store-and-forward technology will be used in video dial tone venture set to launch next year, plans to announce participating programmers next week, Pres. Gordon Lee told us. Beverly Hills-based company, which last week announced joint venture with Digital Equipment, hopes to offer 100 titles in first deployment in Aug., Lee said. Company is hoping lineup will include top 40 movies, 20 movie classics and 40 other programs, Lee said. USA has acquired some titles for first test involving 100 telephone lines in Dallas, he said. Fifty titles are to be added monthly in first year of operation, he said. Besides entertainment programs, USA plans to offer home shopping, video games, financial services. Details of launch haven't been disclosed, although USA said it would involve both fiber and coaxial.

Effort is under way, encouraged by outside lobbying (particularly Walt Disney Co. and CBS) to have ready for FCC Jan. 14 meeting proposal to revise or repeal prime-time access rule (PTAR). However, sources in Commission said that's unlikely to happen, with at least one commissioner ready to pull item from agenda if Chmn. Sikes wants to bring up contentious issue again. Last time that happened, Comr. Quello pulled item before sunshine agenda was announced, with memo stating: "I don't believe we should propose a major, controversial [and] divisive item at this time" with presidential race under way (TVD Aug 24 p7). Quello said it's somebody else's turn this time.

## Personals

**Jonathan Klein** appointed pres., Group W TV, effective Jan. 1, succeeding **Bill Korn**, named pres., Westinghouse Bestg... **Howard Wall**, pres. Post-Newsweek Cable, named chmn.-CEO, moves to U.K. to manage company's operations there; he's succeeded by **Thomas Might**, vp-advertising/mktg., Washington Post... **David Fellows** named senior vp-engineering and technology, Continental Cablevision, succeeded as pres. of Scientific-Atlanta's Transmission Systems Business Div. by **Robert McIntyre**, pres., Headend Systems Div... **Patricia Armstrong**, ATC, moves to Time Warner Cable as vp-finance... **John Dreyer** advanced to vp-corporate communications, Walt Disney Co.; **Mark Workman** promoted to vp-mktg., Disney's Buena Vista TV.

**John Orlando**, chief of staff, House Commerce Committee, joins Washington consulting firm Timmons & Co., replaced by **Alan Roth**, chief counsel; **Dennis Fitzgibbons**, communications dir., adds duties of deputy staff dir... **Bill Coveny**, dir.-current programs, CBS, joins Fox Bestg. Jan. 4 as vp-current programming; **Sandi Black** promoted to mgr.-drama development... Changes at WMFE-TV-FM Orlando: **Ben Hardcastle**, vp-TV programming and operations, becomes vp-TV development; **Barbara Gibson** advanced to dir.-mktg. and community relations; **JaWanda Thacker** promoted to community relations mgr.

**Craig Fields**, chmn.-CEO, Microelectronics & Computer Technology Corp. and developer of multimedia project "First Cities," will be keynote speaker at NAB engineering conference April 21 in Las Vegas... **Ronald Daugherty**, ex-gen. ingr., KAWE Bemidji/KAWB Brainerd, Minn., joins WQLN-TV-FM Erie as vp-COO... **David Levy** promoted to vp-finance and administration, WTTG Washington... **Louis Wall**, ex-gen. ingr., WBTW Florence, S.C., appointed to same post at WJBF Augusta, Ga.; **James Caruthers** succeeds Wall at WBTW.

**Archie Purvis**, pres., ABC Distribution, has been made pres. of Cap/ABC Video Productions, and **Joseph Abrams**, senior vp-ABC Distribution, appointed pres. of new Distribution Co.; **Jerry Hellard** promoted to vp-PR, West Coast, ABC TV Network, succeeding **Robert Wright**, retired.

King World board approved repurchase of up to 2 million shares of company's common stock and already has acquired more than one million (at \$32.50 each) from 3 top executives -- Chmn. Roger King, Pres.-CEO Michael King, COO Stephen Palley. Company said options were purchased in anticipation of new law expected to be passed under Clinton Administration to limit such transactions. After sale, Roger King continues to hold 2.5 million King World shares and options, Michael King 2.7 million, Palley 48,000.

CPB commissioned consultant Paul Bortz to examine implications of digital audio broadcasting (DAB) on public radio, with particular emphasis on programming. Advisory panel for project, to be coordinated by CPB's Edward Colton, includes Apple Advanced Technology Group's David Nagel, Colo. Public Radio's Max Wycisk, KUOW-FM Seattle's Wayne Roth, Minn. Public Radio's Bill Kling, NPR's Douglas Bennett, Station Resource Group's (SRG) Tom Thomas.

**Cap/ABC** is selling WPRO-AM-FM Providence to Tele-Media Corp., price not announced. Tele-Media owns 9 radio stations, including WLKW(AM)/WWL(FM) Providence, and owns or manages cable systems in 17 states.

**Eight public broadcasters** made Chronicle of Philanthropy 2nd annual list of largest U.S. nonprofits in terms of private support, down from 9 last year. PBS, omitted from last year's list because of unavailability of unspecified information, topped public broadcasters this year with \$180 million in private support -- 14th on overall list. NPR and WHYY-TV-FM Philadelphia, numbers 243 and 324, respectively, last year, didn't make cut this time. Other public broadcasters on 1992 list: WNET N.Y.-Newark, \$73.37 million (ranked 60), down from \$84.71 million (48) last year; WETA-TV-FM Washington, \$27.97 million (193), down from \$27.6 million (187); WGBH-TV-FM Boston, \$26.49 million (203), down from \$54.3 million (81); KCET L.A., \$25.34 million (217), down from \$25.87 million (205); WTTW Chicago, \$21.45 million (251), down from \$30.1 million (172); KQED-TV-FM San Francisco, \$20.26 million (260), up from \$18.9 million (283). Others on list include Christian Bestg. Network, \$97.33 million (44); Trinity Bestg., \$54.01 million (97).

**Municipalities can't force** building owners to give franchised cable operators access to property without going through eminent domain proceeding, Va. state court ruled in what's believed to be first case of its type involving wireless cable. City of Charlottesville, Va., passed ordinance requiring multiunit buildings to provide access to Adelphia system, but owner of building using Quality Cable refused to comply. Adelphia filed suit claiming that Quality's exclusive right to serve buildings violated city ordinance. Va. Circuit Court Judge Jay Swett said city can't use ordinance to require access, and only eminent domain proceeding "would protect and preserve the rights of all of the parties." Adelphia is expected to appeal to state Supreme Court.

**Digital Equipment Corp.** (DEC) will provide hardware for USA Video video-on-demand test on Rochester (N.Y.) Telephone system and for future nationwide rollout, companies announced. Spokesman said USA Video expects to name other partners for nationwide rollout of video-on-demand system in first week of Jan. Rochester system is to be deployed in 1993 3rd quarter, with large-scale rollout in 2nd quarter 1994. DEC equipment, valued at \$3 million for Rochester, will store video programming and distribute it via Rochester Telephone system on consumer demand. USA Video is providing software for use with DEC hardware.

## OBITUARY

**Rosel H. Hyde**, 92, FCC commissioner April 1946-Oct. 1969 who served 2 Presidents as chmn., died Dec. 19 in Bethesda, Md., nursing home. He had suffered stroke several weeks ago. Hyde spent entire career in govt., joining Civil Service Commission in 1924. After obtaining law degree from George Washington U. in 1928, he switched to Federal Radio Commission (which became FCC in 1934), where he held various positions, including gen. counsel. He was first appointed commissioner in 1946 by President Truman, reappointed by Truman and Presidents Eisenhower and Johnson and served at Commission under 5 Presidents. He was chmn. under Eisenhower and Johnson and is only chmn. ever named to post by President of opposite party (Johnson was Democrat, Hyde Republican). Hyde served many times as chmn. of U.S. delegation to international conferences and was member of U.S. Administrative Conference 1968-1969. Leaving Commission, he became partner in Washington law firm Wilkinson, Cragin & Barker (now Wilkinson, Barker, Knauer & Quinn), from which he retired in 1990. He was awarded IRTS Gold Medal in 1965, NAB Distinguished Service Award in 1970. Wife, 3 sons, daughter survive.

# Consumer Electronics

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

## STATE OF THE INDUSTRY

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

	DEC. 5-11	1991 WEEK	% CHANGE	NOV. 28- DEC. 4	49 WEEKS 1992	49 WEEKS 1991	% CHANGE
TOTAL COLOR.....	478,375*	383,493	+24.7	467,367	21,044,335*	19,089,721	+10.2
DIRECT-VIEW...	466,172*	377,305	+23.6	457,912	20,668,652*	18,742,659	+10.3
TV ONLY.....	447,171*	368,131	+21.5	436,530	19,794,658	18,131,361	+ 9.2
TV/VCR COMBO.	19,001*	9,174	+107.1	21,382*	873,994**	611,298	+43.0
PROJECTION....	12,203*	6,188	+97.2	9,455	375,683*	347,062	+ 8.2
VCR DECKS.....	258,911	187,590	+38.0	229,522	11,640,461*	9,924,079	+17.3
CAMCORDERS.....	59,412*	46,759	+27.1	49,592	2,662,086	2,665,017	- 0.1
LASERDISC PLYRS#	3,400	7,409	-54.1	6,587	198,429	178,364	+11.2

Direct-view TV 5-week average: 1992--586,586\*; 1991--483,081 (up 21.4%).

VCR deck 5-week average: 1992--311,905; 1991--269,788 (up 15.6%).

Camcorder 5-week average: 1992--78,167; 1991--68,427 (up 14.2%).

\* Record for period. \*\* All-time record. #Includes combi players, excludes karaoke types.

**TCE TO GET \$200-MILLION INFUSION FROM GE:** Profit-hungry Thomson Consumer Electronics (TCE) will receive \$200 million from GE this week in exchange for stretchout of GE ownership of former RCA consumer electronics patents that are destined to go to TCE eventually.

Details are sketchy -- as they always have been in area of RCA patents -- but spokesman for TCE at its Paris hq confirmed that \$200 million is scheduled to be paid to TCE at end of 1992 as result of arrangement quietly negotiated last May. At the time, deal received some notice in French press after negotiations between GE and TCE's parent, French govt.-owned Thomson S.A., came to light.

When GE sold RCA and GE consumer electronics operations to Thomson in 1987, one of terms was formation of new company by GE and Thomson to fund consumer electronics research and own and license consumer electronics patents, majority to be owned by GE at outset, with Thomson gradually increasing ownership. That period was said to be 8 or 10 years, but never was disclosed officially -- announcement then said only that "progressively, majority ownership will shift to Thomson" (TVD July 27/87). Patents have been extremely lucrative, first to RCA, then to GE, reportedly bringing in as much as \$200 million annually, virtually all of it going to bottom line.

Some unofficial sources have indicated that patents still are 100% owned by GE and that payment is for stretchout that will extend GE's complete ownership through 1994. One source said there are constant talks and negotiations among TCE, GE and Sarnoff Research Center as to which owns what and which owes how much to whom, and that current stretchout isn't first. Details of arrangements so far have been kept highly secret. Patent holding company controlled by GE is believed currently to be called RCA Licensing Corp., with hq at 1 Independence Way, Princeton, N.J. It has unlisted phone number.

Thomson's business affairs, as govt.-owned company, have been political hot potato in France. TCE, its consumer electronics subsidiary, has suffered from recession and has had to write off large amounts in 1990 and 1991 (TVD Oct 6 p11). French govt. in late 1991 sought to merge TCE with profitable atomic energy company it owned (CEA), but plan was dropped after charges govt. was letting TCE "plunder" CEA's substantial cash reserves (TVD Sept 14 p13).

In related move, source close to scene told us GE's recent sale of its Aerospace Div. to Martin Marietta for \$3 billion (TVD Nov 30 p5) carried with it some RCA broadcast equipment patents, particularly in area of

magnetic recording. None of information in this report could be verified with GE last week because of Christmas week vacations.

**Note:** Thomson, which has debt of some \$1.85 billion, will get another cash infusion with sale of its profitable white goods subsidiary, Thomson Electromenager (TEM), to consortium headed by Italy's Elfi for undisclosed amount. TEM's sales last year were more than \$1.1 billion. Thomson's principal European competitor, Philips, sold its white goods operation to Whirlpool last year (TVD Aug 5/91 p16).

**9-MONTH 30"-&-UP TUBE TV SALES JUMP 52%:** Year's first 9 months saw continued trend toward larger direct-view screen sizes. Sales to dealers of sets with tubes 30" and larger totaled 493,000, up 52.2% from same 1991 period. Included were 150,000 sets with 35" tubes, representing more than 30% of 30"-and-over category and 1% of total direct-view color TV sales.

There's some evidence that giant-tube direct-view TV may be eating into projection TV sales, particularly in sizes below 50". Although projection TV sales are certain to set record this year, they haven't kept up with pace of total color sales in terms of increases over last year. While all color TV sales were 8.6% ahead of last year in year's first 9 months, projection TV's increase was just 7.2%. And all of that was in largest sizes, 50"-and-over systems increasing 19.4%, while smallest category (44" and lower) declined 15.8%.

In portables and table models, all size categories registered increases over same 1991 period, while consoles dropped 11.8% to total only 6.3% of TV sales, lowest in history. In consoles, only category to gain was 30" and over. In total portable plus table model sales, 25" size continued years-long comeback, rising 18.7% (with 25" table models up big 33.1%). Conversely, 26" continued to sink, dropping 5.8%, while 27-29" total gained 10.4%.

Entire 25"-and-up bracket increased 14.6%, now representing 34% of direct-view TV-only sets (excluding combos) and 35.2% of sets including projection. Sales of those "big-screen" sets, 25" and up, including projection, exceeded 5 million for first time in year's first 3 quarters. Total sales of direct-view and projection sets 27" and larger fell just a shade short of 3 million -- 17.5% of total TV sales.

All screen sizes below 25" have lost share of color TV market since Jan.-Sept. 1991 (although all showed numerical increases), while all other direct-view categories (except 26") gained. Direct-view size categories in order of popularity: 20", 19", 13-14", 25", 27-29", 26", 30" and above, 9-10", 8" and smaller. Based largely on EIA figures as made available by unofficial sources, here's summary of sales to dealers by screen size and other categories for Jan.-Sept. 1992 and 1991 (figures rounded to nearest 1,000):

COLOR TV PRODUCT MIX, SALES TO DEALERS  
First 9 Months, 1992 vs. 1991

	1992 Sales	1991 Sales	% Change	1992* % Share	1991* % Share
<b>Portable-Table Models</b>	<b>13,568,000</b>	<b>12,384,000</b>	<b>+ 9.6</b>	<b>89.7</b>	<b>88.9</b>
8" and under....	134,000	124,000	+ 8.1	0.8	0.9
9-10".....	241,000	227,000	+ 6.2	1.6	1.6
13-14".....	2,741,000	2,662,000	+ 3.0	18.1	19.1
19".....	2,916,000	2,750,000	+ 6.0	19.3	19.7
20".....	3,552,000	3,391,000	+ 4.7	23.5	24.3
25".....	1,656,000	1,244,000	+33.1	10.9	8.9
26".....	492,000	469,000	+ 4.9	3.3	3.4
27-29".....	1,447,000	1,268,000	+14.1	9.6	9.1
30" and over....	390,000	249,000	+56.6	2.6	1.8
[35" and over]....	101,000	NA	NA	0.7	—
<b>Consoles.....</b>	<b>952,000</b>	<b>1,079,000</b>	<b>-11.8</b>	<b>6.3</b>	<b>7.7</b>
25" & under....	386,000	477,000	-19.1	2.6	3.4
26".....	79,000	137,000	-42.3	0.5	1.0
27-29".....	384,000	390,000	-1.5	2.5	2.8
30" and over....	103,000	75,000	+37.3	0.7	0.5
[35" and over]....	49,000	NA	NA	0.3	—
<b>Total TV-Only.....</b>	<b>14,520,000</b>	<b>13,463,000</b>	<b>+7.9</b>	<b>96.0</b>	<b>96.6</b>
<b>TV/VCR Combinations.</b>	<b>611,000</b>	<b>468,000</b>	<b>+30.6</b>	<b>4.0</b>	<b>3.4</b>

	1992 Sales	1991 Sales	% Change	1992* % Share	1991* % Share
<b>TOTAL DIRECT-VIEW...</b>	<b>15,131,000</b>	<b>13,931,000</b>	<b>+ 8.6</b>	<b>100.0</b>	<b>100.0</b>
Projection .....	266,000	248,000	+ 7.2	1.7**	1.7**
44" and under...	32,000	38,000	-15.8	12.0#	15.3#
45-49".....	124,000	117,000	+ 6.0	46.6#	47.3#
50" and over....	111,000	93,000	+19.4	41.7#	37.4#
[50-54".....	96,000	NA	--	36.1	--]
[55" and over...	15,000	NA	--	5.6	--]
<b>GRAND TOTAL.....</b>	<b>15,397,000</b>	<b>14,179,000</b>	<b>+ 8.6</b>	<b>100.0</b>	<b>100.0</b>

\* Excluding projection except where noted.

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

# Percentage of projection TV only.

Bracketed figures are breakdowns of line above and aren't included in totals.  
Totals may not add due to rounding.

**ZENITH-GOLDSTAR HOME DIGITAL HD-VCR:** Digital high-definition VCR for home use, based on VHS and compatible with existing NTSC system, has been developed jointly by Zenith and Korea's GoldStar. Joint announcement said developers expect that VCR could be sold in U.S. for about \$1,000, beginning in 1996. It will be able to record and play back standard NTSC tapes, like any U.S.-standard VHS machine.

Early in 1991, when GoldStar acquired about 5% of Zenith's stock for \$15 million, companies announced technical cooperation agreement and Zenith disclosed that GoldStar already was "providing engineering services... on specific product applications, such as high-definition VCRs" (TVD March 4/91 p9). Fruit of their labors is HD-VCR operating on principle entirely different from that of elaborate and costly Japanese high-definition video recorders currently available.

Secret is that Zenith-GoldStar machine, designed for Zenith-AT&T Digital Spectrum Compatible high-definition system (DSC-HDTV), takes actual compressed digital signal (including digital sound) just as it's broadcast and stores it without decompressing or processing it, leaving that to TV set through which it's played back. It's designed to record that signal on standard Super-VHS tape, providing 2 hours' recording and playback on conventional ST-120 cassette. Machine also will work like conventional VCR in recording and playing back NTSC signal on standard VHS tape.

Prototype machine is built around "off-the-shelf" S-VHS head technology, said Zenith Advanced TV Systems R&D Vp Wayne Luplow, making it very cost-effective. Economy is achieved by letting circuitry in HDTV set -- not in VCR -- expand and process signal, including detection and correction of errors in tape playback as well as signals received over air. Because signal already has been compressed to fit into standard 6 MHz TV channel, it doesn't require wideband recorder or recompression to accommodate it. And instead of functioning as complete TV set minus picture tube and speakers (as today's VCRs do), HD-VCR merely would serve as sort of storage container for raw broadcast (or cable) signal until viewing is desired, when TV would treat it same as simultaneous TV broadcast. That also would simplify process of recording one program while watching another, developers said.

Extra added attraction of HD-VCR is that it treats scrambled programs exactly same as it does other signals -- recording them in encrypted form, without decoding -- and letting HDTV receiver decode programs. "This kind of signal security will finally give Hollywood an incentive to release programming for pay TV and home video simultaneously," Luplow said. It also will make it possible to record one scrambled program while watching another without requiring 2nd decoder box -- because decoder is used only when program is viewed. It could lead to ultra-secure scrambling for rented video programs, said Zenith official, who described system as "the ultimate Macrovision."

Because system is backwards-compatible with standard VHS, consumers could buy machine with knowledge they still can play old NTSC tapes and non-HDTV rental tapes, Luplow said. With complete signal stored in compressed form just as received, audio still will be in digital format when fed to TV set. However, insofar as machine's capability as digital audio recorder is concerned, it would pose no problem under new royalty law, which is applicable only to products "designed or marketed for the primary purpose of

digital audio recording" (emphasis ours). (Japanese already have begun proceedings on implications of digital video recording to software industry in effort to get head start on what promises to be far more complicated issue.)

GoldStar has invested more than \$5 million in 18-month program to develop HD-VCR, said Chai-Woo Lee, managing dir. of company's Image & Media Lab in Seoul. Some 30 GoldStar engineers in Korea and U.S. have been working on project, he said. Asked how much it has cost Zenith, spokesman said it was byproduct of same work required to develop DSC-HDTV system, on which Zenith has spent about \$15 million.

Will system have value if Zenith-AT&T system isn't chosen as HDTV standard? Although Zenith engineers stressed that "the prototype was developed specifically for our system and is supportive to our overall effort," other engineers said same principle probably could be applied to any compressed or encoded signal.

**CD-I CHANGER IN 2ND HALF?:** Asserting that sales of CD-I players "have increased phenomenally well" with aid of 4th-quarter advertising blitz, Philips Interactive Media Systems (PIMS) Mktg. Vp Paul Fredrickson said CD-I changer "is still something we're looking at for the 2nd half of 1993." He also held out hope that at least one other CE manufacturer would announce entry into consumer CD-I hardware market by end of year.

As has been Philips' policy, Fredrickson declined to disclose sales figures, although he said they have "exceeded CD numbers" -- better than rampup in first year of audio CD player sales when that format was introduced. He said CD-I has "a presence in the U.S. that is getting stronger all the time."

Company is about to start shipping cosmetically different CD-I player as replacement for current CDI-910. New player, version that was launched in Europe, is identical functionally to current model, but is based on single-board construction, which Fredrickson said makes it easier to manufacture. Externally, major difference is that new player has shorter front-to-back depth, more on order of other audio components; current player's depth is more akin to that of laserdisc player. Price for new player remains same as old one -- \$699 suggested retail, \$599 effective street price. Saying product "is selling through very well now," Fredrickson said he doesn't foresee any price cuts in near future.

CD-I changer, when it comes, probably would be first consumer unit to have built-in full-motion video (FMV) chip, Fredrickson said. He declined to comment as to when FMV add-on cartridge, whose delivery schedule has slipped several times, would be available at retail. Philips earlier acknowledged delay, saying only that cartridge availability would "coincide closely with retail shipments of the first FMV titles in 1993."

Fredrickson referred to FMV as "an important addition. Where it will be most meaningful and relevant will be in creation of new programming that's interactive. From that perspective, it will be an interesting tool." As for linear programming such as theatrical movies, Fredrickson said "whether that's a market that could drive CD-I is hard to say," noting that "there's already a good delivery system called the VCR." Key question about FMV programming, he said: "What can I do that's different?"

Philips will consolidate European advertising accounts and will hear agency presentations next month for estimated \$60 million in billings, Advertising Age reported.

**WIDESCREEN TV AT CES:** One of major attractions on show floor and in hotel exhibits at Winter Consumer Electronics Show (CES) Jan. 7-10 in Las Vegas will be widescreen 16:9-ratio TVs. Four companies already have announced plans to field models in 1993, and they will be showing prototypes or production models.

**Thomson Consumer Electronics (TCE)**, which already has shown its CinemaScreen RCA and ProScan versions with 34W" tube and detailed marketing plans (TVD Dec 21 p10), will gear major exhibit and press event to new form factor.

**Panasonic**, which has announced and demonstrated CinemaVision projection TVs with 50W" and 58W" screens (TVD Nov 16 p11), will give them first general exposure at CES. They're scheduled for delivery in April and Sept.

**Philips** will show direct-view 34W" model in hotel suite and announce plans for sale. Set will be made in Greeneville, N.C. using imported tube. Philips showed widescreen projection mockup at Summer CES in Chicago.

**Sharp**, which plans to make widescreen direct-view sets at its Memphis plant starting in mid-Sept. (TVD Dec 7 p15), will display 30W" and 34W" sets and announce more details. At our deadline, spokeswoman said it hadn't been decided which size would be produced here.

**Toshiba**, which has said repeatedly that it has no plans to introduce 16:9 sets next year (TVD Nov 30 p14, Nov 9 p11), nonetheless will demonstrate its capability with direct-view 34W" prototype in suite at Bally's Hotel.

There certainly will be others, and there could be more announcements of plans for widescreen TV sets, VCRs, camcorders.

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**Matsushita will build VCR mechanisms, including head drums, in China joint venture.** Spokesman, confirming published report, said Chinese govt. requested participation. Reports said factory in Dalian, now under construction, will supply 1.5 million units annually to 11 VCR assembly plants starting next fall, but spokesman told us production plans hadn't been finalized.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 124 yen = \$1, except where noted.

**ZENITH SEES HIGH 1993 SALES:** New unit sales records in all major video products -- direct-view, projection TV, VCRs and camcorders -- are in store for 1993, although tough price competition is almost certain to continue. So said Zenith Sales Pres. Gerald McCarthy last week in year-end interview. Major profit squeeze could be caused by industry cave-in on pricing of closed-caption TVs, which McCarthy said Zenith has been successful at selling at \$20 premium this year.

"This year is going to finish strong," according to indications from retail customers, McCarthy said, pointing out that sales in most products will exceed forecasts Zenith made last year, which were more bullish than those of rest of industry. For 1993, Zenith sees sales of 23,150,000 direct-view color sets, up from about 21.5 million this year, with projection TV rising modestly to just over 400,000 from 397,000 this year. VCR decks should set new record of 13.6-13.7 million, he said, topping this year's record 12.8-12.9 million.

McCarthy saw camcorder "rebound" in 1993, setting new record of 3 million. Noting shortage of full-size units this year, he said they will regain some share of market in 1993, while major focus continues to be on compacts. Zenith will continue to push only in VHS-C, which "has had a nice resurgence, as result of retailers' looking for profit opportunity" in market glutted with 8mm inventory. "Until we see an opportunity to participate on an economically sound basis, we won't return to 8mm," he said.

Industry conception that increase of large-screen sets in color mix has offset price decline is erroneous, McCarthy said, because "the large-screen business has masked what's going on in the majority of the color business -- price slippage in 27-inch and under. Dollar increases in [greater] large-screen business didn't necessarily offset declines in small-screen prices, and overall price erosion resulted" in color. Industry financial results were "quite disappointing," he said, and "there may not be any color TV manufacturers in the U.S. that realized a profit in 1992."

There will be continued shakeout of retailers in 1993 as major players expand into new markets, along with increase in mass merchants' share of color market, McCarthy said. He said Zenith conducted product and marketing tests with mass merchandisers in 1992 and company will go where customers go. "Our job as marketers is to get our products in front of consumers. If they change shopping patterns, it's incumbent on us to get that product displayed where they buy."

McCarthy deplored some manufacturers' apparent plans to offer closed-captioning sets without price increment. Long-time proponent of captioning, Zenith for more than year has been selling group of sets with closed-captioning for \$20 more than identical models without it. "We have demonstrated in 1992 that there is truly a business [in closed captioning] and that consumers are willing to pay a premium for a benefit perceived to have real value," McCarthy said, noting that "significant base" of consumers in addition to hearing-impaired community found captions helpful -- for learning English, helping children to read, watching silent TV in bedroom, etc. "The industry has avoided an opportunity to recover its investment in bringing this benefit to the public" in what amounts virtually to "self-fulfilling prophecy," he said, terming pessimism over ability to charge extra for captions "a real indictment" of industry.

Asked about 16:9 widescreen sets, he said Zenith had no plans to offer them before HDTV is available in order to

avoid consumer confusion between widescreen NTSC and true widescreen HDTV.

**Public unveiling of 3DO multimedia system**, scheduled for news conference on opening day of Winter Consumer Electronics Show (CES) (Jan. 7), is being heralded by spate of articles in general business press suddenly "discovering" that Matsushita is major participant, along with Time Warner and project spearhead Electronic Arts (EA). In fact, those companies' participation has been visible in public documents for some time. For example, EA quarterly 10Q filings in current fiscal year have specified major partners in 3DO (formerly SMSG), including Matsushita. As has been reported, 3DO is seeking to establish home entertainment system that encompasses traditional videogames, interactive entertainment (including, conceivably, via cable), delivery system for theatrical motion pictures, other functions. CD system will have capability of running at double standard speed used for audio CD. Software executives who attended developers' conference last month said company expects first units to retail for at least \$700. 3DO itself will act as technology provider, licensing software developers to create programming, inviting hardware manufacturers to make machines. Matsushita is expected to show some version of 3DO unit at Panasonic booth at CES; 3DO also will have its own CES exhibit.

**War of words** between Go-Video and prospective dual-deck VCR rival Vista International (TVD Dec 21 p11) escalated last week. In letter faxed to customers and media, Go-Video Pres.-CEO Robert Palko said Vista Pres. Steven Abboud, then Go-Video shareholder, had approached Go-Video last year with proposal for Taiwanese "to produce a knock-off of our then-current dual-deck VCR to bring to the U.S. mass markets at a lower cost and retail." He said Go-Video declined since it was developing more advanced electronics, didn't know proposed manufacturer and expected to hit \$499 price point in new 3000 series (which it disclosed last week in response to Vista's announcement that it would enter dual-deck market). Letter said Vista's challenge "simply gives further verification that dual-deck VCRs are the product of the future in the video business," and restated Go-Video's intention to be market leader. Vista issued release saying its Dec. 17 news release "flooded Vista International's office with eager Go-Video customers inquisitive about" Vista's VCR-deck. Four-sentence statement quoted Abboud as saying: "We will not be undersold! There is no company on the planet that can touch our price/one-year warranty combination."

**Sound Advice**, which earlier released delayed report on fiscal 1992 and restated report for prior 4 years (TVD Dec 21 p16), reported 66.1% increase in recurring earnings to \$373,000 in first quarter ended Sept. 30 as sales rose 19.3% to \$37.8 million. Comparison doesn't include credit from change in accounting principles that added \$442,000 to bottom line in first quarter of last fiscal year. Results of last year's first quarter were restated following internal investigation. Comparable sales for quarter rose 5.7%. Company said total and comparable-store sales increases would have been higher without effect of Hurricane Andrew, which closed one store for more than month and others for several days. Storm's impact on profit is expected to be negated by business interruption insurance; company recognized \$450,000 insurance claim as "other income" for quarter.

**Laserdisc technology seminar**, sponsored by Optical Disc Corp., is scheduled Feb. 17-19 in La Mirada, Cal. -- Vanessa Strode, ODC, 800-350-3500.

**OLDSTAR CAPTION TVs:** GoldStar will preview designed line of 10 color TVs, as well as 2 new TV/VCR combinations, all with closed-caption decoding, at Consumer Electronics Show exhibit in Las Vegas next week. TV Mktg. gr. Phil Petescia said last week that captioned TVs probably wouldn't be priced before 2nd quarter, when they're scheduled to be shipped.

Company said it redesigned and reengineered entire TV line with new chassis and changed cabinets as well for "softer, more aerodynamic look." In addition to adding action chip, company said it has improved picture performance with new chassis. New TV line, all with remote control: Two 13" and two 19", two 20" and two 25" stereo Vs, 27" stereo TV with surround sound and 31" model with IP. All stereo TVs use dbx noise reduction, Petescia said.

**New TV/VCR combos:** 13" with 2-head VCR, one-year 8-event recording, on-screen display, sleep timer, \$550; 19" with same features, \$600. Five new VCRs include GoldStar's first VCR Plus models, 4-head mono model with on-screen display, index search, one-year 8-event timer and unified remote at \$350; stereo hi-fi model with dbx is \$430. Two-head center-load models are \$280, and, with addition of bilingual programming and auto head cleaning, \$290. Four-head model with digital auto-tracking is \$310.

**Recoton** will show 3rd-generation wireless video system combined with remote control extender, with range of 150 ft. or more at \$150 (video system alone \$100, remote extender \$65), new wireless speaker systems at \$150 and \$250, two wireless stereo headphone systems at \$130, new universal remote at \$20, shielded amplified computer speakers at \$45 per pair.

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**British press was filled with reports on Christmas Eve** that govt.'s Office of Fair Trading (OFT) is conducting "informal investigation" into consumer groups' allegations that Sega and Nintendo are charging excessive prices for videogames. OFT spokesman is quoted by London Evening Standard as saying it's "looking into [the charges] to see if it is necessary to recommend a full investigation." If abuse is found, issue could be referred to Monopolies & Mergers Commission, which could order price cap. Prices quoted in newspaper are around \$150 for handheld games, \$260 for game consoles and as much as \$90 for cartridges. Article cited fact that some game buffs "get friends in America to send them the latest games, which in N.Y. are less than half the price" demanded in U.K.

**Gemini said Recoton** had "no reason" to file lawsuits charging design patent infringement and unfair competition on Gemini's amplified TV antenna (TVD Dec 21 p18) and its cassette head cleaner. As for antenna, Gemini said its version has "unique design" and "cylindrical disk enclosures for antennas of the type here in question were well known in the art prior to the introduction of either of Recoton's or Gemini's products." Gemini also said it earlier had discontinued marketing head cleaner challenged by Recoton and its new head cleaner "does not infringe any" Recoton patents.

**Alpine will produce** low-end car audio products in China starting next year, in project with unidentified Chinese maker of TV tuners, Nikkei Sangyo reported. Alpine-brand products made in factory will be exported to Japan, N. America and Europe starting in April at monthly rate of 5,000-10,000, report said. Alpine also plans to sell Chinese-made car audio products on OEM basis to Chrysler and Volkswagen, newspaper said.

**NEW AT WINTER CES:** Several new product areas and services will make debuts at next week's Winter Consumer Electronics Show in Las Vegas, including category "pavilion" concept that first appeared at Summer show last June. Pavilions will include CD-ROM exhibit in first-ever multimedia area. Multimedia classification includes 26 exhibitors in 7,500 sq. ft. of space. Other pavilions will feature business productivity (sponsored by Software Publishers Assn.) and mobile office products.

Assigned booth space for WCES passed 900,000 sq. ft. mark for first time, up more than 4% from year ago. Home theater/custom installation area was biggest percentage gainer, up 28.5%. Home office, computers and multimedia space is up 13.7%, with specialty and high-end audio space up 8%. To accommodate added interest in high-end audio, there will be special shuttle bus running every 20 min. between Sahara Hotel (where high-end audio will be housed) and Mirage, which again will be host to home theater products. Shuttle will leave from self-park entrance at Mirage, casino entrance at Sahara.

Show attendees who arrive without firm hotel reservations will be able to get rooms via special reservation desks at McCarran Airport. EIA said "everyone who comes to CES will be able to secure a room."

New "Softstrip" badge system replaces credit card imprinting system. Bar code on badges will be scanned at booths, giving exhibitors more detailed information on those who request information.

**EIAJ'S DIM FORECASTS:** Japanese consumer electronics production will decline 3.5% to equivalent of \$30.35 billion in 1993, 2nd consecutive annual decline, EIAJ forecast on Christmas Eve. Total Japanese electronics production will increase 1.5% to \$185.2 billion in 1993, after 10.6% drop to \$182.5 billion in 1992, industry group predicted.

This year's decline and lack of recovery in 1993 were attributed to worsening world economic situation, sluggish personal consumption and corporate capital investments in Japan. In consumer segment, EIAJ said sales of HDTV equipment and new digital audio products probably wouldn't be strong enough to stimulate overall recovery, and move of manufacturing overseas would continue to affect results.

Production of industrial electronic equipment in 1993 is forecast to grow only 1.1% to \$87.05 billion because of slow capital investments and computer downsizing. Although component and device production won't reach full recovery in 1993, strong demand for ICs and LCDs should spur 4.4% rise to \$67.8 billion, EIAJ said.

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**JVC "Technofair"** exhibition is scheduled Jan. 31-Feb. 3 in company's home town, Yokohama. Celebrating 65th anniversary, JVC said fair's theme is "to casually convey our thoughts through technology." Company expects more than 20,000 visitors to 20 display areas, including: Theme theater -- large-screen motion picture expressing fair's content. Basic technology. Consumer equipment and systems -- 16:9 widescreen TV, evolution and development of VHS, personal audio-video; amenity livingroom, automobile A/V, amusements, home theater, audio systems. Industrial systems -- security, karaoke, educational, picture filing, sound simulation, sound field research. Business equipment and software -- office imaging, presentation and networking, pro video, media and distribution systems, precision A/V theaters.

## Consumer Electronics Personals

Toshiba America Vp Tom Mitsui returns to Japan after 10-year stint in U.S. to accept post in parent company's Tokyo-based Audiovideo Equipment Div., with responsibilities for N. American market... **Tadaaki (Ted) Ando**, currently mktg. dir. of Canon USA Camera Div., Jan 1 becomes asst. gen. mgr. of company's Video Div., succeeding Canon USA Senior Dir. and Video Div. Gen. Mgr. **Isao Yoshii**, who returns to Japan as gen. mgr. of parent's Video Products Div... **Willard (Bill) Kennedy** becomes vp-logistics, Philips Consumer Electronics in Knoxville Jan. 1, succeeding **Mathieu Clerkx**, recently promoted to new post of European logistics operations mgr. for Philips Consumer Electronics in Eindhoven.

**Craig Mundie**, founder and ex-CEO of Alliant Computer Systems, joins Microsoft as gen. mgr., advanced consumer technology... **Joseph Abrams** promoted to ABC Distribution pres., replacing **Archie Purvis**, who becomes pres., Cap Cities/ABC Video Productions, responsible for programming for new technologies such as CD-I, CD-ROM and other multimedia applications... **John Phillips** promoted to dir. of sales and mktg., Meintek electronics equipment, including company's new line of clock radios... **James Benson** resigns as dir., FDA Center for Devices & Radiological Health, to become senior vp-technology and regulatory affairs, Health Industry Mfrs. Assn.

**Youichi Morishita**, ex-managing dir. with background in domestic sales, named Matsushita (Japan) vp... **Yrjo Nuevo**, ex-prof. at Finland's Tampere U. of Technology, named senior vp-technology and member of executive board, Nokia Group.

Blockbuster Entertainment and Virgin Retail Group last week completed formation of joint venture. Each has committed \$15-\$20 million to develop megastores in Europe over next 5 years, Blockbuster Senior Vp-Chief Financial Officer Greg Fairbanks said. They also have agreed to open 10 U.S. megastores, he said, although deal doesn't call for specific monetary amount or time frame. "After we've opened 10 stores," Fairbanks said, "we'll decide whether we're happy with the partnership, which we fully expect to be." Joint venture has acquired Virgin's interest in 15 existing Virgin Megastores in Australia, Austria, France, Germany, Italy, Netherlands, Spain and L.A. outlet that opened earlier this month.

**LaserKaraoke** combi players, currently marketed by its affiliated division catering to commercial and entertainment businesses, will be added to Pioneer Electronics product roster for consumer markets Jan. 1. "By adding LaserKaraoke to our home electronics product line, we will be able to expand the category's distribution base and impact the overall Laserdisc format," Pioneer Electronics Pres. Sho Yamada said. Pioneer Laser Entertainment (PLE) will concentrate on other market segments. "With the continual emergence of new technologies in these areas, PLE is poised for future product development and company expansion," PLE Pres. Ted Karasawa said.

**Consumer Reports** evaluates audio cassettes and cellular phones in Jan. issue. Topping lists of normal bias tapes were Fuji DR-1 and Sony ES 1 (tie), of high bias TDK SA-X and of metal tape Sony ES. In section on cellular phones, magazine notes that local carriers p \$400 for every phone sold bundled with serv went to Audiovox MVX-500.

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**Voice Powered Technologies** (VPT) signed joint venture agreement with infomercial producer Regal Communications. Companies will split expenses of producing infomercials for VCR Voice Programmer (TVD Sept 28 p14) as well as profits from device's sale. First infomercial produced by Regal for programmer is scheduled to begin airing next month. Deal doesn't include equity stake in VPT, which has registered with SEC for initial public offering.

**China's top-quality color TV?** Kangjia, of course. That's best-buy recommendation by Chinese Consumers' Assn. (CCA), following its new policy of recommending products by brand name. China Daily Dec. 21 said recommendations (which also included air conditioners, refrigerators, washing machines and leather clothes) "were prompted by the tide of poor-quality products in the domestic market" and complaints consumer groups have received from "hundreds of thousands of consumers."

**50/50 Micro Electronics**, among whose products is board that allows for display of TV transmission on computer screen, it has raised \$3.5 million in venture financing. Principal investors are Asset Bessmer Venture Partners, Walden Capital.

