

TELEVISION DIGEST®

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

With Consumer Electronics

APRIL 5, 1993

VOL. 33, NO. 14

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FCC FREEZES CABLE RATES, SETS \$1-BILLION ROLLBACK: FCC will freeze cable rate increases effective today (April 5) and give local regulators right to begin rolling rates back as much as 10% beginning in fall, it said in 3-0 decision April 1. Commission also set benchmarks below which cable rates are deemed reasonable, and said it will launch rulemaking that eventually could require another 17% rollback. FCC estimated that 2/3 to 3/4 of all cable systems, with similar percentage of all subscribers, exceed new benchmarks, and rollbacks could save consumers -- and cost cable operators -- more than \$1 billion a year. NCTA Pres. James Mooney predicted decision would be appealed.

Commission refused to unveil benchmarks themselves, saying they're too complicated to be digested until it releases full text of rulemaking within 30 days. Office of Plans & Policy Chief Robert Pepper described them as "wind chill chart" that sets different benchmarks for many different types of cable systems. Benchmarks will be applied on per-channel basis, FCC staffers said, and they will set different figures for systems with different numbers of channels (per-channel benchmarks are expected to be higher for systems offering more channels), number of subscribers (per-channel cost is assumed to be lower for larger systems), number of satellite-delivered program networks (which are more expensive than retransmitting broadcast channels). Officials said benchmarks are based on rates charged by competitive

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systems, and repeatedly indicated that competitive systems typically charge about 10% less than noncompetitive ones.

After franchising authorities are certified by FCC, they will be allowed to require systems whose rates exceeded benchmark on Sept. 30 to roll them back to benchmark or maximum of 10% below Sept. 30 rate. Using Sept. 30 rate effectively invalidates increases since then, many of which have been in 5-7% range. FCC timetable indicates that rollbacks could take effect beginning about Sept.

Rate increase freeze will be in effect for 120 days to prohibit cable operators from raising rates before local authorities can begin to regulate them. During freeze, total average bill for all services, excluding premium channels and pay-per-view (PPV), can't increase above average monthly bill April 5, but freeze doesn't prevent operators from retiering, unbundling services and equipment or adding program services as long as total average bill doesn't go up.

After first round of regulation, rate boosts will be limited to rate of inflation plus increases in costs such as franchise fees, taxes, programming. Retransmission consent fees can't be included immediately, but later increases could. NAB spokeswoman said it appeared that Commission balanced consumer interests and broadcaster needs in implementing retransmission consent provisions.

Rate rules "ultimately will end up in the courts," Mooney predicted. He said it's difficult to tell exactly what FCC did, but "at minimum, it appears that these rules will make it difficult for us to satisfy the expectations of our subscribers for quality programming and service. Rate rollbacks, while always temporarily popular, almost always are destructive to quality." TCI issued statement saying that "Commission has clearly pushed the outer bounds of its authority, and in some critical aspects appears to have exceeded its authority." Continental Chmn. Amos Hostetter said \$1-billion revenue loss "could seriously impede the ability of responsible cable operators to bring the benefits of new programming and advanced technology to consumers, or indeed even to maintain current services." CATA Pres. Stephen Effros blamed Cable Act, not Commission, for rules he said will end up hurting consumers: "The short-term political benefit of forcing down rates will have major adverse effects on the long-term quality of program diversity and telecommunications infrastructure. You can't require an industry to expand its services while sapping it of revenues."

Senate Commerce Committee Chmn. Hollings (D-S.C.) said "more work needs to be done" to protect consumers from high cable rates. He praised FCC for rollback but said "the full promise and benefit to consumers of the Cable Act has yet to be delivered." House Commerce Committee Chmn. Dingell (D-Mich.) said: "While some may maintain that the Commission did not go far enough, and others complain that it went too far, in my view the Commission did a good job implementing Congress' intent." Sen. Burns (R-Mont.) called decision "bad news for our economy and bad news for consumers," in part because lower rates aren't assured and because rules and Cable Act could slow technological development by cable. Burns characterized FCC action as "imposition of burdensome, unnecessary regulation whose every provision is designed to shackle and constrain one of the shining stars of the coming digital Information Age revolution." Rep. Markey (D-Mass.), chmn. of House Telecom Subcommittee, said he would have preferred that FCC roll back rates further, but praised part of rule that will allow communities facing "most outrageous rate hikes" to petition Commission to bring rates down. Overall, Markey said, FCC actions "substantially realize the promise" of Cable Act.

David Olson, pres. of National Assn. of Telecommunications Officers & Advisers, said decision to roll back and freeze rates would further deter cable's monopolistic tendencies, but he wouldn't comment further until full text is released. Consumer Federation of America (CFA) Legislative Counsel Bradley Stillman called new rules "slap on the wrist" for cable. He said they're "good first step but didn't give consumers the relief that they need." CFA had been seeking 30% rate cut.

Comr. Duggan acknowledged that critics would say FCC didn't go far enough in limiting rates, but said more "Draconian" rollbacks "could force prices for some systems below cost" and would "fall disproportionately hard on the country's smallest cable systems." Comr. Barrett said 1992 Cable Act encouraged FCC to "err on the side of the cable subscriber" and Act may require reduction of more than 10%, but said he "recognized the disparate impact a wrong decision could have on cable companies and their ability to continue to offer the high level of quality programming services."

FCC may require more rate reductions by end of year, Barrett said. Agency officials said 10% rollback is based on disparity between competitive systems and those defined by Act as noncompetitive, which included those serving less than 30% of subscribers in their area. Rates for so-called low-penetration

systems typically are higher than even average one, possibly causing low penetration levels, and FCC said it would conduct rulemaking to determine whether it can eliminate them from definition of competitive systems. Robert Pepper, chief of FCC Office of Plans & Policy, said that if low penetration systems are eliminated, disparity between competitive and noncompetitive is 27%, possibly indicating that further 17% rollback would be justified. New notice also will gather data potentially leading to cost-based cable regulation, officials said.

Regulating rates for basic cable and for equipment such as converters, remotes and extra set hookups will be up to local franchising authorities in most cases, although Commission will step in when authorities don't get FCC certification or don't have resources to handle regulation. Only systems that aren't subject to effective competition (definition is similar to that adopted earlier) are subject to rate regulation. Agency will assume that systems aren't subject to competition unless operator can prove otherwise. Mass Media Bureau Chief Roy Stewart said he hopes local franchising authorities will move quickly to get certification and begin regulating rates. FCC will handle appeals that claim that local authority misapplied Commission rules, but local courts will handle other appeals. Franchising authorities are expected to be certified by late July or early Aug., and rate regulation could begin taking effect month later.

Some cable system rates will remain above benchmark even after 10% rollback, FCC said, and Commission will begin investigating those in Aug. to determine whether they're justified. If they aren't, FCC said it will order them reduced even more than 10%, even if they must drop below benchmark to be justified. Further rulemaking will determine how to set standards for cost-of-service showings, FCC said. It also said it will begin 2nd cable rate survey (TVD March 8 p1) to refine benchmarks and determine whether to require operators to file annual financial information.

Many cable systems will begin lowering rates even sooner to avoid making refunds, including interest, Pepper predicted. He said that new limits on equipment costs, which require that cable systems set rates based on costs, will have major impact on total consumer bills: "Those who pay the most will see the biggest benefit." Rules require systems to list equipment costs separately on customer bills, and allow operators to itemize franchise fees and other govt. charges.

FCC itself will regulate rates for so-called program services, which include all expanded basic tiers, but not premium channels or PPV. Commission will step in only in case of complaints about expanded basic tier, but any of 56 million cable customers can file simple complaint and staffers said they expect virtually any increase exceeding benchmark to be subject of protest. Agency will be able to order same 10% rate rollbacks for expanded basic services.

Cable systems will be able to try to justify prices that are above benchmark for basic, expanded basic or equipment, based on claim of higher-than-average costs -- to local authorities for basic and equipment, and to FCC for expanded basic -- but burden of proof will be on operator. Provision is expected to be particularly significant for cable systems in high-cost areas such as Alaska, N.Y.C. or L.A., or for those that recently rebuilt systems with advanced technology, staffers said.

NO TO FIN, YES TO SYN, SUNSET SET: All restrictions on financial interests that ABC, NBC and CBS may obtain in programming aired on their networks were removed by FCC April 1, but kept in place was ban against networks' engaging in domestic syndication. And, as reported in our sister publication Communications Daily March 31, Commission also ordered sunset of syndication restrictions 2 years after existing Justice Dept. consent decrees with networks are terminated. (Network petitions to set aside decrees, which contain most of finsyn rules, have been pending for more than year; Justice filed in support of networks last fall.) FCC ordered that future Commission begin reexamination of situation 6 months before restrictions sunset, with supporters of continued syndication ban having heavy burden of proof. As in previous FCC finsyn decisions, neither side is happy with action, and petitions for reconsideration and court appeals are on horizon.

Commission action removes 40% cap on networks' ownership of programs on their own air and eliminates rules against warehousing of programs and showing favoritism to affiliates in syndication of programming. Kept in place are reporting requirements on ABC, NBC and CBS and exemption of "emerging networks," such as Fox, from finsyn restrictions except for reporting requirement that will be triggered when Fox reaches 16 hours of prime-time programming weekly. That means Fox, which is heavily involved in syndication, could program full prime-time schedule and still not fall under restrictions -- provision that won't sit well with NBC, CBS, ABC.

Remaining in place are all restrictions against networks on syndication of first-run programming. Networks are permitted to have financial interests in such programs, but they must be syndicated by others. Repealed were all restrictions on networks' foreign syndication of programming. Commission order is result primarily of compromise between Chmn. Quello and Comr. Barrett, with Comr. Duggan dissenting to total repeal of financial interest restrictions against CBS, NBC and ABC, with Comr. Marshall not participating. New finsyn rules will mean very little as long as consent decrees remain in place, according to networks, which are prohibited by decrees from obtaining financial interest in their programs provided by outside producers.

Latest finsyn order was mandated by Nov. decision of 3-judge panel of 7th U.S. Appeals Court, Chicago, that vacated rules but stayed its action until April 6 to permit FCC to act (TVD Nov 9 p3). In separate statement, Duggan said: "I was eager to engage the... Court in reasoned, earnest debate" on finsyn, predicting FCC would have won. He said Commission's actions "to me represent not so much a change of mind as a loss of nerve." Duggan had praise for mandatory review of sunset and said he has "earnestly and sometimes furiously resisted the automatic termination of Commission rules -- which we might call regulation by robot... When that review begins, the burden of defending the tattered remains of finsyn will fall entirely on the rules' proponents." He said he would have longer statement when text of order is released. Quello also said he would have separate statement, which wasn't ready last week.

In his statement, Barrett said networks still "retain a unique ability" to influence program distribution practices: "Thus, I support our decision today to retain a more simplified but direct form of restrictions on network syndication activities." He said he supported repeal of 40% cap "in exchange for a clear ban on all active domestic syndication... In the long run, the further growth of additional emerging broadcast networks may eliminate the need for any remaining restrictions..."

Coalition to Preserve the Finsyn Rule said FCC action "strikes a lethal blow to independent producers," of which Coalition claims more than 300 as members. Independent producer and Co-Chmn. Jerry Leider said action "has the networks dancing in the streets, but in reality they are dancing on the graves of the small-to-medium-sized independent producer... This is a horrendous day for television [but] our diverse Coalition stands ready to continue to fight for our very existence."

Warner Bros. Chmn. Robert Daly, also co-chmn. of Coalition, said: "Our deepest fear [is] that the independent producer will become an extinct species." He said network actions "will be closely scrutinized and monitored and, if necessary, we will do whatever is possible to hold them accountable for their actions." MPAA Pres. Jack Valenti said: "Competition got beat up very badly at the FCC meeting. The viewing public, independent producers and a real diverse marketplace got mauled by a decision blind to the real world of prime-time television. The decision uncages the 3 networks... It's deja vu time."

Pres. James Hedlund said INTV "is of course disappointed that the Commission chose to abandon the financial interest rules without a fight." However, he said, "we are heartened" that FCC kept networks out of domestic syndication, but that agency "erred" in repealing antiwarehousing restrictions. "Most troubling" is sunset provision, he said: "The day may come when independent and affiliated stations no longer need to be sheltered... but that isn't the case today... The [FCC] majority made no attempt to specify what changes must take place in the video marketplace in order to justify the elimination of the syndication rules."

CBS said that while FCC's loosening of financial interest restrictions "is welcome and long overdue, its surprising actions to maintain and toughen the syndication rules are absolutely unjustified and impossible to understand in the light of the realities of the marketplace." Cap/ABC said it's "pleased" that FCC has "finally recognized" that networks should be able to sell shows to TV stations through sunset provision, but "we would have preferred that these restrictions go away immediately." NBC Pres. Robert Wright applauded FCC for "finally eliminating the financial interest rule. It's a big step in the right direction. Nonetheless, I was surprised that some critical restrictions were kept intact and others were actually increased. In addition, it's shocking that Fox was given a permanent exemption from all of these rules." Fox Chmn. Lucille Salhany: "We applaud today's steps by the FCC to further unshackle America's great free broadcasting networks. We are particularly grateful for the steadfast support of our affiliates and for the Commission's recognition of Fox's contributions to diversity."

Prime-time Academy Awards program on ABC TV March 29 attracted national rating of 31.2 with 51% share of audience, according to Nielsen, for total of more than 29 million households. ABC estimated more than 76 million viewed at least part of program.

HDTV proponents met March 26 with Richard Wiley, chmn. of FCC's Advanced TV Advisory Committee, to continue working toward "grand alliance" of HDTV systems. Wiley would say only that groups were continuing to pursue "serious discussions."

FCC SETS CABLE PROGRAM ACCESS: FCC approved some of toughest cable program access rules proposed by any of commenters in that rulemaking (TVD Feb 1 p9) April 1. Rules (1) put burden of justifying access differentials on programmers, (2) extend even to those that aren't owned by MSOs, (3) set 5% attribution standard for programmer ownership, (4) say alternative multichannel systems don't have to prove harm. Commission also said it will fine those filing "frivolous" complaints. Comr. Duggan said program access is "of equal and perhaps greater importance" than rate regulation (see separate story). He called access to programming for potential competitors to cable "key to robust competition" and compared program access rules with FCC action decades ago to guarantee cable easy access to broadcast programming.

New rules were endorsed by alternative multichannel video program distributors (MVPDs), such as SMATVs, wireless cable operators, satellite programmers and others, as aid to getting access to cable networks that they say are necessary to make them viable. Wireless Cable Assn. Pres. Robert Schmidt said his industry now will "be able to provide a complete programming offering" and be competitive with cable. (In April Fool's joke and reference to new access to cable programming, Schmidt, former NCTA pres., issued bogus news release naming NCTA Pres. James Mooney as new dir.-programming development for wireless cable industry.)

New rules require MVPDs to meet only minimal evidentiary burdens when complaining about access to cable programming. For example, they won't have to show that they suffered harm (Commission said Congress already has determined that any discrimination causes harm), but will have to show that programmer's practices limited their access to shows. FCC said it will determine presence of discrimination by comparing rates and terms offered to similarly situated distributors -- those in same geographic area, buying similar service, using same technology. Price discrimination occurs whenever there's variance in price that's not explained by factors such as differences in (1) cost to deliver programming to MVPD, (2) volume, (3) creditworthiness and financial stability and (4) way service is offered, FCC said. Commission also said it will prohibit nonprice discrimination.

Limits on "unfair methods of competition" apply to all cable operators and programmers, FCC said, not only to those that are vertically integrated. Commission also said complainant need show only that vertical integration occurs anywhere, not only in specific market. Limits on exclusive contracts and undue influence apply only to vertically integrated operators and programmers, but agency defined integrated programmers as those in which MSO owns only 5% of voting or nonvoting equity. Commission didn't include such broadcast exemptions as single majority shareholder or limited partnership. Comr. Barrett said he would support petitions for reconsideration asking that exemption be extended to programmers that have minority as majority stockholder. He said he's "concerned that the attribution limits... may unduly limit the ability of minority programmers to launch... services."

Exclusive arrangements between cable operators and vertically integrated programmers are "illegal per se," FCC said, and those that weren't entered into before June 1, 1990, can't be enforced unless agency determines that they're in public interest.

MSO Cencom Cable has changed name to Crown Media Inc. Cencom was acquired by Hallmark Cards subsidiary Crown in late 1991.

CABLE/TELCO BILL RETURNS: Reps. Boucher (D-Va.) and Oxley (R-O.) last week reintroduced legislation to allow telephone companies to own cable systems in their (telco) service territories. This is 3rd time around for legislation.

Boucher and Oxley said bill is "win-win" situation for White House and said they expected big push from Vice President Gore, "who has been given the technology brief," Boucher said. Oxley said that although he hadn't yet received any promise from White House to back bill, fact that Gore was primary sponsor of similar measure in Senate last year "couldn't hurt our chances."

Bill would allow telephone companies to build cable plant, but not buy existing cable facilities within their own areas. Boucher said that would "provide incentive" for telcos to invest in technology that he envisioned would become "the off-ramps and side streets" that eventually would feed into Administration's vision of nationwide information superhighway. Although telcos would be allowed to buy existing cable facilities outside their areas, it would permit them to obtain noncontrolling interest in existing systems. Telcos also could use, for "limited period," part of cable company's transmission facilities that extends "the last mile" to customers' homes. Cable operators would be allowed to charge for those services.

Bill proposes tough restrictions against cross-subsidies. Any cable system set up by telco would have to be separate subsidiary, with separate records and books. Common carriers would be required to establish "basic video dial tone [VDT] platform," Boucher said. That would allow competitors equal access, using same technology, as telephone company would get from network it developed. FCC would ensure that compatibility and would have to establish regulations to make certain that unaffiliated program providers gain access to basic VDT. Any telco cable affiliate that offered its own programming would be required to make available to competitors up to 75% of equipped capacity of its basic VDT platform, Boucher said. Bill would prohibit joint marketing of telco and its cable company. But Boucher acknowledged that as cable operators increasingly begin to market their programming and telephone services jointly, that curb probably would be amended.

Boucher said cable companies would benefit from bill because eliminating cross-ownership rules for telcos would provide legislative precedent for that industry, laying groundwork for repealing all restrictions on cablers operating telephone companies. He said he "wouldn't be surprised if the cable companies don't decide to participate with us in writing this legislation in a way that gives them some opportunities as well." He said one of those opportunities "obviously, would be the ability to offer a full telephone service in the local exchange." Broadcasters still would have same retransmission consent and must-carry options as they have now under 1992 Cable Act, Boucher said: "Our bill wouldn't change anything for broadcasters. They still get all that they do with the cable bill... It won't make any difference if it's a cable system owned by a telephone company."

Further followup on cable rate increase charges (TVD March 29 p3) by Sen. Metzenbaum (D-O.): Continental claims overall average rate increase for subscribers in Circleville, O., will be 1.1%, not 20% figure repeated by Metzenbaum. Continental Senior Vp Robert Sachs said actual hike, like that for Dayton area, "beliefs] claims about allegedly evasive post-1992 Cable Act rate increases that have been made by certain municipal and consumer groups in an effort to sway the Commission."

CABLE ANALYSTS BULLISH: "Jittery portfolio managers" continued to drive down cable stock and bond prices April 2 in wake of FCC decision freezing cable rates and setting up rollback of up to 10% for most cable systems (see separate story). Stock prices for most major cable MSOs dropped as much as 10% April 1, another 10% April 2, and bond prices were down 2-3%. Despite that, analyst John Reidy of Smith Barney, Harris Upham said "anyone with a long-term view should be buying" cable stocks.

Cable stock prices were down 20-30% from recent highs, reflecting some falloff even before FCC acted. Despite that, prices still were above those just after 1992 Cable Act became law last year, apparently reflecting recent strong prices in system sales (TVD March 8 p5) and cable's potential for alternative telephony and other advanced services. Price falloff occurred in midst of heavy volume -- after leading most-active list April 1, more than 22 million shares of TCI stock (5% of total) traded by midday April 2, as did 3-4% of Comcast stock. TCI and Comcast prices fell about 9% April 1, another 10% next day.

Price drops were "appropriate reaction" to FCC ruling that was "much more severe than Wall St. expected," said one analyst who asked not to be named. He said decision would mean "significant hit to cash flow" and worried that FCC eventually may require 27% rate cuts: "Stocks have to readjust to new cash flow levels. I'm very cautious about the cable group because there could be further surprises."

Reidy attributed falloff to "period of uncertainty. Wall St. hates uncertainty." But he said action by "jittery portfolio managers" is result of "looking in the rear-view mirror" rather than reality because basic and expanded basic soon will account for only 1/3 of total cable revenues -- with rest coming from telecommunications and new unregulated services. "Obviously, cash flow in 1993 and 1994 will be less than we thought, and that is what the stocks are reflecting," Reidy said. "The larger issue is what will happen beyond that, but nobody will listen to that today."

John Field of Hanifin, Imhoff said this is "a buying opportunity, because when the smoke clears -- including expected court challenges -- we do not see adverse bottom-line consequences." He said cable operators aren't likely to roll back prices while case is in court, and any individual city decision ordering rollback also can be appealed: "Despite the FCC's rhetoric of billion-dollar cost savings for consumers, we do not anticipate such rate rollbacks anytime soon, if ever."

Cable debt ratings won't change because of FCC decision, said Robert Nelson, head of S&P Cable Group. He said rules don't affect key cable credit strengths and risk is low because of stable demand, continuing subscriber growth, predictable cash flow. S&P upgraded debt ratings of 7 cable companies last year, including TCI, which in Oct. became first domestic cable firm to receive investment-grade rating. Nelson did say that improvement in cable debt ratings may be slowed by FCC decision. Other analysts said cable debt ratings were hurt less because many MSOs took advantage of lower interest rates and strong market prices in last year to restructure debt. They said interest savings could partially offset lost revenue.

Smaller, more leveraged MSOs will be hurt most by rate regulation, Fitch said. Investment rating firm also said rate regulation could give telcos -- and possibly strongest MSOs -- leg up in race to install broadband networks because they will have easiest access to financial markets: "For most cable operators, the deployment of broadband technology

will require external financing. To the extent capital markets are unwilling to finance the cable industry in this contest, some cable operators' long-term ability to compete with the RBOCs may be compromised."

TCI doesn't expect to have to roll back any rates, CEO John Malone told investors meeting in N.Y.C. Even if courts uphold decision, he said TCI rates should be acceptable because increases reflect only inflation and other costs outside MSO control. TCI indicated it isn't trimming sails. Same day that FCC set new rate regulations, TCI held news conference in N.Y.C. to announce that it's increasing capital budget to \$750 million this year, from \$525 million in 1992. Senior Vp-Finance Bernard Schotters said it expects to raise money internally, without adding to \$10 billion debt. TCI also has set satellite news conference for April 12 to announce multibillion-dollar national fiber network construction project. MSO said it plans to pass 90% of its homes with fiber by 1996.

U.S. Trade Representative (USTR) Mickey Kantor ended 2 days of trade talks with European Commission (EC) in Brussels March 30 by outlining list of American demands while brushing aside continuing charges that Clinton Administration trade policy is taking decidedly protectionist stance. Among his strongest requests was that EC officials review directives that require their members to reserve majority of TV time for programming originating in Europe. U.S. concern stems from EC's 1991 "television without frontiers" directive that restricts American film and TV industry access to European air time. Kantor raised issue at meeting with EC Communications Comr. Joao de Deus Pinheiro. EC rejected claims that directive has harmed American companies, saying that 80% of films, TV programming and advertising shown in its member states were of U.S. origin. Under Bush Administration, U.S. protested EC broadcasting quotas on ground that they violated world trade agreements already in place. EC said curbs are allowable because GATT doesn't cover broadcasting. "That's the rub," USTR source said. "We want to get some rules written into GATT that address [broadcasting] issues." EC directive is aimed at improving cross-border programming exchange among member states. In effort to prop up broadcasting industry, directive requires EC nations to ensure that majority of air time is given to European-based programming "where practical." EC said no country except France restricts non-European programming in prime time.

MCI Pres. Daniel Akerson is talking to "lots of parties" in cable and entertainment industry on joint ventures, including TCI, Wall St. Journal said last week. Akerson declined to confirm any details or to outline what kind of deal might be in offing, but he told us earlier that company "is extremely interested" in launching some kind of Personal Communications Service (PCS): "If that means hooking up with a cable company, that sounds good to me." He declined to give specifics on cable ventures in Journal account, saying only that "traditional networks will cease to exist" in what he saw as coming multimedia era. MCI doesn't have deep enough pockets to be "a global competitor," he said, and would need to team with well-placed partners. He told Journal that company would be disadvantaged if it couldn't work out deal similar to AT&T's with McCaw Cellular. He said he was confident MCI could attract financial backing: "We're the prettiest girl at the dance."

At request of NAB, FCC has extended comment and reply deadline in MM Doc. 93-48, inquiry on educational and informational needs of children. New deadline for comments is May 7, replies June 7.

TOUGH LIQUOR AD WARNINGS SOUGHT: Bills were introduced in House and Senate March 30 that would require 5 rotating warnings in all beer and wine commercials, including cable and print ads, on danger of drinking. But, even before legislation was introduced, 6 ad groups banded together to fight them, sent letters to members of Congress detailing reasons why it's bad idea. Bills were introduced by Sens. Thurmond (R-S.C.) and Simon (D-Ill.), Reps. Kennedy (D-Mass.) and Conyers (D-Mich.).

At news conference on Hill, bills' sponsors called for prompt passage. "Who can object to this bill, honestly?" Thurmond asked. "In my opinion, this bill ought to sail through" Congress, he said, acknowledging heavy challenge from alcohol producers, ad community, some unions. Kennedy said warnings are attempt to "change the atmosphere" generated by "continuous pummeling" of viewers by "the best ads on television." Simon said measure isn't attack on First Amendment, is "just common sense" in light of toll that alcohol takes on U.S. society. Statement read by staffer of absent sponsor Conyers decried targeting of minorities by alcohol advertisers.

Reporters were shown tape of several TV ads with full-screen warnings added at end, as law would require. Contrast between seductive ads and grave warnings that followed was quite stark. Said AAA Vp Jeff Perlman: "This proposal would... result in the removal of all beer advertising from television, causing many programs, especially sports, to move to pay-per-view." Expenditures on TV and cable for first 3 quarters 1992 (4th quarter isn't yet available): Beer -- network TV \$23 million, spot \$159 million, syndication \$55 million, cable \$33 million; wine -- network \$4.7 million, spot \$8.6 million, syndication \$164,400, cable \$927,000.

Proposal has been labeled Sensible Advertising & Family Education Act (SAFE), with Food & Drug Administration given responsibility for enforcement. It concludes that "alcohol is by far the drug most widely used and abused by young people," and that "young people are not well informed about the hazards of alcohol use." Bill would require following to be rotated in all advertising, beginning with word "WARNING" in capital letters:

"Drinking during pregnancy may cause mental retardation and other birth defects." "Alcohol impairs your ability to drive a car or operate machinery." "If you or people you love drink and drive, call [toll-free number]." "Alcohol may be hazardous if you are using over-the-counter, prescription or illicit drugs." "Drinking alcohol may become addictive. If you know someone who has an alcohol or other drug problem or has trouble controlling drinking, call [toll-free number]." "If you are under the age of 21, it is illegal for you to use alcohol." Health warning would have to be "located in a conspicuous and prominent place" in each advertisement and all letters would have to "appear in conspicuous and legible type" and be enclosed in a box. TV warnings would have to appear at beginning of commercial. Violators would be subject to \$10,000 fine, and each day improper ad appeared would be separate violation.

In letter to members of Congress, ad groups said warnings "are so long and must be displayed in such a cumbersome format that they would constitute a de facto ban on many broadcast, small print and point-of-purchase advertisements. The resulting censorship will cause economic hardship to many small businesses and will deny consumers important commercial information... In sum, the [law] would be ineffective, unconstitutional, unwise and economically detrimental."

VDT WAIVER OPPOSED: Cable and broadcasters agree that Bell Atlantic (BA) shouldn't get MFJ waiver to provide video services throughout its 6-state region (TVD March 1 p7) because RHC could stifle all other video competition. Other telcos, however, said BA should get waiver -- and they should, too -- because video market is too diverse to be dominated by one deliverer, and telco entry would enhance competition.

In comments to Justice Dept. in video dial tone (VDT) proceeding, NAB said it favors telco role as common carrier for video, but not BA plan to deliver video services itself, and it recommended that Justice Dept. deny waiver request. BA plan would affect video programming market in 6 states and D.C., NAB said, and "effectively reduce the programming available to over 125 [TV] stations." Broadcasters said BA's regulated revenue alone is more than 600 times that of average TV station with which BA would compete to buy programming and telco could use that to outbid local stations or enter financial relationships with programmers and influence them to distribute their most popular programming over VDT rather than TV stations.

BA plan is too limited to be considered VDT, N.J. Cable TV Assn. said, since it would include single automated video storage device with capacity of only 400 movies to serve entire region: "At most, Bell Atlantic would perhaps provide some competition to the local videocassette store." Assn. also said waiver request is premature because BA would need several other approvals to launch service. Adelphia said BA proposal is so vague that it's "impossible to determine rationally" whether BA effort would impede competition. MSO also said there aren't adequate safeguards on cross-subsidies and there's no technical reason why BA couldn't install separate video processing computers in each LATA area. Long-distance competitor LDDS Communications said BA "appears to be positioning itself to impermissibly use its waiver to compete with long distance telephone companies like LDDS."

Southwestern Bell (SWB) said it "supports Bell Atlantic's waiver request and seeks similar relief." It said telcos can't dominate video market because "almost anyone with a video camera and limited production capabilities can produce a video program" and "the market for the provisioning of video programming services is a highly competitive one." It said telcos don't have bottleneck on video services because cable and broadcasters don't depend on local telephone company facilities: "Regional Bell company participation in this market will increase competition."

In separate case, Montgomery County, Md., expressed reservations about SWB bid for waiver it needs to take over Hauser cable system in county (TVD March 8 p5). County told Justice Dept. that it needs assurances that: (1) Teleco won't be prohibited from providing new cable services that other cable operators could offer. (2) Price SWB paid for cable system won't cut subscriber services or raise rates. (3) Cable subscribers won't have to subsidize noncable communications services.

Public broadcaster WNYC-TV N.Y. said it's withdrawing carriage complaint against Cablevision Systems as result of new agreement. Deal calls for station to be carried fulltime on Cablevision systems in Great Neck and Lynbrook on L.I. and Yorktown Heights in Westchester, as well as parttime on systems in Woodbury, L.I., and Newark. WNYC-TV Communications Pres. Thomas Morgan said that he's "pleased" with "compromise" and that he's confident result will be "long-term partnership." Station filed complaint at FCC March 3.

MUST-CARRY QUESTIONED: Denying must-carry status to shopping channels would raise "serious constitutional questions," Silver King Bestg., owner of Home Shopping Network (HSN) stations, told FCC in comments on rulemaking, but Time Warner called it "a facially unconstitutional intrusion into the First Amendment rights of cable operators." Meanwhile, Commission issued final order in main must-carry action giving franchising authorities and cable operators role in resolving many disputes, with FCC to step in only if disputes can't be resolved.

There were few surprises in text of rules adopted last month (TVD March 15 p1), but FCC did provide additional details: (1) Programs in foreign languages don't duplicate English-language versions, and different episodes of same program aren't duplicative. (2) Issue of public, educational and govt. (PEG) channels should be resolved by local authorities, and franchisers' refusal to allow PEG channel use won't end must-carry responsibility. (3) Broadcasters can't confer must-carry status on satellites, but can use satellites to deliver quality signal to headend. (4) Cable operators don't have to notify all broadcasters that may have must-carry status, but do have to notify those that may not qualify.

(5) Cable operators will determine must-carry status for LPTV stations; FCC will handle disputes. (6) FCC said use of vertical blanking interval is evolving so quickly that it can't yet define what cable system must carry, but said cable doesn't have to carry such things as Nielsen's program identification codes. (7) Systems can strip out ghost-canceling signal only if they do their own ghost-canceling at headend. (8) Broadcaster, not cable operator, gets to choose among channel positioning alternatives. If 2 stations qualify for same channel, FCC suggested that systems maintain current channel positions. (9) 1992 Cable Act supersedes any contracts that guarantee channel positions to cable networks.

On issue of home shopping stations, NCTA said FCC shouldn't give them automatic must-carry status because they "generally provide no unique public benefits that warrant... must-carry status" and because giving them priority over nonbroadcast networks would "disserve the public interest" and hurt competition. Time Warner said there's basic problem with must-carry in general -- it was justified by public interest in localism, but there's nothing in law to require local programming.

HSN said govt. couldn't show enough public interest to justify distinction between commercial and noncommercial speech in must-carry rules. Silver King said shopping channels are at least equal to alternative of more "game shows, violent dramas and sexually explicit talk shows." HSN said it has "done more than any company in America to facilitate minority ownership" of broadcast stations. National Assn. of Black Owned Bestrs. (NABOB) said minority ownership of HSN stations is "the pioneering fledgling effort" by minorities to get meaningful presence in TV.

INTV agreed that there's "no rational basis" for differing regulatory treatment based on program format: "Any other approach... would draw the Commission into a quagmire from which no rational escape is possible." Center for the Study of Commercialism said shopping channels' carriage of up to 55 min. of commercial programming per hour far exceeds any limit for broadcast commercials, and even suggested that shoppers shouldn't get renewal expectancy.

U.S. Supreme Court March 29 allowed state govts. to continue banning prerecorded autodial sales pitches without fear of violating free speech rights. Issue was returned to state govts. when Court refused, without comment, to hear arguments in case that sought to have it declare Minn. ban on such sales pitches violated free speech rights. Because Court didn't rule on issue, no national precedent was set; however, by not ruling, it left Minn. ban intact, allowing other state govts. to follow suit. Majority of states restrict such prerecorded sales pitches, American Civil Liberties Union said. Autodialers are capable of making up to 1,500 telephone calls per day without live operator. Small business owners say such devices are crucial to their livelihood, allowing them to operate with less overhead and on tighter margins. U.S. also has restricted commercial use of autodialers using recorded messages, but that case, which questions govt. ban, is under consideration in U.S. Dist. Court, Portland, Ore. Minn. case reached Supreme Court after St. Paul businessman Larry Hall challenged law when state fined him for violating state ban. Minn. Supreme Court, ruling against Hall, said prerecorded phone calls to homes were "uniquely intrusive." In appeal to U.S. Supreme Court, Hall said govt. "cannot make blanket, paternalistic determinations" on whether or not people want to receive recorded sales offers in their homes.

Cable systems must begin complying with antitrust provisions of 1992 Cable Act (TVD March 15 p2) as soon as equipment is in place for individual subscribers, FCC said in final order in rulemaking released April 2. Decision means that some subscribers to single system may be able to buy premium channels or pay-per-view without paying for expanded basic, while others whose equipment hasn't yet been installed may not. Commission said Act doesn't require systems to upgrade to addressability or traps, but they can't reconfigure to make them technically unable to comply. Other sections of final rule: (1) Systems aren't considered technically capable of complying unless they can provide access to all premium and PPV channels without intermediate tiers. (2) Cable can't set different rates for basic and intermediate tiers based on costs. (3) Multipay discounts that don't discriminate between basic and upper tier subscribers are permissible. (4) Cable operators can charge basic subscribers for converters to access premium and PPV channels.

ESPN said it will enter pay-per-view (PPV) business in partnership with ABC through its ESPN Enterprises subsidiary. Deal will replace ABC's college football PPV effort last season. First phase will include working with ABC Sports and ESPN affiliates such as Viewer's Choice and Request TV to market and distribute regional college football games outside their prime coverage area, CEO Steven Bornstein said: "Distribution of pay-per-view events is a logical extension of our business." ABC still will broadcast games that are most appealing in each local market beginning Sept. 4, with other games to be available by PPV.

Times Mirror Co. (TM) reached agreement to sell its 4 TV stations to Argyle TV Holdings (TVD March 29 p5). Sale of stations, KTVI St. Louis (ABC affiliate), WVTM-TV Birmingham, Ala. (NBC) and KDFW-TV Dallas-Ft. Worth and KTBC-TV Austin (both CBS), would bring TM \$335 million in cash and securities, plus tax benefits. Transactions will mean net gain of \$235 million for TM, Times Mirror said. Argyle is new company headed by Katz American TV Vp Ibra Morales; other principals are Robert Marbut, former head of Harte-Hanks Communications, and Blake Byron, ex-pres., LIN Bestg.

SPORTS SIPHONING DISPUTED: There's no siphoning of sports programming to cable, most groups told FCC, although NCTA did say that "the era in which 3 broadcast networks totally dominated all televised sports programming is over." Most statistics submitted in FCC inquiry into sports migration said total volume of broadcast sports programming is growing, fact that cable operators and sports leagues said means that cable is providing additional programs, not stealing programs from broadcast. INTV and several independent stations presented numerous examples of sports they said had migrated to cable.

There have been "a few local controversies" about sports programming that moved to cable, as well as concerns that major sports events such as Super Bowl would do so, NCTA admitted, "but the facts do not support these worries." Cable group said broadcasters have increased their sports coverage in almost every category and "still maintain control over all of the major sporting events" so "there is no need for Congress or the Commission to step in."

Each of 3 major broadcast networks carried more hours of sports programming in 1991 than 12 years earlier (up total of 19%), ESPN said. Cap/ABC and NBC each agreed that they're carrying more sports. "The overall effect [of cable] has been to increase the total amount of sports coverage without significantly depleting the support of sports programming that is available on broadcast TV," NBC said. Network suggested that FCC or Congress step in to assure that major sports' playoff games remain on broadcast. Cap/ABC said that it hadn't seen any significant program migration and that its college football pay-per-view (PPV) experiment on cable carried games to new audience. Most "siphoning" cases are really cases of "abandonment" of sports programming by broadcasters, Time Warner said, so artificial limits on cable wouldn't increase broadcast sports shows, just decrease events on cable.

INTV said there's "discernible shift" in local sporting events away from over-air TV. It cited numerous cases of programs that are carried on cable now, rather than on broadcast, although it said number of college football and NBA games carried by broadcasters is up overall.

Sports leagues supported cable and said any reduced role for broadcasters was result of broadcaster choices. NHL said it would prefer to be broadcast, but it hasn't been able to generate network interest. Major League Baseball said there's "growing reluctance" by broadcast networks to carry games, although there has been "steady increase" since 1980 in number televised. Most college conferences said they prefer broadcast, but groups such as Big East Conference said cable is "important supplement." Atlantic Coast Conference said cable is important because it covers additional events, "particularly women's sports."

Video-Verlag Orlowski, sex film producer based in Hannover, Germany, said it planned to begin transmitting via satellite hard-core movies to German cable systems. Signals are routed through British-based Adult Channel and can be received only by viewers who purchase decoder and "Smart Card" designed to prevent children from watching, company said. Plan has raised protests from German politicians. Justice Minister Sabine Leutheusser-Scharrenberger said project is "criminal" because it skirts country's legal restrictions on pornographic broadcasts. Lower Saxony state has applied for injunction to stop broadcasts.

WCDJ(FM) Boston has been fined \$18,750 by FCC for equal employment opportunity violations (EEO). Station's license was renewed subject to EEO reporting conditions.

CABLE HIT ON SEX, VIOLENCE, PROFANITY: By 10-1 margin, 4,000 TV viewers (all cable subscribers) interviewed by Roper Organization said cable is more responsible for sex and profanity than over-air TV. And by 4-1 margin, respondents said same thing about violence. When viewers see something that offends them, 45% change channels, 15% turn off TV, 12% continue to watch. Study, "America's Watching: Public Attitudes Toward TV," was released March 31 by Network TV Assn. (NTA) and NAB. Annual Roper study has been sponsored by broadcasters since 1959, formerly was a main focus of report to its members by now-defunct TIO.

Study also showed that TV remains viewers' favorite and most believable news source: 69% rely on TV for "most of their news," 43% newspapers, 16% radio, 6% "other people," 4% magazines (total is more than 100% because some respondents mentioned more than one prime source of news). As to believability, 56% favored TV, 22% newspapers, 7% radio, 4% magazines. As for helping them become "best acquainted" with candidates in 1992 Presidential campaign, 74% said TV, and 73% of those said that meant 3 major networks -- ABC, NBC, CBS.

On children's programming, 44% said there's not enough that's of quality or suitable, 35% said there's "about the right amount," 9% said there's "more than enough," 12% "don't know." Are commercials "a fair price to pay" for free TV? Yes, said 71%, no, said 22%, and 9% "don't know."

Only 10% endorsed involvement of govt. in deciding what viewers can or should watch; another 11% favored influence by "social action and religious groups," compared with 76% of respondents who said individuals should have most to say about what they watch. Three-fourths of "appointment viewers" -- those who make special effort to watch particular program -- said those programs are on one of 3 over-air networks. Basic cable provides favorite program for 23% of respondents, while 5% said pay cable. If their cable system didn't carry 3 over-air networks, 64% said, they would cancel cable; others said they would expect cable bill to be cut in half if networks were dropped. In-home interviews were conducted in 2 waves (2,000 each) in Nov. and Dec.

FCC Inquiry into satellite encryption established that it's technically feasible to have full-fledged competitor to General Instrument VideoCipher, but only rival -- Titan Satellite Systems -- appears to have withdrawn from race. In circular letter, Titan told dealers and customers that although it had achieved significant advances in manufacturing its Linkabit Smart Card System, programmers had turned cold shoulder to it. Titan said it doesn't have deal with premium movie services that are critical to making its service viable. Results of FCC inquiry, released April 1, raised questions about technical characteristics of Titan system, but indicated that it's theoretically possible for others to enter market. FCC inquiry was launched in July as result of Titan letter to House Telecom Subcommittee Chmn. Markey (D-Mass.) and then-Rep. McMillen (D-Md.).

Former KCCO-TV Alexandria, Minn., reporter Kelly Nelson and cameraman James Talley have been sentenced to 90 days in jail and fined \$500 each for buying beer for teenagers for taping of story on underage drinking. Judge James Preece suspended all but 10 days of sentences and said that time could be served by doing community service. KCCO-TV aired segment Nov. 24 during ratings sweep. Nelson and Talley were fired and station made on-air apology.

GOVT. HELP CALLED KEY TO INFOSTRUCTURE: Govt. encouragement of national telecommunications "infostructure" is key to aiding transition to multimedia world, House Telecom Subcommittee Chmn. Markey (D-Mass.) told multimedia conference in Washington March 31 sponsored by Center for Strategic & International Studies. He pressed for spectrum auctions, elimination of lotteries and use of ISDN over twisted telephone pairs as interim steps toward nationwide broadband network, strengthening pioneer's preferences.

Congress should rescind FCC authority to use spectrum lotteries, said Markey, who plans hearing April 15 on auctions. He also suggested that small entrepreneurs be allowed to pay royalties rather than auction fees to govt. for use of spectrum. Federal role in encouraging multimedia should be creating viable platforms, not judging technologies, Markey said, and first priority is upgrading telecommunications network to carry multimedia.

Current hype on multimedia is "a bit scary" because it could backfire on industry, Bell Labs Technology Dir. Gregory Blonder said. He predicted that such hyped uses as distance medicine and transmitting Library of Congress materials aren't "panacea." Knight-Ridder Design Lab Dir. Roger Fidler said multimedia combined with "personal digital appliances" will provide new delivery method for newspapers: "We must decouple the words news and paper."

In response to question whether advertising would be viable in fragmented multimedia world, Fidler said multimedia "can create an environment that is much more exciting for advertisers." Hugh Williams of BBC World Service said consumers would be willing to pay for multimedia: "If you create a demand, you can create a price." Time Warner Telecommunications CEO Dennis Patrick, former FCC chmn., said company's planned Orlando "full-service network" is step toward multimedia because it will be convergence of cable, interactivity, video-on-demand, telecommunications. He said full-service network is way to move gradually toward full multimedia because each stage of development will generate own revenue sources and individually can be justified economically.

Poll by L.A. Times found that 17% of 1,703 adults surveyed nationwide think news media are doing "a very good" job, down from 30% in 1985. Nearly 70% of respondents agreed with statement: "The news media give more coverage to stories that support their own point of view than to those that don't." According to 65%, press "looks out mainly for powerful people," with 26% saying media look out for ordinary people. However, 91% said TV network news shows are "good way" to learn what's happening in world, with 81% saying same for daily newspapers. Telephone poll was conducted March 6-9.

U.S. Interactive & Microwave TV Assn. (USIMTA) elected first outside members of board, adding 7 members to current 4. New members are Robin Annesly, TechnoCable; Oliver Lovato, Orion Bstg.; Jon Marple, Marco Communications; Ivan Nachman, Sun Coast Communications; John Rickel, Comex; Gerald Rourke, lawyer; Theresa Sontag, United Video.

Guide for converting TV stations to HDTV has been published by MSTV and is being mailed to members. "While our focus is on issues in Washington, this guide seeks to support our mission by assisting stations to plan for technological changes," MSTV Pres. Margita White said. Guide costs \$20 -- 202-462-4351.

Russian Congress voted 537-263 March 28 to strip President Boris Yeltsin of control of state-owned broadcasting and print media. He had issued decree March 20 reaffirming his control of 2 state-owned broadcast networks. New law, which govt. official said would be appealed to Constitutional Court, establishes "oversight council" to monitor media on national level and state councils for local and regional levels. Anti-Yeltsin legislators said law was needed to prevent President from launching propaganda campaign against them. Said Russian Minister of Press & Information Mikhail Fedotov: "In passing this resolution, we turn back the clock of freedom of speech and glasnost by 10 years."

Mexican industrialist Raymundo Flores and Banco Cremi S.A. have brought in Cap/ABC and Paramount Communications as minority partners (required for foreign companies by Mexican law) in bid to acquire state-owned broadcasting network that govt. is selling. Bids were submitted April 1. Others seeking network include group headed by Banca Serfin head Adrian Sada and glassmaker Grupo Vitro, along with Multivision cable MSO and Clemente Alvear, owner of radio and TV stations. Package, which includes 2 TV networks, 168 affiliated stations, newspapers and movie chain, is expected to bring in about \$500 million.

Cal. Dept. of Education appealed county judge's order permitting Whittle Communications Channel One program to be aired in state's public schools. Dept. objected because 12-min. program contains 2 min. of advertising. Santa Clara County Superior Court Judge Jeremy Fogel ruled last Nov. that programs could be aired if viewing by students was voluntary. Said Cal. Education Supt. William Dawson: "The question is, can California public schools sell off part of the school day for noneducation purposes." Whittle official said appeal "seems to us to be a ludicrous and monumental waste of public funds."

Evening Post Publishing Co. is buying KVOA-TV (Ch. 4 NBC affiliate) Tucson from H&C Communications, price not announced. Evening Post owns 5 small-market TV stations, several newspapers. Sale by H&C of WESH (Ch. 2 NBC) Daytona Beach-Orlando and KCCI-TV (Ch. 8 CBS) Des Moines for \$165 million cash to Pulitzer Publishing (TVD Feb 22 p4) is pending FCC approval.

COURT ORDERS ILLEGALLY COPIED FACTBOOK MATERIALS IMPOUNDED

Federal judge in Atlanta has ordered Microdos Data Corp. and its principal officer, Robert Payne, to turn over to court all copies of a cable TV database that directly violated copyright of Warren Publishing's *Television & Cable Factbook*.

U.S. Dist. Judge J. Owen Forrester March 16 ordered impoundment of all copies of the database and of all materials used to make it. At same time, he permanently enjoined company and Payne from ever selling or using illegal database again. On March 31, 1992, court ruled that Microdos had violated Factbook copyright by inputting information directly from the directory into its database, called *Cable Access*.

Warren Publishing filed suit against Microdos and Payne in Aug. 1990 after Payne repeatedly refused to stop selling purloined materials. Microdos sold database in competition with Warren's own computerized research services.

SMATVs v. FCC: Congress must have thought that if certain SMATVs weren't franchised by local authorities, consumers wouldn't have ability to obtain fair rates and services, U.S. Supreme Court justices said March 22 in oral argument on FCC v. Beach Communications. Justice Dept. attorney John Manning called assumption "plausible," but "unverified." Deborah Costlow, representing Beach, said FCC rule is discriminatory and unconstitutional because wireless systems crossing public rights of way don't need franchises, but SMATVs do, which restricts their free speech rights on private property.

Supreme Court is reviewing lower court decision that would nullify FCC rule on what constitutes cable system, thereby requiring franchise. Rule says internal SMATVs, which connect commonly owned buildings and don't cross rights of way, are exempt from franchising; external SMATVs, those that connect buildings with different owners, even if right of way isn't crossed, are subject to franchise approval.

Subscribers are more likely to have leverage in dealing with video provider in case of internal SMATV because landlords are more interested in rent than fees from TV service, Manning said. However, he said, if more than one building owner is involved, responsibility and accountability are diffused, lessening control of ratepayers. Commonly owned buildings are "integrated economic units" when considering provision of other services such as maintenance, trash removal, etc., and TV is just another service, with tenants able to voice complaints and desires to one set of owners, Manning said.

First SMATV operator to install headend on city block would have "lock" on rest of buildings if no franchise were required to connect separately owned buildings, Justice Antonin Scalia told Costlow. "How can others compete?" he asked. He said economic advantage would be too great to overcome. Costlow replied that cable operator already would have block wired. Scalia said cable operators are controlled by franchises. Burdens of franchises, which can mean requirement to serve entire municipality, would prove overwhelming to SMATV operators, Costlow said.

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Nynex asked FCC to reconsider home wiring rules, saying they unnecessarily limit benefits for residents of multiple dwelling units and for new cable subscribers. Petition urged Commission to give alternate video providers access to more of wiring in multiple units because competition in such installations "is fostered by minimizing the need to duplicate subscriber home wiring... The new rules essentially deny the benefits of competition to subscribers in multiple unit premises." Subscribers should be able to control their own wiring immediately after installation, instead of only when they cancel cable service, Nynex said, potentially allowing other video providers to use spare capacity of wiring even while consumer continues to subscribe to cable.

In follow-up order to cable indecency ruling (TVD Feb 8 p9), FCC said April 2 that cable operators can prohibit obscenity, sexually explicit conduct and materials promoting unlawful conduct on public, educational and govt. (PEG) channels. Commission said cable systems can require PEG channel programmers to provide same certifications as leased channel programmers that material doesn't violate rules. FCC said that definition of obscenity will be based on U.S. Supreme Court ruling in *Miller vs. Cal.*, and that definition of sexually explicit conduct will be same as for indecency. Disputes should be resolved by local franchising authority or by local courts, FCC said.

U.S. Appeals Court, D.C., on 2-1 vote has thrown out, as unconstitutional infringement on free speech, prohibition against federal workers' making less than \$86,500 accepting outside income for writing articles or giving speeches on matters outside their jurisdiction. Law, which became effective Jan. 1, 1991, also applies to judiciary and members of Congress and their staffers, who still will be barred from accepting honoraria because they weren't party to appeals by labor unions. Ruling affects some 2 million govt. workers. Opinion, written by Judge Stephen Williams, cited several examples in which law had hurt employees, such as lawyer at Nuclear Regulatory Commission writing about Russian history. "It is clear that the ban reaches a lot of compensation that has no nexus to government work that could give rise to the slightest concern," he wrote. "There is no suggestion that the institutions that have paid or are likely to pay for the speeches or writings would have some relationship with the employee's agency that would make them wish to curry its favor." Judge Raymond Randolph concurred, Judge David Sentelle dissented, calling ban "only a moderate burden on employees' First Amendment rights." When Congress banned its members from accepting honoraria, it also raised their pay 35% to \$129,500.

Consumer advocacy groups have issued "vote of no confidence" in FTC Chmn. Janet Steiger and urged President Clinton to "bring new leadership" to agency. In letter to President, groups said: "While the FTC is supposed to be the nation's chief consumer protection agency, since 1984 [it] has not contained a single member that has been recognized as a leader of the consumer protection community. The FTC has a serious mission to prohibit unfair and deceptive trade practices, and leadership of the agency should not be entrusted to generalists, corporate lawyers, government bureaucrats or other individuals who are not recognized consumer leaders." ANA has expressed its support of Steiger and top FTC staffers and its "commitment to a strong consumer protection agenda."

Cable systems don't have right to use all easements to private multifamily dwellings that other utilities have, 4th U.S. Appeals Court, Richmond, Va., ruled last week. Court, in 2-1 decision, said systems can use only compatible easements formally dedicated to public use, rather than all easements used by other utilities. Media General of Fairfax County, Va., had sought right to use easement to provide cable service to condominium development in county, but was denied access by condominium board, which had signed exclusive deal with SMATV operator. Media General Cable Chmn. Thomas Waldrop said decision was "pretty significant" because it potentially could have given cable systems access to several additional percent of subscribers. Waldrop told us company hasn't decided on further appeal, but it's unlikely.

Fairness & Accuracy in Reporting (FAIR) study has criticized NPR for allegedly being too white, too male and too involved in Washington activities in its news coverage. Study, based on 2,296 stories aired in last 4 months of 1992 on All Things Considered and Morning Edition, said that only 21% of sources are women, all but one of regular 27 commentators are white and 23 are men, 28% of domestic stories came from Washington and 59% from Northeast. Study criticized NPR's international reporting as being dominated by European news. Replied NPR spokeswoman Mary Morgan, in generally defending news output: "FAIR [liberal media watchdog group] thinks we're too right wing and the people on the right think we're too much to the left."

FCC Record Image Processing System (RIPS) will be closed April 8-9 for maintenance. Reference Center (Rm. 239) will be closed April 9 for same reason.

Personals

Promoted in reorganization of ABC TV Best. Operations & Engineering Div., all based in N.Y.: **David Elliot** to vp-engineering services; **Mary Frost** to vp-gen. mgr., network operations; **Elliott Reed** to vp-TV operations... **Joel Chaseman**, ex-pres., Post-Newsweek Stations, leaves as chmn. of Advanced TV Test Center, will be replaced by **Warren Williamson**, WKBN-TV Youngstown, and chmn. of Maximum Service TV. Chaseman is succeeded on ATTC board by **Edward Reilly**, McGraw-Hill Bestg.

Frank Gardner, ex-Fox TV Network, returns to Scripps Howard Bestg. as exec. vp and senior vp of parent E.W. Scripps Co... **Cary Jones**, gen. mgr., WHNS Greenville, S.C., takes same position at co-owned KPDX Portland, Ore... **Gerard Braet**, ex-KUTP Phoenix, appointed vp-gen. mgr., KBHK-TV San Francisco... **Ann Pincus**, vp-communications, WETA-TV-FM Washington, resigns... **Sue Ayala** advanced to operations mgr., WDIV Detroit... **Rosemary Gama**, national sales mgr., WXTV Paterson-N.Y., appointed vp-mktg.... **Kevin Ragan**, ex-WTAE-TV Pittsburgh, moves to WKYC-TV Cleveland as asst. news dir... **Rich Golden** advanced to national sales mgr., WNYW N.Y.

Roger Johnson, Orange County, Cal., pres. of computer firm Western Digital, appointed chief of General Services Administration, first Republican nominated to top post in Clinton Administration; Johnson was active in Cal. Republicans for Clinton in campaign... **Peter Lalster** named chmn., SelecTV, succeeding **Michael Buckley**, resigned... **Robert Horowitz** promoted to pres., program producer and syndicator GGP, succeeding **David Peterson**, who becomes chmn... **Joseph Hule** advanced to vp-gen. mgr., Harris Allied Best. Div., succeeding **Brian Maloney**, now vp-business development, Harris Communications Sector.

Elected vps, General Cable Corp.: **Stephen Cutter**, human resources; **Thomas Falcofsky**, purchasing and transportation; **Michael Fein**, procurement... **Sean O'Boyle** promoted to midwest region mgr., Group W Productions... **Chris Pye**, ex-Scottish TV Enterprises, appointed CEO, Anglia TV Entertainment, joint venture of HBO and Anglia TV... **Clayton Banks** promoted to northeast region dir., Showtime Networks.

Tony Payton, consultant at National Republican Senatorial Committee, named administrative asst. to Sen. **Burns** (R-Mont.), replacing **Jack Ramirez**, who becomes vp, National Assn. of Independent Insurers... Consulting firm of **Christian Schwarz-Schilling**, ex-German Telecommunications Minister, enters affiliation with Washington law firm Wilkinson, Barker, Knauer & Quinn... **Garfield Emerson** advanced from deputy to chmn., Rogers Communications; **David Gergacz**, ex-Boston Technology, named pres.-CEO of cellular telephone subsidiary Rogers Cantel Communications... **Susan Scott** promoted to dir.-business development, Turner Entertainment Networks... **Jim Jaffe**, consultant, appointed vp-domestic and international production, MGM.

Veteran NBC U.S. Supreme Court reporter **Carl Stern** appointed dir.-public affairs, Justice Dept... **Jeff Kreiner**, ex-CBS, named vp-advertising and promotion, NBC East Coast... Ex-Sen. **Wirth** (D-Colo.), also one-time chmn. of House Telecom Subcommittee, confirmed by Senate as Undersecy. of State for global affairs... **Charlotte DeJean** promoted at Conus Communications to managing editor for regional cooperatives... **Robert Kaplan** advanced to N.Y. sales mgr., Group W TV sales.

TELEVISION DIGEST

Published Weekly Since 1946
With Consumer Electronics
(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Newsmat and Predicasts and also may be received through facsimile service. Warren Publishing, Inc. is publisher of *Communications Daily*, *Satellite Week*, *Television Digest with Consumer Electronics*, *Video Week*, *Common Carrier Week*, *Audio Week*, *Public Broadcasting Report*, *Mobile Satellite Reports*, *Consumer Multimedia Report*, *Facility Strategies*, *Television and Cable Factbook*, *Warren's Cable Regulation Monitor*, *Cable & Station Coverage Atlas*, and other special publications.

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Fred Rogers, creator and host of PBS's *Mister Rogers' Neighborhood*, wins Peabody Award for individual achievement; NPR correspondent **Daniel Schorr** receives Peabody for "a lifetime of uncompromising reporting of the highest integrity"... FCC Chmn. **Quello** speaks April 7 at joint convention of Ind. and Ky. Bcstrs. Assns., French Lick, Ind... **Patrick Donovan** promoted to special counsel, FCC Common Carrier Bureau's Policy & Program Planning Div... **Brenda Thier**, ex-Cable AdNet, appointed sales mgr., Cable Networks Inc. ad rep firm's new Philadelphia office, 225 City Line Ave., Bala Cynwyd, Pa. 19004, 215-668-1750... **John Butte**, ex-WFLA-TV Tampa, joins Buena Vista TV... **Laura Siegel** promoted to dir.-PR, Viacom Entertainment.

OBITUARY

John Watson, 78, early cable TV operator, died of liver cancer March 27 at Sacred Heart Hospital, Allentown, Pa. He was owner of Service Electric Co., operating systems with more than 235,000 subscribers. He suffered stroke 3 years ago. Watson began his first system in Mahanoy City, Pa., claimed startup year was 1950, later revised it to 1948. (First cable system generally is believed to be that started by E.L. Parsons in Astoria, Ore., in 1948.) Watson (originally Watsonovich) is survived by widow, 2 sons, daughter.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	MARCH 13-19	1992 WEEK	% CHANGE	MARCH 6-12	11 WEEKS 1993	11 WEEKS 1992	% CHANGE
TOTAL COLOR.....	384,954*	374,151	+ 2.9	373,738	4,409,806*	3,882,289	+13.6
DIRECT-VIEW...	380,499*	369,366	+ 3.0	368,477	4,334,247*	3,811,680	+13.7
TV ONLY.....	362,350*	358,224	+ 1.2	349,948	4,120,150*	3,667,050	+12.4
TV/VCR COMBO.	18,149*	11,142	+62.9	18,529*	213,097*	144,630	+47.3
PROJECTION....	4,455	4,785	- 6.9	5,261	75,559*	70,609	+ 7.0
VCR DECKS.....	172,710	173,838	- 0.6	189,178	2,111,769	2,012,299	+ 4.9
CAMCORDERS.....	28,932	30,828*	- 6.2	22,910	396,237*	362,336	+ 9.4
LASERDISC PLYRS#	2,783	3,306	-15.8	1,810	35,626	47,061*	-24.3

Direct-view TV 5-week average: 1993--434,234*; 1992--394,724 (up 7.5%).

VCR deck 5-week average: 1993--200,215; 1992--188,197 (up 6.4%).

Camcorder 5-week average: 1993--38,699*; 1992--35,373 (up 9.4%).

* Record for period. # Includes combi players, excludes karaoke types.

EIA SPARKS 'CAPTIONVISION' MARKETING DRIVE: Nationwide campaign to promote "CaptionVision" -- name adopted as alternative to "closed captions" -- is being coordinated by EIA Consumer Electronics Group (CEG). CEG Vp Gary Shapiro told news conference in N.Y. last week that he expects strong industry support because all manufacturers are required by law to include captions in sets 13" and larger made or imported July 1 and thereafter.

Idea for campaign was credited to Thomson Consumer Electronics' Joseph Clayton, who heads CEG's Video Div. Shapiro said caption law marks first time entire industry has been required to add new feature to sets since all-channel law, and CEG campaign is designed to "turn that lemon into lemonade." Campaign will be particularly timely since all manufacturers will introduce their all-captioned lines at about same time.

Although caption law is intended as aid to hearing-impaired, campaign will stress other benefits. "Our focus for the marketing program is to educate consumers -- particularly those who do not have hearing impairments -- about the many benefits of CaptionVision," Shapiro said, citing improvement in reading skills, learning English and enjoying TV programming in noisy or noise-free environments. "Reading a favorite TV program can be both an enjoyable and educational activity," he said.

EIA is working on campaign with NARDA, which plans 15,000-dealer mailing in July. Drive also will be promoted to retailers through other direct mail pieces and trade ads, and to consumers via point-of-purchase displays. Details of public campaign will be unveiled at Consumer Electronics Show in Chicago in June.

Captioning can become significant selling point after FCC approves use of 2nd field of closed-caption line in vertical blanking interval, which will be capable of providing large number of teletext-like and even interactive services, such as automatic VCR programming. These "extended data services" presumably can be implemented fairly quickly after FCC action, since they involve software rather than new hardware.

SONY REORGANIZES, PRICES GOING UP: In preparation for multimedia age, Sony is moving all manufacturing and engineering operations into reorganized and enlarged Sony Corp. of America (Sonam) -- and, in effect, merging consumer and professional sales and marketing. Although no successor was named to former Sonam Pres. Ron Sommer, major new responsibilities will go to John Briesch, who also continues as pres. of Consumer Products Group.

Revamping follows move of Sommer to presidency of Sony Europe after 3 years at Sonam. Under reorganization, post of pres. of enlarged Sonam is left unfilled, with Sony (Japan) Exec. Deputy Pres. Ken Iwaki continuing as Sonam chmn.-CEO. Major changes made April 1: (1) Sony Engineering & Mfg. of America (SEMA), formerly separate organization, moved under Sonam, taking with it all manufacturing, engineering, R&D. (2) New organization within Sonam, Sony Sales & Mktg. of America (SSMA), was made responsible for sales and marketing activities across all consumer and professional product lines (which, however, will continue to have separate sales staffs). (3) Recording Media, formerly separate subsidiary, Sony Recording Media of America (SRMA), is brought under Sonam umbrella.

SSMA is headed by Iwaki, as acting pres., with Briesch as deputy pres., adding responsibilities for business and professional product marketing to his consumer product functions. Kuni Ando continues as pres.-COO of SEMA, reporting to Iwaki, while Sonam Senior Exec. Vp Aki Nakamura moves to new post of Sonam chief financial and administrative officer. Thus SSMA fulfills all functions of former Sonam with exception of certain financial areas, and adds responsibility for sales and marketing of recording media, while media manufacturing moves to SEMA under Sonam umbrella.

Although Briesch's current title is deputy pres., Iwaki indicated in wide-ranging interview with TV Digest that no one else is under consideration for presidency and Briesch will get inside shot at it after becoming acclimated to his larger responsibilities. SSMA now includes sales and marketing of Consumer Product, Business & Professional, Component & Computer Product and Recording Media groups plus Sony Hawaii and sales support functions including logistics, corporate advertising, Sony Family Centers (employee stores).

Unchanged is organization of Sony U.S.A. (SUSA), which continues as holding company for all Sony activities in this country, providing financial superstructure and handling such areas as human resources and real estate, as well as being responsible for all entertainment and software businesses.

Changing nature of electronics business dictated reorganization, Iwaki told us. Lines are blurring among various disciplines, he said, with such products as CDs leading to CD-ROM and MiniDisc, crossing line between professional and consumer uses. As for recording media, he said major growth now is in nonmagnetic area, and "media factories themselves are changing," with possibility of combining or switching plants among media, components, other products. He pointed out that such recent products as Sony's Multimedia CD player and Data Discman cross lines between consumer and professional products. Today's emerging technologies are "common between business, professional, components and audiovideo," he said.

Iwaki indicated new organization is preparation for 21st Century's technological revolution and question of "who will be the Sony of the next century." Answer, he said, clearly will be Sony. Although Sony officials once referred to their company as aspiring to be "the IBM of Japan," Sommer summed up new thinking in pursuit of efficiency and flexibility: "If you freeze [organization] for the next generation, you end up like IBM."

Will this flexibility and combined functions result in lopping off jobs? Although Sony recently eliminated more than 100 jobs in Business & Professional Group, partly as result of consolidation of some operations with Consumer Products (TVD Feb 1 p18), and a number of jobs are being eliminated at San Diego plant (see separate report), Iwaki answered carefully: "There will not be more employees. We hope to maintain a comparable number of people."

Asked about widespread reports of lack of communication -- and even competition -- between Sony's hardware and software arms, Iwaki indicated that while cooperation between them was necessary and synergistic, "in the last few years everybody has been busy with his own business to get the company moving, we didn't have the chance to get to know much about each other, so we got a lot of negative publicity." SUSA has "connecting role" between the 2 operations, he pointed out and now the 2 arms finally have good mutual understanding.

Now both operations are "working into no-nonsense synergy," Iwaki said, pointing to Sony hardware promotion geared to Sony Pictures' Last Action Hero with Arnold Schwartzenegger. He also cited Sony Gallery in Chicago, which displays both hardware and software, and said upcoming Gallery in new Sony Bldg. in N.Y. will be geared heavily to software activities as well as featuring Sony products.

As for major new products, Iwaki and Sommer indicated that although occasional blockbuster or bombshell may be in making, all innovations will continue to be in audio, video and communications

framework. Future products will offer ease of use and more choice for consumer. Personal entertainment will evolve into personal information and communication, Iwaki said. While HDTV is exciting new product category, it's professional and commercial as well as consumer product. Upcoming 500-1,000-channel program choice will challenge industry to develop systems to make this friendly to consumer.

* * * * *

"We have to raise prices" in U.S. as result of increasing strength of yen (which hit new postwar high against dollar last week), Iwaki said in reply to our question about reports that Japanese parent company is adding surcharge to products it supplies to American subsidiary (TVD March 1 p8). "If we don't raise prices, that makes any kind of global pricing policy impossible. We are adjusting to the exchange rate change in all business groups, group by group," he said. "In America, we have to expect increases -- even more so in Europe," where different countries' currencies fluctuate by as much as 25%. He declined to quantify increases, but conceded that they would be lower in most competitive areas.

U.S. probably is more able to withstand price increases because its economy is "on the way to recovery." Iwaki said all major markets except America still are in doldrums, and next few years will be very difficult. He forecast recovery would begin in Japan later this year, but Europe will continue to be problem for some time -- "that is why Ron [Sommer] is going to Europe, to address that situation." He cited Latin America and Asia as important developing markets. "U.S. is the key" to future, Sommer said, giving "personal forecast" that "U.S. will lead the world economy by the end of the century."

Sony's U.S. operations experienced "double-digit sales growth" for 9th consecutive year in fiscal year that ended March 31, according to Iwaki, who said it was tribute to Sommers' management that company maintained profitability during his tenure despite recession. Company announced that Sony's U.S. electronics operations had net sales of more than \$6 billion in last fiscal year.

PHILIPS ADDING MEMORY TO CD-I PLAYER: Philips' announcement that it will begin marketing MPEG full-motion video (FMV) cartridge for CD-I in fall was spiced by additional disclosure that cartridge will contain added megabyte of memory. Philips said that's "essential to visually keep the flow, speed and excitement of the interaction going during branching" and allow faster animated game play for more compelling software. Extra memory will provide faster response time and enable sound to continue during image transitions, as well as more activity on screen at any point, "because the memory is 30% faster than the memory in the basic player," company said.

Cartridge will retail for about \$250, and will be accompanied immediately by "at least 6 interactive titles that start to exploit the extra memory," said John Hawkins, dir.-gen. mgr. of Philips Interactive Media, at Intermedia conference in San Jose last week. FMV offerings at start also will include limited number of music video programs that offer VCR-like video.

Philips officials said marketing plan for FMV add-on, including what -- if any -- software will be bundled with cartridge, hasn't been determined. Cartridge price quoted last week is \$50 higher than had been forecast, attributed by Philips to addition of memory. Hawkins said he expects "about 20% of the installed base, maybe higher," to purchase FMV cartridge upgrade in initial marketing phase. Company will begin shipping FMV cartridges, demonstration discs and tool kits to developers this month. Developers will have access to specially developed templates for FMV development that make possible full on-screen digital controls and displays. FMV effects demonstrated at news conference included superimposing moving windows or other screen effects on separate planes over FMV material and stretching of image on either horizontal or vertical planes to achieve panoramic effect.

Hawkins forecast Philips would sell 200,000 players worldwide this year (double sales through 1992) and 600,000 in 1994, passing million-unit installed base plateau. He said company would spend about same amount promoting CD-I in U.S. in 4th quarter this year as it did in same period last year, estimated at more than \$20 million.

Philips executives at Intermedia repeatedly pointed to what they saw as signs of growing industry support for CD-I format. Hawkins said GoldStar this year will begin manufacturing CD-I players for sale in Korea and overseas markets, projecting sales of more than 160,000 players in 1993. G.Y. Bang, dir. of CD-I operations for GoldStar International, acknowledged company is gearing up to produce CD-I players for domestic market in spring, but said no plans have been set for export. Spokesman for Goldstar in U.S. said he expected better indication of plans for U.S. by end of month.

Hawkins told us Philips has "principled agreement" with major consumer electronics brand, whose identity he wouldn't disclose, to begin marketing consumer CD-I players in U.S. this year. Company also trumpeted commitments from 2 high-profile software companies -- Broderbund and LucasArts -- to develop CD-I programs.

Philips officials have said first product with FMV probably would be carousel changer, opening door to use of CD-I as carrier for theatrical movies (since discs are limited to 72 min. of linear programming). However, Hawkins said last week that Philips won't have player with built-in FMV this year, and declined to say when product might be delivered. He said Philips has been demonstrating FMV capabilities to major movie studios and he believes that resolution produced by MPEG-1 "is good enough" to attract movies to CD-I format.

Pointedly declining to discuss 3DO's forthcoming product introduction, Hawkins said: "They're not to the market yet, so maybe when they're in the market we can compare." However, he said he "wouldn't underestimate" value of lessons that Philips has learned by being on retail shelves for more than year, saying 3DO would "need lots of cash, lots of heart and stamina and a bit of good luck." He said raft of publicity about 3DO format helps hype multimedia as consumer product, but he rued introduction of "yet another format."

Hawkins acknowledged that Philips has held discussions with Kaleida Labs on possible compatibility between CD-I and Kaleida's Script-X multimedia operating system. He conceded that with addition of extra memory in FMV cartridge, "there's enough memory in the system now to accommodate" Script-X interpreter. "We've had some good discussions with them, but to make any comments beyond that would be inappropriate," he said.

PROJECTAVISION LICENSES MATSUSHITA: Projectavision announced in N.Y. last week that it has entered patent license agreement with Matsushita giving it right to use depixilization projection TV technology for products made and marketed in U.S. Process eliminates mosaic effects in pictures from LCD projectors.

Projectavision CEO Marvin Maslow said company is in "active discussions" with "3 additional Pacific Rim-based consumer TV manufacturers [which] have requested patent licenses." Matsushita's Panasonic currently has no LCD projectors in U.S. line, but Quasar introduced projector with 1" LCD panel in Oct. 1991 at \$1,600 (TVD June 17/91 p15). Current version uses Projectavision system, we were told.

Projectavision officials declined to give details of licensing agreement, saying that terms provided for secrecy on royalty amounts, but said products using feature are imminent and Projectavision would be mentioned in Matsushita product literature.

Projectavision stock was biggest gainer on Nasdaq in first quarter, according to compilation in N.Y. Times, which showed it increased in value 195.5% in period, to \$16.25 from \$5.50.

Trade deficit in consumer electronics jumped 14.3% to \$9.6 billion last year from \$8.4 billion in 1991, American Electronics Assn. (AEA) reported. AEA's estimate, based on same Commerce Dept. data, differed from figures released earlier by EIA that showed consumer electronics deficit increased 10.9% to \$13.5 billion from \$12.1 billion (TVD March 29 p17). AEA put consumer electronics imports last year at \$12.8 billion, up 13.3% from \$11.3 billion and exports at \$3.2 billion, up 10.3% from \$2.9 billion, while EIA saw imports up 11.8% to \$16.6 billion from \$14.8 billion and exports up 15.9% to \$3.1 billion from \$2.7 billion. For electronics industry as whole, AEA said deficit more than doubled to \$9.7 billion from \$3.8 billion, while EIA put figures at \$11 billion and \$4.5 billion.

16:9 TV ON SALE NEXT WEEK: Thomson Consumer Electronics (TCE), which was first to market 16:9 widescreen TV sets in Europe in 1991 (TVD Feb 18/91 p12), presumably will win race to be first in U.S. when 6 L.A. area retailers offer its 34W" sets to public June 15.

RCA and ProScan Sets will be offered in limited number of outlets of May Co., Broadway, Circuit City, Good Guys, Sears, Ken Crane. Three software outlets operated by Tower Video and Ken Crane will have demonstration models. As announced at time sets were previewed (TVD Dec 21 p10), suggested list price of \$4,999 includes \$200 laserdisc album offer. Sets are being assembled at TCE's Bloomington plant using tubes made in TCE's Agnani, Italy, factory.

L.A. was selected as first market because of high sales of laserdisc players there, according to TCE, which declined to state number of receivers available for first offering. National availability of sets is scheduled for 3rd quarter.

Sanyo will build 2 new factories in Tijuana at cost of \$25 million, Japanese press reported. Plants, next to existing facility, will more than triple Sanyo's production capacity in Mexico. First plant is scheduled to open in July, increasing production of deflection yokes to 5 million annually from current 3.5 million and with capacity for one million flyback transformers and 2.5 million tuners. Second factory, due by summer 1994, will increase flyback production to 3 million. Components made in the 2 new 108,000-sq.-ft. plants will be offered to other manufacturers and shipped to Sanyo's TV assembly plant in Forrest City, Ark.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 115 yen = \$1, except where noted.

ZENITH'S RECOVERY MOVES: Zenith last week revealed 3 major moves in its drive to forestall new cash crunch: (1) It agreed to sell Fletcher Capital Markets, N.Y. investment firm, about \$10 million worth of common stock representing 3.8-4.7% of shares outstanding. (2) It filed with FCC for offering of 4 million authorized but unissued shares of common stock, 1.2-1.5 million to be sold to Fletcher, with proceeds of rest "to repay debt... and for general purposes." (3) It asked stockholders to approve authority to issue 8 million shares of preferred to give it "flexibility... as one means of providing financing."

Chmn.-Pres. Jerry Pearlman told security analysts in N.Y. last week that he expects particularly difficult first half and reiterated that company doesn't expect full-year profit. In answer to question, he said Zenith could be in black in 2nd half, assuming no major price attrition. Restructuring efforts are nearing completion, annual report said. Among other potential actions outlined by Pearlman at meeting and in newly issued annual report: Asset sales (including real estate, components activities and other noncore activities) and new borrowing arrangements (including borrowing against anticipated royalties of more than \$20 million in annual fees expected from 4 patents on cable-compatible TVs and VCRs). "The company believes it will be able to meet its seasonal peak requirements during 1993 from these sources," annual report said.

Stock sale to Fletcher Capital is expected to close in about 2 months, Zenith said, price per share to be "related to transactions on the N.Y. Stock Exchange during a specified period." The \$10 million realized in that transaction represents half of anticipated shortfall in cash requirements for year. After transaction, Fletcher presumably will be 3rd largest outside stockholder of company, after Manning & Napier Advisers, which holds 5.37%, and GoldStar, which has just under 5%.

Pearlman said Zenith will follow "Pro Linea" strategy in new 25" line -- referring to Compaq's hugely successful low-priced computer line that was introduced into new distribution channels. He indicated company will push extremely hard on value of its 25" product. In annual report, Pearlman referred to "terrific new product line" to be introduced this year: "It is being repositioned aggressively in terms of features, performance and price, and dealer acceptance is very high."

Zenith's tube plant is humming, according to annual report, which said its sales to other manufacturers increased last year "but are expected to be reduced in 1993 as the company uses more of its capacity to build tubes for increased sales of Zenith color TVs." By year-end, tube capacity will be increased when FTM monitor line is modified to produce both monitors and conventional TV picture tubes. Tube plant has been operating at full capacity of more than 3 million tubes annually.

Austere annual report referred to Zenith as "a reshaped company." Company said its competitors are "all foreign-owned global giants" and many are "able to soften the impact of adverse North American operating results through sales at higher margins in their home markets and through direct support from their governments." Restructuring, including move of final TV assembly to Mexico, should reduce Zenith's "overall costs by more than \$75 million in 1993, on top of cost reductions of about \$50 million in 1992 and \$59 million in 1991."

As part of cost-reduction program, report said, R&D efforts on FTM picture tubes and monitors "are being sharply reduced."

Proxy statement for May 4 annual meeting explains that proposed preferred stock won't be used to block unfriendly takeovers, only to raise funds. Zenith's 10-K filing reports company employed 25,000 at end of 1992, about 19,000 in Mexico and 5,000 in Chicago.

Nimbus's efforts to license its system for reproducing movies on single CD through conventional audio CD player (TVD Feb 8 p15) is subject of classic chicken-and-egg standoff between hardware makers and movie makers, Nimbus Dir. Adrian Farmer said. Demonstrating its technology in corner of C-Cube booth (using C-Cube MPEG decoder) at Intermedia exposition last week in San Jose, Nimbus said it wants to license system to hardware makers, but Farmer said they're balking until they know compatible discs will be available. He said he expects real-time MPEG encoding systems to be available in 2nd half of this year, which should give extra encouragement to movie rights-holders to free their software libraries. He conceded Nimbus needs clearance from CD co-developers Philips and Sony, but said they shouldn't object to extending Red Book audio CD standard to allow for video output layer, since "their intent has to be that CD continues to grow in a coordinated manner." However, Philips is known to be concerned over fact that not all audio CD players could handle Nimbus system. Farmer said about 40% of CD players already sold have precise enough laser pickups to handle double-density Nimbus CD that uses microscopic "pits" half size those on standard CD, and said all midpriced and higher CD players sold today can handle Nimbus technology.

Sega will begin shipping to Japanese domestic market lower priced versions of Mega Drive (known in U.S. as Genesis) and Mega CD (Sega CD in U.S.) April 23, but has announced no plans for introducing them into markets outside Asia. Mega Drive 2 will be priced at about \$110, 40% below current unit. Similarly, Mega CD/2 will carry retail price of about \$260, vs. Mega CD's \$440. Company expects to sell one million units of new Mega Drive and 600,000 Mega CD/2 devices, which it says have same capabilities as previous versions, in first year in Japan. Report from Japan said company was able to achieve lower price through improvements in circuit board technology and other cost reductions. Report also said Sega plans to introduce products in overseas markets including U.S., although it gave no specific date. Sega Mktg. Dir. Ellen Beth Van Buskirk said company hasn't set plans for product introductions here, but acknowledged desirability in particular of lowering price point of \$299 Sega CD unit. She said company's earlier projection that it will sell one million Sega CD peripherals in U.S. this year was made on basis of current price, not lower version.

Color TV sales set record for 3rd week of March, but only by very small amount (see State of the Industry), while projection TVs, VCR decks and camcorder were down from last year's same week. For first 3 weeks of 5-week March, VCR deck sales were up 12.1% and TV/VCR combos up 75.8%, but all other products tallied weekly by EIA were down. However, for year's first 11 weeks, all products except laserdisc players were comfortably ahead of last year.

TV buying intentions declined from 12-month record level of 7.6% in Feb. (TVD March 1 p12) to 6% in Conference Board's survey for March. March figure was also well below 7.2% year earlier. Data reflect buying plans for next 6 months, based on representative sample of 5,000 households. Consumer confidence fell for 3rd consecutive month in March.

TOP DENON JOBS STILL OPEN: Industry reacted with shock last week to news of ouster of Denon America Pres. Robert Heiblim and Mktg. Vp Ken Furst (TVD March 29 p11), which became official last Thurs., according to terse Denon America statement released early in week.

"New Management Team Appointed at Denon America," was heading on statement, which acknowledged only what had been known for 3 days -- that Heiblim and Furst were leaving Denon America -- but didn't mention why. Announcement, attributed to Vp-Secy. John Langan -- who said he will "continue in his administrative and operational duties" -- also said Sales Dir. Stephen Baker will assume all Denon sales and marketing responsibilities.

"Denon America will continue its marketing policies without change or interruption," Langan said. "We are committed to ensuring that Denon America will remain the audio industry's premiere specialty vendor."

In interview, Langan and Baker were particularly tight-lipped in fielding questions about conditions that led to March 25 breakup, but expressed confidence that Denon brand wouldn't suffer irreparable damage among dealers and reps. Heiblim and Furst departed as result of "management differences of a stylistic nature," Langan said, but wouldn't elaborate.

Baker said his first priority was speaking with Denon reps and retailers in "systemically disbursing the news" that Denon would remain formidable brand in U.S. Baker flatly denied that action against senior executives was tied to disagreement with top management over "marketing and distribution philosophies," specifically disputing one rumor that Heiblim and Furst were fired for disobeying direct Nippon Columbia instructions to take on Circuit City account. Baker conceded that "no doubt, things can't be the same" at Denon from personnel standpoint because "Robert was our visionary and Ken our toastmaster general." But he also emphasized that he and Langan are "well-known to our dealers" and effort was being made to assure continuity in relations with trade.

As week closed, sources close to Denon couldn't speculate on possible successors at U.S. subsidiary, except to suggest that next president would be from Japanese parent company. Spokesman at Nippon Columbia in Japan said day-to-day management responsibilities would fall to Denon America Chmn. Hajima Yamagata and Exec. Vp-Treas. Akira Saito. Spokesman said bad economic situation confronting Denon America, including yen's strong appreciation against dollar, was among reasons for breakup at U.S. subsidiary.

Tense climate at Denon in wake of firings seemed typified by terse "no comment" responses emanating from unlikeliest sources of all -- Heiblim and Furst themselves. Usually outspoken Heiblim broke his silence only to express his strong personal wish to remain in audio industry and thank many well-wishers who offered support.

Audio/Video Affiliates filed registration statement with SEC for sale of 2 million shares of common -- 1.3 million to be sold by company, 700,000 by certain shareholders. Also, underwriters were granted option for additional 300,000 shares to cover overallotments. Proceeds will be used to finance new store openings. Company has said it plans to add 20-30 stores this year to 107 it operates now in 20 states (TVD March 22 p12). Prudential Securities and Furman Selz are managing underwriters.

KODAK SUES SONY ON VCRs: Eastman Kodak last week announced it had filed suit against Sony in U.S. Dist. Court, Marshall, Tex., charging infringement of patent on recording heads used in some VCRs and camcorders. So-called Lemke Patent covers use of recording heads with gap of less than 15 micro inches, discovery that Kodak said was made by James Lemke at its former subsidiary Spin Physics. U.S. patent was issued in 1991.

Although not stated specifically in complaint, perusal of patent appears to indicate that Kodak is claiming it developed one of basic principles used in Hi8 and Super VHS recording and perhaps some advanced audio recorders as well.

Sony Corp. of America challenged validity of patent and promised to fight "vigorously" in court. Kodak's suit, seeking injunction and treble damages (no amount specified), charged that after long negotiations Sony claimed Lemke patent was invalid.

In Japan, Sony official said patent referred to VCRs with recording head with gap of less than 0.38 microns, of type used in all Super VHS and Hi8 VCRs and camcorders. He said use of narrow gap recording heads is widespread and commonly recognized and benefits are widely publicized, adding that Kodak patent is invalid, so Sony will fight back in U.S.

In Japan, according to official, when Kodak applied for patent on same principle in 1988, 23 Japanese companies filed objections and application was turned down in 1990. Same source said Kodak applied for patent in Europe, where it was opposed by 13 companies, including Sony, Grundig and Thomson, and objections were admitted by patent authorities last Dec. In Japan, Kodak has filed appeal asking for investigation of manufacturers' objections, but that still is pending before Patent Agency.

Sony America, in statement at week's end, said validity of Kodak patent "was previously rejected in Japan and Europe by an opposing claim filed by a large number of companies, including Sony, because similar technology had been in the public domain... long before Kodak filed for its patent."

Class action suits against former officials, directors and accountants of notorious Crazy Eddie chain were settled last week, defendants agreeing to pay as much as \$42 million to settle claims of shareholders, bondholders, investors, other creditors. In separate agreement, Entertainment Marketing and its Pres. Elias Zinn, major investor who served as Crazy Eddie pres. for about year following Antar regime, will receive \$7.5 million settlement. Oppenheimer-Palmieri Fund, another major investor whose principal Victor Palmieri was Crazy Eddie chmn. for brief period, will get \$7 million. Company itself, which still exists as legal entity, will get \$4 million, which will go toward satisfying creditors' claims, attorney said. Suits that were settled don't involve any claims against Eddie Antar, currently in jail awaiting trial on federal fraud and racketeering charges.

First Hughes-JVC industrial Image Light Amplifier (ILA) projection video systems have been shipped -- 8 to Electronic Data Systems, Plano, Tex., and 2 to Hockey Hall of Fame, Toronto. Company said it hopes to catch up with orders by end of May, then offer 30-60-day delivery schedule for new orders. Manufactured in Carlsbad, Cal., first models carry \$49,995 list for system rated at more than 1,500 lumens brightness and \$69,995 for one with more than 2,500 lumens.

PLAY-ONLY CORDER FUTURE HAZY: Panasonic's record-only camcorder, which went on market this month in Japan (TVD Jan 18 p16), will go on sale in U.K. in June. However, its potential in U.S. market is still being studied and it's not scheduled for introduction at Panasonic's U.S. national sales meeting in May, VHS Div. Vp-Gen. Mgr. Stanley Hametz said.

Future of gutless wonder in U.S. is "not determined yet," said Hametz, who noted that American market's requirements are different from those in U.K. and Japan. The 1.3-lb. VHS-C model, at \$855 list in Japan, is claimed to cost about half of conventional camcorder. U.K. version will list at equivalent of about \$840.

Model was one of 2 new camcorders introduced in London last week in connection with annual consumer electronics trade shows there. Release detailing one camcorder was embargoed until June, but separate one on record-only model contained no release date. Model has long-life battery, few controls -- power, record, tele/wide switch. It has optical viewfinder, fixed 3X telephoto lens, can operate for 130 min. with combination of 6 alkaline batteries and built-in rechargeable nickel-hydrogen battery.

Panasonic in U.K. said survey there showed many people shunned camcorders because they were too bulky and too complicated. Sony and JVC both had record-only camcorders in U.S. in past, but withdrew them from market.

Worldwide demand for color tube aperture masks is about 150 million annually, of which some 80% are used for entertainment tubes and balance for computer monitors, BMC Corp. estimated in its annual report for 1992. About 25% of market is served by tube makers that also produce masks, BMC said. Remaining 75% is supplied by independent mask manufacturers, whose shares BMC estimated as: BMC 30%, Japanese companies 55%, Korean companies 15%. BMC makes masks in Cortland, N.Y., and Müllheim, Germany. Cortland's sales rose 2.5% in 1992, but at Müllheim fell 10%, partly due to change in financial calendar and partly to poor tube business in Europe. German plant now is producing 16:9 widescreen masks as well as 35" standard ratio versions. Sales of BMC's Precision Etched Products Group (masks) totaled \$111.9 million in 1992, down 13.7% from \$129.7 million in 1991, while operating profit dipped 34.5% to \$11,249,000 from \$17,185,000.

Tops Appliance City, Edison N.J.-based N.Y.C. area chain, reported 4th-quarter profit of \$3.9 million, compared with \$3.3 million in 1991 period, crediting strong consumer electronics sales. Revenues were up 30% to \$115.7 million from \$89.1 million. For year, net profit was down 66% to \$1.8 million from \$5.3 million, while sales rose to \$344 million from \$300.5 million. Tops said it expects "modest loss" in first quarter due to "extraordinarily severe weather conditions" in its sales area. Company went public in Aug.

Sony offered employees at San Diego plant early retirement packages in individual hand-delivered letters, with replies due March 31, according to sources close to situation, who estimated more than 100 would choose to retire. Sony spokesman confirmed that employment was being reduced there by early retirement. He said final results weren't available yet, but estimated 50-100 would leave.

Revised dates for Satellite Best. & Communications Assn. 1993 Satellite Show are July 15-17, Opryland Hotel, Nashville -- 800-654-9276.

NO-MOVING-PARTS RECORDER: Sharp has proposed industry standardization of voice recorder using flash memory cards and without moving parts, Dempa Shimbun reported in Japan. In U.S., Sharp said it had no information on device, which was first featured in company's technology brochure.

Japanese publication said prototype portable recorder weighs about 5 oz. and measures 2.5x4.7x0.8". It can record for 10 min. per Mbyte, providing more than 82 min. recording on 8 Mbyte flash memory card. It can also accommodate 1, 2 and 4 Mbyte cards.

Company reportedly said system provides instantaneous access to start of any individual recording segment. Sound signals are digitized in microcomputer, transferred to buffer memory and then written into IC card. For reproduction, signals are read out by microcomputer, decompressed by digital signal processor and converted to analog sound. Compression ratio is 8 to 1. Each IC flash memory card has recording and index areas. Cards can be erased and reused.

In separate report, Nikkei said Sharp will start full-scale production of flash memory cards this summer in Japan, working with Intel.

ABC IN INTERACTIVE TOYS: CapCities/ABC became largest outside investor Yes! Entertainment (YE), interactive electronic toy company formed recently by Donald Kingsborough, former Atari executive who created Worlds of Wonder (TVD Feb 15 p15).

The \$4.75 million investment is first by Capital Cities Capital (CCC), subsidiary formed to "help finance innovative consumer product and service companies, primarily through an exchange of network and other media advertising." YE's initial product line, joint announcement said, will consist of already announced TV Teddy, teddybear that interacts with specially encoded videotapes or TV broadcasts; Comes to Life Books, whose characters read stories aloud to children using handheld player that's placed on discs throughout books; Pop-Up Sound-Up Playset, pop-up books with sound effects.

YE said it plans to use network's ad investment beginning in late summer when it introduces its line nationwide. CCC said it will provide financing both to new companies such as YE and more established ones. YE Chmn.-CEO Kingsborough forecast that TV advertising "will have a tremendous impact on making our products successful in 1993."

"First Personal Communications Service in U.S." is claim for FreedomLink system introduced last week by Southwestern Bell and Panasonic Communications. System uses pocket phones and low-powered cellular frequencies to let users communicate anywhere throughout office, factory or business complex. When employee leaves base location, handset operates as regular cellular phone. FreedomLink uses wall-mounted base stations in work area. Prices run about \$1,800-\$2,500 per extension. Southwestern Bell will market system throughout its 54 cellular service areas. Equipment will be made by Panasonic in Ga. Panasonic will make FreedomLink protocol available to other manufacturers to develop standard.

Matsushita will begin production of 27" tubes in its joint venture in Beijing in July. Last year, its plant there produced 140,000 14" tubes, 570,000 of 18", 910,000 of 20".

Consumer Electronics Personals

John Briesch named deputy pres. of new Sony Sales & Mktg. of America (SSMA), also continues as pres., Sony Consumer Products Group; **Ken Iwaki** to serve as SSMA acting pres. and remains chmn.-CEO, Sony Corp. of America (Sonam); Sonam Exec. Vp **Aki Nakamura** named chief financial and administrative officer (see report, this issue). **Harlan May** leaves as pres. of Sony Display Device Pittsburgh, succeeded by **Fred Ishii**, formerly engineering vp. **Minoru Morio**, senior managing dir. in charge of video business, moves to similar post in audio business; Senior Managing Dir. **Kozo Ohsone** switches from audio to video business.

Changes at JVC Co. of America: **Nathan Watanabe**, senior vp-sales administration, returns to Japan as gen. mgr. of parent Victor Co. legal div.; **Marc Adachi**, JVC home audio mgr., appointed gen. mgr., JVC Mktg. Dept., overseeing all mktg. functions of each JVC div.; **Hide Yoshida**, mgr. of JVC Consumer Video Div., returns to Japan as mgr., N. American sales for Victor Co. Video Div.; **Yuki Nagaoka** moves from JVC southeastern branch to camcorder mgr., Consumer Video Div.; **Hiro Ishizuka**, JVC east coast branch, named VCR mgr., Consumer Video Div.; **Kevin Gordon** moves from east coast branch to national product specialist, Consumer Video Div.; **Kenichi Hino**, ex-home audio mgr. in southwest branch, named National Accounts Dept. mgr... **Edward Nevins**, ex-Emerson Radio, joins JVC Service & Engineering Co. as national service mgr.

Osamu Kanaya, pres., Minolta U.S.A., named pres. of parent Minolta in Japan, succeeding **Hideo Tashima**, who became chmn.-CEO April 1; Tajima is son of late **Kazuo Tashima**, Minolta founder and pres.; **Hiro Fujii**, treas., succeeds Kanaya as pres. of Minolta U.S.A... **Stephen Baker**, Denon America dir. of sales, assumes all sales and marketing responsibilities following ouster of Pres. **Robert Heiblum** and Mktg. Vp **Ken Furst** (see report, this issue).. **John Koronais** promoted to vp-retail sales, Sony Electronic Publishing... **Blockbuster Domestic Music Div.** Pres. **Mark Siegel** resigns to start investment consulting firm, his duties assumed by Senior Operations Vp **Gerald Weber**... Promotions at Professional Tape Div. of Sony Recording Media: **Tom Evans** to promotions mgr., **Mike McMahon** to district sales mgr. for Tex., La., Okla.

Stephen Stepnes, onetime RCA sales and mktg. vp, has retired as vp-gen. mgr., Eastman Kodak CD Imaging Div., and now is pres. of Images Images, newly established Rochester, N.Y., photo database firm utilizing all forms of Photo CD for photo storage and retrieval... **William Tennant**, ex-A&P, named senior vp-CEO, Tops Appliance City, replacing **Richard Gavino**, resigned... **Bruce Burlington**, M.D., promoted from deputy dir. to dir. of Food & Drug Administration's Center for Devices and Radiological Health, charged with overseeing regulations on harmful radiation, succeeding **James Benson**, who has left govt. service.



VCR programmer feature is included in VCRPro4 wireless remote now being delivered by Universal Electronics. LCD screen prompts user to enter date, time, channel, program length. Unit contains 32K RAM microprocessor, can store up to 21 different programs for VCR recording and can control TVs, VCRs and cable boxes of most manufacturers. Previewed at Winter Consumer Electronics Show, unit is priced at \$30.

Dynascan Corp. is changing name to **Cobra Electronics**.

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
Falcon Cable Systems			
1992-year to Dec. 31	50,616,000	(8,956,000)	--
1991-year to Dec. 31	45,935,500	(10,494,100)	--
1992-qtr. to Dec. 31	12,848,300	(2,697,400)	--
1991-qtr. to Dec. 31	11,652,100	(2,223,400)	--
Great American Communications			
1992-year to Dec. 31	210,821,000	(559,958,000)	--a
1991-year to Dec. 31	201,556,000	91,986,000	1.93b
1992-qtr. to Dec. 31	55,804,000	(509,280,000)	--a
1991-qtr. to Dec. 31	52,470,000	98,898,000	1.74b
International Family Entertainment			
1992-year to Dec. 31	131,714,000	29,576,000	1.17
1991-year to Dec. 31	113,658,000	19,797,000	1.08
1992-qtr. to Dec. 31	36,108,000	6,285,000	.23
1991-qtr. to Dec. 31	30,147,000	2,815,000	.20
Metro-Goldwyn-Mayer			
1992-year to Dec. 31	936,691,000	(271,130,000)	--a
1991-year to Dec. 31	921,702,000	(347,426,000)	--
1992-qtr. to Dec. 31	214,374,000	(45,619,000)	--a
1991-qtr. to Dec. 31	218,737,000	(114,202,000)	--
Silver King Communications			
1993-6 mo. to Feb. 28	22,844,000	(3,840,000)	--
1992-6 mo. to Feb. 29	24,181,000	(7,238,000)	--
1993-qtr. to Feb. 28	11,306,000	(1,852,000)	--
1992-qtr. to Feb. 29	11,542,000	(4,358,000)	--
Spelling Entertainment			
1992-year to Dec. 31	258,519,000	9,822,000	.19c
1991-year to Dec. 31	122,748,000	12,964,000	.27c
Tele-Communications Inc.			
1992-year to Dec. 31	3,574,000,000	(34,000,000)	--b
1991-year to Dec. 31	3,214,000,000	(103,000,000)	--b

Note: ^aAfter special charge. ^bRestated. ^cIncludes special credit.

Internationale Funkausstellung, biennial exposition in Berlin, subtitled "World of Consumer Electronics," will have more than 600 exhibitors in 27 exhibit halls on 1.1-million-sq.-ft. Berlin Fairgrounds. Half-million visitors are expected at Aug. 27-Sept. 5 event. Last show, in 1991, attracted 97,200 trade visitors and more than 5,000 journalists -- AMK Berlin, Chicago, 312-245-5230.

Matsushita Microwave Oven Corp. of America (MMCA) is new company jointly owned by Matsushita Electric Industrial Co. (MEI) and its subsidiary Matsushita Housing Products Co., successor to div. of Matsushita Electric Corp. of America (MECA). Company employs 320 in Franklin Park, Ill., and will produce 1.5 million ovens annually when new plant is completed in July.

Vehicle security system sales in U.S. totaled \$473 million in 1992, according to EIA survey, and should increase 15% this year to \$542 million and 53% to \$724 million by 1997. Survey was conducted by EIA on behalf of Consumer Electronics Group's Mobile Electronics Div., which includes recently merged Mobile Electronics Assn.

BASF announced agreement authorizing Hong Kong-based Hanny Magnetics to manufacture, market and sell magnetic media products containing BASF tape in China. BASF said Hanny now operates factory in Zhuhai, China, and is planning to open 2nd plant near Beijing in summer.

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APRIL 12, 1993

VOL. 33, NO. 15

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

MUST-CARRY IS CONSTITUTIONAL, Court rules in 2-1 vote. Broadcasters win major victory. Quello says 'I'm delighted.' NCTA promises appeal. (P. 1)

CABLE PROCEEDING TRAPPED: Clinton FY 1994 budget includes Commission's \$16-million fee request for cable regulation, but without authority to hire staff. Budget boosts NTIA and Commerce. (P. 3)

NAB TO HOST MINICONVENTIONS: Assn. expects record attendance for April 18-22 Las Vegas session. Strong international presence seen. (P. 5)

FCC ISSUES CABLE CUSTOMER RULES: Covering 40 pages, they become effective July 1, apply nationwide. Major enforcement left to franchising authorities. (P. 6)

PACIFIC BELL READY FOR CABLE MOVES: Pres. Quigley predicts actions soon on all fronts, except one followed by Bell Atlantic; suggests it be given intrastate long distance resale authority. (P. 7)

EX-FCC CHMN. LEE DIES AT 81: Served record 27 years, 9 months as Republican member of Commission. He was known as 'Mr. UHF.' (P. 8)

VIDEO DIAL TONE SHOULD STOP, NCTA and Consumer Federation of America say in joint filing. They charge current rules can't prevent cross-subsidies, will harm consumers, produce unfair competition. (P. 8)

MUST-CARRY IS CONSTITUTIONAL, COURT PANEL RULES 2-1: Broadcasters won major victory April 8 when special U.S. Dist. Court panel in Washington ruled, in 2-1 vote, that must-carry as mandated in Cable Act is constitutional. Majority consisted of Dist. Judges Penfield Jackson and Stanley Sporkin, with Circuit Judge Stephen Williams dissenting. FCC Chmn. Quello said: "I'm delighted... I'm extremely gratified... It should be a signal to the industry that the time for second-guessing the Cable Act is over and the time for a reasonable implementation is here." NAB Pres. Edward Fritts called decision "a great day for broadcasters," while NCTA spokeswoman said: "We will pursue appropriate appeals... We still believe our case will prevail." Case involves 5 consolidated lawsuits challenging constitutionality of must-carry. Observers said decision indicated that retransmission consent, due to become effective Oct. 5 and also part of Cable Act, also will remain in place.

In decision written by Jackson (Sporkin had concurring statement), court ruled that channels controlled by cable operators are economic commodity subject to govt. regulation and not protected by First Amendment. Concept of "governmentally ordained mandatory carriage of broadcast signals is not a novel threat to the cable industry," Jackson said, with FCC beginning to experiment with concept in early 1960s. He cited U.S. Supreme Court rulings in Quincy and Century cases that found FCC must-carry rules

Consumer Electronics

PRICE-HIKE TRIAL BALLOONS launched by TV makers for new lines. Panasonic, Sharp, Mitsubishi firm on increases, while Sony boost seems likely. (P. 10)

MPEG-2 VIDEO ACCORD CLEARS WAY for digital TV receivers and services to be operational by mid-1994. First applications expected via satellite. (P. 11)

JAPANESE CAMCORDER EXPORTS to U.S. down for 16th consecutive month in Feb. All major products drop in first 2 months as dollar prices soar. (P. 12)

CIRCUIT CITY USED-CAR VENTURE, to be tested in Richmond this year, draws headlines away from strong year-end report, expansion plans. (P. 13)

16:9 WIDESCREEN PICTURE measurements explained. 'W' refers to viewable diagonal. Table indicates U.S. and foreign sizes, 4:3 height equivalents. (P. 13)

MARCH RETAIL SALES at major chains generally strong, with Best Buy, Circuit City leading way. Good Guys has 8% comparable-store drop. (P. 14)

STEREO TV SALES DROP as percentage of total sets for 2 consecutive months, revised EIA figures show. (P. 14)

TANDY DETAILS UPCOMING SPLIT between retail and manufacturing. TE Electronics lost \$9 million in 6 months, will stress OEM, not technology development. (P. 15)

unconstitutional, but high court didn't rule that must-carry rules were "per se unconstitutional," simply that Commission hadn't justified them: "The record in support of the 1992 Cable Act was made by Congress. Federal courts do not ordinarily review the adequacy of the record before Congress to support the laws it enacts."

In passing Cable Act over President Bush's veto, "Congress employed its regulatory powers over the economy to impose order upon a market in dysfunction... not a market in 'speech,'" Jackson said. "The commodity Congress undertook to regulate is the means of delivery of video signals... It is not the information the video signals may be used to impart... The Cable Act of 1992 is simply industry-specific antitrust and fair trade practice regulatory regulation. To the extent First Amendment speech is affected at all, it is simply a byproduct of the fact that video signals have no other function than to convey information. In other words, the Court holds that the must-carry provisions are essentially economic regulation designed to create competitive balance in the video industry... and to redress the effects of cable operators' anticompetitive practices... The Court today holds that the government need not demonstrate that it has used the least restrictive means to accomplish what is, primarily and essentially, economic regulation of an industry in the business of delivering video signals."

Must-carry doesn't violate First Amendment because it doesn't "compel the carriage of any particular messages nor... impose any burden on operators or programmers on the basis of the messages they or the broadcasters propose to transmit," Court said. "Examined closely," it said, all cases cited by plaintiff "involved regulation telling the speaker what [emphasis by Court] to say or at least what to talk about... The must-carry provisions hardly evince the type of nefarious governmental activity guarded against by the First Amendment generally and the strict scrutiny standard in particular." Importance of broadcasting generally, and "in particular local broadcasting to the American public is now beyond dispute."

As for financial stability of free broadcasting, "the Court finds it indisputable on this record that cable operators have obtained a position of dominance in the video signal distribution market and can henceforth exercise the attendant market power... The Court must conclude that the danger [to broadcasting] perceived by Congress is real and substantial." And, said Jackson, "the Court concludes that the must-carry provisions do not unnecessarily burden a substantial amount of the plaintiff's own speech... It appears to the Court that the burdensomeness of the must-carry provisions is illusory... Simply put, the governmental intention evinced by the must-carry provisions is economic, not ideologic, and raises no suspicion of the type of ominous government interference with speech against which the First Amendment protects."

Court rejected request of LPTV stations for full must-carry rights, pointing out that they were authorized by FCC as secondary service to full-power stations: "Nothing at all appears to be irrational about a legislative policy judgment to treat LPTV as a lesser player in the television market, as it always has been." Court said it would rule later on cable industry protest against provision of Cable Act that requires systems to negotiate with local broadcasters on payment for retransmission rights.

In concurring statement, Sporkin said that for plaintiffs "to dress up their complaints in First Amendment garb demeans the principles for which the First Amendment stands and the protections it was designed to afford... Congress has acted in a highly reasonable and responsible manner without trampling on the constitutional rights of this nation's citizens. I write separately to emphasize that... Congress' finding is based on an exhaustive congressional record and deserves the Court's deference."

Williams in dissent contended must-carry is unconstitutional because Congress impaired protected speech of cable operators in order to promote speech of local broadcasters: "One of the interests explicitly asserted by Congress was the benefit of local news and public affairs programs. In requiring cable systems to carry a special group of competing speakers, Congress directly, not incidentally, restricts the cable operators' exercise of editorial discretion."

Referring to congressional and majority statements on financial health of broadcasting, Williams said: "If findings as scantily connected to the conclusion as these can justify must-carry, then the door is open... to exercise the most naked interest-group preferences" for programming, even in area of First Amendment rights. NAB's argument that cable operators can censor broadcasts "amounts to nothing more than a reiteration of the fact that cable operators control a bottleneck," he said. But, that "does not give any government any right to force access on behalf of a preferred class of speakers."

House Telecom Subcommittee Chmn. Markey (D-Mass.), a prime architect of cable law, said decision "upholds congressional intent despite the legal challenges mounted by some in the cable industry. It is a wise decision that recognizes the strong governmental interest in protecting the viability of free over-the-air

broadcasting in a cable-ready world." Adding to his statement above, Fritts said: "We hope broadcasters and cable operators can now put these issues behind them and work together toward a smooth implementation of the must-carry/retransmission consent rules."

Acting under congressional mandate, FCC adopted must-carry rules last month (TVD March 15 p1). There's confusion and disagreement as to which court will hear appeals -- which are sure to come. Cable lawyer Jack Cole, who filed in Dist. Court on behalf of Daniels, told us appeal will go automatically to U.S. Supreme Court. Not necessarily so, FCC and other attorneys told us. Prominent Washington lawyer who isn't directly involved in case predicted Supreme Court wouldn't accept case: "I believe it's over."

FY 1994 FCC BUDGET POSES DILEMMA: FCC's FY 1994 budget submitted April 8 by Clinton Administration includes request for authority to pay for cable regulation through new user fee. But at same time, Administration gave Commission tough dilemma for which agency sees no immediate solution: While FCC may raise funds to cover costs of cable regulation, it may not hire any additional staff to do actual regulating.

While Commission is worrying about raising money to pay for cable rules, budget also includes other telecommunications-related elements, many for Commerce Dept. that boasts \$455-million increase from FY 1993, including big boost for NTIA, but with cut for children's TV. Elsewhere in budget, Administration proposed changes in REA loan programs and international broadcasting that have been floated before, and targeted Commerce Dept.'s weather service geostationary satellite as one of "high-risk" problem areas requiring special management attention.

Commission proposes to raise \$16.1 million to carry out Cable Act requirements through user fee that Chmn. Quello had suggested. When he testified before House Appropriations Subcommittee, he said that figure should cover 240 staff members needed to do job. But budget documents show that \$13.7 million of that would go for "contractual services," meaning that Commission would have to hire outsiders to do most of work. That presents dilemma, FCC Chief of Staff Brian Fontes said. While OMB gave its blessing for FCC to raise money, it didn't give permission to hire any new employes, and he said "we may run into problems." Difficulty is that Commission legally can't contract out some of tasks necessary to regulate cable, such as examining confidential financial information that would be required in rate regulation, Fontes said. Agency doesn't yet have authority to impose cable-related fees.

Although Quello included request in testimony, some members of Appropriations panel, notably Rep. Rogers (R-Ky.), said they thought authorizing committees -- House and Senate Commerce committees -- should be ones to decide whether fees could be levied. Another side effect of cable rules, Commission said, is that "due to the resources necessary to fully implement new Cable Act programs, we will delay replacement of obsolete technical equipment and planned infrastructure improvements."

Overall FCC budget proposal for FY 1994 is \$129.8 million, up from \$128.5 million it would receive under basic FY 1993 budget. In addition, request for \$12 million supplemental appropriation for FY 1993 is pending in Congress. Without supplemental, FCC may have to furlough employes beginning next month, officials said. Budget request also includes cut of 26 employes for 1994, down to 1,689 from 1,715 in FY 1993 and 1,790 in FY 1992. Mass Media Bureau would lose 5 job slots, down to 322, and Common Carrier Bureau 4, to 312.

While FCC ponders how it will scrape by, Commerce Secy. Brown held news briefing to discuss big budget gains that Administration bestowed on his agency. Proposed budget for Dept. would jump 14.5% from FY 1994, with virtually every major office showing gains (exceptions are Census Bureau and Bureau of Export Affairs). NTIA alone would get whopping 131.7% increase and National Institute for Science & Technology 40.6%. Figures show Administration is "committed to getting the economy back on track," Brown said.

Much of increase for NTIA is hung up in congressional battle on Administration's stimulus package. That money would go to promote development of broadband, interactive telecommunications networks through grants awarded to states, local govts. and others to connect to public facilities or to develop plans for state and, eventually, national systems: "This proposal should accelerate the expansion of interactive networks now in the early stages of development," Brown said. Both he in his briefing and OMB Dir. Leon Panetta, in similar briefing, said that Administration would fight for program, and that they're confident that all of funds in package would be approved.

Budget for NTIA is hard to figure out, given number of ways in which such documents can be calculated. According to Administration's massive budget document, NTIA's budget authority would drop to \$27.7 million in FY 1994 from \$28.3 million in FY 1993. However, document handed out by Commerce officials at Brown's briefing showed NTIA asking for \$95 million -- \$40 million from FY 1993 and \$54 million for FY 1994, including some money left over from FY 1993. Neither of those totals includes separate stimulus budget of one-time funds. Clinton budget, which has more detail than brief Commerce summaries, shows that within NTIA, funds for Children's Educational TV Endowment would be cut to \$1 million in FY 1994 from \$2.8 million in FY 1993. Public Telecommunications Facilities Planning would get slight increase to \$20.6 million from \$20.5 million.

Spectrum fees would continue to boost revenue side of budget. Starting in FY 1995, budget proposed to collect \$374 million, rising to \$1.6 billion in FY 1996, \$2 billion in FY 1997, dropping to \$340 million in FY 1998. Telephone taxes are proposed to take in \$3.4 billion in FY 1994.

CNN plans to open production studio in Asia next year at cost of \$10-\$15 million. Site hasn't been chosen, but CNN Pres. Thomas Johnson said Hong Kong and Tokyo are most likely prospects. However, he said, each of those cities poses problem: Hong Kong's political uncertainty after 1997, when British yield rule to China; Tokyo's tariffs on satellite transmissions. CNN has been negotiating for months for carriage on Wharf Cable, leading contender for Hong Kong's cable franchise that will be awarded in May. Johnson said network also is attempting "to be on all the major satellites" in Asia. He said it has committed \$10 million to build CNN International production facility in Atlanta. Meanwhile, Jerrold-General Instrument said it won \$100-million contract to supply Wharf Cable with one million baseband addressable converters. Delivery will begin in summer, after Wharf is expected to be awarded franchise, and will run 3 years. Stephan Ng, Wharf deputy chmn. and managing dir., said that in first year of receiving license operator would make subscription TV accessible to 500,000 homes and year later to one million.

Legislation pending in House and Senate that would require health warnings in all alcohol advertising (TVD April 5 p7) "attempts to solve a complex problem with a simple solution," NAB Pres. Edward Fritts charged. In letter opposing bills, sent to all members of Congress, he said: "While these bills are well intentioned, they have 2 serious flaws": (1) They attempt to solve social behavior problem by altering ad messages -- even though no scientific evidence exists that advertising has any "causal relationship" to alcohol abuse. "Requiring such warnings will do nothing to stop problem drinkers from drinking." (2) Net result of any warning requirement would be that distillers of beer and wine "simply will not advertise." (There's very little hard liquor advertising on TV and radio because of voluntary ban followed by nearly all stations.) Such a loss of ad revenue (\$270 million in TV, \$14.3 million in cable, for first 9 months of 1992) "will have serious, negative consequences for local broadcasters... Sports programs, in particular, will be hard hit and such a [ban] likely would increase the migration of sports programs from local, over-the-air stations to cable."

NCTA plans 6 regional seminars on implementation of Cable Act conducted by Daniel Brenner, vp-law and regulatory, and Charles Walsh of Washington law firm Fleischman & Walsh. Cities and dates: Denver, May 10; Philadelphia, May 11; Boston, May 12; Chicago, May 13; L.A., May 17; New Orleans, May 19.

NAB is circulating free brochure designed to help persons buy radio stations. It details legal and technical requirements, written in layman's terms -- NAB Radio Dept., 202-429-5420.

Scientific-Atlanta (SA) said it has formed joint venture with 4 Chinese telecommunications companies to manufacture cable TV distribution equipment in Shanghai. SA said it will have majority ownership and operational responsibility for venture that will be capitalized at \$10 million, with each of 5 parties contributing according to percentage ownership. Shanghai partners are Jing Ling Co., Optical Fiber Communications, Post & Telecommunications Industrial, Radio & TV Development. Deal also includes agreement for marketing and sales of equipment throughout China, S-A said.

TCI will disclose plans to build "The Infrastructure Network" for communications systems at news conference today (April 12) via satellite to N.Y., L.A., Washington. TCI said it's "accelerating its 4-year, multibillion-dollar national fiber construction project," which includes "nationwide plan to upgrade or replace coaxial cable systems with advanced fiber optic cable in hundreds of U.S. systems affecting millions of customers during the next 4 years." TCI said that by 1996, it plans to pass 90% of homes it serves with fiber. TCI Pres.-CEO John Malone, COO Brendan Clouston and operations chief Barry Marshall will participate in news conference.

Stay has been ordered of portion of 1992 Cable Act that permits systems to ban indecent programming on leased access channels. Stay was granted by U.S. Appeals Court, D.C., which consolidated several appeals of indecency part of legislation, ordered that review be expedited and scheduled case for argument "early in the Court's fall 1993 term." Without stay, law would have become effective next month.

Cable equipment manufacturer General Instrument (GI), computer software provider Microsoft and chip manufacturer Intel are exploring joint venture to develop computer-friendly cable box that will tie home computers directly into TV set. Several other companies are said to be exploring similar joint ventures, but N.Y. Times reported that GI combine is closest to bringing product to market. Announcement of agreement is expected soon.

Seventh U.S. Appeals Court, Chicago, has extended for 60 days its stay of Nov. ruling vacating FCC finsyn rules adopted in 1991. Action came after Commission last week adopted new rules somewhat relaxing restrictions on networks (TVD April 5 p3).

Jerry Falwell's "Old-Time Gospel Hour" has agreed to pay \$50,000 in back taxes for improper political activities in 1986-1987. Settlement reached with IRS followed 4-year investigation of organizations affiliated with Falwell.

NAB AND ITS MINICONVENTIONS: NAB's April 18-24 convention in Las Vegas is just 6 days away, and Assn. is predicting attendance will top 1992's record 52,704 with major international presence. Several other groups will hold their own conventions under NAB umbrella while major get-together is under way, and NAB has assigned some their own "days" within overall sessions. In fact, there will be more than 250 sessions over 5 days drawn from 12 separate conferences. Exhibitors also have proliferated from year ago, with 786 occupying 480,000 sq. ft. in Convention Center -- where NAB now is committed through year 2000. There's first-time separate exhibit area for Multimedia World.

FCC Chmn. Quello and Comrs. Duggan and Barrett, along with key FCC staffers will participate. NAB also expected more than dozen members of Congress, plus Hill staffers involved in communications, but as of April 8 had attracted only 6 -- Sens. Burns (R-Mont.), Exxon (D-Nev.) and Stevens (R-Alaska), and Reps. Collins (D-Ill.), Moran (D-Va.), Sensenbrenner (R-Wis.). One hoped-for celebrity who won't be in Las Vegas: President Clinton, who said no to NAB invitation.

Other speakers will include Dick Clark, winner of Distinguished Service Award; Fox Bestg. Chmn. Lucille Salhany; CBS Best. Group Pres. Howard Stringer; Apple Computer Chmn.-CEO John Sculley; entire crew of CBS's 60 Minutes, which will be inducted into Bestg. Hall of Fame along with Grand Ole Opry; Microelectronics & Computer Technology Corp. Chmn.-CEO Craig Fields; EIA Consumer Electronics Group Vp Gary Shapiro; Interactive Media Assn. Managing Dir. Philip Dodds; McCann-Erickson Chmn. Robert James; Saatchi & Saatchi Chmn. Joseph Mack.

Law & Regulation conference is April 19-21. Sessions will be held on libel, hoaxes and invasion of privacy; EEO; "Contests, Lotteries and Indian Gaming;" "Copyright Potpourri;" station upgrades and AM band expansion; how to avoid FCC fines; TV music licensing and court's ASCAP decision; local marketing agreements; political broadcasting; litigation/regulatory issues; "policymaker's breakfast" with comments by Barrett, followed by panel of FCC staffers; advertising issues; sexual harassment; children's TV; "Implementing the Cable Act;" relationship of affiliates and independent TV stations.

As for satellite meetings, Salhany, Duggan and ex-FCC Chmn. Richard Wiley, now chmn. of FCC Advanced TV Advisory Committee, will address MSTV meeting Mon. TvB convention (which was merged with NAB last year) runs Sun.-Wed. and will have its own exhibit area separate from NAB. TvB also will have joint sessions with NAB, including Hall of Fame lunch, policymakers' breakfast, one on "Future of the Mass Audience and Mass Marketing," implementation of Cable Act of 1992. RAB sessions will include panels on local marketing agreements, DBS, FCC duopoly rules. Best. Education Assn. convention runs April 16-19 at Las Vegas Hilton, features Sun. speech by Barrett.

Special "days" have been set aside for Society of Best. Engineers on Tues., European Bestg. Union Wed., Technology Sun., HDTV World and Multimedia World Mon. NAB will release specially commissioned Guide to HDTV Implementation Costs, researched and written by consultants Rupert Stow and Merrill Weiss. Guide identifies and discusses equipment, systems and support facilities (such as production) that stations must acquire for transition to terrestrial HDTV broadcasting. It will focus on costs of transition, with particular attention to minimum equipment necessary to meet FCC requirements to initiate HDTV service. Booklet, written for both management and

engineers, is designed to help devise business plans and operating budgets.

Convention now is NAB's principal source of income (TVD March 1 p4). Assn. has budgeted for \$8.4 million profit on this year's sessions (up from \$7.4 million in 1992) on total expected revenues of \$12.1 million. It charges assoc. member exhibitors \$21 per sq. ft., nonmembers \$27.

Top officials of Home Shopping Network are accused of illegally diverting funds to relative's company, former HSN Gen. Counsel Allen Allweiss alleged in \$3-million lawsuit filed in Pinellas, Fla., Circuit Court. Suit also alleges HSN paid off former gen. counsel with \$12 million in stock, has contacts with organized crime and threatened to fire employees who divulged improprieties. Accusations, which echo charges that first surfaced in Miami divorce case of another former HSN gen. counsel, Fernando DeFilippo, now are subject of federal grand jury investigation, Wall St. Journal reported. Liberty Media, which acquired control of HSN in Dec., said it had formed committee to investigate alleged financial wrongdoing. Allweiss lawsuit seeks \$1 million in HSN stock and \$2 million in damages. He charged in suit that: (1) HSN diverted funds to Western Hemisphere Sales, which is owned by son of HSN Chmn. Roy Speer. (2) Speer and former HSN Pres. Lowell Paxon used \$12 million in personal HSN holdings in 1990 to silence DiFilippo, who had prepared lawsuit accusing them of financial misconduct. (3) Speer "threatened certain finance executives at HSN that he would fire them if they spoke to Liberty about improprieties." New allegation in suit is that long-time company adviser Francis Santangelo is Mafia member, which he denies.

NBC News has raided CBS by hiring Andrew Lack as its pres. to replace Michael Gartner, who resigned following General Motors-Dateline fiasco, which also cost 3 senior NBC producers their jobs (TVD March 29 p7). NBC Pres. Robert Wright said: "At the top of the list was our strong conviction that the candidate [to succeed Gartner, who came out of newspaper business without previous broadcast experience] must be a proven television news person... With today's appointment, we think we have placed NBC News' future in talented and capable hands." Lack, who wasn't NBC's first choice, has been at CBS since Nov. 1976 and has "literally done almost everything in television news," NBC said. His most recent assignment at CBS was exec. producer of Street Stories. Lack said that NBC hired him to expand prime-time news, but that his top priority will be to improve Nightly News with Tom Brokaw (who strongly backed Lack for job), which has been rated 3rd for several years.

Cap/ABC and NABET have reached tentative agreement covering 2,000 employees, subject to approval by union's members, on new 4-year contract to replace one that expired week ago. It calls for 5% bonus if agreement is approved by June 1, annual increases of 3.5%, 3% and 3.5% over life of contract. Said union and Cap/ABC, of agreement approved April 4: "We are pleased that for the first time in the modern history of the bargaining relationship between these parties a negotiated agreement has been reached. It will be submitted to the membership with unanimous endorsement of the union and the bargaining committee."

FCC is seeking feedback on how its move last fall of processing many applications (including broadcast auxiliary services and antennas) is working. Private Radio Bureau will host April 21 meeting (10 a.m., FCC hq, Rm. 856). Contact: Walt Boswell, 717-337-1311.

FCC ON CONSUMER PROTECTION: Carrying out mandate of 1992 Cable Act, FCC April 7 issued new consumer protection and customer-service rules (TVD March 15 p2) that cable systems must follow, effective July 1. They're considerably tougher than NCTA's voluntary standards, which many systems have been following. Most of rules enforcement will be left up to franchising authorities, Commission saying it will have "a limited role in enforcement matters."

Rules establish standards for cable systems in such areas as office hours, telephone availability, installations, outages, service calls, bills to consumers, cable construction, performance requirements. Federal requirements on cable systems "do not necessarily supersede existing customer-service requirements" in franchise agreements, FCC said. Also, it said, nothing in federal rules "shall be construed to prohibit any state or any franchising authority from enacting or enforcing any consumer protection law..." Franchising authorities also are permitted to agree with cable systems to enforce even stricter standards.

Commission will require 90% compliance by systems, measured on quarterly basis. Some commenters had asked for monthly evaluations, while NCTA standards set annual accountability. Agency said it used NCTA standards as "a starting point" before adopting more "stringent" requirements to take into consideration several problems that consumers and authorities have had with NCTA's. "Most notably," FCC said, it included definitions of key terms used in standards and strengthening of others. In granting 10% leeway, FCC said it wouldn't be "appropriate" to establish "specific, universally applicable remedies or penalties" for systems that don't comply with customer-service obligations. That, too, was put in domain of franchising authorities.

Commission said average cable system should be able to comply with new rules within 3 months "without significant industry disruption." Franchising authority is required to give system 90 days' notice by registered mail before it begins to enforce federal standards. "We stress," FCC said, that it had "built some flexibility" into each standard to accommodate different operating conditions faced by systems: "We will not require cable operators to meet all the standards 100% of the time." All standards are content, rather than performance, based.

So as not to put "an unreasonable economic burden" on systems, Commission said it wouldn't require them to use specific equipment to measure their compliance with standards unless "a record of complaints emerges indicating a clear failure to comply" by specific cable. Systems should use "their best efforts to document" their compliance and "maintain sufficient records." While reserving "the right to respond to particular circumstances" in future, FCC declined "at this time" to adopt standards in areas not specified by Cable Act. However, agency said, local franchising authority is free to adopt any additional standards "which will meet the unique needs of the particular community."

Educational Foundation of NATPE International will sponsor "S-12: Where Things Stand," today (April 12), 2-4 p.m., interactive tele-workshop on new cable law. Panel will include Alexandra Wilson, special asst. for cable to FCC Mass Media Bureau Chief Roy Stewart, and Washington attorneys Mickey Gardner and Frank Lloyd. Workshop will be sent out over Ku-band Galaxy 7, TR 16. Viewers can participate by calling 800 number (unavailable at our deadline).

House Commerce Committee Chmn. Dingell (D-Mich.) charged that govt. is allowing Starsys, which is private company, to make improper use of spectrum allocated to govt. Allegations came in April 1 letters to Commerce Secy. Ronald Brown and FCC Chmn. Quello. Dingell said Starsys is reselling its capacity on ARGOS weather data-collection payloads through Commerce Dept.'s weather agency, NOAA, as part of program to create Starsys's "Early Entry Program" for low-Earth-orbit (LEO) satellite service for which it has applied to FCC for license. Dingell said: "This private use of the NOAA-assigned spectrum, and in particular the usage by Starsys, raises several troubling issues that may have not been brought to NTIA's attention, or have been fully considered by the NTIA." He said NOAA apparently has allowed private firm to use govt. spectrum (at 401 MHz) without requiring users to obtain FCC permission, and Starsys should be aware of Communications Act requirements. Even after Starsys was told by FCC that company needed license, NOAA didn't try to restrict its spectrum usage while it applied for license, Dingell said. Because ARGOS is partly owned by French govt., unauthorized use of spectrum creates subsidy by U.S. govt. for foreign firm, Dingell said, and he found it "difficult to believe" that Commerce Secy. would "consciously sanction" such arrangement. He asked Brown and Quello for answers by April 16. Letter probably was result of 4-year behind-scenes campaign by competitor Orbcomm, which consistently has claimed that Starsys is subsidized by both French and U.S. govts. by virtue of direct French (CNES -- French space agency) funding and by use of ARGOS system. "How can we compete with the French government," Orbcomm Pres. Alan Parker told us April 5, admitting that he has expressed his concerns at all levels of Congress and govt. Starsys, meanwhile, called allegations in letter "patently false." Excess capacity on ARGOS bird was advertised in Commerce Dept.'s Commerce Business Daily Feb. 25, seeking "nonenvironmental" user for bird. "Anyone could have used the excess capacity, including them," Starsys Pres. Ashok Kaveeshwar told us, referring to Orbcomm. As for license charges, Starsys holds experimental license (though not operational license), as do Orbcomm and Vita -- another "little LEO." Operational licenses for systems are expected later this year for operation in 149 MHz and 138 MHz bands. "Spectrum has never been used without a license from the FCC," said Raul Rodriguez, counsel for Starsys. "The allegations contained in the letter are patently incorrect. This is nothing but Orbcomm's lobbying a committee of the House of Representatives in an effort to thwart a competitor." As for ownership, Starsys said its board is composed of 4 American and one French member, and it is American controlled.

CableLabs has created 2 new subcommittees. Telecommunications Subcommittee, formerly Personal Communications Services (PCS) Subcommittee chaired by Mark Cobitz of Comcast, will add research on competitive access provision of telephony and delivery of voice via wired solutions. Multimedia Subcommittee, chaired by David Fellows of Continental Cablevision, will coordinate efforts with computer industry.

Multimedia Inc. has pulled its 4 owned TV stations -- WMAZ-TV (CBS) Macon, Ga.; KSDK (NBC) St. Louis; WLWT (NBC) Cincinnati; WBIR-TV (NBC) Knoxville -- out of NAB membership. WKYC-TV Cleveland, 51% owned by Multimedia, 49% by NBC, remains member. Multimedia Pres.-CEO Walter Bartlett is former NAB TV chmn.

Post-Newsweek U.K. Cable said it acquired franchises in Scotland from Russig Ltd. that would add 140,000 homes passed. Terms weren't disclosed.

PACTEL READY FOR CABLE: Pacific Bell is gearing up to launch "blended mixed media approach" to cable, entertainment and information services that will put company into business "all the way," Pres. Philip Quigley said. In interview, he discussed company's views of cable opportunities, as well as competitive pressures facing Bell in heated Cal. market and pending split of most of wireless businesses from current RHC.

Under plan being reviewed by Cal. PUC, Quigley would take over smaller Pacific Telesis that includes telco and several other, smaller units, while current Pacific Telesis Chmn. Sam Ginn would move to new spinoff company composed of Pacific's cellular, paging and most other wireless businesses. Bell would retain one segment of wireless business, Personal Communications Services (PCS), that wouldn't move to cellular company.

Pacific made tentative entry into cable business in 1989 when it agreed to purchase system in Chicago. But MFJ waiver that would allow deal to go through, filed Dec. 19, 1989, still is under consideration at Justice Dept., in part because interexchange authority would be needed to bring in programming signals. Quigley hasn't forgotten about Chicago deal, but said that buying other cable systems won't be only part of company strategy: "You will see a combination of overbuilds, newbuilds, acquisition and video dial tone." While not disclosing details of any deals, Quigley said Pacific is "about ready to act" soon.

One strategy he ruled out was asynchronous digital subscriber loop (ADSL) technology being pushed by Bell Atlantic that allows video signal to be transmitted over copper pair. Quigley described ADSL as "a high-cost, niche technology that doesn't have as robust a capability as 100-channel compression." He said Pacific has been in discussions with cable companies on joint network development projects, in part because economics for

overbuilds are becoming more attractive. Participating in overbuilds then raises possibility of jointly providing services with cable operators, such as home banking or home shopping, with capabilities that telcos can provide, or layering telco services over cable network, Quigley said. He also said that, despite Chicago foray, he would prefer to provide some cable services in his large home territory: "I have no desire to buy a cable company in Broken Arrow, Oklahoma."

Cable business is one entry into broader region of information services, Quigley said, because convergence of technologies is leading to convergence of services that could be offered through box on top of TV set. In some respects, Pacific Bell already is offering information services through its voice mail product, which has half-million residential customers, he said. On other hand, electronic mail service "isn't doing well" at moment.

While cable may evolve into business at some point, Quigley said he's concerned now about 2 matters pending at Cal. PUC.: (1) Order, expected to be released soon, setting competitive toll market ground rules and including controversial issues such as increases in basic rates, lower toll rates, intraLATA competition. (2) PUC examination of Pacific's proposed divestiture.

Pacific's planned split means that company is banking on PCS to great degree. Policy issues, such as suggested FCC ban on giving cellular companies PCS licenses, will prohibit Pacific Telesis as now constituted from fulfilling its potential, Quigley said, while PCS can lead to many opportunities for new services that work well with landline network offerings: "Wireless is in our future. Bell companies can't be denied access to the technology." Keeping PCS is "definitely a [benefit] for Pacific Bell," he said.

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FCC DEAN ROBERT E. LEE DIES: Robert E. Lee, 81, who served record 27 years and 9 months in Republican seat as member of FCC, died April 5 in Arlington (Va.) Hospital. He had liver cancer. An accountant, he received recess appointment from President Eisenhower, was sworn in Oct. 6, 1953, and served until June 30, 1981. Successive appointments (when FCC term was 7 years) came from Eisenhower again and Presidents Johnson (1967) and Nixon (1974). He was named chmn. by President Reagan for his last 4 months on FCC.

Before 1967 reappointment came through, and after his term had expired, he sent letter of resignation to Johnson because he didn't want to be left dangling, as had happened to other commissioners. President called Lee to Oval Office and he accepted reappointment. However, for 10 days that his resignation was pending, he reportedly received half-dozen job offers at much higher pay than he was making at FCC (\$27,500).

Lee was conservative, as was his first and late wife Wilma (nicknamed Rex), who served as matron of honor at wedding of late Sen. Joseph McCarthy (R-Wis.). He also often was independent thinker, surprising just about everyone in leading unsuccessful effort for FCC to adopt as rules advertising time standards embodied in now-defunct NAB Radio and TV Codes.

In recent years, Lee was affiliated with Washington law firm Fletcher, Heald & Hildreth and U.S. Satellite Bctg. Known within industry as "Mr. UHF," Lee fought hard to help stations in upper band succeed and for legislation requiring that all TV receivers include UHF, bill that Congress passed in 1963, and he was chmn. of FCC Committee for the Full Development of All-Channel Bctg. He was chmn. of numerous U.S. international delegations on broadcasting and upon leaving Commission just missed being appointed Ambassador to Ireland, where his father was born.

Native of Chicago (where his father was policeman), Lee attended DePaul U., began his career as accountant before joining FBI in 1938 as special agent, rising to administrative asst. to Dir. Hoover. Immediately before being appointed to FCC, he was staffer for House Appropriations Committee. He received honorary doctor of law degrees from St. John's U. and Notre Dame U., was formerly on board of trustees at latter and at his death was on Notre Dame board of advisers. He also was awarded doctor of science degree from St. Bonaventure U. and received many other awards from broadcast industry and Catholic Church.

Noted for his sense of humor, Lee served as major speaker and PR representative of FBI, was almost professional humorist, with extensive file of jokes in addition to natural sense of humor. At FCC, he often soothed conflicts among colleagues. He was called on frequently to serve as master of ceremonies at various functions in and out of Washington. Wife, 2 sons, daughter survive.

Funeral services for Lee will be at 10 a.m. April 13 at St. Matthews Cathedral, Washington. It will be followed by Irish wake at Mr. Day's Restaurant, which is owned by Lee's son. Viewing will be April 12 at Arlington (Va.) Funeral Home, 6-9 p.m. Commission adopted resolution stating that Lee "served with distinction," that he made "extraordinary contributions to the nation."

N.Y. Law School will sponsor seminar on operational and legal considerations of video dial tone April 29, Communications Media Center -- 212-431-2160.

VDT HALT ASKED: FCC should refuse to accept any more video dial tone (VDT) applications because under current rules it can't guarantee that cross-subsidization won't occur, NCTA and Consumer Federation of America (CFA) said in joint filing April 8. Groups asked FCC to begin rulemaking to establish cost allocation rules for VDT and to set up special board to recommend procedures to deter cross-subsidization of VDT by telephone ratepayers. "Failure to act will impose a heavy burden on consumers and undermine competition in the video marketplace," groups said.

Filing said that in VDT decision, FCC "left critical implementation issues unresolved" and would force telephone ratepayers to "bear the costs of millions of dollars of fiber optic lines being installed for video services." To avoid that, groups said, FCC should: (1) Establish Federal-State Joint Board to recommend formula to assure that plant costs attributable to VDT aren't allocated to local telephone service because telcos have, "unsurprisingly, proposed to assign the entire cost of plant used jointly for video and telephony to basic ratepayers." (2) Adopt VDT-specific regulations to ensure costs of providing VDT services aren't paid for by telephone ratepayers. (3) Require telcos to establish separate access charge categories and price caps for VDT, because including VDT in existing categories "virtually invites cross-subsidization." (4) Adopt procedures for separating costs of providing regulated VDT platform from unregulated enhanced VDT services. (5) Create VDT-specific rules for joint marketing and customer privacy that would prevent telco representatives from marketing VDT and telephone services simultaneously as well as telco use of customers' calling patterns to competitive advantage.

OBITUARIES

Donald W. Reynolds, 86, founder of Donrey Media Group, died April 2 on ship off coast of Italy. Cause of death wasn't given. After working for several newspapers, teenage paperboy Reynolds founded Donrey in 1940 with purchase of Okmulgee (Okla.) Daily Times and Southwest American and Ft. Smith (Ark.) Daily Times. Empire grew to 53 daily newspapers, 5 cable companies, one TV station. He retired from Donrey in 1990. Reynolds established foundation bearing his name that awards \$100,000 annually in scholarships to journalism students at 10 schools, donated \$2.5 million to U. of Nev.-Reno for construction of building to house Reynolds School of Journalism (to be dedicated April 16) and \$4 million to U. of Nev.-Las Vegas for student services center. Three children survive.

Leonidas P.B. (Lonnie) Emerson, 68, FCC official for 32 years, died April 6 at Doctors Community Hospital, Prince Georges County, Md., following heart attack. Graduate of Vanderbilt Law School, he joined FCC in 1948, was in private practice 4 years in mid-1950s before rejoining FCC. He served in many positions at agency, including chief of now-defunct Office of Opinions & Review (which had assignment of writing FCC decisions in adjudicatory cases), and was member of FCC Review Board for 6 years before retiring in 1980. Emerson served in Navy during World War II. Wife, 3 sons survive.

Eric Esbensen, 54, member of FCC Review Board since 1986, died April 5 in Clearwater, Fla., hospital after long illness. He was former broadcaster in Cal. and Fla., practiced communications law in Washington and Fla. Wife survives.

Personals

John Slas, retired pres. of ABC TV Network Group, appointed pres.-CEO of Chronicle Publishing Co., San Francisco, succeeding **Richard Thieriot**, who remains editor-publisher of San Francisco Chronicle... Yale U. Law Prof. **Drew Days** appointed U.S. Solicitor Gen. in Justice Dept.; he was deputy attorney gen. in Carter Administration.

Patrick McGovern promoted to vp-dir., news, early morning and late-night programming sales, ABC TV Network... **Margo Cobb**, vp-gen. mgr., WLBZ-TV Bangor, Me., and former vice chmn. of NAB TV board, retires at end of June; she will be succeeded by **Jeffry Marks**, station mgr. and corporate news dir. (and former RTNDA chmn.) of co-owned WCSH-TV Portland, Me... **Kim Luft**, ex-WTVR-TV Richmond, appointed national sales coordinator, WSTR-TV Cincinnati... **Hal Capron**, gen. sales mgr., KOKI-TV Tulsa, promoted to vp-gen. mgr... **Rich Brase** advanced to dir.-broadcast operations and promotions, WMAQ-TV Chicago... **Thomas Best**, WKBT La Crosse, Wis., vp-gen. mgr., named regional vp for licensee Young Bestg.; he's replaced by **Bruce Pfeiffer**, gen. sales mgr... **Terry Bynum**, ex-WOI-TV Ames, Ia., appointed news dir., KDLH Duluth.

Al Tanksley promoted to gen. mgr., WDBD Jackson, Miss... **Spencer Kinard**, ex-RTNDA chmn, appointed asst. gen. mgr., KXIV Salt Lake City... **Leslie Hutchinson**, ex-KATV Little Rock, named creative services dir., WVIT New Britain, Conn... **Rick Gevers**, ex-WTOL-TV Toledo, appointed news dir., WOOD-TV Grand Rapids... **Dan Bradley** promoted to news dir., WFLA-TV Tampa.

Nominated as board officers, AAAA, with election to be held April 21 at annual meeting in Laguna Niguel, Cal.: Chmn. **Roy Bostock**, DMB&B, succeeding Robert James, McCann-Erickson; Vice Chmn. **Edward Wax**, Saatchi & Saatchi, succeeding Bostock; Secy.-Treas. **Eric Mower**, Eric Mower & Assoc... **Edwin Williamson**, ex-State Dept., returns to Washington office of law firm Sullivan & Cromwell as partner; **Jeffrey Shane**, ex-asst. Secy. of Transportation, joins Washington law firm Wilmer, Cutler & Pickering as counsel... **Richard Ramirez**, ex-Univision, appointed vp-special projects, Prime Ticket Network, new post.

Bill Rosendahl promoted to senior vp, Century Communications Cable Div. and vp-corporate affairs and program development of parent... **Nicole Lamberg** advanced to creative services mgr., ChicagoLand TV News... **Robert Jones**, ex-Audience Research & Development, appointed vp-programming, Mind Extension U., new post... **Archie Buffkins**, ex-Kennedy Center, joins Md. Public TV as senior vp-broadcasting... **Karl Ferolzheimer**, ex-Centel Corp., becomes of counsel to law firm Ross & Hardies.

Steve Brecker announced "amicable parting of the ways" after 2-1/2 years, resigning as vp-consumer products, BBC Lionheart, plans not announced... **Thomas Vitale**, ex-Viacom Entertainment, named dir. of acquisitions, Sci-Fi Channel, new post... **Julius Cohen** co-founder, Washington consulting engineering firm Cohen, Dippell & Everist, becomes chmn. emeritus... **Brenda Helregel** promoted to dir.-convention research and analysis, NAB, new post... **Gary Gist**, ex-Trans World Communications, appointed mgr., Hughes Technology Products Div.

Larry Jameson, ex-BASF Corp., joins Pirelli Cables N.A. as CEO... **Robert Greenberg**, ex-Towers Perrin consulting firm, appointed senior vp-human resources, Paramount Communications, new post... **Chris Grog** resigns

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Published Weekly Since 1945
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(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Newswat and Predicta and also may be received through facsimile service.
Warren Publishing, Inc. is publisher of Communications Daily, Satellite Week, Television Digest with Consumer Electronics, Video Week, Common Carrier Week, Audio Week, Public Broadcasting Report, Mobile Satellite Reports, Consumer Multimedia Report, Facility Strategies, Television and Cable Factbook, Warren's Cable Regulation Monitor, Cable & Station Coverage Atlas, and other special publications.

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as pres.-CEO, ITC Entertainment, succeeded by **Jules Haimovitz**, ex-Spelling Entertainment... **Brian Fleming**, ex-Petry TV, named Midwest Div. mgr., Group W Productions... **Joan-Ellen Delaney** promoted to senior publicist, Turner Program Services... **Diane Galella**, vp-research and mktg., Genesis Entertainment, adds title of vp-sales operations.

Thomas Feige promoted to mgr. of Time-Warner's planned Full Service Network under construction in Orlando... **Hector Beltron**, ex-Venevision International, appointed senior vp-dir. of creative services, Univision... **Thursa Thomas**, dir.-public affairs, WJLA-TV Washington, joins D.C. govt. May 3 as dir.-Office of Communications.

Helen Lester, ex-WNET N.Y., named asst. vp for development, Children's TV Workshop... FCC Calendar: Acting Gen. Counsel **Renee Licht** speaks at N.Y. Law Schoc April 14 on "Issues of Race and Gender in Mass Media"... **Michael Schoenfeld**, ex-USIA, joins CPB as dir., communications policy and planning.

U.S. Postal Service plans to issue stamp honoring late CBS commentator and USIA Dir. Edward Murrow. It will be unveiled Sept. 29 at RTNDA convention in Miami Beach.

Consumer Electronics

A Section of *Television Digest with Consumer Electronics*

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th statistical week of 5-week March and year to date:

	MARCH 20-26	1992 WEEK	% CHANGE	MARCH 13-19	12 WEEKS 1993	12 WEEKS 1992	% CHANGE
TOTAL COLOR.....	428,412	531,935*	-19.5	384,954*	4,838,218*	4,414,224	+ 9.6
DIRECT-VIEW...	420,619	524,474*	-19.8	380,499*	4,754,866*	4,336,154	+ 9.7
TV ONLY.....	403,866	501,927*	-19.5	362,350*	4,525,016*	4,168,977	+ 8.5
TV/VCR COMBO.	16,753	22,547*	-25.7	18,149*	229,850*	167,177	+37.5
PROJECTION....	7,793*	7,461	+ 4.4	4,455	83,352*	78,070	+ 6.8
VCR DECKS.....	165,657	233,563	-29.1	172,710	2,277,426	2,245,862	+ 1.4
CAMCORDERS.....	43,042	68,202*	-36.9	28,932	439,279*	430,538	+ 2.0
LASERDISC PLYRS#	2,182	3,326	-34.4	2,783	37,808	50,387*	-25.0

Direct-view TV 5-week average: 1993--445,553*; 1992--425,235 (up 4.8%).

VCR deck 5-week average: 1993--202,233; 1992--195,020 (up 3.7%).

Camcorder 5-week average: 1993--41,353; 1992--43,573* (down 5.1%).

* Record for period. # Includes combi players, excludes karaoke types.

TV MAKERS LAUNCH PRICE-HIKE TRIAL BALLOONS: Approach of most significant new-model changeover since mid-1984 -- when all-channel law went into effect -- has manufacturers still uncertain over pricing of TV sets. Mandatory closed-captions in all sets 13" or larger made or imported after June 30 will result in major cost increase -- estimated to average \$7 per set, which normally would translate to about \$20 retail premium.

Many manufacturers are changing to new chassis, new cosmetics and new features for products to be fielded starting this month, and there definitely will be attempts to increase prices, on assumption that consumer will pay difference for products' "new look," even if they won't cough up extra money for captions. Industry is divided, however, on whether this approach will work, and some manufacturers say they will wait until zero hour to determine prices, based on what competitors do.

All indicators are present for price increase. In addition to cost of caption chip, prices are rising substantially for all Japanese content in TV sets -- yen hit another new high against dollar last week. Strong business in first half, with low inventories relative to sales pace, provides good portent that increases might stick. Frequently at model changeover time, there's big overhang of older models, requiring reductions to unload; this price-cut virus then infects new models.

Some marketers are reluctant to talk pricing, but there are early encouraging signs. First company to announce price increase on 1994 models was Sharp, which signaled its intentions nearly half year in advance at Winter Consumer Electronics Show. Last week, company reiterated its plans to raise prices 2-3% (\$2-\$7) on 13" and larger models (TVD Jan 18 p12). Increase will reflect "added features," including trilingual on-screen menu, "message board" permitting family members to post on-screen notes via remote control, calendar with reminder of birthdays, anniversaries, etc., program timer, sleep timer with clock and -- oh, yes -- CaptionVision.

Panasonic's Tom Edwards, TV Div. asst. gen. mgr., confirmed last week what company has been telling dealers since Winter CES -- prices are going up. One dealer source said increase is 5-7% at retail. Edwards said most sets are being increased \$10-\$50, with some up as much as \$100 from comparable 1993 models. Major changes in models include new remote controls, new on-screen icons, new cabinets. "We can't get that premium for captions," Edwards said.

Mitsubishi, which instituted very small price increases on selected TVs -- mostly in 31-70" sizes -- in Jan., will add significant increments in new models, Exec. Sales Vp James Bennison told us. "We are not in a

position to absorb the cost [of captioning]. We will incorporate other new features in our products. Where we expect most resistance is in the smaller sets, 13 to 27 inches -- it will make us less competitive in smaller tube sizes, where we are not a very significant factor, anyway. In 31-inch models and up it can be buried more easily. We are prepared to take our lumps -- but we have no option. We are an engineering and manufacturing driven company, and those people [at the top] don't understand losing money. At some point, sanity has to creep into this business."

Sony is repricing in many product categories. Sony America Chmn.-CEO Ken Iwaki said in TV Digest interview that prices will go up here in company's products, in response to strength of yen, but he wasn't specific as to TV increases (TVD April 5 p15).

Thomson Consumer Electronics -- industry's No. 1 player -- must come aboard if any increases are to stick. Company has given signs in both directions. Last summer, Brand Management Gen. Mgr. Gilbert Ravelette sounded optimistic for increase, noting that TCE would have "new chassis, new tooling, new cosmetics, new remotes and new on-screen menus," which should command premium, but that some price points would remain (TVD Sept 7 p9). However, 2 months later Exec. Vp Joseph Clayton said "it will be difficult to collect" premium for captions, indicating best hope would be for price stability this year, ending downward spiral (TVD Nov 9 p11). Last week, TCE gave us concise statement: "We are attempting to cover our costs on closed-captioning."

Zenith will watch competitors before committing to pricing, Sales Co. Pres. Gerald McCarthy indicated. "We can only hope" that early indications of increases have some validity, he said. "I believe that most [marketers] will eventually reach the conclusion that the most important part of the business equation is to improve profits. In the past, we have lagged the industry in price declines. Initially, we will watch the rest of the industry. I hope in 1993 we will be able to maintain today's price levels, at the absolute minimum, for the rest of the year."

Only previous parallel to today's situation occurred in May 1964, Congress-mandated date for all TV sets to include UHF as well as VHF tuners. Events are comparable in that all-channel tuning wasn't feature demanded by public, since most homes weren't within range of UHF stations, and many of those stations didn't have attractive programming. In summer 1964, we analyzed starting list prices of 14 major TV brands and found average for basic 19" b&w portable -- most popular model -- was up \$20 (TVD July 20/64 p7). Most popular "big-screen" set -- 23" table model -- rose \$10. Other sets stayed same or declined. Color TV still was in buildup period (1964 was first million-set year) and color prices were in midst of multiyear declines.

MPEG-2 ACCORD HERALDS SERVICES BY MID-1994: Moving Picture Experts Group (MPEG) said "milestone" accord on MPEG-2 video standard should clear way for digital TV receivers and services to be operational by middle of next year. Group said agreements reached at meeting in Sydney, Australia, keep it on schedule to produce committee drafts on all parts of standard by Nov. for voting by member countries. However, fact that group has "defined" video standard should free chip manufacturers for final development and production of MPEG-2 chips within next year.

MPEG-2 video standard, as defined at Sydney meeting, "builds on the success of [MPEG-1] by additionally supporting interlaced video formats, increased image quality and a number of other advanced features, including features to support HDTV," group said. MPEG-1 standard covers digital coding of video at data rates of less than 1.5 Mbps, low enough to record on CD. For example, MPEG-1 will be used in full-motion video (FMV) cartridge add-ons to be shipped this fall for Philips CD-I, and is central to Nimbus technology for generating video from disc played on standard audio CD player.

MPEG-2 standard extends to higher data rates (2-15 Mbps) needed for signals delivered from remote source, whether broadcast, cable or satellite, and is designed to support range of picture aspect ratios, including 4:3 and 16:9. First application is expected to be to satellite systems, which have frequencies available for new services. DirecTV system planned to be launched by Thomson and Hughes early next year was based on "MPEG++" extension of MPEG-1; Thomson spokesman said adoption of MPEG-2 Video Standard shouldn't create any practical problems or delays in system launch.

Latter standard would be extension of MPEG-1, so MPEG-2 devices would be able to decode material encoded under MPEG-1 standard, group said. It also noted that MPEG-2, like MPEG-1, "will support interoperability with the CCIT H.261 video telephony standard." Relatively rapid deployment of encoders and decoders stems from fact that "video main profile can be implemented at reasonable cost using today's technology," MPEG said, noting that "some manufacturers expect prototypes to be operational by mid-1993."

Audio standard proposal includes coding to supply up to 5 full-bandwidth channels (left, center, right and 2 surround channels), additional subwoofer enhancement channel and/or up to 7 commentary and/or multilingual channels. Systems standard will encompass 2 types of data streams. "Program Stream," similar to systems stream in MPEG-1 standard, would provide for "creation of an audio-visual program, which could have multiple views and multichannel audio." "Transport Stream" would multiplex several programs for transmission and storage on variety of media. News release issued by MPEG said Transport Stream "supports multi-program broadcast, storage of single programs on digital videotape, robust performance against channel errors, conditional access to programs, and the maintenance of synchronization over complex networks and through editing operations."

CAMCORDERS FROM JAPAN DOWN FOR 16th MONTH: Japanese exports of camcorders to U.S. were below year-earlier month for 16th consecutive month in Feb., dropping to lowest number since last April, according to Finance Ministry figures. For 1993's first 2 months, Japanese shipments here were more than 25% below U.S. sales to dealers in same period. Japan is source about 95% of camcorders sold in U.S. Pipeline inventories of camcorders at end of Feb. were less than half of all-time high reached late in 1991 (TVD March 22 p11).

Japanese exports of all other major products to U.S. also were down for year's first 2 months. CD players were up slightly in Feb. after 3 months of declines. VCR decks were in 8th month of declines, dropping 43.1% in Feb. after 37% in Jan., as other Asian countries continue to take over from Japan as dominant suppliers.

One of reasons for Japan's decline as VCR source is readily apparent in average price figures. In Feb., average VCR shipped from Japan to U.S. rose 6% in yen, but increase in dollars was more than twice as much (12.7%, up \$27), because dollar's value declined from equivalent of 127 yen in Feb. 1992 to 120 yen in Feb. 1993. On basis of last week's exchange rate, increase would have been 18.1%, or \$40. (Figures are theoretical but nonetheless illustrative; prices actually paid for products don't generally fluctuate month by month because of long-term contracts.)

Average price of camcorder was down 3.6% in Feb. in yen, but up 1.9% in dollars based on exchange rates prevalent in Feb. 1992 vs. 1993. In dollars, average camcorder cost \$555 in Feb. 1993, more than \$10 higher than year earlier. On basis of last week's exchange rate, increase would have been almost \$40.

Japanese exports to Canada in Feb. (2-month total in parentheses): Color TV 409, up 36.3% (409, down 72%); VCRs 13,060, down 64.8% (23,061, down 63.6%); camcorders 12,227, up 10.8% (21,125, down 10.5%); videodisc players 1,535, down 35.8% (3,260, down 2.8%); CD players 30,408, down 22.5% (59,635, down 21.1%). Here are Finance Ministry's Japan-to-U.S. export figures for Jan. and first 2 months:

Product	Feb. '92	Feb. '91	% Chg.	2 Mo. '92	2 Mo. '91	% Chg.
Color TV.....	9,701	8,124	+13.4	19,033	16,344	+16.5
VCR decks.....	307,850	540,649	-43.1	558,582	938,876	-40.5
Camcorders.....	116,839	157,685	-25.9	242,565	311,037	-22.0
Videodisc players	15,474	18,915	-18.2	26,759	47,719	-43.9
CD players.....	404,675	399,780	+ 1.2	733,780	828,432	-11.4

More than 7% of employees at Sony's San Diego plant chose early retirement on basis of buyout plan offered to all workers there. Source close to Sony said company had aimed at reduction of about 85 workers, instead lost 151, including "good cross-section" of personnel. Sony official, who earlier had estimated 50-100 would accept offer (TVD April 5 p19), confirmed last week that about 150 would leave, but denied any operations would be handicapped. It's understood that employees were offered up to 4 weeks' pay for every year served. Sony spokesman said offer was "no different from what we've done in the past" in other operations. San Diego plant employs about 2,000.

AT&T Consumer Products has opened business office in Tokyo, where it plans to sell cordless and cellular phones, videophones, fax machines and home security systems for personal use.

Goldstar dual 8mm/VHS VCR, shown to U.K. trade last week for introduction in Sept., won't be marketed in U.S. this year, company said last week. Incorporating play-only 8mm deck with VHS record/play deck, product was promised for Sept. delivery in U.K. at about \$950. Goldstar showed similar model at Winter Consumer Electronics Show earlier this year, but spokesman said last week that it doesn't plan to bring it here in 1993. Go-Video Exec. Sales & Mktg. Vp Kevin Sullivan said company will ship its 8mm/VHS model either late this year or early in 1994.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 114 yen = \$1, except where noted.

CIRCUIT CITY'S USED-CARS SHOCKER: Circuit City (CC) report of 40.9% earnings increase on 17.2% sales gain in recently concluded fiscal year (see financial table) was nearly lost in hubbub generated by announcement that company is looking to enter used-car business. Statement said CC "will begin a limited test of a retail concept selling previously owned cars." Pres.-CEO Richard Sharp said company believes "automobile retailing offers opportunities to capitalize on CC's strengths in customer service and big-ticket retailing."

Although announcement was met with combination of disbelief and amusement in many quarters -- more than one industry executive said he had checked calendar to make sure announcement hadn't been made on April 1 -- one investment analyst who asked not to be identified said: "There's a huge opportunity there. There's a fear inherent in the process of buying a used car, much like servicing. But it's also one of the hardest businesses to do well in." Biggest challenge, he said, is that used car business requires strong front-line management that's fast on its feet. "It's almost by definition a local business that requires a strong entrepreneurial spirit," he said, and "that's not something that Circuit does well at."

Company reportedly plans to open first car lot on 15.4-acre site in home town of Richmond, Va., this year.

Company's strong results for year ended Feb. 28 were much less subject to mirth than idea of used car sales, as gross margin decline to 28.3% from 29% was more than offset by "emphasis throughout our operations on productivity and expense control and a net contribution from our private-label credit card program," Sharp said. CC took over operation of own credit card program in 1990 from Barclay's Bank. In fact, one industry source theorized that CC's success with running its own revolving credit program was major element in decision to enter car business -- one in which consumers make heavy use of credit, as they do in electronics and appliance business.

Sharp also announced Circuit City's intent to add about 40 superstores in fiscal 1995 in addition to same number it already has announced for current year (TVD March 8 p16). After entering Boston and Chicago with more than 20 stores this year, CC said it plans to jump into Kansas City, Little Rock, Minneapolis and New Orleans in following year. Minneapolis, of course, is home of Best Buy, its biggest rival. Most closely watched battle this year will be in Chicago, which Best Buy entered in high gear last year, and in which it plans to add 10 stores in 1993 to raise total there to 24. Best Buy also has stores in Kansas City and Little Rock.

Sharp struck optimistic tone on new fiscal year. "Although we anticipate that our markets will remain highly competitive, we believe that continued geographic expansion, an improved economic outlook and additional opportunities for productivity gains will again produce strong sales and earnings growth in fiscal 1994," he said. Plans for this year also include remodeling of 40-50 stores, partly to expand space devoted to home office products.

Retailer Advisory Council (TVD Jan 4 p11) assembled by EIA Consumer Electronics Group (CEG) held first meetings April 1-2 with range of manufacturers "in an effort to address common industry problems," CEG spokeswoman said. Meeting "included a positive exchange of ideas, and resulted in a commitment from participants to continue the dialog in the near future." Next session is expected to be during Summer Consumer Electronics Show in June.

16:9 SCREENS EXPLAINED: There's apparently some confusion about widescreen tube and projection picture sizes. Because proportions of widescreen pictures are different from conventional TV displays, we use letter "W" to identify viewable diagonal measurement of widescreen tube.

Adding to confusion is fact that U.S. measures picture tubes differently from all other countries, thanks to FTC order dating back to 1950s. U.S. uses "viewable diagonal" measurement (dimensions of picture only) as opposed to "overall diagonal" (which includes thickness of tube walls) used by rest of world. As result, TV Digest originated use of letter "V" to designate viewable diagonal, system officially adopted by U.S. picture tube industry. In our newsletter, we eventually dropped the "V" because all U.S. tubes use viewable diagonal standard.

All 16:9 tubes currently are made in Europe, by Philips and Thomson. Largest 16:9 is 34W" (called 36" in other countries). That's equivalent in height to 28V" -- it can be considered 28" tube stretched out to wider proportions. Here are some equivalents in terms of 16:9 screen sizes -- both tube and projection -- announced to date:

Designation	Other Countries	Equivalent 4:3 Display*
26W".....	28(W)"	21V"
30W".....	32(W)"	25V"
34W".....	36(W)"	28V"
50W" (proj.)...	50(W)"	41"
55W" (proj.)...	45(W)"	45"
58W" (proj.)...	58(W)"	48"

* Conventional display (U.S. designation) of same height.

Note: To determine diagonal size of 4:3 picture with same height, divide 16:9 picture's diagonal by 1.22.

Sears announced about 350 of its 2,000 former catalog stores will be converted into small retail operations by end of year, displaying and stocking limited selection of hard lines, including house brand and national brand consumer electronics merchandise. Customers at smaller stores, which will have 3,000-5,000 sq. ft. of selling space, also will be able to special-order merchandise featured at larger Sears outlets. Sears said each store is expected to generate about \$1 million annual revenues. Locations will be operated by local owners, tied into Sears POS systems, distribution, training, other support. Stores will be part of Sears Home Group, headed by Pres. Marvin Stern.

Clarification: Future of Matsushita's record-only camcorder in U.S. hasn't been decided yet, but it's not expected to be shown at Panasonic's national sales meeting in May, Vp Stanley Hametz said. Phrase "gutless wonder," used in last week's issue, was ours, not Hametz's, and wasn't part of quotation. We regret any misleading inference this may have caused.

Acclaim Entertainment, bolstered by strong Christmas selling season and increasing revenues from international markets, posted 43.8% increase in net income on 45.6% revenue jump in 2nd quarter ended Feb. 28 (see financial table). Company shipped 8 new titles for Genesis and Super NES systems during quarter.

VCRPro4 wireless remote with VCR programmer feature from Universal Electronics carries suggested retail of \$79.95. We incorrectly reported lower price last week.

STRONG MARCH AT MAJOR CHAINS: Top consumer electronics chains registered strong performance at cash registers in March, with significant gains in total and comparable store revenues.

Circuit City said overall sales for month were up 24% to \$263.2 million, with comparable-store sales increasing 9%. Company also announced strong results for just-completed fiscal year, as well as plans to test used-car business (see separate report in this issue).

Best Buy said 14% comparable-store sales gain helped send total sales soaring 76% to \$169 million in 5 weeks ended April 3. Pres. Brad Anderson said 4 points of comparable-store increase could be ascribed to computer business, and other 10 points to "core categories." Company opened its 15th and 16th stores in Chicago area last month, and last week announced it has been authorized to sell Compaq computers in all locations. Best Buy stock tumbled more than \$6 Wed. and Thurs. following report by CNBC stock watcher Dan Dorfmann that raised questions about company's recent performance and near-term prospects. Anderson said report was based on misinterpretations and misinformation about company's debt level.

Audio/Video Affiliates comparable-store sales were up 6% in March, sending total sales 21% ahead to \$17.5 million. For first 2 months of fiscal year, sales rose 22% to \$34.9 million, with comparable stores up 8%.

Tandy said comparable-store sales in U.S. retail operations were up 4%, raising total sales gain to 13% (\$274.9 million). Figures don't include results from 110 stores in its Name Brand Retail Group whose closings company announced early this year (TVD Jan 18 p10).

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Good Guys said comparable-store sales in 2nd quarter ended March 31 dropped 8% as overall revenues dipped 0.3% to \$116.4 million. For first 6 months of fiscal year, 3% comparable-store drop limited overall gain to 6% to \$285.1 million for 43-store chain that operates almost all its stores in Cal.

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Minidisc technology "should not be limited to the audio field," newly named Sony Audio Senior Managing Dir. Minoru Morio said in interview with Nikkei in Japan. Not only does Sony plan to apply MD technology in computer and video record and playback systems, Morio said, "I am also considering the possibility of applying it to facsimile and video communication." As for his recent swap of posts with Kozo Ohsone (TVD April 5 p20), who has taken up Morio's former job at Sony Video Group, Morio compared switch with tennis players who change courts, saying technological and commercial gaps between audio and video fields aren't as great as they once were. He said change was made following direct order by Sony Pres. Norio Ohga and had been discussed for some time.

Sharp's share of Japanese camcorder market jumped to 20% from 1% in 5 months since introduction of ViewCam, Nikkei said. Company plans to increase monthly production of ViewCam to 80,000-100,000 by year-end from current 30,000 and expects camcorder sales of more than \$440 million in year ending next March, more than 3 times last fiscal year.

International Source Directory, listing all ITA member companies with description of their products and services, is available free upon request on company letterhead (\$5 handling charge outside U.S., Canada and Mexico) -- ITA, 505 8th Ave., Floor 12A, N.Y. 10018.

ICCE FOCUSES ON DIGITAL: Digital technology will be center stage at International Conference on Consumer Electronics (ICCE), top CE engineering event, at Westin O'Hare Hotel, Chicago. ICCE this year will be held June 8-10, with educational sessions June 7, day after closing of Summer Consumer Electronics Show.

Educational sessions will cover MPEG video coding, ghost canceling, channel coding and modulation for HDTV and multichannel NTSC, cellular technology. Evening panel discussion June 9 covers subject, "Are Consumers Ready for Multimedia?" Stuart Lipoff, Arthur D. Little Inc., will moderate.

ICCE keynote speaker will be Apple Vp Gaston Bastiaens on "Digital Assistant, a New Era in Consumer Electronics." Masaru Ibuka Award will go to Texas Instruments team for "contributions to consumer electronics products employing synthetic speech for education and entertainment." Cleo Brunetti Award will be presented to Sony team for development of Walkman, "a totally new concept of miniaturization." Thomson Consumer Electronics' Bailey Neal will receive IEEE Fellow Award for "contributions to the design and development of TV receivers and transmission systems."

Among 24 sessions scheduled: Video coding, digital VCRs with trick play, scan rate conversion, digital audio signal conversion, consumer video recording, HD-MAC, RF-IF technology, DCC and MiniDisc, ghost cancellation, home bus, image capture and signal processing, video signal processing, Radio Best. Data Systems (RBDS), advanced image coding, digital automotive systems, MPEG video coding, emerging technologies, multimedia, digital TV channel coding. Information and advance program: IEEE/ICCE, Diane Williams, 67 Raspberry Patch Dr., Rochester, N.Y. 14612.

STEREO TV SALES SLIP: Percentage of direct-view color TVs with stereo sound dropped below last year for each of first 2 months of 1993, according to revised EIA figures, first back-to-back percentage declines since Jan.-Feb. 1990 (vs. 1989 period).

For first 2 months of year, 37.3% of color sets sold to dealers were stereo-equipped, down from 39.7% in same 1992 period. EIA revised Jan. figures, which originally showed stereo in 42.4% of sets (TVD March 15 p15), downward to 37.3%. That compared with 39% in Jan. 1992. For Feb., 37.3% had stereo, down from 39.7% in Feb. 1992.

In actual numbers, stereo sales set records, rising in both months -- up 15.2% in Jan. and 12.1% in Feb. -- but those were months in which total color TV sales rose 20.9% and 19.9%, respectively. EIA's figures on stereo TV in year's first 2 months (including revised Jan. figure):

MTS STEREO IN DIRECT-VIEW COLOR SETS

Month	1993	% of		Total	1992	% of	Total	% Change
		1993	1992					
January..	556,009*	37.3	482,719	39.0	482,719	39.0	556,009*	+15.2
February.	608,791*	37.2	543,089	40.4	543,089	40.4	608,791*	+12.1
TOTAL....	1,164,800*	37.3	1,025,808	37.9	1,025,808	37.9	1,164,800*	+13.5

* Record for period.

Widescreen TVs by Thomson Consumer Electronics go on sale April 15, not June 15 as reported last week (TVD April 5 p16).

TANDY DETAILS SPLIT: TE Electronics (TEE), manufacturing company scheduled to split off from Tandy Corp. later this year (TVD Jan 18 p10), will expend most of its energies on becoming major OEM producer rather than on developing proprietary consumer technologies, company officials said last week in presentation on financial results of TEE and Tandy, which will become pure retailing company.

Tandy reported 6.3% revenue gain to \$1.3 billion and \$28.3 million loss for quarter ended Dec. 31, which included \$48 million share of restructuring costs associated with splitoff of TEE. TEE absorbed \$39.5 million in restructuring costs.

TEE CEO William Bousquette said company is "committed to being a leading customer-driven manufacturer and marketer of CE and computer products... We are a manufacturer with an emphasis on process technology and that is where we will focus our resources.

"To expand our opportunities, we intend to partner our leading manufacturing process technology with the product technology of other firms. Our joint venture with Nokia for the production of cellular phones is an example of this strategy." Statements would seem to point TEE away from major technology development efforts such as THOR recordable CD and Video Information System (VIS) consumer multimedia players. THOR has long been on Tandy's back burner as too expensive to become consumer product, and VIS price was just slashed \$300 to \$399 in wake of sluggish sales (TVD March 22 p9).

TEE, had it been independent company, would have generated \$9-million operating loss in 6 months ended Dec. 31, compared with \$15-million profit in same period year earlier. On same basis, revenues would have climbed 17.6% to \$847 million. TEE has 25 manufacturing facilities (21 in U.S., 3 in Asia, one in Europe), 4 R&D centers, 10,000 employees.

News releases issued by newly defined Tandy focused almost exclusively on fastest growing elements -- Incredible Universe (IU) and Computer City. As we reported, company recently broke ground for 3rd IU store, in N. Dallas. Tandy Chmn. John Roach said company expects to open 17 stores by end of 1995 -- 3 more than earlier prediction. Computer City superstore chain, launched in 1991, is projected to add 16 stores per year for near future, to be profitable this year and achieve \$1 billion in sales in 1994. Roach said Tandy "has excellent prospects to grow sales and earnings and to be viewed by the investment community as a retail growth company."

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"The Japanese consumer electronics industry will be shattered" unless all companies involved make sacrifices, new Sanyo Pres. Yasuaki Takano is quoted in Financial Times. Company's sales were down 10% in year's first 2 months and "the future is still very uncertain," he said, although Sanyo has forecast flat revenues this year. Takano expects industry will take several years to make comeback, particularly since Japanese consumers have stopped buying. Company hopes to reduce employment to 27,000 from 30,600 by 1995, plans to "focus on profits rather than sales," Takano said. Sanyo will buy rather than make more of its product line, citing camcorders and office equipment. It will focus on areas where it currently has competitive advantage, such as nickel cadmium batteries, clean energy products, compressors, appliances, cordless phones. It's also diversifying into services such as doughnut shops, golf ranges, karaoke bars and computer software, article said.

EIA vs. NAB ON RADIOS: Fact that EIA Consumer Electronics Group (CEG) Vp Gary Shapiro will deliver keynote speech at Engineering Conference during NAB Convention in Las Vegas next weekend didn't prevent 2 trade associations from taking potshots at each other last week.

FCC proposal to adopt Motorola C-Quam AM stereo system "is rational and warranted," NAB said in comments supporting Commission rulemaking. But it said govt. agencies and receiver makers also must "make the necessary commitments and take the actions required to ensure success" of AM improvement effort.

NAB said it's "concerned over the sluggish pace at which the receiver industry" has designed and marketed AMAX-certified enhanced performance radios, noting that only Delco and Denon radios currently are being marketed. It said it hoped "this pace will be accelerated" as result of FCC proceeding and expected availability later in year of Motorola receiver chip incorporating "relevant" AMAX features such as stereo reception and noise blanking.

"But because of the critical nature of the receiver aspects of AM improvement," NAB said, "we urge the government to join NAB in monitoring the future production of AM radios that not only offer AM stereo" but also offer AMAX technology. "Unless such high-quality receivers become widely available to consumers," NAB said, govt.-industry AM improvement efforts "well may not be fully realized."

Shapiro said EIA/CEG, which also supports FCC proposal to establish C-Quam standard, intends to file reply comments by April 20 deadline. He responded to NAB argument on slow pace of AMAX radio development by charging that broadcasters themselves have been "sluggish" in fulfilling pledge of mounting massive radio ad campaign to spur consumer awareness of AMAX. Shapiro said "I've yet to hear" AMAX commercial on radio despite NAB's claims that stations had pledged \$20 million worth of free air time to publicize technology in year-long campaign that began Oct. 1991.

NAB spokesman said stations that pledged more than million spots promoting availability of AMAX receivers actually delivered on promise, adding that some major AM stations in top U.S. markets exceeded amount of promotional time pledged. "In the end, it was the receiver makers that didn't come through," spokesman said.

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Passengers should be forbidden to use portable electronic devices during landings and takeoffs, International Air Transport Assn. (IATA) said in latest comment in controversy on whether devices interfere with aircraft electronic systems. IATA acknowledged point hasn't been proved but "we cannot ignore... possibility" that it has occurred. EIA Consumer Electronics Group (CEG) Vp Gary Shapiro labeled as "ludicrous" any effort to ban use of products in air travel (TVD March 15 p14), citing NASA's Aviation Reporting System records that show only 2 possible incidents in 1992 "while the use of laptop computers and portable electronics has skyrocketed."

Samsung has acquired 20% of Array Microsystems, U.S. producer of digital signal processing (DSP) chips, terms undisclosed. Samsung in past has worked with Array to develop compression chips for HDTV. Company indicated it will develop DSP chips further for multimedia and HDTV uses. Samsung recently signed licensing agreement with Toshiba for flash memory chips.

Consumer Electronics Personals

Donald Cason, ex-Pactel Teletrac and onetime Carillon Technology exec., joins Clarion as vp-sales... EIA Consumer Electronics Group Vp **Gary Shapiro** will give keynote speech at Best. Engineering Conference April 18, opening day of NAB '93 convention in Las Vegas... **Lou Zaccaro** shifts from MPI Home Video to dir. of company's new MPI Multimedia unit... **Michael Kuhn**, PolyGram senior vp and pres. of its Filmed Entertainment Div., becomes exec. vp and member of Dutch parent company's management board April 28, subject to shareholder approval... **Deborah Newman** promoted to Sony Music vp, programming/electronic media, new post.

Appointments in EIA Engineering Dept.: **Eli Lesser** as dir., Quality Systems; **Bernard Aronson** as dir., Technical Programs, Components Group... **Jane Hassler** promoted to Geneva Group (accessories) OEM and international sales mgr., new post... **Louis Fogelman** resigns as pres. of Music Plus chain, remaining consultant to parent Blockbuster Music... **Charles Newcomer**, ex-Astro-Valcour (office and packaging products) joins Maxell as national sales mgr. of computer products, reporting to Consumer Products Div. Vp **Michael Golacinski**.

Rosemary Simari, ex-WNET N.Y. direct mktg. dir. and one-time Crown Publishers video dir., joins Cap/ABC Video Publishing as special markets mgr... **Chris Gorog** resigns as ITC Entertainment pres.-CEO... **Jim Merkle** advanced to Allied Film & Video pres.-CEO; ex-CEO **William Smith** continues as chmn.; **Judith Szidik** promoted to finance and administration vp... **John Koronaos** promoted to Sony Electronic Publishing retail sales vp.

Con Maloney, pres. of Cowboy Maloney's Electric City, Jackson, Miss., reelected pres. of NARDA. Also elected: First vp, **Ron Romero**, Schaefer's, Lincoln, Neb.; 2nd vp, **Terry Oates**, King's/Great Buys Plus, Evansville, Ind.; secy., **Joe Bookwalter**, Baker Appliance & Video, Carson City, Nev.; treas., **Robert Cremer**, Aronson Furniture, Chicago... Elected officers of National Assn. of Service Dealers (NASD) Div. of NARDA: **Roberta Chesney**, Florida, N.Y., pres.; **Mary Halldorson**, Dallas, first vp; **Lane Norman**, Atlanta, 2nd vp; **Keith Beecher**, Coon Rapids, Minn., secy.-treas.



Undoubtedly affected by fierce weather, especially along East Coast, sales to dealers of all major video products except TV/VCR combos trailed 1992 figures for first 4 weeks of 5-week March. During period, color TV sales were off 11.5%, projection TV 1.1%, VCR decks 2.2%, camcorders 21.2% and laserdisc players trailed last year by 29.6%. Lone bright spot was combos, which were ahead 29.4%. In most recent week, sales were down in all categories except projection TV, which ran 4.4% ahead of last year. March figures could turn around dramatically once last week of month -- always largest volume week -- is added, particularly since it also represents last week of quarter and of Japanese fiscal year.

Lower priced HDTV set for Japan's Hi-Vision system was introduced last week by Sony, joining 3 other manufacturers. Sony's set with "full-spec" MUSE decoder and 30W" tube carries \$8,595 suggested list. As in all under-million yen (\$8,770 at current exchange rate) Hi-Vision sets, MUSE/NTSC decoder is optional. Sony's introduction follows that of Matsushita at same price, Toshiba at \$8,500 and Sharp's "simple MUSE" set at \$6,140.

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
Acclaim Entertainment 1993-6 mo. to Feb. 28	150,418,000	11,675,000	.41
1992-6 mo. to Feb. 29	91,250,000	6,231,000	.27
1993-qtr. to Feb. 28	71,650,000	5,411,000	.19
1992-qtr. to Feb. 29	49,216,000	3,763,000	.15
Audiovox 1993-qtr. to Feb. 28	91,820,000	3,337,000	.37a
1992-qtr. to Feb. 29	77,231,000	1,019,000	.11a
Circuit City Stores 1993-year to Feb. 28	3,269,769,000	110,250,000	1.15b
1992-year to Feb. 29	2,790,232,000	78,223,000	.82b
1993-qtr. to Feb. 28	1,098,252,000	60,784,000	.63b
1992-qtr. to Feb. 29	903,325,000	44,038,000	.46b
Jones Intercable Inv. 1992-year to Dec. 31	38,337,748	44,060,105	5.24a
1991-year to Dec. 31	38,468,689	(7,224,785)	--
1992-qtr. to Dec. 31	7,838,518	46,706,235	5.56a
1991-qtr. to Dec. 31	9,699,937	(1,591,132)	--
Tandy Corp. 1992-year to Dec. 31	3,933,855,000	67,010,000	.78c
1991-year to Dec. 31	3,701,580,000	176,199,000	2.19c
1992-qtr. to Dec. 31	1,322,574,000	(28,337,000)	--c
1991-qtr. to Dec. 31	1,244,303,000	78,810,000	1.00
Telemundo 1992-year to Dec. 31	153,572,000	(26,743,000)	--
1991-year to Dec. 31	134,258,000	(275,001,000)	--c
1992-qtr. to Dec. 31	44,533,000	1,421,000	.04
1991-qtr. to Dec. 31	42,816,000	(239,720,000)	--c

Note: ^aIncludes special credit. ^bAdjusted. ^cAfter special charge.

NEW SONY CAMCORDER LINE: Introduction of new camcorders is increasingly rare occurrence, but Sony announced 5 additional models, all available this month and to be shown at dealer open houses later in month. Unlike Fuji, JVC and Panasonic, which have said they will stress simpler and lower priced camcorders, Sony's models generally are in same price range as former line, carrying suggested list prices of \$1,000-\$1,700.

Senior Vp Yuki Nozoe, gen. mgr. of Sony Consumer Video Products, said 8mm has more than 50% share of market, "is now clearly the preferred camcorder format" and Sony is "America's best-selling brand."

Two new models are Hi8 stereo models in ultracompact TR series. TR300 is 1.5-lb. color viewfinder version of TR200 introduced last fall (TVD Nov 2 p14). It uses Handycam Station playback and recharging attachment, has lithium ion battery, 8X variable speed zoom, 103,000-pixel color viewfinder and at \$1,700 list is \$100 more than b&w viewfinder model.

TR-61, also Hi8 stereo, has 10X zoom, electronic manual focus dial, auto date, world clock, 4-mode program dial (portrait, sports, shutter, natural night), carries \$1,200 list price.

In FX series, entry-level FX420 has 10-bit signal processing, 3-mode exposure dial, large viewfinder, age insert, wireless remote, edit search and insert editing, at \$1,000 list. Step-up FX520 adds 12X zoom, electronic manual focus ring and digital fade, at \$1,100; FX620 has same features plus stereo sound, large LCD data display, snap-on connector for playback.

TELEVISION DIGEST

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

With Consumer Electronics

APRIL 19, 1993

VOL. 33, NO. 16

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Broadcast - Cable

COURT BACKS MUST-CARRY again, rejecting bid to stay rules while appeals are heard. Further appeals almost certain. (P. 1)

TV PROFITS MUCH HIGHER in first quarter. CBS and NBC show strong growth, as do most broadcast groups. Cable results also better. (P. 2)

NBC NOT FOR SALE: Chmn. Welch says 'GE likes NBC.' Network hires Lack as new NBC News pres. (P. 3)

SATELLITE-BASED MULTIMEDIA platform to be developed by United Video and others. (P. 3)

TCI TO SPEND \$1.9 BILLION on fiber installations, boosting capital budget 2/3. Malone discounts rate regulation impact. (P. 4)

MEDIA EXECUTIVES DOING WELL: Proxy statements show CBS's Sagansky received \$5.12 million in 1992 bonuses, plus \$1-million salary. Cap/ABC's Burke was paid \$907,000 salary, plus \$2.3 million in deferred compensation. (P. 4)

FCC COMR. MARSHALL RESIGNS: Leaves April 30, will form Marshall Co. entertainment consulting firm with offices in L.A. and Washington. (P. 5)

NETWORK INTERCONNECTION HOT TOPIC: Cal. PUC hears ideas on linking cable and telephone networks at infrastructure hearing. (P. 6)

COURT REJECTS BID FOR MUST-CARRY STAY: Without even waiting for opponents' arguments, U.S. Dist. Court, D.C., rejected cable groups' bid for stay of same court's earlier decision upholding constitutionality of must-carry section of 1992 Cable Act (TVD April 12 p1). Court gave no reasoning for decision to dismiss stay request. Cable officials had predicted court would turn down request and said further appeals are likely, including eventually to U.S. Supreme Court.

Cablers had said court should freeze current must-carry situation because rules are likely to be overturned on appeal and cable would suffer irreparable harm if they were implemented now, but broadcasters wouldn't be seriously hurt if they were delayed. Request was filed by Daniels, Discovery, Time Warner and Turner Bctg. after same court, in 2-1 vote, held must-carry rules constitutional.

Cable filing had said stay of court's decision upholding must-carry was justified because Supreme Court never has determined cable's First Amendment rights.

Cablers had said that complying immediately with must-carry would require extensive retiering, force many systems to buy expensive traps, require renegotiation of programmer-cable system contracts, force systems to notify all subscribers of changes, "generate ill will."

Consumer Electronics

'SEGA CHANNEL' TO DELIVER VIDEOGAMES virtually on demand via cable under joint venture established by Sega, Time Warner and TCI, with testing in fall, planned rollout next year. (P. 9)

THOMSON CONSUMER ELECTRONICS American sales rose \$497 million in 1992, company says. French parent company reduces loss and says it halted drop in sales. Emphasis on large-screen TVs cited. (P. 10)

STRETCH-SCREEN PROJECTION TV shown to dealers by Pioneer is designed to generate 'widescreen impact' from conventional pictures, without widescreen cost. Proportions are 16:10.7. (P. 11)

FIRST-QUARTER SALES RECORDS set by color TVs, including VCR combos and projection, along with VCR decks, despite letdown in March, EIA data indicate. (P. 11)

AM STEREO BATTLE continues into 16th year as Motorola and Kahn square off before FCC on proposal to adopt single system at command of Congress. (P. 13)

TOSHIBA'S REORGANIZATION in Japan, designed to eliminate unprofitable products, will have no immediate effect here, U.S. official says. (P. 13)

PHILIPS REVISITS 1992 debacle in annual report. Supervisory Board voices confidence in management. Flat sales, improved results seen. (P. 14)

Group also had said that "Supreme Court has touched on, but never decided, the issue of what level of First Amendment protection must be afforded to cable television."

Many systems would have to drop cable networks and rearrange lineups to comply with must-carry, filing said, including: (1) Time Warner Staten Island would have to carry 17 commercial stations, including 2 in Bridgeport, Conn. (2) Average Time Warner system would "lose editorial control over" 8 channels, and at least 42 TW systems would have must-carry obligations for at least 11 stations. (3) One cable system would have to import 2 Spanish-language stations from 50 miles away, even though only 2% of area's population is Spanish-speaking. (4) About 2,000 cable systems serving 1/3 of all cable subscribers have no excess channel capacity and would have to drop cable networks if they need to add must-carry stations. (5) Several Viacom systems in San Francisco area would have to drop 4 or more cable networks to meet must-carry obligations.

BROADCAST AND CABLE PROFITS SHOW STRONG GAINS: Virtually every TV and cable group, including CBS and NBC, reported major profit gains for first quarter, generally reflecting strong ad market and cost-cutting efforts, including lids on programming costs. CBS and NBC had sharply higher operating profits in quarter ended March 31, and both attributed gains mainly to reductions in program costs. Station groups such as Gannett, Multimedia and Scripps Howard also had sharply higher profits for period.

Despite 19% revenue drop, CBS profits from continuing operations more than tripled to \$54.2 million from \$17.5 million from year ago. Chmn. Laurence Tisch attributed gain mainly to fact that CBS this year didn't carry Olympics or Super Bowl -- both of which generated big revenues but little profits -- and to fact that network "has just begun to capitalize both on its status as the nation's top-rated television network and on its efforts to carefully contain costs." Olympics and Super Bowl in 1992 "failed to provide a financial return comparable to regular prime-time programming," Tisch said, primarily because of expensive rights fees. He said higher 1992 network revenue was largely because of ad sales at those events. For 1993, network benefited from shift in programming mix toward more entertainment and news programs and fewer special event sports shows, Tisch said.

Sales and profits in Stations Div. were down this year because of lack of local ad sales associated with big sports events, Tisch said, but gains at FM Station Group and cost control helped boost radio profits. Total revenue dropped to \$878.9 million in first quarter from \$1.08 billion year ago. Pretax gain of \$19.2 million on sale of securities during quarter boosted overall net. Net interest gain was \$23.4 million, vs. \$7.7 million year ago. Overall net loss year ago was \$64 million because of accounting change. CBS said it ended quarter with more than \$1 billion cash and marketable securities, and total debt was about \$900 million.

NBC parent GE said network's operating profit was "up sharply, mainly as a result of lower programming and overhead costs," but -- as usual -- provided no details. GE Chmn. John Welch did say NBC had double-digit profit increase, and GE said network revenue was somewhat higher because of ad revenue from carriage of 1993 Super Bowl. Parent company's overall net profit was up 10% to \$1.16 billion for quarter, and would have been up 13% if discontinued aerospace business was excluded from 1992 results.

Scripps Howard Bcstg. profit tripled to \$10.3 million in quarter ended March 31, in part because of \$2.7 million after-tax gain on reduction of copyright liabilities as result of resolution of ASCAP suit. Broadcast revenue was up 5.3% to \$61.8 million and cable revenue 8.3% to \$29.4 million. Broadcast operating profit jumped 43% to \$12.8 million and cable operating profit 51% to \$6.7 million. Parent E.W. Scripps had \$32.6-million net profit vs. \$7.7-million loss year ago... **Multimedia** net profit for quarter, boosted by \$14.3-million gain from accounting change, soared to \$29.5 million from \$10.4 million; broadcast revenue inched up 3.5% to \$32.4 million and cable was up 16.9% to \$35.1 million... **King World** profit grew 13% in 2nd quarter ended Feb. 28 to \$24.1 million, despite 6% revenue drop to \$113.1 million because of cancellation of *Candid Camera*.

In other financial results: **United TV** had \$13.2-million profit in quarter ended March 31, vs. \$2.1 million loss year ago. Revenue rose 12.7% to \$28.1 million. About \$8.5 million of profit was from gain on sale of Time Warner preferred stock... **Westinghouse** broadcasting revenue and operating profit were up in first quarter, contributing to overall profit of \$51 million vs. \$246-million loss year ago... **N.Y. Times** broadcasting and information services group had \$3.6-million profit in quarter, up from \$2.8 million. Segment revenue rose 8.6% to \$20.1 million. Parent company had \$10.9-million profit in quarter, down from \$13.4 million... **Granite Bcstg.** had \$1.8-million net loss in first quarter ended March 31, vs. \$2.3-million loss year ago. Revenue increased 6.9% to \$8.6 million... **All American Communications** posted \$922,122 profit in year ended Dec. 31, reversing \$1.9-million loss year earlier. Revenue soared 76% to \$57.9 million.

Media General said it had improved profits in TV and newsprint operations, but lower results at newspapers. Overall profit increased to \$3.4 million from \$3.3 million and revenue to \$144.2 million from \$141.7 million... **Westwood One** posted \$9.2-million loss in quarter ended Feb. 28, vs. \$7.2 million loss year ago. Revenue dropped 13.1% to \$20.4 million... **Home Shopping Network** said it lost \$26.9 million in 2nd quarter ended Feb. 28, compared with \$7.8-million profit year ago. Loss was increased by \$22.7 million set aside to reflect changing merchandising philosophy. Revenue fell to \$244 million from \$275.5 million.

TCI filed shelf registration at SEC for potential offering of as much as \$3 billion in new debt and equity offerings. It said proceeds would be used to replace higher cost debt... **Century Communications** net loss was reduced to \$11 million in 3rd quarter ended Feb. 28, from \$18.7 million year ago. Revenue gained 8% to \$85.4 million and operating profit 12% to \$45.7 million... **Cablevision Systems** said it completed private placement of \$150 million of 30-year subordinated debt at 9-7/8%... **Gannett** first-quarter profit increased 22% to \$66.3 million, after excluding accounting changes. Revenue was up 7% to \$845 million and broadcast profits rose... **Zenith** said it has new commitment from 2 institutional lenders for \$90-million revolving credit line through Dec. 31, 1994, subject to signing final agreement. Line is to replace \$60-million revolving credit... **Interactive Network**, which said it's postponing stock offering, said 4 stockholders have provided undisclosed loan to allow it to continue current operations. Loan, which is convertible into 300,000 shares of stock, comes from Gannett, Kagan, NBC, Rainbow... **C-Cor** profit dropped to \$819,000 in quarter ended March 26 from \$1 million and revenue fell to \$14.5 million from \$15.1 million... **Wegener Corp.** net loss dropped to \$290,000 in quarter ended Feb. 26, from \$302,000 loss year ago. Revenue was down to \$3.4 million from \$3.9 million.

NBC ISN'T FOR SALE -- WELCH: "The good news is that GE wants to be a part of NBC" and network isn't for sale, GE Chmn. Jack Welch said at meeting of employees April 12 to introduce new NBC News Pres. Andrew Lack, who moved over from CBS (TVD April 12 p5). "GE wants to be a part of NBC -- and I guess some might feel that's bad news." Welch, in first public statement on long-rumored sale, said he hopes to put to rest widespread reports, with many possible suitors mentioned, that GE is negotiating to sell network in whole or in part. NBC Pres. Robert Wright in recent months had stopped denying sale rumors with mere no comment.

"We've come through some stuff in this last little episode, but we've had lapses in judgment before in all kinds of businesses in GE," Welch said. "It's over and it's behind us and we're on to great new things... We at GE are behind this institution totally." "Little episode" to which he referred was airing of what NBC admitted was "inaccurate and misleading" demonstration of staged crashes of GM trucks that were aired on Nov. Dateline episode (TVD March 29 p7). That cost then-NBC News Pres. Michael Gartner and 3 Dateline producers their jobs, plus on-air apology and retraction by NBC.

Lack, who has won 16 Emmys for news, said: "The embattled and beleaguered days of NBC News are over... Everything we need to succeed is in place. We will get the resources we need to strengthen us to be as competitive as we need to be." Lack said he wouldn't have taken job without "the commitment [by NBC and GE] for more resources" for news programming.

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FCC has opened May 3-June 30 filing window for existing stations seeking to move to expanded AM band (1605-1705 kHz). Daytime-only stations will be given priority. In concurring statement, Comr. Barrett said item failed to address his concerns about impact on small radio stations.

TV networks' spring affiliates' conventions: NBC -- May 16-18, Grand Floridian, Orlando; CBS -- May 25-27, Waldorf-Astoria, N.Y.; Fox -- June 3-4, Beverly Hilton, L.A.; ABC -- June 8-10, Century Plaza, L.A.

MULTIMEDIA PLATFORM PLANNED: United Video (UV) said it will develop open platform to deliver interactive video, audio and data in cooperation with Kaleida Labs (IBM and Apple Computer multimedia consortium), Pioneer New Media Technologies, Scientific-Atlanta (S-A), Zenith Cable Products. UV said satellite-based system will distribute range of multimedia services including distance learning, news, entertainment, business services, electronic catalogs, retail coupons, games. Project will provide common, secure hardware platform and common transmission path for all data providers, UV said.

UV said it will build and manage national subscription service center to offer "turnkey convenience" to multimedia program providers. Services will include uplink and satellite distribution via Prevue Networks and integrated reporting, auditing and customer support systems. Pioneer, S-A and Zenith will develop hardware for platform, including set-top converters with plug-in interface designed for connection to add-on modules that will provide addressable access to programming.

Kaleida Labs will provide ScriptX multimedia playback software to develop multimedia graphical user interface for digital set-top boxes. Software will "play a key role in the migration of the consortium's products from the current modular strategy to a more robust interactive multimedia environment," UV said. It said it's negotiating with consumer electronics companies to manufacture outboard modules and interface ports for TVs and VCRs.

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It would be "unfair in the extreme" to submit TV stations to auctions for added channels needed for transitional period in shift to advanced TV, MSTV Pres. Margita White has written Secy. of Commerce Ronald Brown, with copies to several members of Congress. In March 15 letter to Senate Communications Subcommittee Chmn. Inouye (D-Hawaii), Brown endorsed spectrum auctions, including for broadcast licenses (TVD March 22 p1). "MSTV strongly urges you to reconsider that position and the precedent it sets..." wrote White. She said auctions would have "wholly counterproductive impact" on implementation of advanced TV and "the more general adverse policy implications of imposing auctions on broadcasters."

TCI HIKES SPENDING: TCI will spend \$1.9 billion in next 4 years to build "local streets and boulevards" for national broadband telecommunications infrastructure, TCI Senior Vp Robert Thomson said. Planned \$750-million spending this year is up 2/3 over 1992's capital budget, despite revenue limits imposed by 1992 Cable Act. CEO John Malone said new rate rules shouldn't affect TCI's spending plans because project will be funded largely through depreciation and because TCI doesn't expect its rates to be affected severely.

MSO will install at least 7,000 miles of fiber this year, affecting more than 100 U.S. cities, company said, and project will be extended to total of 250 cities and 90% of its subscribers by 1996. TCI already has begun work on 4 fiber-connected regional "superhubs" in Denver, Miami, Pittsburgh and San Francisco, plans to start more superhubs this year in Chicago, Hartford, Salt Lake City, St. Louis.

TCI is heralding its "Infostructure Network" as key segment of proposed national telecommunications infrastructure being proposed by Clinton Administration. TCI project calls for installing broadband interactive network throughout its cable systems, and interconnecting as many of its systems as possible. It still would have to connect to national infrastructure to, for example, relay video telephony between superhubs in St. Louis and San Francisco.

It's "premature to gauge the impact of rate regulation" on cable economics, Malone said, but he predicted that it would have little impact on TCI: "Since TCI is only marginally profitable, our average rates must be reasonable. If there is any effect, it will probably be that we are too unified in our rates and we'll be forced to raise some and lower others. But the average rate figure will probably be about even." Malone said TCI will finance capital spending out of its "huge cash flow."

Project will have little "mandatory" effect on subscriber rates, Malone said. Fiber upgrades will be similar in cost to nonfiber, and only subscribers who want new services will pay for new digital converters, he said. Those who opt for additional services probably will pay "an extra couple of dollars" per month, Malone said, and for that will get "lots of new service."

Presidents of 10 national associations representing advertising and media have written President Clinton asking him not to approve recent proposals to tax advertising by limiting business deductions for cost of ads. "We urge you in the strongest terms to reject any proposal to limit the deduction of advertising costs on an across-the-board or product-specific basis... We believe it would send exactly the wrong signal to American businesses... Making the selling process more expensive will hurt business, hurt sales and undermine job creation in this country." Move also would be unconstitutional, groups said. Sen. Harkin (D-Ia.) recently introduced bill that would put 50% limit on deductibility of ad costs for tobacco products.

TCI is "very interested in all of the assets" of TBS, TCI CEO John Malone said, confirming that TCI and Time Warner have talked with TBS Chmn. Ted Turner about breaking up TBS. Malone refused to elaborate on talks, including what portions of TBS MSO would want in breakup, but said he "feels a parentage" toward TBS: "We had a role in creating most of those assets." He denied that MSO has held back TBS development, saying "we have been largely supportive of and responsible for its success to date." TCI and TW own 20% each in TBS, and TW has indicated it's interested in disposing of its share to reduce debt.

SALARIES OF MEDIA EXECUTIVES: Whopping \$5.12 million in bonuses were paid to CBS Entertainment Pres. Jeffrey Sagansky in 1992, along with regular salary of \$1 million. CBS proxy statement, in preparation for annual stockholders meeting May 12 at Museum of Modern Art, N.Y., said he was paid extra \$2 million "by reason of CBS having achieved a 'first-standing'" during prime time for 1991-1992 season, plus \$1.25 million in retroactive adjustments to base compensation (which had been \$500,000 for 1990 and 1991), along with other incentive payments.

CBS Pres.-CEO Laurence Tisch received \$973,012 in salary, \$600,000 bonus. Best. Group Pres. Howard Stringer had \$682,115 salary, \$1.3 million bonus (including \$1 million for signing new 4-year-plus contract). It provides that Stringer will be paid "not less" than \$1.5 million for each of first 2 years, \$1.75 million 3rd year, \$2 million 4th. Exec. Vp Peter Lund was paid \$660,769 in salary and bonus, News Pres. Eric Ober \$632,404.

At Cap/ABC, Pres.-CEO Daniel Burke received \$907,500 salary, \$2.3 million deferred compensation, options for 10,000 shares. Bcst. Group Pres. Michael Mallardi received \$786,000, Senior Vp-Chief Financial Officer Ronald Doerfler \$784,000, Senior Vp Stephen Weiswasser \$721,400. Multimedia Chmn.-CEO Walter Bartlett received \$853,244 in salary and bonus, Pres.-COO William Grimes \$689,712.

Belo Chmn.-CEO Robert Decherd received \$875,000 in salary and bonus, plus \$80,653 in "other compensation"; Pres.-COO James Sheehan \$927,465, plus \$141,730; Best. Div. Pres. Ward Huey \$583,235, plus \$99,074; Pres.-TV Div. David Lane \$384,510, plus \$28,158. At Gannett, Chmn.-CEO John Curley was paid \$1.3 million salary and bonus, plus \$39,354 "other compensation;" Vice Chmn.-Chief Financial Officer Douglas McCorkindale \$1.1 million, plus \$38,852; Best. Div. Pres. Cecil Walker \$455,000, plus \$15,638. E.W. Scripps Pres.-CEO Lawrence Leser received \$615,000 salary, \$369,000 bonus.

House Telecom Subcommittee Chmn. Markey (D-Mass.) recommended that FCC take into account "economic impact" of HDTV standard when it makes decision. In letter to FCC Chmn. Quello, Markey said Commission should conduct inquiry to ensure that "the broader questions of jobs and economic growth," which Advanced TV Advisory Committee didn't consider, are taken into consideration. Markey recommended that Commission look at effect HDTV standard it chooses will have on consumer electronics and technology industries in U.S. and worldwide, whether jobs would be created in U.S. TV manufacturing and whether one standard would create jobs in related manufacturing areas such as semiconductors, flat-panel screens, telecommunications equipment. Markey also stressed that HDTV standard should consider "full interoperability" with other digital technologies.

MSTV is working on refined version of its HDTV channel allotment software, to be available by time FCC is ready to select winning HDTV system, according to letter to FCC Chmn. Quello by MSTV, NAB, INTV, 4 networks, public broadcasters, others. Letter pushed FCC for assurances that Commission would use broadcasters' proposed channel-pairing allotment method, which would guarantee each broadcaster an HDTV channel that would give it service area at least similar to NTSC's. Broadcasters also again pressed Quello to use VHF and UHF for HDTV and to assure that broadcasters would be able to use ancillary data streams to generate additional revenue to support HDTV conversion.

MARSHALL FORMS CONSULTING FIRM: FCC Comr. Marshall announced her resignation April 13, effective April 30, saying she will form The Marshall Co. to provide "strategic planning, policy and acquisition advice to entertainment and communications companies on the emerging global, multimedia marketplace." Company will have offices in L.A. and Washington, and Marshall will become consultant to L.A. law firm Ziffren, Brittenham & Branca (ZBB), where she will have hq -- 2121 Ave. of the Stars, 90067, 310-552-3388. ZBB is a major entertainment law firm.

Marshall said she's forming her own company, rather than joining law firm, because "it gives me the flexibility to explore several exciting options at a time when the industry is exploding... It's the logical next step in my career." She will move to L.A. in June, already has been approached to serve on corporate boards. She served Reagan Administration as assoc. counsel, special asst. to President and as special aide to then Secy. of Treasury James Baker. She was lead White House counsel in unsuccessful effort to win Senate confirmation of ex-Sen. Tower (R-Tex.) as Secy. of Defense.

President Bush appointed Marshall to FCC in 1989. At time, there was speculation that she would be named Commission's first female chmn., but Alfred Sikes (who resigned Jan. 19) won post and she and Sikes often didn't see eye to eye on issues -- such as finsyn, which Marshall supported over chmn.'s dissent. For last several weeks, she has recused herself from all mass media items that came to commissioners for vote. Her term expired June 30, 1992, but she has continued to serve because no successor has been nominated and confirmed.

There now are 2 vacancies at FCC, both of which had been filled by Republicans. One of President Clinton's appointments must be Republican or independent (under law that requires that no more than 3 commissioners be from party in power) and nearly dozen Republicans have been mentioned as candidates. Most officials and practitioners in Washington and elsewhere believe that 36-year-old Antoinette Cook, majority counsel to Senate Communications Subcommittee, will be appointed chmn. "It's not a question of if, but when," said source close to Administration. Cook's counterpart on minority side of Subcommittee, Regina Keeney, has been mentioned prominently for Republican seat on FCC, as has Columbia U. Prof. Eli Noam, independent.

Just before joining Commission, Marshall was partner in Washington law firm Wiley, Rein & Fielding. She holds J.D. degree from U. of N.C., also served as chief legal adviser to chmn. of Federal Elections Commission and minority counsel for Senate Rules Committee. At FCC, she said she has been "a strong advocate of prompt federal allocation of spectrum for new technologies."

Asked whether opportunities for women have improved during her govt. service, Marshall replied: "The status of women in the workplace has improved during my public life. Women hold more positions of responsibility and their opportunities are steadily increasing, but real equality is yet to be achieved. The glass ceiling is cracking and I hope will one day be a thing of the past." Progress of Clinton Administration? "On Clinton, the jury is still out but there certainly is being an effort made. However, real progress means more than nicely balanced group photos."

—
NAB has published market-by-market review of financial performance of TV stations. Cost is \$300 to NAB members, \$450 to nonmembers -- 800-368-5644.

Top representatives of RHCs, including 3 chmn., told Vice President Gore April 15 they would increase investment in network by \$100 billion over next decade, but said that MFJ, cable-telco and other restraints would have to be lifted. Sources said Administration didn't make any commitments, but quoted Gore as saying it wouldn't look at MFJ policy until it had asst. attorney gen. for antitrust in office. No one has been nominated yet for post. Bell Atlantic Chmn. Raymond Smith said offer wasn't request for deal, but represented support for Administration's infrastructure plan and backing up support with investment. Meeting with Gore lasted hour -- 2:30-3:30 p.m. RHC chmn. attending were Raymond Smith of Bell Atlantic, John Clendenin of BellSouth and Richard McCormick of U.S. West. Vice chmn. of other 4 companies at session were Richard Brown of Ameritech, Ivan Seidenberg of Nynex, Philip Quigley of Pacific Telesis, Robert Pope of Southwestern Bell. CWA Pres. Morton Bahr, Bell Communications Research Pres. George Heilmeier and USTA Pres. John Sodolski also were present.

Allbritton's NewsChannel 8 will need "a lot of Di-Gel" during retransmission consent negotiations involving Allbritton-owned WJLA-TV Washington, predicted John Hillis, pres. of 24-hour cable channel operating in Washington and suburbs. In response to question April 14 at Media Institute lunch as to whether cable systems' carriage of NewsChannel 8 could be affected by consent negotiations, Hillis acknowledged: "I suspect some cable systems will want linkage despite our efforts to keep them separate. We'll find out a lot about retransmission consent." Cable channel's ratings are up 50% in last year, but audience remains small. Hillis said about 600,000 households sample channel at least once in average month, but peak rating has been about 5. For most of 6 regional cable news channels, "a return on investment is a long way off," Hillis said, although Cablevision Systems channel on L.I. is predicting breakeven this year. Five of 6 regional channels have agreed to form still-unincorporated association to promote regional channels, primarily to advertisers.

U.S. Dist. Court in Kalamazoo refused request of WZZM-TV Grand Rapids for stay against Cablevision of Mich. action in combining station's signal with 2 others on same cable channel. WZZM-TV suit, which opposes sharing same channel with Christian station WLLA Kalamazoo and WKBD-TV Detroit, still is pending. KBBB-TV and WZZM-TV are ABC affiliates, WLLA is independent. Alan Forist, WZZM-TV mgr., said he expects "amicable solution... They [cable system] need us more than we need them." System has 39 channels; on 3-station shared channel, it airs mostly syndicated programming from WZZM-TV, sports from WKBD-TV, religious programming from WLLA rest of time. Several years ago, WZZM-TV built microwave system "at considerable expense" to system's headend to provide acceptable signal, Forist said.

Three-fourths of TV station news operations made money or broke even in 1992, about same as for 1991, with 50% of radio stations making money or breaking even, according to survey for RTNDA by Mo. U. Prof. Vernon Stone. Of TV affiliates of big 3 networks, 81% made profit on news, up from 78% in 1991. Financially successful news on independent TV stations dropped to 36% last year from 43%, but independents breaking even increased to 45% from 31%.

FCC will be among exhibitors at NCTA convention in San Francisco June 6-9. Booth 5353 will feature film and educational materials promoting cable carriage of Emergency Best. System signals, agency said.

CAL. PUC BACKS INTERCONNECTS: Cable operators received "great response" from Cal. PUC commissioners to idea of interconnecting cable and telcos' networks at hearing last week on ways to improve state's telecommunications infrastructure. Cal. Cable TV Assn. (CCTA) Asst. Gen. Counsel Carrington Phillip said group suggested PUC set rules to interconnect existing networks into "regional hubs" as best way to improve state residents' ability to communicate and compete against other states.

Cable believes multiple networks are necessary, "playing to the strength" of each, he said. Robert McRann of Cox Cable San Diego testified that cable-built fiber networks would "create an interactive network with the potential for a broad array of mass storage, data transfer, cable commuting and computer software delivery services." "Technology is here -- the infrastructure is not" for providing high-speed data transfer between home and workplace, videoconference with workers from home, enhanced distance learning, telemedicine, teleshopping and 2-way interactive video services, AT&T Regional Vp-Cal. Jack Harrington said. "AT&T believes that the optimum telecommunications infrastructure for the 21st century is a 'network of networks' that utilizes a variety of technologies, wired and wireless, affording both public and dedicated access."

Pacific Bell's objective is to put in place "a fully capable switched broadband network that will support interactive live high-quality video as well as very high-speed data, and voice," Vp Lee Camp said. Telco wants superhighway available to half its customers by 2015, he said. GTE plans to provide broadband fiber deployment to nearly all customers in Cal. by 2015, but "market forces should determine that schedule," said Thomas Sweet, dir.-area planning and engineering. He said company is "willing to work with other carriers and service providers to offer comprehensive feature packages and network connectivity."

PUC issued "informal" call for comments and will hold other hearings June 1 in L.A. and 3rd July 1 in Sacramento. After hearings are complete and commission has reviewed comments it will publish report, then issue rule, CCTA said.

Congress didn't intend to preserve all sports programming for broadcasters, "nor to protect individual broadcasters from a competitive video marketplace," NCTA said in reply comments on FCC's sports migration inquiry. Cable group said first round of comments demonstrated that "broadcasters still dominate televised coverage" of major sports, since broadcast coverage has increased, not decreased, over last 12 years: "The whole issue of migration of sports... is more myth than reality." Despite that, NCTA said, "INTV would like to return to a world where the broadcast industry occupies a protected and virtually unchallenged position in televised sports."

Cable rates surged again in March, climbing 3.3% for month, Bureau of Labor Statistics (BLS) reported. Rate increase of 3.1% for Feb. had been attributed largely to fact that most cable systems impose annual rate increases in first quarter. March surge came in month when overall Consumer Price Index increased only 0.1%, BLS said. For 12 months ending March 31, BLS said cable rates jumped 8.7%, while overall CPI was up 3.1%.

Senate Minority Leader Dole (R-Kan.), persistent critic of what he calls imbalanced programming in public broadcasting, will deliver keynote at opening day of May 6-9 Public Radio Conference in D.C.

FCC is seeking more information on Rupert Murdoch bid to buy N.Y. Post and will grant additional 2 weeks for comments on request for waiver of newspaper/broadcast cross-ownership rule, it said in order April 16. Commission directed Murdoch-owned Fox Stations Group, which owns WNYW N.Y. and is seeking waiver, to submit "full description" of effort by current Post owner Peter Kalikow to sell newspaper before it entered bankruptcy, including list price. Fox also must provide certification from newspaper broker that list price represented fair market value, according to order from Mass Media Bureau Chief Roy Stewart. Comment extension (to May 10 for comments, May 17 for replies, from April 26 and May 3) is at request of National Hispanic Media Coalition (NHMC) and others, which said original 2 weeks is too brief and that period "effectively transmits a disturbing regulatory signal that the FCC is uninterested in meaningful public input, perhaps because the Murdoch waiver issue has already been decided by the agency." Although it didn't respond directly to charge, FCC order said: "The Commission has reached no decision on the merits of Fox's waiver request." NHMC said Murdoch is seeking "waiver of the FCC's least frequently waived ownership rule" and urged Commission to consider what it called Murdoch's "record of anticompetitive media behavior" and "substantial evidence of licensee misconduct" by Fox-owned KTTV L.A.

Liberty Media is retaining day-to-day control of Home Shopping Network (HSN), but canceled plans to buy out remaining \$640 million of HSN stock and will "evaluate various options with respect to its investment in HSN," Liberty announced. It cited pending federal grand jury investigation of HSN in Tampa, plus several lawsuits, all alleging improprieties by HSN Chmn. Roy Speer and former Pres. Lowell Paxson, for decision to withdraw proposal to buy remaining HSN stock. TCI spinoff paid Speer \$144 million for 65% voting control of HSN in Dec. and said it planned to take over complete control. Among events that Liberty said "created uncertainties which may result in an indefinite delay of the merger" of HSN into Liberty: (1) Tampa grand jury is investigating claims that Speer and Paxson paid former Gen. Counsel Fernando DiFilippo \$12 million in stock not to file suit charging them with financial misconduct. (2) Grand jury also reportedly is investigating claims by DiFilippo's successor, Allen Allweiss, that he was fired in Feb. for trying to alert Liberty to financial misconduct. (3) Allweiss claimed in separate suit that HSN consultant Francis Santangelo is member of Mafia. (4) Allegations have been made that Speer and Paxson have financial interests in some companies selling to HSN. Liberty owns 20 million HSN Class B shares, plus 616,300 shares of Class A, which has "super" voting rights, giving it voting control.

Time Warner will use Asynchronous Transfer Mode (ATM) video switch developed by AT&T for its Orlando "Full Service Network" interactive fiber project (TVD Feb 1 p3), TW Cable Chmn. Joseph Collins said. Deal will make Orlando system first to use GCNS-2000 switch commercially, he said. Switch is capable of moving data at 20-Gbps rate and will be used in first phase of Orlando network, which is expected to be available to 10,000 homes by early 1994.

"We are outraged! And We're Not Going To Put Up With It Any Longer!" said American Family Assn. in large, black headline in full-page newspaper ads seeking contributions and petitions to fight violence in media. "Shame on movies, records and TV," ad said in "grass-roots petition to the boards of directors of entertainment companies." Assn., based in Tupelo, Miss., is headed by Donald Wildmon.

FCC is proposing to ease licensing rules for Instructional TV Fixed Service (ITFS), allowing single educational entity to request temporary license for all 4 channels even if it plans to use only one. Decision would make it easier for educational groups to bunch programming on one channel, freeing others for lease to wireless cable, according to notice April 15. Commission already has received waiver requests for 4 such operations, but said proper way to handle issue is through formal rulemaking. FCC tentatively concluded that proposal is viable, saying that "current needs for ITFS licensees for funding, of wireless cable operators for channel capacity, and of the cable subscribing public for viable multichannel alternatives all favor this proposal." Change would be of limited duration, probably 3-5 years, until digital compression eases demand for full-time channel capacity, and FCC seeks comment on how long it should last. Under plan, educational group that plans to carry 80 hours of programming per week would be able to bunch it on one channel instead of spreading it among 4.

Vyvx and IDB Communications will use MPEG-based digital video compression equipment from Scientific-Atlanta (S-A) beginning in May, under new deal. Agreement calls for S-A to provide encoders and decoders capable of compressing 4 video signals onto single DS-3 fiber circuit or satellite transponder. Companies will use compression mainly for sports backhauls to TV networks or stations. Terms weren't disclosed. S-A is demonstrating system this week at NAB convention in Las Vegas.

Home Shopping Network is facing at least 3 shareholder suits charging it with failing to disclose financial improprieties. Three class action suits were filed in U.S. Dist. Court, Tampa. Milton Partners L.P., of N.Y.C., is plaintiff in 2 suits, International Gemological Institute in 3rd.

FCC opened rulemaking to relax rules applying to applications for LPTV stations. Proposed changes would (1) relax acceptance standards, (2) narrow definition of what constitutes "major change," (3) expand circumstances where terrain shielding can be used to show absence of interference to existing stations. Also, in response to petition by Community Cbstrs. Assn., Commission proposed to permit LPTVs to use 4-letter calls. They now must use combination of 5 letters and numbers (usually including channel number) to distinguish LPTVs from full-power stations. Comments are due June 18, replies July 16. Last 5-day filing window for LPTVs closed April 2. Meanwhile, FCC has scheduled May 10 lottery to pick tentative winners of LPTV channels.

Videogames will emerge on cable in fall as result of joint venture announced by Sega of America, TCI, Time Warner (see separate story in Consumer Electronics section). Companies will launch pay cable channel, The Sega Channel, in test markets in fall and throughout U.S. by early 1994. To use network, cable subscriber will plug special tuner/decoder cartridge into slot of Sega Genesis game unit and attach it to cable. After selecting game or other activity from menu, game would be downloaded to cartridge within minutes, and would be played identically to traditional cartridge version. System will allow "games-on-demand" service to be carried by standard analog cable system, TCI Senior Vp Larry Romrell said.

Video 44 received renewed FCC license for WSNS-TV (Ch. 44 independent) Chicago, and Commission refused to order hearing on allegedly indecent programming when station operated as subscription outlet. Video 44 had gone through comparative hearing against competing applicant Monroe Communications, lost at FCC following court remand, but later reached settlement calling for dismissal of Monroe application.

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Personals

American U. Pres. **Joseph Duffey** nominated by President Clinton to be head of U.S. Information Agency; former Rep. **Mica** (D-Fla.) named chmn., Board for International Bestg., of which he has been member since 1991... Reelected to NCTA board: **James Hirshfield** (Dist. 1), Summit; **John Rigas** (Dist. 8), Adelphia; **Jack Clifford** (Dist. 9), Colony; **Joseph Gans** (independent-small market seat), Cable TV Inc... **James Wagner** promoted to vp-advertising and promotion, ABC-TV's Good Morning America.

Emily Rooney, news dir., ABC affiliate WCVB-TV Boston, named exec. producer, ABC's World News Tonight, first woman to hold such post on network newscast; she succeeds **Paul Friedman**, named ABC News exec. vp in Jan... **Barbara Lieberman** promoted to vp-motion pictures for TV and miniseries, ABC Entertainment... **Swan Paik** advanced to mgr.-prime time programs, NBC Entertainment.

Judy Kenney, ex-WXMI Grand Rapids, named vp-gen. mgr., WSYM-TV Lansing, succeeding **Peter Bannister**, now vp-gen. mgr., co-owned KTNV Las Vegas... **Vincent Burke**, ex-Mediaprompt, appointed station mgr.-news dir., WWLP Springfield, Mass... **Brooks Hogg**, ex-WDSU-TV New Orleans, named gen. sales mgr., KREM-TV Spokane... **Thomas Hatcher**, ex-Mid-Coast Communications, appointed promotion dir., WTVX Ft. Pierce, Fla... Named assoc. editors, Zapnews: **Joe Benton**, ex-ABC News; **Robert Endicott**, ex-NBC News.

Martin Lafferty, ex-NBC, named vp-programmer and provider services, TV Answer... **Paul Wedeking** promoted to vp-multimedia and interactive services, Times Mirror Cable TV, new post... **Robert Miller**, ex-GGP, appointed vp-program enterprises and distribution, Showtime Networks, new post... **Connie Marshall** advanced to vp-interactive R&D, United Video Satellite Group, new post... **Kim McAvoy**, ex-USTA PR, rejoins Bestg. & Cable magazine as reporter, effective with NAB convention.

Barry Cutler, ex-chief, FTC Bureau of Consumer Protection, joins Washington office of McCutchen, Doyle, Brown & Enersen law firm, succeeded on acting basis by **Christian White**... **Geraldine Matise** promoted to chief, Legal Branch, FCC Common Carrier Bureau's Mobile Services Div... **Ned Clausen**, Griffin Bacal, named pres. of Business/Professional Advertising Assn... Promotions at Turner Bestg.: **Susan Kroll** to vp-gen. mgr., Cartoon Network and TNT; **Gregory Hughes** to dir.-Turner Sports PR; **Stephanie Sperber** to Hanna-Barbera mktg. mgr., new post.

Frances Seghers promoted to vp-federal affairs, MPAA... **Howard Woolley**, NAB vp-regulatory affairs, named asst. vp-federal relations, Bell Atlantic, effective May 3... **Grace Gilchrist** promoted to station mgr., WXYZ-TV Detroit; National Sales Mgr. **Robert Sliva** succeeds her as gen. sales mgr... **Russ Hamilton**, ex-WSTM-TV Syracuse, named gen. sales mgr., WHTM-TV Harrisburg, Pa... **Elsa Skaggs**, founder of Educational & Professional Services Assoc., joins Exec. TV Workshop in Washington as sales exec... **Susan Harris**, ex-Lifetime Cable TV, appointed vp-national ad sales, Mind Extension U... **James Miller**, ex-TeleRep, and **Cynthia Luria**, ex-New-Day Marketing, form infomercial company Miller & Luria, 840 20th St., Santa Monica, Cal. 90403, 310-449-8620... **Arati Prabhakar** nominated by President Clinton as dir. of National Institute of Standards & Technology.

TELEVISION DIGEST

Published Weekly Since 1945

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Newsnet and
Predicasts and also may be received through facsimile service.Warren Publishing, Inc. is publisher of *Communications Daily*, *Satellite Week*,
Television Digest with Consumer Electronics, *Video Week*, *Common Carrier Week*,
Audio Week, *Public Broadcasting Report*, *Mobile Satellite Reports*,
Consumer Multimedia Report, *Facility Strategies*, *Television and Cable Factbook*,
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PBS Education changes: **Mary Kruter**, senior staff officer, National Research Council's Math Sciences Education Board, joins as mgr., project contemplating fulltime math channel; **Cynthia Johanson**, ex-WNET N.Y.-Newark, joins PBS Elementary/Secondary Service as mgr.-educational technology and station services... **Sandra Rattley** named acting vp-cultural programming and program services, NPR... **Maria Rivers** appointed administrative mgr., CD Radio.

Horatio Egnato appointed vp-international market development, Jerrold... **Robert Furlong**, ex vp-gen. mgr., WCGV-TV Milwaukee, joins United TV in same post at KUTP Phoenix... **Donald Barden**, Barden Communications, nominated to NDR Bancorp board... FCC Calendar -- FCC officials and staffers speaking at one or more sessions at NAB convention in Las Vegas this week -- Chmn. **Quello**, Comr. **Barrett**, Comr. **Duggan**, **Brian Fontes**, acting chief of staff; **Roy Stewart**, chief, Mass Media Bureau; **Richard Smith**, chief, Field Operations Bureau; **Barbara Kreisman**, chief, Video Services Div.; **Lawrence Eads**, chief, Audio Services Div.; **Robert Corn-Revere**, special counsel to **Quello**; **Alexandra Wilson**, special asst. to Stewart for cable TV.

Consumer Electronics

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

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for final week of March and first quarter:

	MAR. 27- APRIL 2	1992 WEEK	% CHANGE	MARCH 20-26	1ST QTR. 1993	1ST QTR. 1992	% CHANGE
TOTAL COLOR.....	655,261*	367,292	+78.4	428,412	5,493,539*	4,781,516	+14.9
DIRECT-VIEW...	646,783*	359,706	+79.8	420,619	5,401,709*	4,695,860	+15.0
TV ONLY.....	597,301	341,556	+74.9	403,866	5,122,317*	4,510,533	+13.6
TV/VCR COMBO.	49,482*	18,150	+172.6	16,753	279,332*	185,327	+50.7
PROJECTION....	8,478	7,586	+11.6	7,793*	91,830*	85,656	+ 7.2
VCR DECKS.....	319,915	232,084	+37.8	165,657	2,597,341	2,477,946	+ 4.8
CAMCORDERS.....	101,490	41,824	+142.7	43,042	540,769*	472,362	+14.5
LASERDISC PLYRS#	5,895	3,151	+87.1	2,182	43,703	55,538*	-18.4

Direct-view TV 5-week average: 1993--422,940; 1992--399,196 (up 5.9%).

VCR deck 5-week average: 1993--195,344; 1992--180,781 (up 8.1%).

Camcorder 5-week average: 1993--42,993; 1992--37,149* (up 15.7%).

* Record for period. # Includes combi players, excludes karaoke types.

'SEGA CHANNEL' TO BRING VIDEOGAMING TO CABLE: Profitability formula in retail videogame sales is called into question by last week's announcement that Sega, Time Warner and Telecommunications Inc. (TCI) are forming joint venture company to launch "The Sega Channel" subscription service. Venture will be tested in fall in undisclosed number of homes served by Time Warner and TCI, largest cable multiple systems operators (MSOs) in U.S. Assuming test is success, service will be rolled out nationally in first half of 1994, available to all cable systems operators, companies said. They wouldn't release further details about makeup of new company, including capitalization.

Monthly subscription fee is expected to be about \$10. Subscribers will receive cartridge that connects to cable and plugs into standard cartridge slot on Sega Genesis console. Front end of cartridge will contain automatic tuner, back end will hold D-RAM. Customer will view on-screen menu, offering range of games, information, playing tips, previews, etc., then will be able to call down any of about 100 Genesis titles that will be loaded into server, and game will be downloaded in short burst into D-RAM for unlimited play. Game play would be identical to cartridge version.

Move would seem to play havoc with retail profit equation, which uses healthy software margins to balance out slim profits from sales of game consoles. Major CE dealer who sells Sega products grimly said that "if all I get to do is sell the hardware at 2 points, then that's not much of a business, is it?" He acknowledged that if Sega Channel is harbinger of future, he's now facing same issues confronted by video rental stores as they view video-on-demand services. Only positive aspect he saw was Sega's use of channel to promote new games, as long as those games are available only at retail. "Then it could do something for me," he said. "New games still drive the business." In another parallel with prerecorded video industry, games business could be looking at establishing same kinds of release "windows" for new titles (retail, then on-line play, then -- in future -- downloading directly onto writable media). Dealer also said \$10 monthly fee translates to annual cost of \$120 -- equivalent to retail price of about 3 cartridges -- while providing access to rolling roster of 100 games at a time.

However, Tengen Senior Sales & Mktg. Vp Ted Hoff (admittedly speaking from unique perspective of being large Sega 3rd party publisher that is owned by Time Warner) said channel represents "a tremendous sampling and previewing device, and becomes sort of an HBO for kids." He foresees game companies developing derivative versions of their programs for The Sega Channel -- perhaps transmitting only first 2 levels of play, or combining elements from various parts of series to make unique "special edition." He cautioned that "we are still in the tangible-product retail-driven business. If we do things that disrupt, interfere with or take away from that, we have a problem."

Sega of America Pres. Thomas Kalinske positioned service as case in which "everybody comes out ahead. The consumer gets an extraordinary value -- a well-stocked and constantly updated library of games for a low monthly fee. Once subscribers and their friends enjoy a game or preview, they'll be more likely to buy the packaged version so retail sales will increase. Our intellectual property licensors, developers and 3rd party publishers will gain a new source of revenue."

Publishers of 3rd party software would deal directly with new company to have their games included in service. Conceivably, as part of joint venture, Sega could use access to channel as marketing and merchandising tool in dealing with licensees. Representatives of partners agreed that no financial details had been worked out on revenue streams for program suppliers and developers.

Service isn't dependent on any upgrade of current cable infrastructure. "Virtually every cable operator will be able to offer... service now, without waiting for the new digital cable technologies," said TCI Senior Vp Larry Romrell. "At the same time, this development signals the beginning of an explosion of interactive programming for our developing broadband networks." Cartridges are expected to be distributed to subscriber in much same way as cable boxes currently are handled, said TCI spokeswoman. Douglas Glen, Sega vp-business development and strategic planning, likened autumn trial to "shakedown cruise," saying companies are limited by availability of tuners in large quantity.

Spokeswoman for Nintendo of America said parent company had been contacted by parties interested in similar ventures and said it wanted to "protect our great distribution." She said that "at this point" company isn't interested, "not in a partnership format particularly." But Nintendo is hardly stranger to idea of electronic distribution. Earlier this year in Japan, it became largest stockholder in financially troubled Satellite Digital Audio Bestg. Co. (SDABC). Nintendo spokesman there said company had started development of hardware and software in preparation for test of electronic delivery, although details of what form it would take weren't available. Test is to begin in about year.

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Sega has stopped selling WonderMega, integrated console that incorporates cartridge slot and CD-ROM device for Mega Drive (Japanese version of Genesis), because product is too expensive to be sold through company's traditional toy channels in Japan, spokeswoman said. WonderMega is priced at 79,800 yen (about \$700). Manufactured by JVC for Sega, it was introduced year ago, and only about 10,000 were sold in first 9 months. When product was announced, Sega said it thought it could sell 100,000 in first year, while JVC was aiming for monthly sales of 4,000-5,000 consoles. Plan was to have Sega concentrate on distribution through toy channels and JVC through electronics stores. It couldn't be ascertained at our deadline whether JVC was continuing to sell its version, or how successfully.

TCE AMERICAN SALES UP \$497 MILLION IN 1992: Sales volume of Thomson Consumer Electronics Inc. (TCEI), N. American subsidiary of France's TCE, increased \$497 million in 1992 over 1991, company announced in Indianapolis last week. Parent company, though still deeply in red, reduced net loss 28% and said it halted its decline in sales. Operating loss increased 31% but spokesman said first-quarter results were on target for positive results this year.

TCEI credited shift in product emphasis to larger screen TV sets in its RCA, ProScan and GE lines for rise in sales volume, which it called "one of the largest year-to-year increases in the history of the U.S. consumer electronics industry." Company said sales of RCA and GE products jumped 21% last year, to \$2.9 billion, indicating 1991 sales of about \$2.4 billion. Parent TCE said TCEI's brands gained market share in TV by 2 percentage points and in video by 4 points. The Economist (London), in interview with TCE Chmn.-CEO Alain Prestat, said TCEI's share of U.S. TV market increased to 20% from 17.6% last year.

Joseph Clayton, mktg. and sales exec. vp for Americas, said VCR unit sales climbed 51% and camcorder sales 53% in 1992, while company was able to reduce VCR and camcorder inventory levels by \$107 million and its "exposure to bad debts... was reduced significantly," despite "more challenging" retail environment. Clayton said emphasis on screens larger than 25" "generated significant dollar volume in 1992" and company now has "dominant share" in 31" and 35" sizes as well as projection TV. He noted that report came on eve of first sales of RCA and ProScan widescreen sets, which began last Thurs. in L.A. (TVD April 5 p16).

"The performance of the Americas was an encouraging sign for the total company," Prestat said in statement. "We have been facing difficult economic conditions in Europe, where Thomson's other brands participate in highly competitive markets. In addition, these results do not reflect the effects of strategic decisions taken concerning our product design and our investment in digital technologies such as the Hughes DBS contract and the [investment in] Compression Labs Inc."

Parent TCE's net loss of 1.768 billion francs (\$325.3 million at current exchange) was improvement over 2.457-billion franc loss in 1991 (\$452.1 million at current exchange). Operating loss increased to 330 million francs (\$60.7 million) from 228 million francs in 1991, but company said that 31% rise represented end of "downward trend" in operating earnings, and spokesman for company in Paris told us that in first quarter of 1993 TCE was on target toward its goal of positive operating results this year.

Company's consolidated sales were down 2% in francs (to 30.55 billion from 31.159 billion), but it pointed out that they were up 2% when figured in U.S. dollars. At current exchange rate, 1992 consolidated sales totaled just over \$5.62 billion. Operating cash flow was "substantially improved" last year -- to negative 76 million francs (-\$14 million) from negative 3.673 billion in 1991. Company forecast "continued improvement" in financial performance in 1993.

TCE said it "managed to maintain a stable market position" in Europe, despite "tougher economic climate," when operating margins of worldwide consumer electronics industry declined by more than 2% of sales. Interview in Economist noted that Europe represented 46% of TCE's sales and said company's TV market share there dipped slightly to around 13%. TV sets, it said, account for slightly more than half of TCE's sales. Article compared woes of Philips and Thomson, and quoted Prestat as saying TCE was "happy not to have CD-I."

With France's new conservative administration, Economist said "TCE is unlikely to receive more capital from the state until its performance improves," but its long-term weaknesses could prove fatal unless it can "strike an alliance with a stronger partner."

* * * * *

Zenith's immediate cash-flow problems are over, apparently, Company reported last week that it had received "commitment from 2 major institutional lenders for a new \$90-million revolving credit agreement" running through 1994. Commitment will replace company's existing \$60-million bank agreement, through June 1994. Although still subject to negotiation and signing of definitive agreement, Zenith said it "believes that the new agreement should provide the financial flexibility the company needs to carry out its business plan."

PIONEER'S STRETCH-SCREEN PROJECTION TV: Widescreen it ain't, but Pioneer's new "Cinemawide" projection TV series, being shown to dealers, goes small part of way without much of extra cost associated with true 16:9 sets -- at about \$200 premium over standard 4:3 predecessors. Major accomplishment of sets, Senior Mktg. Vp Michael Fidler said, is generating "widescreen impact" from conventional 4:3 program material.

Pioneer's new projectors have somewhat wider picture than standard 4:3 models -- proportions come out to about 4.5:3 or 16:10.7 -- far cry from Cinemascope, or even letterbox, aspect ratio. However, where sets are said to shine is in showing standard NTSC pictures from broadcast, cable, tape or disc source. By virtually eliminating horizontal overscan, Pioneer claims new sets give 4-6% more picture information. They also use digital process to spread right and left picture edges out slightly to fill widened screen, much as JVC does with its 55W" widescreen (16:9) projection set scheduled for formal introduction late in May (TVD Feb 8 p16, Jan 4 p9).

As for showing letterbox widescreen movies, most of which have 16:9 (1.78:1) aspect ratio, sets have 2 switch positions -- one with usual bars at top and bottom, plus "full cinema" position that zooms picture and at same time expands it slightly top to bottom, resulting in elimination of black bands at top and bottom (and also losing part of picture). Pioneer will offer 7 sets in Cinemawide line -- three 45" starting at \$2,499, three 50" and three 55", topping out at \$3,999, with Dolby Pro Logic and PIP in high-end models. Pioneer's restricted distribution Elite line will have one model in each size. (Note: In these pages, "widescreen" and "W" refer to screens with 16:9 aspect ratio.)

TV AND CAMCORDER SALES SET FIRST-QUARTER RECORDS: Sales of color TV sets in all their forms -- direct-view, projection and VCR combos -- set new records for first-quarter sales to dealers, as did camcorders, according to EIA figures released last week. VCR decks, which fell short of record set in 1986, nevertheless ran ahead of last year.

It was 2nd year in history to see first-quarter direct-view color sales break 5 million -- previous one being 1989 -- but this year's sales of total direct-view sets eclipsed that record by 6.2%, thanks to 50.7% gain in TV/VCR combinations (see State of the Industry). Projection TV broke previous record, set last year,

by 7.2%. Laserdisc player sales continued to lag last year -- only product showing decline for quarter or for month of March.

March was good only in comparison with same month last year, which saw weak sales (TVD April 20/92 p15). Sales of all products were up in March 1993, mostly by single-digit amounts. Exception was TV/VCR combos, which set new record for March, up 67.9% from last year. Only other record set in March was in projection TV, which squeaked past last year by 2.1%.

Weather undoubtedly played role in March's relatively poor showing, particularly in East. Results were salvaged by banner final (5th) week. For first 4 weeks of month, all products except combos trailed last year (TVD April 12 p16). Final week of month, of quarter and of Japanese fiscal year produced very high gains over last year, direct-view color up almost 80% and camcorders up 142.7% (but not setting record for a final March week).

To put March in prospective, direct-view TV (including TV/VCR combos) set record on seasonally adjusted annual basis, running at nearly 22.5 million rate, slightly ahead of record year of 1992, when actual sales totaled 21,992,000. Camcorders totaled seasonally adjusted 3.1 million vs. 2,962,000 record in 1990, while VCRs lagged record performance, at 10.9 million rate, compared with 12,329,000 record in 1992, and projection trailed at 402,600 rate vs. record 404,300 in 1992.

Thanks to momentum of first 2 months, first-quarter seasonal sales rates were considerably higher. Direct-view color was at record 23.8 million pace, camcorders at 3.5 million, projection TV at 459,000. Only VCR decks ran at seasonal rate below best full-year's actual performance, just missing record at 12.2 million. Here's summary of March's performance in sales to dealers, compared with same month of preceding 2 years (for final week and first quarter sales, see State of the Industry):

Product	March 1993	March 1992	% Change	March 1991
Total color.....	2,146,104	2,026,747	+ 5.9	1,937,646
Direct-view...	2,114,702	1,995,979	+ 5.9	1,907,659
TV only.....	2,001,371	1,928,489	+ 3.8	1,834,690
TV/VCR combo.	113,331*	67,490	+67.9	72,969
Projection....	31,402*	30,768	+ 2.1	29,987
VCR decks.....	976,718	903,904	+ 8.1	940,365
Camcorders.....	214,967	185,746	+15.7	217,130
Laserdisc players	14,678	15,629*	- 6.1	N.A.

* Record for any March.

Matsushita's long-term credit rating was reduced last week by Moody's from triple-A it has held for more than decade to Aa2 because financial rating firm expects debt-protection measures will remain "depressed" compared with historical levels because of weakening of core consumer electronics (CE) business. Rating was cut on long-term debt of Matsushita and financial subsidiaries MCA Funding, Panasonic Capital, Panasonic Finance (Netherlands). CE earnings have suffered, Moody's said, because of market saturation, lack of major new product introductions, recession and collapse of Japanese economy. Although Matsushita has begun offering new products such as DCC and HDTV, Moody's expressed doubt they would generate high profits in intermediate term. Despite problems, Moody's said it expects company to maintain leadership in CE, saying "moderate financial leverage and considerable balance sheet liquidity" would provide "a degree of financial flexibility during periods of weak operating performance." Moody's had been reviewing Matsushita rating since Jan.

Korean conglomerate Daewoo is entering U.K. consumer electronics market under own brand name with TV, VCR, camcorder, audio and autosound lines. Company is major OEM supplier, with European manufacturing plants in France and Northern Ireland.

Speculation that Panasonic is planning to introduce consumer CD-I player in U.S. this year was rejected by Sales & Mktg. Vp Michael Aguilar. Report followed indication from overseas sources that Matsushita had ordered large quantity of CD-I players from Philips for introduction on consumer market this year. Move would be noteworthy, given fact that parent Matsushita Electric is one of largest shareholders in 3DO, to hold 15.5% following scheduled 3DO stock offering (CMR March 22 p1), although company's total investment of about \$5 million is comparable with "a rounding error" for company size of Matsushita, industry source said. "Obviously all of our efforts are focused on 3DO," Aguilar told us.

Lewis Galoob Toys announced it has signed agreements with Congress Financial Corp. providing up to \$40 million in revolving credit, and including acquisition financing commitment.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 114 yen = \$1, except where noted.

AM STEREO BATTLE (CONT.): Continuing 15-year battle, Motorola and Leonard Kahn, developers of 2 surviving AM stereo systems, squared off in comments filed at FCC on proposed rulemaking to establish Motorola C-Quam system as industry standard.

Kahn predictably took issue with FCC proposal to adopt C-Quam as sole AM stereo standard (TVD Dec 14 p9), contending it misstated system's acceptance. Kahn said more than 87% of 5,144 licensed AM stations, despite being targeted by "the most expensive marketing campaign ever directed toward broadcasters," have rejected Motorola system.

Attacking technical characteristics of C-Quam, Kahn claimed: (1) Motorola system is subject to stereo image drift from one speaker to another, with "reports of listeners becoming nauseous." (2) Stations using Motorola system suffer significant monophonic loss of coverage. (3) Wideband signal increases interference on adjacent channels.

Also opposing rapid adoption of Motorola system was Cap/ABC, which said there are "serious unanswered questions concerning the quality and superiority of the Motorola system," and blanket FCC endorsement of C-Quam may be "ill-advised." Motorola defended FCC proposal, describing system as de facto standard in U.S. It said there already are more than 25 million receivers in place.

Also supporting C-Quam, EIA Consumer Electronics Group said factors cited in Commission's notice of proposed rulemaking "leave no room for argument," including: (1) "Overwhelming majority" of U.S. stations broadcasting in AM stereo use C-Quam. (2) Most AM stereo receivers are compatible only with Motorola system. (3) All major countries that have designated AM stereo standard have chosen C-Quam.

Citing acceptance of C-Quam in Japan, EIA said: "We have every reason to believe that, once the Commission acts, and once broadcasters demonstrate their intentions to deploy AM stereo transmitting equipment, the intensely competitive receiver market will rapidly make available to the consumer a wide variety of AM stereo-equipped products at many different price points." Successful 1992 launch of AM stereo broadcasts in Japan has inspired car and home receiver introductions from as many as 11 different manufacturers, EIA said.

Japanese govt. initiative on AM stereo moved issue onto front burner in U.S. when Sen. Pressler (R-S.D.) introduced bill in 1991 to mandate that AM stereo transmission standards keep pace with Japanese developments. That proposal quietly was incorporated into Commerce Dept. authorization bill that cleared Congress last fall, mandating current FCC rulemaking.

Responding to NAB proposal that FCC "monitor" production of AM radios to be certain they offer improved AMAX technology (TVD April 12 p15), EIA said Commission in past "has rejected proposals to regulate AM receiver characteristics," and now "we firmly believe this is the appropriate public policy determination."

Note: Eleven years ago, when FCC decided to let "marketplace" choose among 5 proposed systems, selecting none as official standard, our headline read, prophetically: "FCC Leaves AM Stereo Choice to Japanese" (TVD March 8/82 p10).

TOSHIBA'S REORGANIZATION: Widely publicized restructuring of Toshiba in Japan may not have direct effect on U.S. operation, in opinion of Tohru (Ike) Uchiike, senior vp, mktg. and product management, Toshiba America Consumer Products (TACP). Although parent company sources said operational review now under way could result in elimination or cutbacks in up to 38 of Toshiba's 100 product lines, Uchiike said picture won't be clear until Sept. or Oct.

Uchiike noted that Toshiba (Japan) Pres. Fumio Sato wasn't specific on areas of cuts but said Toshiba as a company must be selective in areas of investment and R&D, concentrating on products with bright future.

At any rate, he told us, announcements made in Japan will have "no immediate impact" on U.S. operation. Uchiike pointed out that TACP in many ways is independent of Japan, producing all its own TVs in Lebanon, Tenn. (except 13", procured from Singapore). Some 95% of its VCRs are produced outside Japan, either in Singapore plant Toshiba owns jointly with Thomson or procured from Korea.

In U.S., Toshiba already has lopped off unprofitable product lines or those in which it can't be competitive -- audio products, for example, and microwave ovens (which it formerly made in Tenn.). Uchiike said that so far there has been little specific information about exact nature of changes in Japan.

Japanese press reports said company may target some consumer electronics and information systems lines, as it shifts resources to areas with more growth potential such as LCDs and telecommunications. Nikkei said management believes restructuring could boost earnings \$175 million in current fiscal year (through March 1994).

Toshiba is expected to report that its profits for year ended last month profits fell 50% to equivalent of \$438.6 million, with sales virtually unchanged at about \$28 billion. It plans to spend \$1.27 billion on capital investment in current fiscal year, about same as last year but down 40% from high of year ended in March 1991.

U.S. Supreme Court will decide next month whether to determine if Cal.'s unitary tax on foreign companies is illegal. Under that law, companies operating within state are taxed on percentage of their worldwide sales, payroll and property within Cal. rather than income earned in state. Although previous U.S. administrations have opposed unitary tax, President Clinton backed it in election campaign. Current case was brought by Barclay's Bank of U.K., but electronics companies long have opposed law. Fla., Ind. Ore. have repealed unitary taxes (TVD Dec 17/84 p16). Ind. action came after Sony requested it as condition for locating CD plant there.

Sony's TR61 camcorder, at \$1,200 list, has stereo sound but is standard 8mm model, not Hi8 as we reported last week.

SCREEN SIZES

The initial "W" in connection with screen size represents the viewable diagonal measurement of widescreen TV sets with 16:9 aspect ratio, as opposed to standard 4:3 ratio.

PHILIPS REVIEWS 1992: Philips annual report for 1992 starts with expression of confidence by Supervisory Board "that the management of the Philips group will succeed in overcoming" current difficulties, while rest of document explains those difficulties.

Most of material was covered amply in company's financial report and Pres. Jan Timmer's news conference last month (TVD March 8 p12). His foreword to report noted that 1992 was characterized by "rapidly deteriorating profits in the consumer electronics business and a reasonable profit performance elsewhere, in spite of low sales growth."

Timmer pledged to "further attack the cost base of the Consumer Electronics and Components Divisions" this year "by measures such as streamlining sales organizations, closing factories, being more selective in product development, pruning product lines and intensifying cooperation with other companies, including Grundig," in which Philips is largest stockholder, owning 31.6%.

Timmer reiterated that he was making no predictions of Consumer Electronics Group's income for 1993. He said company "does not expect a recovery of the world economy during 1993," adding: "Prospects are relatively better" in U.S., "but our main markets in Europe show no signs of improvement." He said Philips expects sales to be flat. Extent of improvement from cost-cutting measures in consumer electronics and components depends on prices in those markets and speed of implementing restructuring, he said.

In consumer electronics, report said, "margins declined in virtually all product categories. Generally, our market positions in the main markets of North America and Western Europe could be successfully defended, but at great sacrifices in the pricing of our products." Discussing CD-I, report said: "After the launch in North America at the end of 1991, this year marked the successful introduction... in Europe and Japan, supported by a large international catalog of software titles."

Reduced sales of picture tubes in Europe were attributed to "high inventory levels in the TV set industry at the beginning of the year." In U.S., picture tube "price erosion and fierce competition continued."

Listing of affiliated companies included these updated figures on percentage of Philips ownership in some major ventures: PolyGram (Netherlands) 79%, Philips Matsushita Battery Corp. (Belgium) 50%, Bang & Olufsen (Denmark) 25%, Electronic Ballast Technology 81%, Whittle Communications 25%, Blockbuster Entertainment 8% (U.S.), Marantz Japan 51%, Matsushita Electronics (components) 35% (Japan), Philips and JVC Video 48% (Malaysia). Philips' joint ventures in China: Car Audio Electronics 70%, Shenzhen Shen Fei Plastics & Metalware 60%, Philips Semiconductor Corp. of Shanghai 51%, Beijing Philips Audio/Video Corp. 50%, Feidong Lighting Co. 50%, Yangtze Optical Fibre & Cable 50%, Hua Fei Color Display Systems 30%.

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Electronic Book CD-ROM format (Data Diseman) now has 4 hardware manufacturers in Japan -- Matsushita, Sanyo and Sharp, in addition to Sony -- according to Nikkei Weekly, which said sales by end of last year totaled 300,000, including 70,000 outside of Japan. More than 240 titles are available. Sound feature of recent models has been popular in Japan for talking dictionaries and translators. New model has been introduced in Japan at about \$385, almost \$130 cheaper than predecessor. Four manufacturers expect to sell total of one million units by end of 1994, article said.

New tougher guidelines for radio frequency exposure have been proposed by FCC as result of more restrictive ANSI rules on subject. "We will consider that handheld portable devices, such as cellular telephones, must comply with requirements specified for uncontrolled environments," said FCC. Going beyond ANSI standards, Commission said it would detail how radiating structures are defined, saying they may include many parts of device other than antenna itself. Revamping of 1985 RF standards isn't being undertaken in response to scare caused by suit filed by cellular phone user who claimed brain cancer was attributable to handset radiation, Comr. Duggan emphasized in separate statement, saying that had "FCC began work on this notice of proposed rulemaking last fall."

Fujitsu and AMD (Advanced Micro Device) of U.S. last week established joint venture in Japan to develop and produce flash memories, investing about \$790 million. First phase of plant will be completed by end of 1994, with goal of production of \$220 million in memories in year ending March 1996, increasing to \$877 million 2 years later. Fujitsu AMD Semiconductor will be capitalized at 100 billion yen (\$880 million), with Fujitsu owning 50.05%, AMD 49.95%. In addition to flash memories, company will develop, make and sell EPROMs. Companies also said they will take equity positions in each other -- Fujitsu to acquire less than 5% of AMD stock, and AMD less than 1% of Fujitsu, in next 5 years.

Sound-swapping TV set for sports fans is subject of patent application by Ted Ichino, Redondo Beach, Cal. As he describes invention: "It's a TV set with a built-in radio and a remote control button that swaps radio sound for the original TV audio... The TV has a memory that can be programmed with a TV channel... For instance, basketball may be broadcast on Channel 9, and your favorite radio announcer for the same game is on AM 790. The memory allows you to store this association, so that any time you are watching Channel 9 and hit the remote control button to switch TV and radio sound, AM 890 would play through the TV speaker system." -- 310-540-5359.

Alps Electric, major Japanese component maker and parent of Alpine, expects to report net loss for year through March 1993, its first loss. Company forecast net loss equivalent to \$20.2 million, as opposed to forecast last Nov. of profits of \$12.2 million. In year through March 1992, its consolidated net profits totaled equivalent of \$64 million (at current yen rate). Alps said loss largely is result of problems at subsidiary Tohoku Alps, where it was forced to liquidate inventory. Consolidated sales for FY 1993 were estimated at \$3.68 billion, down from earlier forecast of \$3.77 billion and preceding year's sales of \$4.05 billion.

Phenomenon of Sharp ViewCam continues to preoccupy Japan's trade press. Nikkei Sangyo reported last week that cumulative sales since introduction last Nov. totaled 120,000 units, and in Jan., when Sharp shipped 14,000 in Japanese market, its camcorder share rose to 39%, cutting into shares of dominant manufacturers Sony and Matsushita. Sharp's camcorder share in Japan currently is about 20%. It credits success in part to attracting new users, saying that 35.5% of ViewCam buyers are at least 50 years old, as opposed to heavy dominance of buyers in their 30s for conventional camcorders.

Absolute Entertainment moves hq to 10 Mountainview Rd., Suite 300 South, Upper Saddle River, N.J. 07458, phone 201-818-4800, fax 201-818-3324.

JVC evacuated all employees from Elmwood Park, N.J., hq at 11 a.m. April 16 following bomb threat phoned to adjacent JVC Mfg. Co.

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
CBS Inc. 1993-qtr. to March 31 1992-qtr. to March 31	878,900,000 1,082,600,000	54,200,000 (64,000,000)	3.50 ^a -- ^b
C-COR Electronics 1993-39 wk. to March 26 1992-39 wk. to March 27 1993-13 wk. to March 26 1992-13 wk. to March 27	41,324,000 35,586,000 14,467,000 15,120,000	2,585,000 1,427,000 819,000 1,031,000	.56 .31 .18 .23
Century Communications 1993-9 mo. to March 31 1992-9 mo. to March 31 1993-qtr. to March 31 1992-qtr. to March 31	255,790,000 230,066,000 85,434,000 79,094,000	(28,364,000) (59,655,000) (10,979,000) (18,675,000)	-- -- ^c -- -- ^c
Gannett 1993-13 wk. to March 28 1992-13 wk. to March 29	844,730,000 793,121,000	66,342,000 (91,449,000)	.46 -- ^b
General Electric 1993-qtr. to March 31 1992-qtr. to March 31	12,900,000,000 12,400,000,000	1,160,000,000 1,058,000,000	1.36 1.23 ^d
Granite Bcstg. 1993-qtr. to March 31 1992-qtr. to March 31	8,602,000 8,046,000	(1,773,000) (2,270,000)	-- -- ^d
Home Shopping Network 1993-6 mo. to Feb. 28 1992-6 mo. to Feb. 29 1993-qtr. to Feb. 28 1992-qtr. to Feb. 29	509,800,000 567,200,000 244,000,000 275,500,000	(21,100,000) 20,900,000 (26,900,000) 7,800,000	-- ^b .24 ^b -- ^b .09 ^b
King World Productions 1993-6 mo. to Feb. 28 1992-6 mo. to Feb. 29 1993-qtr. to Feb. 28 1992-qtr. to Feb. 29	282,793,000 319,731,000 113,079,000 120,685,000	62,555,000 57,836,000 24,053,000 21,276,000	1.62 1.48 .62 .55
Media General 1993-13 wk. to March 28 1992-13 wk. to March 29	144,190,000 141,667,000	3,409,000 3,337,000	.13 .13 ^d
Motorola 1993-qtr. to April 3 1992-qtr. to April 4	3,626,000,000 3,055,000,000	204,000,000 2,000,000	.75 .01 ^b
Multimedia 1993-qtr. to March 31 1992-qtr. to March 31	144,069,000 126,006,000	29,530,000 10,370,000	.77 ^a .28
Musicland Stores 1993-qtr. to March 31 1992-qtr. to March 31	223,725,000 184,743,000	(1,790,000) (11,848,000)	-- ^b -- ^b
New York Times 1993-qtr. to March 31 1992-qtr. to March 31	454,482,000 435,897,000	10,888,000 (20,021,000)	.14 -- ^e
Park Communications 1993-qtr. to March 31 1992-qtr. to March 31	37,889,000 35,853,000	2,602,000 2,395,000	.13 .12
Raytheon 1993-qtr. to April 4 1992-qtr. to March 29	2,204,000,000 2,128,000,000	157,500,000 143,400,000	1.16 1.07
Scripps Howard Bcstg. 1993-qtr. to March 31 1992-qtr. to March 31	91,229,000 85,871,000	10,327,000 3,703,000	1.00 ^a .36
Texas Instruments 1993-qtr. to March 31 1992-qtr. to March 31	1,884,000,000 1,694,000,000	81,000,000 40,000,000	.85 .35
Westinghouse Electric 1993-qtr. to March 31 1992-qtr. to March 31	1,859,000,000 1,854,000,000	64,000,000 (246,000,000)	.15 -- ^e

Note: ^aIncludes special credit. ^bAfter special charge.
^cAdjusted. ^dRestated. ^eRestated; after special charge.

Asahi Optical dropped out of camcorder business at end of fiscal year March 31, abolishing Audio Video Equipment Business Group, Japanese press reported. Asahi had purchased 8mm camcorders on OEM market and sold them under Pentax brand name.

Consumer Electronics Personals

Ralph Wolfe to retire as Panasonic senior vp April 30 after 24 years with company... **William Salter** named Sears vp for home appliances and electronics, heading up Brand Central... **Bruce Walter** resigns as pres. of GRiD Systems div. of TE Electronics, replaced on interim basis by **Howard Elias**, who retains post as TE sales and mktg. vp... **Douglas Glen**, Sega vp-business development and strategic planning, joins board of Instant Video Technologies... Executive realignment at Sanctuary Woods Multimedia: Founder-Pres. **Brian Beninger** named chmn.-CEO; **Scott Walchek**, ex-Macromedia, appointed pres.-COO; **Toni Beninger**, member of board, named vp-international editions; **Tim Brock** resigns as board member.

Appointments at KEF Audio (U.K.): **Colin Cartwright**, ex-Bose U.K., as managing dir.; **Mark Dodd**, ex-Tannoy, joins as product development mgr.; **Stephen Halsall**, ex-Mission/Wharfedale, becomes mktg. mgr.; **Laurie Fincham** departs as research dir., joins Harman International-owned Infinity Systems as senior vp-engineering... Promoted to Wherehouse Entertainment vps: **Greg Fisher**, real estate; **Debi English**, visual presentation and store design; **Tim Tinen**, central region; **Helen Holmes**, northern region. Appointed asst. vps: **Chuck Lee**, music buying; **Lauren Margolies**, video buying; **Germaine Sperry**, internal mktg. and development; **Debra Schlackman**, visual presentation and store design; **Stan Kelly**, distributed systems; **Don Bales**, corporate systems development; **Steve Brown**, sales and store operations.

Trish Wright, ex-Mattel girls toys mktg. dir., joins Activision as vp-mktg... **Susan Bird**, ex-Frame Technology, named vp-sales, Macromedia... **Rodney Everhart**, controller and since Nov. acting pres. of Mead Data Central, provider of Lexis and Nexis information services, named pres... **Marylyn Rosenblum** appointed vp-education sales and mktg., and **Andrew Kessler** vp-creative dir., Broderbund Software... **Joseph Robbins**, ex-Bally's, named to new post of chmn., Sega Enterprises (USA), company's coin-op div... **Gayle Farrell**, with Sony in Japan, named media relations mgr., Sony Software, N.Y.

Paul Chambers promoted to FoxVideo credit administration vp... Independent producer **Marc Krigsman** joins Cap/ABC Video Publishing as programming acquisition and development mgr... **Marina Bailey**, ex-Odyssey Distributors, joins Hemdale Communications as publicity dir... Promotions at Amy Alter Assoc.: **Jill Goldstein** to accounts vp, **Colleen Conover** to account executive.

Illuminating history of Nintendo is presented in "Game Over: How Nintendo Zapped an American Industry, Captured Your Dollars and Enslaved Your Children," to be published by Random House May 10. Book covers company's early days, founder Hiroshi Yamauchi's tough management style and family dynamics in efforts of Yamauchi's son-in-law Minoru Arakawa to start and build Nintendo of America. Although book isn't "authorized" company history, it seems to accept Nintendo's spin on several disputes, for example declaring that agreement between Nintendo and Sony last Oct. (TVD Oct 19 p11) left Nintendo in "dominant" position on software licensing and that Yamauchi "had successfully stood up to Sony, and emerged with as much control as ever." As we reported, Sony Electronic Publishing (SEP) Pres. Olaf Olafsson would acknowledge only that Sony had "concluded something that makes a relationship with Nintendo one... possibility" for Sony's entry into videogame market.

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BROADCAST TV COVERAGE of the “Television, instant” and “biggest” year ever continues. The “news” on coverage is “boring” compared to last week. (P. 11)

BROADCAST & CABLELINES Aired in April. Broadcast TV has been “boring” for a week now, but the cable news “news” is “biggest” in history. (P. 12)

BIRKELAND AND PATRICKS In April. Updating news offered by Broadcast & Cablelines, the “biggest” in history. (P. 13)

BOOKS “11-MP3 REAL REAL TIME.” Wright says not much will be “biggest” news and news will be “boring” in the future. (P. 14)

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IN THIS ISSUE: TELEVISION DIGEST'S ANNUAL VCR AND CAMCORDER MARKET SHARE SURVEY

APRIL 26, 1993

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Broadcast - Cable

NAB 1993 A BOOMER: Attendance 64,510, up 22%. Good 'vibes' in exhibits. Quello tells broadcasters what they want to hear, gets kudos. Fritts cites 'challenges.' (P. 1) Convention Notebook. (P. 6)

SCULLEY QUESTIONS ROLE for broadcasters in infrastructure policy. Apple chmn. at NAB stresses flexibility of technology. He and Sen. Burns agree on govt. role in 'superhighway.' (P. 3)

CABLEVISION SPINOFF PLANNED: MSO signals intent with IRS filing. Financing, not regulation, given as main reason. (P. 4)

FOCUS ON FUTURE IS TvB THEME: Convention uses 3 pods to focus on forecasting, retail and marketing. Butensky stresses 'user-friendly' atmosphere, revamp of selling efforts. (P. 4)

TAX BENEFIT SEEN from Supreme Court ruling. Subscriber and ad lists can be depreciated, saving 'hundreds of millions.' Burden of proof heavy. (P. 5)

BROADCASTERS SAFE FROM AUCTIONS, Stevens tells NAB. Congress members and staffers offer views on range of topics. (P. 5)

'500 CHANNEL UNIVERSE' explored at Supercomm conference. Broadcasters seen playing major, but not exclusive, role. (P. 7)

NAB 1993 CONVENTION A BOOMER: All systems were up for NAB convention in Las Vegas last week, with record attendance by far, and "good vibes" on exhibit floor. Adding to inside sunshine was fact that FCC Chmn. Quello said just about what assembled broadcasters wanted to hear (see below). Halfway through convention, NAB released on-site attendance of 64,510 -- up huge 22% from last year's previous record 52,704 (TVD April 13/92 p1), and that figure rose somewhat next day, although no new figures have been announced. On-site registration (with waits of more than 30 min.) on first official day of convention April 19 was more than 10,000, by far all-time record. NAB stores did record business day before convention opened and those sales were topped next day. NAB Pres. Edward Fritts told us: "Everyone attending this convention has marveled, not only at the record attendance but also at the wide array of high-technology items on display."

Most sessions had standing-room-only -- even turnaway -- crowds. At same time, we heard numerous complaints by attendees that NAB has become just too big -- with too many conventions under its umbrella, too many concurrent sessions, too much going on and no opportunity to attend and see everything a person

Consumer Electronics

TOP VCR/CAMCORDER BRANDS GAINED SHARE at expense of lesser brands, our survey indicates. Top 3 camcorder brands had 49% of business, and more than half of VCR sales were by top 7 brands. (P. 11)

27-YEAR-OLD SCREEN SIZE RULE that dictates how TV sizes must be identified in U.S. is being reexamined by FTC. Rule is apparently being overlooked by most in industry. (P. 13)

BEST BUY'S EARNINGS more than doubled in year as sales soared 74%; company announces first southeast expansion with 7 Atlanta stores. (P. 14)

'GHOSTBUSTER' TV SETS, demonstrated by Philips via live over-air transmission at NAB convention, could be in high-end sets next year, company says. (P. 15)

SONY TO PROTEST PATENT DECISION in Japan favoring Kodak in dispute over narrow gap recording head technology. (P. 15)

LASERDISC PLAYER SALES LAGGING, with shipments off 18.4% in first quarter, although top supplier Pioneer says it has seen gain this year. (P. 16)

HIGH-END VCRs GAINED share in first quarter, with percentage of units incorporating VCR Plus up each month. Compacts held two-thirds of camcorder sales to all dealers. (P. 16)

desired. Traffic and sales were heavy in exhibit area, too. Small-market radio broadcaster told us: "I brought a budget of \$75,000 and I will have spent it by Wednesday [April 21] evening."

Quello said Commission should consider limiting number of new radio licenses because of financial difficulties of existing stations and likelihood of new competition from DAB and cable audio services. In lunch speech, he also pledged personal support for FCC review of fines, particularly against small radio stations. Commission's quest for competition and diversity has "oversaturated" radio market, Quello said. He pointed out that there were 7,640 radio stations in 1974, when he joined Commission, vs. 11,397 now. "This tremendous growth... created an industry struggling economically and many stations going silent for financial reasons," he said. Chmn. said such business realities "are an important part of the public interest" because station must be viable in order to serve public: "To remain viable, government and the terrestrial audio broadcasting industry must engage in some interdependent strategic planning."

Even with freeze, broadcasters still will face more competition, Quello said. He cited digital and analog cable audio services, as well as satellite-delivered DAB. For DAB, he said goal must be to get in-band service that existing broadcasters can use. Quello also endorsed broadcaster efforts to get right to use digital technology on existing frequencies to carry nonbroadcast ancillary data services, saying revenue from such services is necessary to help support free broadcast service.

FCC fines have become "rather heavy-handed, especially for smaller radio stations," Quello said. He said he has instructed FCC staff to review schedule of fines to assure that they aren't punitive and disproportionate, but do deter rule violations. He also renewed his pitch for additional staffers to handle 1992 Cable Act rules, saying that without them there could be "an unmanageable avalanche of petitions and letters."

At formal opening session last Mon., Fritts spoke of "awesome challenges" ahead for broadcasting, brought on by new listening and viewing competition -- citing HDTV, satellite audio, digital audio, to mention a few. "Television broadcasters face a daunting plate of challenges," he said, while "radio is battling harder than ever for audiences, competing with new listening alternatives... Just look around this convention. In every booth, at every session, we're talking about doing what they said couldn't be done just a few years or even months ago."

Fritts said broadcasters have "continually accepted and absorbed new technologies... and new mandates from the communities we serve." Through change, he said, 2 constants have remained: "An ability to meet every challenge, take on all comers in a competitive environment... Second, and far more important, broadcasters have continued to enrich their communities through public service efforts." Fritts said industry is looking at fundamental changes in way it does business "and if we are to succeed, we must find ways to operate efficiently, adapt to new technologies and new ways of doing business." In "not very far distant" future, he said, over-the-air broadcasters will be "multichannel providers." Session, at which entertainer Dick Clark was presented NAB Distinguished Service Award and Apple Computer CEO John Sculley was keynoter (see separate story, this issue), absolutely filled ballroom of Las Vegas Hilton with more than 2,000, some 500 of those standing.

FCC bureau chiefs at "policy-makers" breakfast had high praise for Quello's leadership of agency since President Clinton named him interim chmn. in Feb. That sentiment has been expressed before by Comrs. Barrett and Duggan, along with their staffs. Said Mass Media Bureau Chief Roy Stewart at session: "There's absolutely no doubt in my mind" that Commission still would be struggling with its 2nd order mandated by Cable Act if Quello hadn't changed process for advancing items to agenda. Richard Smith, chief of Field Operations Bureau, who called himself agency's "top cop," said FCC now has "a very good and open process" of decision-making. He said there's now more staff involvement than at any time in his 30 years at FCC.

New process, if continued by next chmn., "will make the agency a better agency... The process now is the right process," Stewart said. Fellow panelist Brian Fontes, Quello's chief of staff, is given lion's share of credit for initiating that new process, which involves other commissioners' offices in drafting of tentative decisions and having say in what goes on circulation and on agenda for open meetings. Fontes said his goal is to build "a teamwork situation." Under previous FCC administrations, those decisions were made in chairman's office, with other commissioners' offices informed after fact. One commissioner told us: "When Roy Stewart would come in and make a presentation to me, I would often ask, 'Okay, Roy, how much of that is the Bureau's recommendation and how much was dictated by the chairman's office?'... It was very hard to get an answer."

Fontes said he couldn't predict "a date certain" when public will benefit from rollback of cable subscriber fees, but said it probably would be within 6-8 months. He said feedback from Hill on FCC's series of actions mandated by Congress "has been very, very good... There's been very little negative comment." Stewart said Commission is waiting for response from Congress on FCC's request for supplemental appropriation to carry out its increased workload under Cable Act. Agency has asked for \$12 million for rest of FY 1993 (ending Sept. 30), \$16 million for FY 1994. Quello told us that without that additional money, agency just won't be able to enforce many of provisions of Act.

"We're really between a rock and a hard place," said Fontes of funding situation. He said that if supplemental funds don't come through, all Commission processes will suffer. Mass Media Bureau has relied heavily on personnel borrowed from Tariff Div. of Common Carrier Bureau to accomplish all that it has done to date under cable law (FCC is under hiring freeze, can't replace persons who retire or resign). Stewart said: "I'm robbing Peter to pay Paul," and if Bureau has to shut down processing of broadcast applications because of lack of money "we will have a real dilemma" and FCC will have gone through "a futile process" in adopting cable regulations.

Panelists warned that FCC fines will continue, but Smith said number hasn't increased; it just appears that way because they are much bigger than in past and have gotten more publicity. Referring to Quello's statement above, Fontes said that agency hopes to put "rational thinking" into process but that number of fines probably won't be reduced. Stewart promised his Bureau would be "more pro-active" in issuing fines for nontechnical violations. He warned that fines would be forthcoming for licensees that Commission finds abdicating their responsibilities under local marketing agreements (LMAs), calling that "a dangerous area" for stations. As might be expected, he said most complaints about LMAs come from competitors. Smith said technical rules that survived deregulation "are important and need to be complied with."

Stewart warned that licensees could be set for hearing on character issue on subject of indecency -- unless courts rule otherwise. On TV violence (petition is pending at FCC to establish regulations), Fontes said agency isn't sure where it will go. He said Quello is concerned about violence "in all sorts of media," and said Congress "may very well sit down and write a violence statute," citing law on children's TV as precedent. Stewart expressed hope that cable and TV industries would work out something voluntarily, under 3-year exemption from antitrust laws to do so, and said there would "obviously be considerable First Amendment problems" in rules or law restricting violence. Fontes predicted that it would be "a matter of years" before satellite DAB is available to public and said that FCC still is working on allocations problem and hasn't even gotten to rulemaking stage. Stewart said FCC has responsibility to preserve terrestrial broadcasting but can't keep DAB from entering marketplace.

At following session on implementing children's TV law, Barbara Kreisman, chief of Video Div. of Mass Media Bureau, said pending FCC inquiry is seeking comments on whether "quantitative" guidelines should be established. One option, she said, is requiring licensees to provide hour daily of educational programs. She said Stewart has given her responsibility personally to review all TV station renewal applications for compliance with children's law, and urged that section "of core educational programs" in renewal applications be provided to FCC. Kreisman said "we're not making too much of an allowance" for violations, predicting that \$10,000-\$20,000 kid TV fines are coming. "There should be no doubt that Congress is very serious" in mandating that commercial licensees serve educational needs of children, she said.

SCULLEY URGES FLEXIBLE TECHNOLOGY: Apple Chmn. John Sculley kicked off NAB convention in Las Vegas April 19 with call for broadcasters to participate in development of national information infrastructure. But his message wasn't one that broadcasters particularly wanted to hear. As chmn. of Computer Systems Policy Project, (CSPP), Sculley has been influential in debate seeking to push infrastructure issue with Clinton Administration, generally concentrating on convergence of wire-based technologies in telecommunications, cable, computers. He generally hasn't included TV in discussions.

But Sculley told NAB that broadcasters face choice between (1) participating in new information economy, which he said would continue to make services more customized for each user as result of realization of benefits from advanced infrastructure, or (2) joining in advances in digital compression. For broadcasters, new technological age should mean shift away from HDTV to more flexible applications for same amount of spectrum, he said. Instead of using existing spectrum, and more, for HDTV, Sculley said, broadcasters should investigate splitting their channels so there could be 3 signals, each with NTSC quality, over each channel. That configuration would give viewers more choice and allow for more interactive services than currently exist, Sculley said, urging broadcasters to petition FCC to start investigation of more flexible broadcast signals. Sculley acknowledged that such "dynamic management" of channels would lead to

increased production costs and to need for greater coordination of standards. He told broadcasters: "The choice is yours." TV will be reinvented with or without them, he said, through advances in cable, DBS, other technologies.

On his more conventional discussion of infrastructure issues, Sculley said in speech and in following news conference that it won't be govt. role to build advanced networks: "We're not talking about laying wire." Govt. role will be to focus on concept of network and to pursue policy questions such as universal access, privacy, security. He responded to criticism from Silicon Valley neighbor T.K. Rodgers that Sculley didn't speak for industry and that govt. shouldn't have role. Rodgers, in testimony to House Science Subcommittee, had referred to Sculley as "the Pepsi-Cola kid," referring to background with soft-drink maker before joining Apple, and Rodgers had urged govt. to stay out of infrastructure. Sculley in news conference replied that "other kids often don't remember" past very well. Citing one example of govt. involvement, he said President Kennedy's challenge to put man on moon required new telemetry technology that would have to be smaller and lighter than any previous equipment. With guidance from federal govt., one result was microprocessor industry, Sculley said.

Also on infrastructure, Sen. Burns (R-Mont.), member of Communications Subcommittee, warned broadcasters that debate would include cable-telco cross-ownership, "whether you like it or not." He said he generally agreed with Vice President Gore, except on question of paying for advanced networks. Burns said that industry should finance project and that Gore and Clinton want more govt. involvement.

CABLEVISION SPINOFF EYED: Cablevision Systems is serious about spinning off its cable networks, it indicated by filing request for IRS ruling on tax implications of move. Cablevision executives are providing little additional information about deal, which Chmn. Charles Dolan hinted at last fall, but indicated it has more to do with making it easier for 2 separate companies to raise money than with new FCC limits on cable networks that are owned by vertically integrated cable companies. Officials said IRS ruling could come within few months and MSO hopes to complete spinoff by end of year.

It would be easier to raise new debt and equity if programming and cable system holdings are separated, one executive said. Spinoff is intended to be tax-free transaction, with Cablevision stockholders getting proportionate share of stock in division now known as Rainbow Program Holdings (RPH). TCI did similar deal in spinning off most of its programming holdings to Liberty Media.

RPH is one of biggest owners of cable networks, holding nearly 50% of CNBC, American Movie Classics and Bravo networks with partner NBC. Rainbow's other businesses, owned either totally or in partnerships, include 8 regional SportsChannel services and PRISM, premium movie and sports service in Philadelphia area. RPH annual revenues are believed to be in \$300-million range. Parent Cablevision is 4th-largest MSO with about 2 million subscribers.

In 2 separate piracy cases: (1) U.S. Dist. Judge Jerome Simandle, Philadelphia, sentenced Peter Greenwood of Camden, N.J., to 12 months in prison and required him to repay U.S. govt. and Jerrold for investigation costs. Greenwood pleaded guilty to one felony piracy count as result of sale of illegal cable descramblers. (2) Detroit federal grand jury returned 13-count piracy indictment against Kenneth Murdock and Bonita Paxton in connection with sale of illegal cable and satellite descramblers. If convicted, Murdock could face 45 years in prison and \$2.5 million fines, Paxton 5 years and \$250,000 fines.

White House April 19 formally nominated Larry Irving, senior counsel of House Telecom Subcommittee, as NTIA dir. No confirmation hearing has been scheduled.

TvB FOCUS ON FUTURE: TvB sessions in Las Vegas last week emphasized forecasting, retail advertising, marketing trends. Pres. Ave Butensky, who took over 16 months ago, said: "We raised the consciousness of our business, we increased our visibility and we preached a 'user-friendly' atmosphere." TvB's strategy is personal contact with top 200 national advertisers, and of those 110 have been visited in last year, some for 2nd, 3rd and 4th times, Butensky said. In recruiting TV station members, he said, "it has become our habit... to ask them to forget whatever they once knew about TvB."

For years, local retailers often gave TV stations only promotions and "token ad campaigns," but reserved their big dollars for newspapers, Butensky said, because TV "has not been able to break through the comfort level advertisers have with newspapers." Major complaint is cost of producing TV spots, he said. TvB has new policy, he said, to put 50¢ of every dollar into researching how best to sell TV.

Beth Mace of DRI/McGraw-Hill told TvB that U.S. economy is "poised for moderate growth" in next few years. She said Clinton Administration's package of tax increases and budget cuts "will be a fiscal drag," but sharp drop in long-term interest rates "will be a tonic" to such areas as homebuilding and investment.

In bid to boost consumer and market confidence in Home Shopping Network (HSN) and protect its \$144-million investment, Liberty Media announced scaled-back, lower-priced offer to buy HSN stock. Company had cancelled earlier \$640-million offering to buy remaining 75 million shares of HSN stock it doesn't own (TVD April 19 p6), citing recent reports and investigations of possible financial irregularities. SEC is conducting informal inquiry into HSN, company confirmed. Liberty said it will buy up to 15 million shares of HSN stock at \$7 per share (total of up to \$105 million), price that's substantially above recent \$4.50 price but below price of about \$8.50 per share that it had offered earlier. In latest offer, Liberty is "making a profound statement of confidence in both the management of HSN... and the financial viability of the company," said Liberty CEO Peter Barton. Though Liberty has voting control of HSN through "super" voting rights of one class of stock, firm's total equity stake in HSN would rise to about 40% from current 23% if all shares were tendered.

COURT GIVES TAX BREAK: In decision that could cut hundreds of millions of dollars from tax bills of broadcasters and cable companies, U.S. Supreme Court overturned IRS claim that intangible assets such as subscriber and advertiser lists can't be depreciated. Decision on appeal by Newhouse family could affect all types of communications companies, including broadcasters, but impact will be greatest on those with largest subscriber churn and those that keep best records, said tax attorney Joseph Sullivan of Latham & Watkins, who worked on case.

Court, in 5-4 decision April 20, said subscriber lists have value separate from goodwill, which can't be written off. Majority opinion by Justice Blackmun warned that taxpayers claiming write-off would have substantial burden of proving that list has value that depreciates, and how quickly it does so: "The significant question... is whether the asset is capable of being valued and whether that value diminishes over time."

Sullivan said definition of intangible assets includes advertisers on stations -- if TV or radio station can document value of advertisers over period of time and how long station is likely to keep single advertiser as customer, that list of advertisers probably can be depreciated. Problem for broadcasters often is that they don't keep adequate records over long term, Sullivan said. He said cable system buyers often allocate 30-50% of purchase price to subscriber lists, vs. about 10% for broadcasters.

Decision will be "a shot in the arm" for many communications companies, especially cable, said tax lawyer Michael Hines of Dow, Lohnes & Albertson, who also worked on case. He said it's hard to estimate full financial impact, but issue is "the single most important tax issue now affecting companies making acquisition decisions." Ruling should make acquisitions more attractive, he said.

Decision could affect "hundreds of millions of dollars" of communications industry tax liability, Sullivan estimated, although total impact will depend on whether Congress approves tax package that includes uniform 14-year depreciation for intangible assets. That legislation was defeated last year, but reintroduced this year and is considered likely to be added to President Clinton's tax package. If provision becomes law it would make Supreme Court ruling moot for future, but decision still would affect tax cases for previous years.

Decision may not be as significant for cable as earlier court ruling on whether value of cable franchise can be depreciated, Sullivan said, "but it is right up there." U.S. Tax Court held in 1990 TCI case that value of franchise can be depreciated. Hines said decision on intangible assets also will make it easier for cable companies to depreciate franchises under tax provision different from that in TCI case. In latest decision, Justice Blackmun was joined by Justices Stevens, O'Connor, Kennedy, Thomas; dissenters were Chief Justice Rehnquist, Justices Souter, White, Scalia.

Antiabortion political TV spots are back in news, this time in special Senate race in Tex. Republican candidate Stephen Hopkins prompted thousands of calls of complaints to major-market TV stations as result of ads that depict dismembered bloody fetuses. Hopkins begins spot with: "It breaks my heart to have to show you the face of prochoice America." WFAA-TV Dallas received more than 1,200 calls after airing 30-sec. spot 4 times April 21 and "95% of those calls were people who were offended or repulsed," said Gen. Mgr. Cathy Creany.

STEVENS ASSURES BROADCASTERS: Any spectrum auction legislation that doesn't exempt broadcasters is unlikely to pass, Sen. Stevens (R-Alaska) said at NAB convention last week. Speaking at congressional breakfast, he said he wouldn't support measure that would jeopardize licensees.

Stevens said proposal by Commerce Secy. Ronald Brown proposing open auctions without exemption was just "negotiating position" and unlikely to succeed in face of opposition of NAB and others. He said auctions, when originally proposed, were projected to raise \$2 billion, but Administration now is talking about \$9 billion -- meaning that "a lot more of spectrum will be put up for bid." Stevens' view was echoed by Catherine Reid, Republican counsel to House Telecom Subcommittee, who said at staff panel that most Republicans support auctions.

Legislation to add warning labels to beer and wine ads that under normal circumstances would have little chance of passage may gain support from emotional issue, Sen. Burns (R-Mont.) said. He noted that 22-year-old daughter of one of bill's sponsors, Sen. Thurmond (R-S.C.), senior Republican on Judiciary Committee, was killed in recent auto accident that was attributed to drunk driver. "Congress, like the nation, runs on emotion," Burns said, saying death of Nancy Thurmond "will be a powerful mover." He also said he didn't think warnings would be effective.

Sen. Exon (D-Neb.), member of Senate Commerce Committee, said he thought brewers have done good job urging moderation. Asked bill's chances of passage, he replied: "None. It wouldn't make sense to have companies advertise against their product." Rep. Sensenbrenner (R-Wis.) warned broadcasters that any attacks on their industry would come not only from direct taxes, but more likely in form of changes in deductibility of ads.

But Stevens, a sponsor of warning labels, said there was greater need to "warn people of excesses" from liquor, citing problems of babies afflicted from birth as result of drinking by their mothers. Rep. Collins (D-Ill.) said she didn't think that liquor advertising was problem, but that bigger issue was violence on TV and movies and not enough programming for children.

Last question of session was whether fairness doctrine would be reintroduced. None of 6 lawmakers volunteered to answer. At staff discussion, Kristan Van Hook of Telecom Subcommittee Democratic staff suggested that broadcasters should be more forceful in making case that more controversial issues have been tackled since FCC said it wouldn't enforce doctrine. Senate Communications Subcommittee staffer John Windhausen said he hears complaints about unfairness in broadcasting, generally on local issues.

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Total ratings for 3 broadcast networks fell again this season. NBC showed biggest drop, down 10% to 18% of total. Networks' ratings for 1991-1992 season were boosted by Olympics, but Network TV Assn. said then that levels were up slightly even if Olympics were excluded. Trend proved to be shortlived -- networks' total share of viewing dropped to new low of 60% for 1992-1993 season, which ended April 18. Fox ratings also fell, despite addition of 6th night of programming, to 7.7% from 8%. Basic cable was up 2 rating points, with gain spread among 25 channels.

Sunbeam Bcstg., licensee of WSVN (Ch. 7, Fox) Miami, is buying WHDH-TV (Ch. 7, CBS) Boston from New England TV (David Mugar) for \$204 million.

NAB NOTEBOOK: Convention program contained full-page ads seeking preregistrations for Sept. 8-11 Radio Show in Dallas and for 1994 national convention in Las Vegas. Interesting is fact that Radio Show preregistration for members is \$335 (\$625 for nonmembers) with \$50 fee for early cancellation. On other hand, national convention registration is cheaper at \$295 for members (\$595 nonmembers), with \$100 early cancellation fee. Reason, said NAB Exec. Vp John Abel, is that most of Radio Show income comes from registrants, while huge portion of convention income is from exhibitors. Convention program also included 2 ads promoting 1994 convention headed "It's In March," pointing out that next year's will be about 4 weeks earlier than this year -- March 20-24.

Broadcasters from overseas played larger role than ever at NAB, including first-ever General Assembly of International Assn. of Broadcasters (IAB), of which NAB is a founding member. NAB Pres. Edward Fritts said IAB has "long history in defense of independence and freedom of expression in broadcasting... This powerful association has brought international attention to unjust and undemocratic government actions." He said IAB is "the best defense of political freedom and the engine that fuels our economies most efficiently and effectively."

"Several thousand" Radio Best. Data System (RBDS) receivers have been sold in U.S., John Casey, RE America, said in panel discussion on "revenue potential" of tune-by-format system, final standard for which was announced by NAB-EIA National Radio Systems Committee (NRSC) at Jan. Consumer Electronics Show. Casey, whose company manufactures RBDS station encoders, said stations can begin RBDS datacasting immediately on existing 57-kHz subcarrier because additional home and car receivers will be available from manufacturers "very soon." "Radio's advertising strength has been based on the ability to offer tight demographic focus to its customers," Casey said. Format gives broadcaster on-air "billboard" recognition, Casey said, and can save radio industry "considerable" money in promoting "call-letter awareness" by beaming station IDs to "smart" consumer radios. NRSC Chmn. Charles Morgan, Susquehanna Bestg., said he believes availability of RBDS receivers "and their acceptance and understanding by broadcasters, will soon aid in the success" of new format. Morgan agreed with Casey on value of format's call-letter readout capability, saying that feature is "meat and potatoes of RBDS" that "will help ensure you get proper credit from your listeners. It gives you a billboard right where you want it -- in front of the listener." Another speaker on panel, EIA Consumer Electronics Group Vp Gary Shapiro, said his Assn. polled radio stations and found strong support for RBDS. He said 50 chief engineers who responded to survey were familiar with RBDS and gave technology high marks, but significantly overestimated cost of station encoders. He said encoders actually cost about \$2,400, but chief engineers pegged figure as high as \$5,200, while gen. mgrs. estimated \$7,600.

Even though there's no national elections until next year, TV station executives must remain vigilant to political broadcasting responsibilities, panel of attorneys warned at NAB. They said some federal rules can apply in state and local races as well, although CBS attorney John Zucker said stations can refuse to sell time to those candidates -- which they aren't allowed to do to candidates for federal office. Attorneys Suzanne Perry, Erwin Krasnow and Craig Blakeley cautioned audience to keep careful records of ad sales so there would be no problem with lowest-unit-rate rules. They also recommended keeping on hand general guidelines for candidates, even if specific rate information isn't always available.

USA Digital Radio, in-band on-channel (IBOC) DAB consortium backed by CBS, Gannett and Group W, said it successfully transmitted FM digital signal to prototype receiver in moving minivan in April 7 tests at U. of Ill., but the planned mobile demonstrations in Las Vegas failed to materialize through first 3 days because of chip problems. Collaborators distributed handful of tickets to reporters on opening day of convention redeemable for ride on consortium's bus for listening demonstration, but electrical spike caused damage to crucial chips during preshow setup, forcing postponement, Gannett Engineering Vp Paul Donahue said. Consortium said April 7 FM tests proved DAB signal "significantly improves reception in the presence of multipath" -- hurdle that critics have said would be toughest for IBOC technologies to overcome. Consortium at Las Vegas booth did stage stationary demo of on-air AM DAB at 1660 kHz. Executives said FM and AM DAB prototypes will be "fine-tuned" over next few months to prepare system for submission to EIA Digital Radio Subcommittee and NSRC for testing. Donahue said USA Digital Radio partners are nearing end of R&D cycle, and system could be ready to go on air over Gannett, Group W and CBS stations within year. He said preliminary discussions with receiver makers have been continuing, noting technology is "licensable now" for consumer market. But at morning session of DAB engineering conference April 19, Almon Clegg, consultant to Denon parent Nippon Columbia, said that while receiver makers view IBOC technologies such as USA Digital Radio favorably because of low potential implementation costs compared with out-of-band systems, manufacturers aren't likely to make mass commitment to systems that haven't been standardized. EIA and NRSC have said they don't expect to complete standardization until July 1994.

Philips Labs demonstrated first prototype TVs with built-in ghost-cancellation circuitry at convention, displaying large-screen sets receiving ghost-cancelling reference (GCR) signal beamed over-air live to convention center by 5 Las Vegas stations. Philips' Amihai Miron said first product introductions are possible in high-end sets early next year. He predicted there also would be strong impetus later for set-top ghost-cancelling converters to retrofit existing TVs. Comparing evolutionary development of ghost-cancelling circuit boards with those of picture-in-picture (PIP), Miron said industry ultimately was able to reduce cost of PIP board to "less than \$50 -- which is our target for a ghost-canceller in a TV set." Immediate objectives at Philips Labs are to reduce power supply and make chips sufficiently cost effective for mainstream product introduction next year, Miron said.

IBM's top multimedia executive said that fully interactive gigabit network is "one to 2 years away for the workplace and 3 to 5 years away for the home." In keynote address at NAB Multimedia World, Lucie Fjeldstad, IBM vp-gen. mgr., Multimedia Application Solutions, referred to experiments being conducted by IBM and Rogers Cable in Toronto in videoconferencing and collaborative working via 2-way video on business-to-business gigabit network capable of handling NTSC signal. Fjeldstad called current interactive TV systems that require cursor movement and button pushing as "interactive with a small 'i,'" and that "voice recognition technologies will be the key that opens interactive TV to the widest possible audience." She said IBM is testing speech recognition and interpolation applications, "and they work."

Zenith showed new broadband, addressable decoder that it said was designed to comply with Cable Act's equipment compatibility provisions. New BOS (Broadband On-Screen) decoder, based on HT-2000 unit, allows consumers to use such features as picture-in-picture and watch-and-record, Zenith said.

Majority of broadcasters will opt for retransmission consent, according to informal survey by Pappas Telecasting, operator of several Fox affiliates, but study indicated they "will approach negotiations without a rigid, hard-and-fast plan." CEO Harry Pappas, in position paper distributed at NAB convention, said broadcasters "will not back away [from retransmission consent] because of threats." He said consent fees should be similar to those cable pays to carry popular cable networks such as ESPN and USA (NAB said cable network fees typically are 13¢-60¢ per subscriber per month), but said portion of fees will be "plowed back" into improved programming, and broadcasters "will give important weight to the effect [of fees] on a cable system operator." In its must-carry/retransmission consent guide distributed at convention, NAB said some operators "may increase their brinkmanship tactics in an effort to intimidate broadcasters and improve their bargaining positions" as well as "try to blame broadcasters for service reductions and other costs of the new cable law... Some cable operators intend to play hardball." NAB advised broadcasters to "communicate with key constituencies... in advance of cable negotiations. If you allow cable to be the sole source of information... your chances of being boxed in by the local cable company are much greater." Group provided broadcasters with model letters to be distributed to local, state and federal officials, informing them about Cable Act. Among points NAB suggests telling officials: (1) Cable Act doesn't allow cable to pass through retransmission consent costs, so broadcasters can't be blamed for rate increases. (2) Fees are necessary to keep broadcasters viable. (3) Cable operators shouldn't have to drop cable networks because channel capacity is increasing. (4) Rules are in full effect despite court challenges. (5) Network nonduplication rules protect signals of most network affiliates. (6) Franchising authorities may be asked to intervene in disputes.

NAB-EIA National Radio Systems Committee (NRSC), meeting April 17 on eve of NAB convention, said it unanimously adopted terms of memorandum of cooperation announced previously by 2 trade groups to settle months-long rift on DAB. Under compromise, EIA Digital Radio Subcommittee will test all DAB systems, but NRSC will evaluate results of in-band on-channel (IBOC) tests and possibly recommend standard. Compromise heeded complaints of broadcasters who support adoption of IBOC technology as being least disruptive to implement but who felt they were getting short shrift in proceedings sponsored by EIA, which backs testing and evaluating all technologies, including satellite DAB which is opposed by broadcasters. Spearheading NRSC IBOC activities will be new subgroup co-chaired by Randall Brunts, Delco, and Al Resnick, Cap/ABC. NAB Senior Vp Michael Rau said next phase in NRSC standardization process will be to seek formal proposals from IBOC system developers. One developer, Amati, previously entered EIA standardization effort, while USA Digital Radio withdrew at height of EIA-NAB dispute over IBOC. But USA Digital Radio executives said they plan to participate in NRSC effort. NRSC subgroup on DAB has scheduled next meeting for May 3 in Washington in conjunction with EIA Digital Radio Subcommittee session same day.

TCI confirmed April 23 that it will invest \$90 million in stock of financially troubled Carolco Pictures and in 4 movies to be produced by company. TCI will get share of movies' pay-per-view revenue and right to carry films on PPV weekend before theatrical release. TCI will buy up to \$50 million of Carolco common stock, with remaining \$40 million to help finance movies. TCI COO Brendan Clouston said movies will be encrypted to prevent copying.

TV SEES 500-CHANNEL OPPORTUNITIES: There will be enough programming to fill 500-channel TV delivery systems, panel of broadcasting and telco executives said at Supercomm 93 conference in Atlanta last week. Panel discussed cable-telco-broadcast competition in what moderator USTA Pres. John Sodolski called "500-channel universe."

Broadcasting has "had a pretty good run for 40 years" being alone in programming arena, KRON Video Enterprises Dir. Richard Fisher said. "Now, looking at the possible entry of the telephone companies, [broadcasters] have come to the conclusion that there are other distribution avenues for software." Freedom Bstg. Pres. Alan Bell said: "We're here to actually pursue participation in all sorts of joint ventures."

"There will be a creativity explosion" when 500-channel world becomes reality, Fisher said. Sony Pictures Entertainment-TV Group Pres. Mel Harris said that now that children are getting 8mm video cameras in their hands and have video editing capabilities on their personal computers, "we might very well end up seeing neighborhood news and sports channels." Filling all those available channels isn't major concern, GTE Regulatory & Govt. Affairs Vp Geoffrey Gould said: "Making a buck on all these programs is the real trick."

Local broadcasters probably will play big role in filling empty channels, WNET N.Y.-Newark Pres. William Baker said, "but there will still be a need for distribution of free programming." Baker saw entry of telcos as positive move: "With some of this new technology, we'll be able to finally deliver the promise of educational TV to the classroom through truly interactive programming." Broadcasters are concerned about "the history of monopolies" ingrained in telephone companies, Harris said. "Our natural emotion is to say, 'Whoa. How are these monopoly minded telcos going to act if we let them into our business?' A gorilla that loses weight still acts like a gorilla." But Sodolski said TV industry is multibillion-dollar gorilla, as are cable and Hollywood. "I think there's enough room for all us gorillas to wrestle."

Regulatory landscape will change and broadcasters will have to get used to idea of not owning 100% of everything, panelists said. "Big media companies, so used to owning 100% of everything they touch, are going to have to get used to a kind of new world order," KRON's Fisher said. "They'll have to get used to splitting the revenues with partners." He told of KRON's joint deal with Discovery Channel in which his company co-develops show in return for exclusive rights in its market. Discovery gets distribution for all its markets and both split international and resale rights.

Wireless cable industry is setting up its own lab to study ways to use digital compression, executives said at NAB convention. Wireless Cable Assn. Pres. Robert Schmidt called formation of Wireless Cable Labs "one of the most significant developments... in the history of the wireless cable industry." Labs Chmn. Peter Frank of Cross Country Telecommunications said new entity, to be based in Philadelphia, also would study interactivity, video-on-demand, pay-per-view, other developments. Companies that have committed to help finance it include Andrew, Cal. Amplifier, Comwave, Conifer, EMCEE, General Instrument, ITS, Lance, NTN Communications, Pacific Monolithic, Philips, Scientific-Atlanta, Zenith.

Correction: Volume number on first page of April 19 issue of Television Digest should have been Vol. 33, No. 16.

TV BOOSTS CAP/ABC, OTHERS: Cap/ABC's broadcast operating profit jumped 48% in first quarter ended March 31 to \$127.7 million, company reported. Overall broadcast revenue was up 12% to \$946.9 million, with "substantial increase" at TV network and only slight growth for TV stations. Video operations also showed strong gains, CEO Daniel Burke said, while radio revenues rose moderately. Time Warner, McGraw-Hill, Scientific-Atlanta and General Instrument also showed strong improvements in quarter.

ABC TV Network operating profit would have been even larger if company hadn't made provisions for staff reductions, Burke said. Operating profit for stations actually declined slightly. Cap/ABC attributed some of revenue growth to fact that network carried 2 NFL playoff games in quarter, with most of rest coming from strong ad growth. Parent company had net profit of \$58.4 million, despite \$12.1 million after-tax charge related to financing, reversing \$101.5-million loss year ago (that was affected by \$143-million accounting change).

Record profits at Time Warner Cable and HBO helped cut Time Warner net loss to \$124 million in first quarter ended March 31, from \$150 million loss year ago. Overall operating profit soared to \$323 million from \$290 million. Cable group's operating profit climbed 12% to \$255 million. HBO operating profit grew to \$55 million from \$52 million, mainly by reducing Comedy Central losses... McGraw-Hill was one of few companies to show reduced broadcast profit in quarter. It said recession in Southern Cal. plus lack of Olympics or Super Bowl this year cut TV station revenue 4.7% and broadcast profit 24.8%. Despite weak broadcast market, parent company's first-quarter profit was \$15.3 million, vs. \$112.2 million loss year ago (resulting from \$124.6-million accounting change). After eliminating effect of accounting change, profit growth still was 23.3%, McGraw-Hill said.

Strong sales by all segments of General Instrument (GI) boosted net profit for first quarter ended March 31 to \$11 million, vs. \$28 million loss year ago. Overall sales were up 30% to \$303 million and operating profit to \$37 million from \$3 million. GI said sales of VideoCipher RS modules were particularly strong, and cable sales were up... Scientific-Atlanta profits grew 72% to \$6.9 million in 3rd quarter ended April 2, largely on strong cable equipment sales. Revenue was up 26% to \$184.1 million; order backlog dropped \$1.3 million to \$229.6 million.

In other financials: Gaylord Entertainment revenue gained 19.4% to \$48.5 million in Cable Networks Div. and 9.1% to \$30.5 million in Broadcast, but one-time accounting charge of \$8.4 million produced \$8.3-million loss in quarter, vs. \$2.8-million loss year ago. Cable system revenue increased 3.9% to \$20.3 million... A.H. Belo broadcast earnings dipped slightly to \$8.3 million in first quarter ended March 31, despite 1% rise in broadcast revenue to \$44 million. First-quarter profit of parent doubled to \$13.9 million... Adelphia said it decided to postpone public offering of 10 million shares because of uncertainties created by cable rate regulation. For same reason, it said it postponed filing SEC registration statement for \$100 million of new senior debt.

Tribune Bcstg. operating profit soared 56% to record \$9.2 million in first quarter, with TV revenue up 17%, radio up 22%. Parent company had \$29.7-million profit in quarter, vs. \$1.2 million loss year ago (affected by \$16.8-million loss attributable to accounting changes)... Infinity Bcstg. filed SEC registration statement for sale of 2.5 million new shares of Class A common. Proceeds will be used to acquire new

broadcast properties and for general corporate purposes, it said... Jones Intercable lost \$9.8 million in 3rd quarter ended Feb. 28, vs. \$49.1-million profit year ago, when it had \$26.8-million extraordinary gain on sale of cable systems... International Cablecasting Technologies lost \$7.5 million in 2nd quarter ended March 31, vs. \$10.6-million loss year earlier. Revenue rose to \$1 million with rollout of Digital Music Express, from \$69,128 year ago... Children's Bcstg. Corp. had \$591,000 net loss in 4th quarter ended March 31 vs. \$145,000 loss year ago. Company said revenue from producing and distributing children's radio programs rose to \$102,000 from \$85,000.

DIGITAL DOMINATES CAB: New ad opportunities to be created by digital TV were main topic at Cable Ad Bureau (CAB) meeting in N.Y. last week, with speakers saying cable ads could become direct mail of future. StarNet Pres. Alan McGlade predicted that cable would become dominant TV delivery medium by 1999, with 82% penetration, set-top converters selecting spots for individual households and broadcast networks affiliating directly with cable operators -- except CBS which, he joked, would have stranglehold on 70-plus demographic.

System rebuilds and universal software-driven platform for handling local, regional and spot ads are key to maximizing new opportunities, panelists said. Voluntary interface protocol guidelines are expected from CableLabs in July. McGlade estimated cost of refitting each insertable cable system with digital equipment and related software at \$150,000. Discovery Chmn. John Hendricks predicted 3 million households with digital TV by end of 1994, 40 million by 1999. Campbell Soup/N. & S. America Pres. Herbert Baum said opportunity in interactive cable is "to get the consumer to press a button and buy." Time Warner Cable Chmn. Joseph Collins cited interactivity as big advantage for cable consumer over trip to home video store.

Ogilvy & Mather/N.Y. Pres. Rochelle Lazarus said that in 500-channel environment "ads better be good to hold the viewer..." Foote, Cone & Belding Exec. Vp Joseph Ostrow warned that consumer wants everything to be offered by new technologies and that "if you go too far with gimmickry... you may diminish the ability to sell the product," even if new services are popular. Jane Newman, Merkley/Newman/Harty, suggested that quality of advertisers on some cable programming may be holding back more prestigious companies from using service as ad medium.

Cable industry is beginning to put more emphasis on ad revenues and less on subscriptions, TCI Chmn. John Malone said. He later told reporters that industry will create new revenue streams that will make rate regulation "a blip on the screen." Saying FCC regulated "old cable industry," he acknowledged rate regulation would be "painful in the near term for some operators," but didn't know yet how much it would hurt TCI. Malone said advertisers need to look at abilities of multimedia for selling and merchandising. He said that for short term, cable is in "enormous state of flux," with new FCC must-carry rules "very disruptive" to channel lineups. Malone also said he's concerned about HBO's dominance in pay cable. He told reporters he's "not worried about Time Warner acquiring any one channel" but doesn't think it's good for any industry to be dominated by any one supplier and he "would like to see a healthy competitor to HBO."

CAB '93 set attendance record with estimated 2,350 registered by last day of meeting. CAB had expected 10% decline. Officials said that 2nd conference probably will be added next year, outside of N.Y., to focus on local ad sales.

HDTV ALLIANCE POSSIBLE: Following meeting of major HDTV systems proponents during NAB convention in Las Vegas last week, Richard Wiley, chmn. of FCC Advanced TV Advisory Committee, said there's "50-50 chance" they will agree on HDTV "grand alliance." He said discussions won't delay next month's planned start of 2nd round of testing of 4 remaining systems. "We're going to start testing on May 24. Read my lips!" he joked after appearance on panel. He said effort to form alliance will go "down to the wire," but he's convinced all sides "are making sincere, strenuous efforts to try to resolve vexing technical and business issues."

Wiley said he remains committed to forming grand alliance to take best parts of each system and cut time and cost of retesting each proposal, which he predicted would last until Nov. or Dec. Alliance also would forestall challenges that inevitably would be made by losers in selection process, he said.

Meanwhile, FCC Comr. Duggan said he's "not hostile" to idea of "allowing broadcasters to use additional spectrum" within portion of 6-MHz channel that's not occupied by HDTV signal for ancillary services: "I'm very open to that, but I want us to keep a sense of priorities. I would hate to see us go chasing off after the ancillary services and forget the original purpose, which is HDTV pictures and sound." Duggan derided broadcasters who have been insisting that they should be able to retain extra channel granted for HDTV transition beyond 15-year period allotted for that process as extra incentive to support HDTV. He stressed that broadcasters are battling for survival against other delivery systems that can adapt to HDTV more easily: "That they would need to be paid to do what is necessary to survive strikes me as somewhat odd." Wiley said broadcasters, no matter their long-term concerns, should "get the 2nd channel. If the government is giving the frequencies away for free, take it and see what happens in 15 years, see how scarce the spectrum really is in 15 years, see who's on the Commission in 15 years and what the policies are."

Asked whether FCC should consider which systems would create most U.S. jobs in determining winner, Duggan said issue is "important, but it must be kept in context. It's appalling to contemplate that we might select a technologically inferior system because conceivably it would create more jobs." He and others stressed that jobs-creation potential extends beyond where HDTV sets will be manufactured, particularly into where componentry is developed and made.

FCC should designate 1996 Olympics in Atlanta as "the latest possible date" for start of HDTV transmissions, EIA Consumer Electronics Group Vp Gary Shapiro said in Best. Engineering Conference keynote at NAB convention. Citing "rich history of cooperation" between broadcasters and receiver makers, Shapiro said they should join with EIA consumer hardware members in effort to "work together to keep HDTV on schedule." Crediting Toshiba America executives for Olympics idea, Shapiro said launch then would be "elegantly simple and simply appropriate." He said Atlanta event "can serve as a unique milestone" in HDTV implementation because "nothing sparkles more for HDTV and demonstrates its value than world-class sports programming." Fact that 1996 games will be staged in U.S. "only magnifies their importance and appropriateness as a national commercial launch for the future of HDTV."

Those who seek delay on FCC choice of standard "by insisting that we need a Rolls Royce when a Cadillac will do" raise "a chilling, but real, possibility" that American consumers will be deprived of "a terrific new technology,"

Shapiro said. Delay would mean "unfairly changing the rules of the game for all the proponents and broadcasters who invested in systems development and testing. It also means that alternative media could leapfrog broadcasters in their quest for market share."

Not everyone was optimistic about HDTV. "HDTV will fail [and will become] the Cinerama of television," said Shamrock Bctg. Chmn.-CEO William Clark at Bct. Education Assn. (BEA) meeting April 18 before start of NAB convention. He said consumers just won't accept added cost: "People are satisfied with the pictures they've got." Clark said that all research being spent on HDTV goes toward technical end and that nothing is being spent to research consumer wants and needs. Digital audio broadcasting (DAB) "will take a very, very, very long time to develop," Clark predicted, and when it comes "it won't change much of anything." However, he conceded, "digital is the wave of the future," and product, not technology, will be driving force for audio and video. FCC Comr. Barrett agreed with Clark "that neither HDTV or DAB are full-fledged market realities."

At MSTV meeting (which drew standing-room-only crowd) following NAB's opening session, Fox TV's Lucille Salhany said Fox's "glass is half full... Our future depends on the use of digital" broadcasting. Industry, she said, should stop talking about HDTV and concentrate on digital. TV's future programming will be "narrow focused, niched programming toward specific tastes by the year 2008," she said. And "none of this will be free." Fox "is ready for the future" and will succeed, Salhany said, because viewers consider network "unique and different." But, she said, "ultimately, compulsory license has got to go."

Shapiro said HDTV, high-speed data broadcasting, Radio Best. Data System and digital audio radio (DAR) are examples of "challenges which can be turned into commercial opportunities." Referring to months-long DAR rift between EIA and NAB recently settled on future course of standardization process, he described DAR as "another fruitful ground for collaboration." Shapiro said he empathized with "the frustration of AM broadcasters who have watched market share decline and station values disappear." But he said EIA wouldn't abandon long-held position opposing FCC or congressionally mandated AM stereo requirement in consumer radios.

U.S. Supreme Court Chief Justice William Rehnquist has given parties in must-carry suit until April 26 to file arguments in cable interests' bid for stay of FCC's must-carry rules. Cable parties are seeking highest court order that would require systems to keep carrying TV stations they now carry, but wouldn't mandate that they add more to comply with must-carry rules, pending full-fledged appeal to Supreme Court.

Conservatives are expected to announce their own video network, to be called National Empowerment TV (NET) April 26 -- 15th anniversary of founding of sponsor Free Congress Foundation (FCF). NET is to become operational in Dec. Announcement will be made at NET studios in Washington, D.C., by former Education Secy. William Bennett and FCF Pres. Paul Weyrich.

Staff reduction of 41 positions "effective immediately" was announced April 23 by WWOR-TV Secaucus-N.Y. Of positions abolished, 10 are in technical operations, and 10 employees have taken voluntary early retirement. After reduction, WWOR-TV said it will have 291 employees.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	APRIL 3-9	1992 WEEK	% CHANGE	MAR.27- APRIL 2	14 WEEKS 1993	14 WEEKS 1992	% CHANGE
TOTAL COLOR.....	204,257	313,882	-34.9	655,261*	5,697,740*	5,095,398	+11.8
DIRECT-VIEW...	201,743	310,729	-35.1	646,783*	5,603,396*	5,006,598	+11.9
TV ONLY.....	186,319	299,426	-37.8	597,301	5,308,640*	4,809,959	+10.4
TV/VCR COMBO.	14,424*	11,303	+36.5	49,482*	294,756*	196,630	+49.9
PROJECTION....	2,514	3,153	-20.3	8,478	94,344*	88,809	+ 6.2
VCR DECKS.....	86,754	160,863	-46.1	319,915	2,684,095	2,638,809	+ 1.7
CAMCORDERS.....	24,806	36,942	-32.9	101,490	565,575*	509,304	+11.0
LASERDISC PLYRS#	458	2,413	-81.0	5,895	44,161	55,951*	-21.1

Direct-view TV 5-week average: 1993--403,625; 1992--427,735* (down 5.6%).

VCR deck 5-week average: 1993--186,843; 1992--187,439 (down 0.3%).

Camcorder 5-week average: 1993--44,236*; 1992--40,602 (up 9.0%).

* Record for period. # Includes combi players, excludes karaoke types.

Note: EIA revisions added 4 units to first-quarter 1993 direct-view TV figures.

VCR/CAMCORDER TOP BRANDS GAIN, OTHERS LOSE: Top brands in camcorders and VCR decks increased market share last year at expense of lesser brands, our annual market share survey shows. In camcorders, top 3 -- Sony, Panasonic and RCA -- represented 49% of total sales to dealers. More than half of VCR sales -- 50.4% -- were made by top 7 brands.

Our market share surveys represent best opinions of industry's market analysts. In our questionnaires, we ask manufacturers to rank their competitors in terms of percentage share of market, omitting their own share (if they give their own we don't count it). Shares and rankings are based on medians of replies; to break ties in rankings, we use brand with highest simple average. We think this gives reasonable idea of shares and rankings, but our pages are always open to rebuttal.

In camcorders, Sony had 25% of all sales in 1992. For first time, camcorder shares were relatively stable, as compared with preceding year. Whereas in 1991 Sony jumped 6.5 points and Canon almost 2 points (TVD April 27/92 p12), Sony's increase this year was only 1/2 point and Canon's an insignificant 0.05. In changes in rankings, Sharp beat out Sears LXI for fifth place by dint of latter's drop of 1.5 points, biggest decline of all brands. JVC continued in 4th place. Only other possibly significant change in rankings involved Memorex (Tandy), which jumped from 17th to 11th but still clung to same 1% share of market.

Two new names appeared on list for 1992, albeit down near basement -- Emerson and Mitsubishi, both of which began marketing camcorders last year. Two others -- Chinon and Pentax -- fell off edge because they didn't score high enough (we arbitrarily put cutoff point on our list at 0.3%). We feel that accuracy of rankings diminishes after top 10 brands.

Gains in camcorder share were few and limited to top brands. Biggest gainer was Panasonic, which added full point, followed by Sony's half point, with no other significant increments. RCA's share was unchanged at 10%. Share losers, after Sears, were Magnavox (0.8 points), with Fisher, Montgomery Ward and Zenith each down half point.

Combined 49% share of camcorder market enjoyed by top 3 is up from 47.5% in 1991. Second echelon -- ranking 4-10 -- lost total of 2.75 points, while brands ranked 11-20 lost 2.4%, or about 25% of their combined share. This gain in share at top at expense of lesser ranked brands, which shows up in VCRs as well

as camcorders, quite likely is result of dealers' trimming number of lines -- though not necessarily number of SKUs -- in tough economic environment.

In response to added question in our survey, respondents picked 8mm as clear winner among formats for 1993, forecasting its share at median 48% vs. 31% for VHS-C, with full-size camcorders dropping only slightly, to 21% from 24% they enjoyed in 1992 (TVD Jan 25 p10).

Following tabulation of rankings and share of market is based on replies in our annual survey, covering calendar year. Each percentage point for 1992 is equivalent to about 28,150 units.

TELEVISION DIGEST CAMCORDER MARKET-SHARE SURVEY

1992 Rank	Brand	1992 % Share	1992 Range	1991 Rank	1991 Share	1990 Share	1989 Share	1988 Share	1987 Share	1986 Share
1.	Sony.....	25.0	20.0-35.0	1	24.5	18.0	15.0	12.0	10.0	8.4
2.	Panasonic.....	14.0	10.0-17.0	2	13.0	14.0	15.0	15.5	13.0	13.7
3.	RCA.....	10.0	6.0-12.0	3	10.0	13.0	15.0	16.0	17.74	18.0
4.	JVC.....	7.5	6.0-9.0	4	7.5	7.5	4.5	5.3	7.0	7.0
5.	Sharp.....	7.0	5.5-9.0	6	7.0	6.8	6.1	3.0	2.5	2.5
6.	Canon.....	6.0	4.0-7.0	7	5.95	3.0	2.0	1.4	1.65	2.0
7.	Sears.....	6.0	2.0-2.8	5	7.5	7.5	9.0	7.0	5.25	3.0
8.	Magnavox.....	4.2	2.0-6.0	8	5.0	6.7	6.7	6.5	6.25	6.0
9.	GE.....	3.0	2.0-4.0	9	3.0	4.5	5.38	6.0	6.75	7.0
10.	Hitachi.....	2.5	2.0-5.0	10	3.0	3.2	4.0	4.0	4.0	4.2
11.	Memorex*.....	1.0	0.1-2.4	17	1.0	1.4	1.2	1.0	--	--
12.	Zenith.....	1.0	0.1-2.0	11	1.5	1.5	2.3	3.0	6.0	6.0
13.	Montgomery Ward	1.0	0.2-2.5	12	1.5	1.5	1.8	1.5	0.5	0.5
14.	Quasar.....	1.0	0.1-2.0	13	1.0	2.0	1.9	2.1	3.0	3.0
15.	Minolta.....	0.8	0.2-2.0	15	1.0	1.0	1.0	1.3	2.0	1.0
16.	Sanyo.....	0.7	0.1-1.5	14	1.0	0.9	0.9	1.0	1.0	2.0
17.	Ricoh.....	0.6	0.1-1.5	18	1.0	0.9	0.8	--	--	--
18.	Fisher.....	0.5	0.1-1.2	16	1.0	1.0	0.8	1.0	--	--
19.	Mitsubishi.....	0.5	0.1-1.0	--	--	--	--	--	--	--
20.	Goldstar.....	0.5	0.2-1.0	22	0.5	--	--	--	--	--
21.	Kyocera(Yashica)	0.5	0.1-1.0	20	0.5	0.5	0.65	0.5	1.0	0.5
22.	Nikon.....	0.5	0.1-0.9	21	0.5	0.5	0.5	0.5	--	--
23.	Samsung.....	0.4	0.1-1.0	26	0.35	--	--	--	--	--
24.	Fujix.....	0.4	0.1-1.1	24	0.5	--	--	--	--	--
25.	Emerson.....	0.4	0.1-2.0	--	--	--	--	--	--	--
26.	Sylvania.....	0.4	0.2-0.5	23	0.5	0.8	1.0	1.0	1.0	1.0
27.	J.C. Penney....	0.3	0.1-1.0	25	0.4	0.5	1.0	1.0	1.0	0.75
28.	Olympus.....	0.3	0.1-0.5	19	0.5	0.7	1.0	1.0	1.25	1.0
	Others.....	4.0								

Also mentioned (under 0.3%): Chinon, Elmo, Curtis Mathes, Pentax, Sunpak.

* Includes Realistic and other Radio Shack brands.

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VCR deck ratings, as usual, show much tighter race, but same trend to gains at top, losses down below. Top 5 brands were up slightly to 40.4% of market from 39.55% in 1991, with first 7 representing 50.4% of total, up from 48.75% in 1991, top 10 at 61.7 from 60.2. Brands 11-20, however, dropped 2 points to 25.15%.

Top 12 brands are unchanged in rankings, and below No. 12 (Mitsubishi), changes in rank are relatively unimportant. Big 3 continue to be RCA, Magnavox and Panasonic, Magnavox picking up one point since 1991, biggest gainer on list, with RCA up 0.6 to 10.6% and TCE's other brand, GE, climbing by 0.7 point to 4.7% (but remaining in 8th place). Other gainers: Sony and Memorex, half point each; JVC 0.3, and Emerson and Zenith 0.25. Declining were Sears and GoldStar (0.6 each), Mitsubishi and Quasar (0.5 each).

Shares given are by brand, not by manufacturer. Combined brands of TCE (RCA and GE) totaled 15.6% of VCR deck market, up 1.6 points from 14% in 1991. Philips' brands (Magnavox, Sylvania, Philco, Philips)

picked up 0.75 of a point for total 10.55% share vs. 9.8% in 1991. Matsushita brands lost half point, dipping to 9.5% from 10%. In table below, each percentage point represents 133,300 VCRs sold to dealers in 1992.

TELEVISION DIGEST VCR DECK MARKET-SHARE SURVEY

1991 Rank	Brand	1992 % Share	1992 Range	1991 Rank	1991 Share	1990 Share	1989 Share	1988 Share	1987 Share	1986 Share
1.	RCA.....	10.6	9.5-12.5	1	10.0	11.0	11.0	10.25	11.0	12.0
2.	Magnavox.....	9.0	7.8-12.0	2	8.0	7.0	6.55	5.5	4.25	4.0
3.	Panasonic.....	7.5	3.5-10.0	3	7.5	8.0	8.5	8.45	10.0	11.25
4.	Emerson.....	7.5	2.5-10.0	4	7.25	7.0	8.0	7.7	5.0	4.0
5.	Sharp.....	5.8	4.0-7.0	5	6.8	7.0	7.0	7.5	6.0	4.8
6.	JVC.....	5.0	3.8-7.9	6	4.7	4.25	3.15	2.7	2.5	3.5
7.	Sony.....	5.0	3.5-6.7	7	4.5	3.75	2.3	2.0	2.5	3.1
8.	GE.....	4.7	3.8-6.5	8	4.0	5.0	5.0	5.25	5.0	5.0
9.	Zenith.....	3.5	2.7-5.0	9	3.75	4.0	4.5	4.45	4.0	4.0
10.	Sears.....	3.1	2.0-3.9	10	3.7	4.0	5.0	4.8	4.5	5.0
11.	Goldstar.....	3.0	2.0-4.0	11	3.6	4.0	3.0	3.5	2.9	1.5
12.	Mitsubishi.....	3.0	1.5-4.5	12	3.5	3.95	4.0	4.15	4.25	4.0
13.	Hitachi.....	3.0	2.0-4.0	14	3.0	2.35	2.0	2.0	3.0	3.0
14.	Toshiba.....	2.8	2.0-3.5	13	3.0	3.8	3.9	4.0	3.5	3.5
15.	Samsung.....	2.5	2.0-4.0	16	2.5	2.3	2.675	2.45	2.5	2.0
16.	Fisher.....	2.5	1.5-3.5	15	2.75	3.3	3.3	4.0	5.0	6.75
17.	Montgomery Ward	2.35	0.4-3.0	18	2.5	2.0	2.0	2.0	1.75	1.5
18.	Sanyo.....	2.0	1.5-4.0	19	2.0	2.0	2.0	2.2	3.1	4.0
19.	Quasar.....	2.0	0.3-5.0	17	2.5	2.0	2.0	2.0	2.5	3.0
20.	Symphonic/Funai	2.0	0.9-3.0	20	1.8	1.7	1.5	2.0	0.5	0.35
21.	Shintom.....	1.0	0.1-2.6	21	1.0	1.0	0.5	0.55	--	--
22.	Memorex*	1.0	0.3-1.5	24	0.5	1.1	1.0	1.2	1.0	0.625
23.	Sylvania.....	0.7	0.1-3.0	22	0.8	1.0	1.0	1.35	1.2	1.5
24.	Broksonic.....	0.55	0.1-2.0	23	0.78	0.5	--	--	--	--
25.	Philco.....	0.5	0.3-1.5	27	0.5	--	0.4	0.5	0.5	0.5
26.	Daewoo/Daytron.	0.5	0.1-1.0	28	0.5	--	0.4	0.5	0.4	--
27.	J.C. Penney....	0.4	0.1-1.0	26	0.5	0.75	1.0	1.3	1.0	1.5
28.	Philips.....	0.35	0.1-0.9	25	0.5	--	--	--	--	--
	Others.....	8.15								

Also mentioned (under 0.4%): Admiral, Craig, Curtis Mathes, Go-Video, Lojik, Pioneer, Sansui, Soundesign, TEAC, Totevision, XR-1000.

* Includes Realistic and other Radio Shack brands.

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FTC REOPENS 27-YEAR-OLD SCREEN SIZE RULE: Federal Trade Commission is taking new look at ruling that stunned TV industry 27 years ago, permanently changed way industry designated TV sets -- and made U.S TV screen sizes different from everybody else's. It's also rule that every TV manufacturer, marketer and dealer is violating, so far as we can determine.

It's formally known as Trade Regulation Rule on Deceptive Advertising as to Size of Viewable Pictures Shown by Television Receiving Sets, and informally called "Picture Tube Rule." When it was adopted by FTC in Feb. 1966 after 15 years of apparently aimless proceedings, "most of industry was stupefied, speechless," as we reported at the time (TVD Feb 28/66 p7).

As paraphrased in FTC notice last week, trade regulation rule (TRR), which has effect of law, provides that "any representation of the screen size [of TV set] must be based on the horizontal dimension of the actual viewable picture area. Any other measurement is unfair and deceptive, unless the method of measurement is clearly and conspicuously disclosed in close proximity to the size designation." Rule specifies that footnote in ad doesn't constitute "close proximity."

FTC's notice, as published in April 19 Federal Register, states that it's seeking comments "as part of its periodic review of rules and guides" to determine whether "modification or revision" is warranted. FTC attorney Phillip Priesman, who's in charge of review, told us there was no special "trigger" for bringing up rule for examination, but that Commission's new policy is to review rules every 10 years. However, in conversation it was clear that he was aware of introduction of 16:9 widescreen sets.

When FTC originally proposed ruling on screen sizes in 1951, it asked why diagonal measurements weren't deceptive, since most other products, from bedsheets to barn doors, are measured by height and width. Few in industry took Commission's probe seriously -- therefore, 1966 ruling (during Lyndon Johnson's Administration) came as real shock. In interpretations of rule -- which officially took effect Jan. 1, 1967 -- FTC gave its okay for use of diagonal measurement of screen sizes so long as the word "diagonal" is used and measurement is of actual viewable picture rather than overall diagonal of picture tube.

Latter ruling changed way TV sets and tubes are measured in U.S. -- which is different from all other countries. Overall diagonal measurement, used in other countries, generally is 1-2" greater than viewable diagonal, due to thickness of tube walls. Thus set that's called 27" in U.S. is 29" elsewhere. To differentiate viewable size from overall diagonal, TV Digest originated use of letter V -- thus 27V" tube was equivalent to 29" overall tube. Rest of industry, including standards-setting bodies, adopted system (although we no longer use it routinely in this newsletter).

While industry has hewed closely to "viewable" measurements, other parts of rule have been flouted widely. In checking ads by TV manufacturers, marketers and dealers last week, we didn't find single one consistently using word "diagonal" clearly and conspicuously in close proximity to size designation. On basis of rule, any linear measurement of screen size without clear modifying language should refer to horizontal measurement of picture.

FTC is asking public comments on following: (1) Has rule had "a significant impact (cost or benefit)" on those it regulates? (2) Is rule still needed? (3) What burdens does it involve? (4) What changes should be made "to minimize the economic effect" of rule? (5) Does it overlap or conflict with other laws or regulations? (6) "Have technology or economic conditions changed since this rule was issued, and, if so, what effect do these changes have on the rule?"

Comments are due May 19. FTC contact for information is Priesman, 202-326-2484. EIA is canvassing members of its TV Div. and will file comments, official said.

BEST BUY HAS BIG EARNINGS JUMP, WILL MARCH ON ATLANTA: Best Buy (BB) reported its earnings more than doubled in quarter and year ended Feb. 27, and announced its first foray into southeast part of country with 7 stores in Atlanta market "later this year."

As we've reported (TVD March 8 p16), company's sales soared 80.5% in quarter to \$613.6 million and 74.2% for year to \$1.62 billion (see financial table), with comparable stores up 16% in quarter and 19% for year. It said profitability was highlighted by drop of better than 2 points in selling, general and administrative (SG&A) expense as percentage of sales (to 15.3% from 17.5%), which offset 2-point decline in gross profit percentage (to 17.5% from 19.5%) and high expenses related to store openings. Gross profit decline, Best Buy said, emanated from "substantially reduced emphasis on the sale of higher margin extended-service plans, the increased importance of personal computers in the company's sales mix, competitive pressure in selected markets and promotional activity associated with the new store openings."

Pace of those openings isn't about to let up. Best Buy last week also filed registration statement with SEC for 2.25-million-share public offering, with proceeds to be used "to finance the company's store expansion plans and for general corporate purposes." Offering is to include 1.8 million shares offered in U.S. and 450,000 offered outside U.S., and underwriters have option to purchase up to 337,500 additional shares.

Much of Best Buy's sales gain has come from rapid expansion, which saw 38 stores added in most recent fiscal year (to total of 114), including 14 in Chicago area. Pattern continues as company, in addition to previously announced expansion plans in its core Midwestern markets, including first move into Detroit and addition of 10 stores to Chicago base (TVD Jan 18 p13), is moving into new region.

BB Chmn. Richard Schulze confirmed in interview that Atlanta will be hub for new southeastern region; company will build distribution center there next year, when it adds 2 more stores. BB has signed leases for

"most" of 7 stores it plans for this year, which will include BB's latest 45,000 megastore format. He said decision was spurred in part by real estate availability stemming from drug discounter Phar-Mor's decision to shut its Atlanta stores. Schulze confirmed hiring of Kenneth Weller, Vp of Sales for The Good Guys, to head up "a new region for the company." When it enters Atlanta, BB will compete most directly with Circuit City, Roberds and Hifi Buys, along with raft of discounters, dept. stores, warehouse clubs.

Move to Atlanta sets stage for southeastern expansion, which should move into full force in 1994, since Schulze said minimum of 25-30 stores is needed to support distribution center. He reiterated BB's goal of becoming national retailer, acknowledging that company has "been looking at the West Coast for a year."

In addition to proceeds from stock offering, Best Buy will finance expansion with \$44 million gained from last week's completion of sale/leaseback transaction involving 17 company-owned stores.

* * * * *

Good Guys' 2nd-quarter earnings tumbled 53% on 0.3% sales decline (see financial table) as slumping Cal. economy continued to take toll of chain's operations. Pres.-CEO Robert Gunst said sales slump "is reflective of the impact the California economic climate is having on consumer psychology. Despite this pressure on sales and our need to maintain the aggressive competitive pricing that this environment requires, we were able to manage our cost structure and retain a reasonable level of profitability." He expressed confidence that Cal. "is an outstanding long-term marketplace" for chain. Company plans to open 2 Southern Cal. stores -- in Torrance and Studio City -- this quarter.

HOME GHOSTBUSTER NEXT YEAR? Philips Labs demonstrated first prototype TVs with built-in ghost-cancellation circuitry at NAB convention last week, displaying large-screen sets receiving ghost-canceling reference (GCR) signal beamed over air live to convention center by 5 Las Vegas stations.

Amihai Miron, dir. of electronic systems research, said first product introductions are possible in high-end sets early next year. He predicted there also would be strong impetus later for set-top ghost-cancelling converters to retrofit existing TVs.

Comparing evolutionary development of ghost-cancelling circuit boards with those of picture-in-picture (PIP) feature, Miron said industry ultimately was able to reduce cost of PIP circuit board to "less than \$50 -- which is our target for a ghost-canceler in a TV set." Present ghost-cancelling circuit board is based on chip that performs work of 450,000 transistors, measures 2.2" square, has internal clock speed of 57 MHz, Miron said.

Immediate objectives at Philips Labs are to reduce power supply and make chips sufficiently cost effective for mainstream product introduction next year, Miron said, declaring that "we have a practical ghost-canceler that can begin its life in the United States." Although Philips Labs is subsidiary of Dutch-based corporate giant, he said, "practical solution" to ghost problem was "pioneered" by American engineering.

Funco, Midwestern retailer of new and used videogames and related equipment, announced it will open its first 6 stores in Detroit area by end of next month, another 6 there by July 1. Minn.-based company currently operates 56 stores in metropolitan areas of Dallas-Ft. Worth, Chicago, Milwaukee, Minneapolis-St. Paul. Company said it will announce further openings later, with goal of 100 stores by end of 1993.

Delegation of 28 companies under sponsorship of Hong Kong Trade Development Council (HKTDC) will be featured in display at Sumner Consumer Electronics Show. Companies in last year's HKTDC exhibit wrote \$114 million in on-the-spot orders, group said. U.S. last year accounted for 25% (\$6.7 billion) of Hong Kong's electronics exports.

SONY TO PROTEST KODAK JAPANESE PATENT: Sony said it will file objection to decision by Japanese Patent Agency to recognize patent claimed by Eastman Kodak on recording heads with gap of less than 0.3 microns. Kodak earlier was turned down in bid for similar patent on heads with gap of less than 0.38 microns, application that was opposed by 23 Japanese companies including Sony.

Kodak recently filed suit against Sony in U.S. Dist. Court, Marshall, Tex., charging infringement of U.S. patent that was granted in 1991 (TVD April 5 p18). Sony and others have objected that Kodak's patent applications had been rejected previously in Japan and Europe "because similar technology had been in the public domain... long before Kodak filed for its patent."

Perusal of spec sheets would seem to indicate that principle is applicable to all consumer VCRs, not only Super VHS and Hi8 models, as originally presumed. In suit, Kodak seeks injunction and unspecified treble damages from Sony, saying Sony challenged validity of patent -- on technology it said was discovered by James Lemke at Kodak's former Spin Physics subsidiary -- only after long negotiations.

Poor timing: In view of dispute over use of computers and other electronic products in airliners, full-page ad by AST Computer in April 20 Wall St. Journal could give wrong impression. "You Can Take Any Notebook on a Plane," headline reads, "With Ours, You Can Fly It." Text says that PowerExec notebook Model 4/25SL "actually gives you enough power to autopilot a jumbo jet."

Proton won a National Image Award for 1993 from Taiwan govt. for developing digital IDTV set after 5-year, \$4-million effort, govt.'s Free China Journal said. Proton was only consumer electronics company among 5 winning award. Journal said overseas markets account for 70% of company's sales, which total \$1 billion annually, of which 7% is spent on R&D.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 111 yen = \$1, except where noted.

LASERDISC MARKET SLUGGISH: Overshadowed by hoopla surrounding multimedia, laserdisc format appears stuck in neutral. While software companies say they haven't seen declines in disc sales, EIA said player shipments to dealers for first quarter fell 18.4% to 43,703 from year-earlier 55,538. For first week of April, Assn. reported abysmal sales of 458 units, down 81% from year-earlier 2,413. Japanese laserdisc player exports to U.S. for first 2 months of year were down 43.9% to 26,759 from 47,719.

Other factors besides lack of demand could account for poor hardware sales figures. Pioneer, which has claimed 70% share of laserdisc player market, has seen increase in sales this year, Senior Mktg. Vp Michael Fidler told us. Since so few companies report player sales to EIA, he said, figures could be thrown out of whack if one supplier fails to furnish numbers. As result, he said he plans to seek recount for April 3-9 week. EIA figures don't include karaoke, "almost all" of which is sold to consumers and accounts for about 15% of Pioneer player sales, he said. Industry observer also theorized that hardware companies could be out of stock, awaiting new models.

Even so, LD player sales have been stuck in 200,000-unit range for last couple of years. "There's no question that laserdisc players aren't selling as quickly as people want them to," U.S. Laser Pres. David Goodman said. FoxVideo, which last year purchased warrants to buy equity stake in its laserdisc distributor Image Entertainment, is "very concerned" about hardware market, Senior Operations & Administration Vp David Goldstein said. He attributed slow sales growth to "massive" confusion because of hype surrounding potential of 5" CD as movie medium.

"In my opinion, any kind of significant hardware and software [involving full-length movies on CD] won't be available for close to 5 years," Goldstein said. "The first solution has to be technical, and after that it's a market-driven business." Ideal player, he said, would accept laserdiscs and 5" audio/video CDs. Pioneer is taking something of that approach with LaserActive system, which consists of laserdisc/CD combi player with optional add-ons to play software in formats such as Sega CD, TurboGrafx CD-ROM and LaserKaraoke (TVD Jan 18 p15, Jan. 11 p10).

For now, though, it's up to Laserdisc Assn. (LDA) to clear up confusion and present laserdisc as viable format to consumers, Goldstein said. However, LDA is undergoing reorganization since resignation of Dir. Margaret Wade earlier this year after she was appointed Warner Music Group media relations dir. Replacement for Wade is being sought, said Goldstein, who is on LDA board. In addition, LDA Chmn. Geoffrey Holmes reportedly won't continue in that post because of his reassignment within Time Warner as senior technology vp; we were unable to reach Holmes at deadline.

Sony still hasn't determined its course for entering videogame hardware business, Sony USA Pres. Michael Schulhof said last week. He said company has had discussions with proponents of various systems, including some that haven't been disclosed publicly. Whatever platform Sony ultimately adopts, though, Schulhof said that for system to succeed "it must take an appliance approach" that stresses single central function rather than range of capabilities. "If it becomes too multifunctional," he said, "the consumer doesn't know how to relate to it."

HIGH-END VCRs GAIN: VCR Plus appears to be growing rapidly as built-in feature for VCRs. It has increased monthly as percentage of VCR sales for each of 3 months EIA has assembled data, rising from 10.9% of sales to dealers in Jan. to 13.5% in March, for overall 12.1% gain for first quarter.

Plain-vanilla 2-head mono VCRs represented just under 1/3 of total in quarter, at 33%. Four-head mono VCRs rose to 45.1% of total in March from 43% in Jan., while stereo stood relatively steady, ending quarter at 23.5% of total. S-VHS continued to be negligible factor, at 0.8%. Here are unreleased EIA data on sales to dealers:

VCR DECK FEATURES -- FIRST-QUARTER SALES

Month	2-Head Mono	4-Head Mono	Stereo	S-VHS	VCR Plus
January...	33.1%	43.0%	23.9%	0.6%	10.9%
February...	33.9%	42.3%	23.8%	1.1%	11.8%
March.....	32.1%	45.1%	22.8%	0.6%	13.5%
1ST QTR..	33.0%	43.6%	23.5%	0.8%	12.1%

In camcorders, full-size sales fell to 21.5% of total in March after brief revival (at 29.2% in Feb.), representing less than quarter of sales for first quarter.

CAMCORDER SALES, FIRST-QUARTER 1993

Month	Total	Fullsize	%	Compact	%
January....	167,318	40,608	24.3	126,710	75.7
February...	158,484	46,275	29.2	112,209	70.8
March.....	214,967	46,395	21.5	168,572	78.4
TOTAL....	540,769	133,278	24.6	407,491	75.4

Inventories of camcorders were down to 221,000 at end of first quarter, about 1/3 of their high point in 1991, and representing about 6 weeks' supply at current sales rate. VCR deck inventories, at below 650,000, were less than 4 weeks' supply.

Apple Chmn. John Sculley said cost of building high-definition TV sets will keep HDTV from "commercial viability in this century." In news conference following keynote address at last week's NAB convention in Las Vegas, Sculley said he questions whether "very high set costs are going to come down anywhere within the range of what average people are going to want to spend for a TV set. I don't think we have a clue about how to build HDTV." Overall, he said, "my sense is that no one has demonstrated the slightest inkling of how to make money in HDTV." In NAB speech, Sculley said broadcasters, instead of focusing on HDTV, should examine using compression technology to split channels into 3 NTSC-quality signals, setting stage for range of interactive services. (Further coverage of Sculley's keynote and rest of NAB appears in Broadcast section.)

Kyocera Electronics and Yashica, subsidiaries of Kyocera International, have been merged into single company operating under Kyocera Electronics (KE) name in Somerset, N.J. Kyocera International Pres. Rodney Lanthorne also will be pres. of new subsidiary. Mike Okune, pres. of former Kyocera Electronics, now is pres. of KE's Information Systems Div., responsible for sales, mktg., engineering and service of Kyocera's page printers and consumer peripherals. Yashica Pres. William Heuer now is pres. of KE's Yashica Optical Div., responsible for Yashica and Contax cameras and optical systems.

Consumer Electronics Personals

Irv Fulton retires as exec. vp, Hitachi Home Electronics America, will continue as board member and adviser to Pres. **Takehiko Kataoka**; **Gary Bennett** dir.-national accounts sales, promoted to vp-sales... **Bernard Appel** retires as Radio Shack chmn. and Tandy senior vp June 30, will continue through 1996 as Tandy consultant... **Kenneth Weller**, vp-sales, Good Guys, joins Best Buy, as head of new region.

James DeMerlier chooses early retirement as Minolta U.S.A. mktg. vp, **Ed Daley**, former national accounts dir., taking over marketing, ad and PR functions in moving of Photographic Div. into Sales, Service, Planning and Administration & Support Subdivisions in reorganization under new Minolta USA Pres. **Hiro Fujii** (TVD April 5 p20). New organization of Photo Div. (which includes camcorders), under Vp-Gen. Mgr. **Sonny Taniuchi**; **Robert Lathrop** continues as sales vp, heading Sales Subdivision; **Jon Sienjewitz**, ex-regional sales mgr., named dir., Service Subdivision; **Masataka (Mack) Omori**, planning mgr., heads Planning Subdivision; Daley heads Administration & Support Subdivision, with **Michael Wilson**, ex-national accounts mgr., heading Administrative Services & Support Dept.

Gene Kelsey, asst. gen. mgr., Panasonic portable audio, reportedly will shift to new Panasonic marketing post related to 3DO multimedia project, audio duties to be assumed by **Reid Sullivan**, national mktg. mgr. for portable audio... **Ken Furst**, ex-Denon America mktg. vp, named acting exec. dir., Home Theater Industry Assn... **David DelGrosso**, ex-Luxman and Image Entertainment, appointed exec. vp, Video Snap, L.A.-based video products supplier... Additions at Memtek: **John Cameron**, ex-Sanyo Energy Co., as electronics product mgr.; **Ann Peters**, ex-Venture stores, as accessories product mgr... **Harry Klane**, ex-Mitsubishi Professional Audio Group, joins Denon America as national sales mgr., professional products... Promoted at Sears: **Alice Peterson** to vp-treas., succeeding **Edward Condon**, retiring; **Thomas Wilson** to vp-strategy and analysis, replacing **Jane Thompson**, promoted to exec. vp-credit, Sears Merchandise Group... **Leeann Lavin**, ex-Dorf & Stanton, named Sony PR dir., serving Consumer Products Group.

Margaret Wade resigns as dir., Laser Disc Assn. (LDA), to devote full time as media relations dir., Warner Music Group, will assist LDA in transition until successor is named... **Jeff Pietrzky**, ex-Warner Home Video Western regional sales mgr., joins Technicolor Video Services as sales vp... **Trisha Fergusson**, ex-Warner Home Video, named fulfillment coordinator, MGM/UA Home Video... Changes at Cabin Fever Entertainment: **Robert Bantle** promoted to senior vp; **David Savoca** named mktg. dir.; **Ralph Rossi** appointed national sales supervisor, special markets.

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Sun TV shareholders will vote at June 29 annual meeting whether to authorize increase in number of company's shares to 30 million from 10 million, which could lead to stock split shortly thereafter. Company's board is recommending move, and says it "intends to consider" stock split if increase is approved. "In light of the current market price, members of the board believe it would be prudent to consider a stock split," Sun said. "However, the decision on whether to split the stock as well as the timing and amount of any split will depend on circumstances at the time of the June 29 meeting."

FEB. AUDIO SALES UP SLIGHTLY: Factory sales of audio products rose less than 1% in Feb., as double-digit gain in systems was offset by declines in portable audio and components.

EIA Mktg. Services Dept. said overall Feb. factory dollar volume inched up 0.9% to \$476.88 million. Systems were strongest performer, gaining 10.9% to \$99.88 million. Also in plus column was aftermarket autosound, which rose 3.8% to \$109.37 million. However, components continued downward, falling 2.9% to \$114.8 million. Portable audio declined 3.6% to \$154.84 million.

For first 2 months of year, overall sales were down 6.7% for year earlier. EIA said year-to-date figures for components and overall totals reflect downward revision in Jan. component sales to \$111.9 million from previously published \$112.7 million. Components market fell 7.5% to revised \$226.73 million from \$244.99 million and portables dropped 3.8%. Sales of systems moved up 9.9% to \$192.54 million, and aftermarket car stereo dollars rose 1.6% to \$205.1 million.

Here's EIA breakdown of factory audio dollar volume for Feb. and revised figures for year's first 2 months:

FACTORY SALES OF AUDIO EQUIPMENT (add 000)

Product	Feb. 1993	Feb. 1992	% Chg.
Portable audio*	\$154,841	\$160,638	- 3.6
Components	114,796	118,283	- 2.9
Systems	97,877	88,233	+10.9
Autosound (aftermarket)	109,365	105,371	+ 3.9
TOTAL	\$476,879	\$472,526	+ 0.9
	2 Mo. '93	2 Mo. '92	% Chg.
Portable audio*	\$307,094	\$319,304	- 3.8
Components**	226,733	244,989	- 7.5
Systems	192,544	175,240	+ 9.9
Autosound (aftermarket)	205,120	201,928	+ 1.6
TOTAL**	\$931,490	\$941,461	+ 6.7

* Includes home radio.

** Year-to-date figures reflect revisions in Jan. 1993 components data.

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FCC said it would hold retailers responsible for helping to enforce ban on use of radio scanners that can intercept telephone conversations. Action, taken in response to legal requirement in Telephone Disclosure & Dispute Resolution Act, is designed to increase privacy protection without unduly restricting legitimate uses. Rules require scanners to be incapable of tuning to frequency bands allocated to cellular. Applicants for equipment authorization will be required to include statement describing safeguards in receivers. Ban wouldn't apply to law enforcement or cellular maintenance equipment. Scanners covered by rules include those that can switch automatically among 4 or more frequencies in 30-960 MHz band. FCC said it would hold retailers responsible for marketing only certified equipment. "Any retailer marketing a scanner that also performs alterations to that scanner so customers can receive cellular frequencies would be violating FCC rules and the Communications Act," Commission said.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
AT&T			
1993-qtr. to March 31	15,719,000,000	(5,644,000,000)	— ^a
1992-qtr. to March 31	15,375,000,000	883,000,000	.67
Apple Computer			
1993-26 wk. to March 26	3,974,186,000	272,241,000	2.25
1992-26 wk. to March 26	3,578,637,000	301,096,000	2.45
1993-13 wk. to March 26	1,973,894,000	110,900,000	.92
1992-13 wk. to March 26	1,716,025,000	135,078,000	1.09
A. H. Belo			
1993-qtr. to March 31	122,840,000	13,870,000	.70 ^b
1992-qtr. to March 31	114,708,000	6,453,000	.33 ^b
Best Buy			
1993-year to Feb. 27	1,619,978,000	19,855,000	1.71
1992-year to Feb. 29	929,692,000	9,601,000	1.00
1993-13 wk. to Feb. 27	613,625,000	10,776,000	.92
1992-13 wk. to Feb. 29	339,929,000	5,108,000	.44
BHC Communications			
1993-qtr. to March 31	89,581,000	75,918,000	2.92 ^b
1992-qtr. to March 31	55,662,000	17,925,000	.65
Blockbuster Entertainment			
1993-qtr. to March 31	391,089,000	39,193,000	.20
1992-qtr. to March 31	253,966,000	25,679,000	.15
BMC Industries			
1993-qtr. to March 31	46,021,000	13,548,000	2.28 ^b
1992-qtr. to March 31	47,207,000	726,000	.13
Capital Cities/ABC Inc.			
1993-qtr. to March 28	1,178,337,000	58,372,000	3.55
1992-qtr. to March 29	1,095,421,000	(101,489,000)	— ^a
Chris-Craft Industries			
1993-qtr. to March 31	96,285,000	49,501,000	1.81 ^{bc}
1992-qtr. to March 31	61,056,000	10,689,000	.39 ^c
Cohu			
1993-qtr. to March 31	17,273,000	1,319,000	.64
1992-qtr. to March 31	12,253,000	198,000	.10 ^a
Comsat			
1993-qtr. to March 31	166,300,000	19,600,000	.97 ^b
1992-qtr. to March 31	127,900,000	15,500,000	.80
Electronic Arts			
1993-year to March 31	298,386,000	30,858,000	.65
1992-year to March 31	175,094,000	18,688,000	.42
1993-qtr. to March 31	86,581,000	8,595,000	.17
1992-qtr. to March 31	47,999,000	5,322,000	.11
General Instrument			
1993-qtr. to March 31	303,244,000	11,410,000	.39 ^b
1992-qtr. to March 31	233,316,000	(28,312,000)	—
Good Guys			
1993-6 mo. to March 31	285,085,000	5,566,000	.44
1992-6 mo. to March 31	269,338,000	5,333,000	.41
1993-qtr. to March 31	116,402,000	352,000	.03
1992-qtr. to March 31	116,705,000	749,000	.06
Gray Communications Systems			
1993-9 mo. to March 31	18,832,000	2,526,000	.82
1992-9 mo. to March 31	17,304,000	(1,268,000)	— ^d
1993-qtr. to March 31	5,646,000	1,021,000	.33
1992-qtr. to March 31	5,521,000	(2,090,000)	— ^d
GTE Corp.			
1993-qtr. to March 31	4,826,000,000	460,000,000	.48
1992-qtr. to March 31	4,823,000,000	(2,048,000,000)	— ^a
Heritage Media			
1993-qtr. to March 31	59,520,000	(2,522,000)	—
1992-qtr. to March 31	52,422,000	(7,191,000)	—
Jones Spacelink			
1993-9 mo. to Feb. 28	112,687,000	(7,795,000)	—
1992-9 mo. to Feb. 29	124,294,000	10,174,000	.13
1993-qtr. to Feb. 28	40,045,000	(2,103,000)	—
1992-qtr. to Feb. 29	60,531,000	33,026,000	.43
KOSS			
1993-9 mo. to March 31	23,188,163	1,772,201	.52
1992-9 mo. to March 31	19,332,812	499,031	.16
1993-qtr. to March 31	7,120,178	405,493	.11
1992-qtr. to March 31	5,462,029	(26,087)	—

Company & Period	Revenues	Net Earnings	Per Share
Lee Enterprises			
1993-6 mo. to March 31	181,256,000	18,004,000	.77
1992-6 mo. to March 31	178,979,000	15,967,000	.69
1993-qtr. to March 31	84,909,000	6,501,000	.28
1992-qtr. to March 31	84,776,000	6,342,000	.27
Oak Industries			
1993-qtr. to March 31	59,223,000	5,015,000	.06
1992-qtr. to March 31	35,983,000	5,985,000	.07 ^b
Pulitzer Publishing			
1993-qtr. to March 31	93,591,000	3,696,000	.32 ^b
1992-qtr. to March 31	92,508,000	(23,931,000)	— ^a
Time Warner			
1993-qtr. to March 31	3,258,000,000	(15,000,000)	—
1992-qtr. to March 31	3,007,000,000	3,000,000	— ^c
Times Mirror			
1993-qtr. to March 28	868,403,000	29,784,000	.23
1992-qtr. to March 29	842,377,000	(89,789,000)	— ^e
Tribune			
1993-13 wk. to March 28	434,548,000	29,651,000	.38
1992-13 wk. to March 29	470,438,000	(1,184,000)	— ^a
TRW			
1993-qtr. to March 31	2,029,000,000	51,000,000	.79
1992-qtr. to March 31	2,033,000,000	(313,000,000)	— ^a
United Television			
1993-qtr. to March 31	28,098,000	13,167,000	1.28 ^b
1992-qtr. to March 31	24,923,000	(2,127,000)	—

Note: ^aAfter special charge. ^bIncludes special credit. ^cAdjusted. ^dRestated. ^eRestated; after special charge.

APPEL AND FULTON TO RETIRE: Two consumer electronics stalwarts -- Radio Shack Chmn. Bernard Appel and Hitachi Exec. Vp Irv Fulton -- have announced retirements, coincidentally after each had been in business for 33 years. News comes within days after Panasonic announced impending retirement of Senior Vp Ralph Wolfe after 24 years with company.

Appel will retire from parent Tandy Corp. June 30, but will be consultant to Tandy Chmn. John Roach through 1996. He started as Radio Shack buyer well before company was purchased by Tandy, became pres. in 1984. He was named Tandy senior vp and Radio Shack chmn. at beginning of 1992, with company being run by 3-headed Office of the President (TVD Jan 6/92 p14) since then. According to report in Ft. Worth Star-Telegram drawn from Tandy proxy statement, Appel will be paid \$200,000 per year to consult, and will be free to consult with other retailers outside consumer electronics industry.

Fulton has been with Hitachi Home Electronics America (HHEA) for 14 years, last 5 as exec. vp. He will continue with Hitachi as adviser to Pres. Takehiko Kataoka and member of HHEA board. Before joining Hitachi, he was with Philco-Ford, GTE Sylvania, Luskins.

Sales to dealers crashed in first week of April, all color TV categories except VCR combos, but including projection, setting lows for any week in 1992 or 1993 to date, VCR decks below 100,000 for first time in recent memory and laserdisc players at 458 setting new weekly low since EIA began gathering statistics. Letdown in first week of 2nd quarter is customary, and first week of April this year was Easter Week, notoriously poor sales week for hard goods. Last year, Easter fell on April 19 as opposed to April 11 this year.

Polaroid increased sales of videotape in first quarter, company said in reporting \$2.63 million loss for period, compared with \$130,000 net profit in 1991 period on sales of \$284.4 million, up 8.6%.