

TELEVISION DIGEST®

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

With Consumer Electronics

IN THIS ISSUE: Warren Publishing's List of Top 100 Cable Operators

JUNE 7, 1993

VOL. 33, NO. 23

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

FCC THREATENS DELAY in cable rate regulation until Oct. unless Congress moves quickly on supplemental. Agency says \$1-billion annual consumer benefit is threatened by its lack of \$12 million. (P. 1)

MUST-CARRY FIGHT SPREADS: Courts disagree on delaying order. ABC, like others, will demand fees. Decisions by other MSOs mean more than 50% say they won't pay. (P. 2)

TOP 100 MSOs' basic cable subscribers increase, Warren Publishing list shows, more than doubling previous 6 months. Addressability now at 37.4%. (P. 4)

FOX TOUTS SUCCESS at affiliates meeting. Padden says network added 'billions of dollars in increased equity value' for UHF TV stations. Cable carriage deal pushed. (P. 6)

AT&T PLANS VIDEO SERVER: Full-motion video storage system would ease video-on-demand, telco entry. Viacom to test new product next year in its Cal. cable testbed. (P. 7)

CABLE RATES APPEALED in 2nd round of court actions. Century and Daniels say FCC exceeded statutory authority. More appeals likely. Early action may be effort to keep case in D.C. (P. 8)

FCC MISREAD RATE RULES with expanded basic benchmark, Mooney says, and rules hurt 'good actors.' Cities looking for cooperation. (P. 9)

FCC THREATENS RATE REGULATION DELAY IF CONGRESS STALLS: FCC is seriously considering delaying effective date of cable rate regulation to Oct. 1, from currently scheduled June 21, because of "severe resource problems," all 3 FCC commissioners said in letters to key House and Senate members Fri. Letters seek quick action on FCC's proposed \$12-million supplemental appropriation, possibly by Senate, saying agency doesn't even have enough staff now to send out complaint forms to consumers, let alone handle expected "deluge" of complaints (estimated at 570,000 if just 1% of subscribers complain). Delaying effective date would mean extending current rate freeze at least until Oct. 1, letters said.

Delay is one of 2 options available to Commission, letters acknowledged; other is allowing cable rate regulation to start on schedule June 21, but notifying consumers and local franchising authorities that FCC responses and certifications of local authorities "will be substantially delayed pending supplementary funding and training of additional employees." Commissioners also said that such action would require delaying enforcement of most of Cable Act rules that aren't rate-related but already are in effect.

Consumer Electronics

CES IS MULTIMEDIA WORLD, completely dominating Chicago event. Thomson working with IBM on future products. (P. 12)

RCA JOINS MINIDISC camp with play-only portable developed with Sanyo. (P. 13)

EIA UPS FORECASTS for record 1993, sees consumer electronics factory sales close to \$40 billion, bringing good news to CES. (P. 13)

BEAT-THE-CAPTION RACE seen as domestic assembly of color TV sets jumps 30% from last year in first quarter, constituting 55% of total supply. (P. 15)

LITHIUM-ION BATTERY manufacturers expand in Japan, seeing market expanding to more than 50 million units -- used mainly in camcorders and cellular phones -- in 2000 from 8-9 million this year. (P. 15)

AUDIO/VIDEO AFFILIATES say profit soared 142% in first quarter as sales rose 22%. Best Buy fiscal quarter sales jump 80%. (P. 16)

STEREO-SOUND TV doldrums continue as percentage of sets with stereo declines for 4th consecutive month. Stereo in 38.8% of sets sold in May. (P. 16)

BALANCE OF TRADE improves for consumer electronics as exports rise and imports decline. (P. 16)

Letters indicated that Commission is leaning toward delay because "by delaying further implementation to October 1st, we would provide a longer effective time for Congress to determine how it will support funding for the FCC's cable program." Delay could be even longer, letters indicated, because Oct. 1 date assumed that FCC would receive \$16-million supplemental appropriation that it requested for FY 1994, which begins Oct. 1.

Commission noted that rate regulation would save consumers what it estimated to be \$1 billion per year if it took effect on time, but stopped short of saying Congress would be to blame for delay in obtaining such savings. Letters did note that FCC will have completed work "promptly and on schedule" on 32 rulemakings and other items required by Cable Act by end of June, and expects to complete at least 27 more in next few months to "fully implement" Act. It also said that supplemental is "substantially under the \$20 to \$50 million annual cost estimate prepared by the Congressional Budget Office."

FCC already is operating under \$18-million budget shortfall for FY 1993, letters said, forcing hiring freeze, "early-out" retirement program and need to furlough all employees up to 5 days. That means that Commission can't shift staff to work on rate regulation "without a devastating impact on other areas of responsibility," letters said. Even if staff were diverted, there aren't enough persons with "necessary skills to process rate complaints," commissioners said. FCC plans to hire contractors for various technical support services, they said, but "we do not believe it would be appropriate to do so since funds necessary for contracting would increase the number of days the FCC staff would have to be furloughed."

Letters include long list of attachments, most added at suggestion of Comr. Barrett, detailing FCC activities to implement Act and decline in full-time equivalent FCC staffers from 2,225 in 1980 to projected 1,689 in 1994. Supplemental would pay for 240 additional full-time equivalents, and attachments indicate that if they're not provided, following changes would have to occur: (1) In Mass Media Bureau, it would take 25% longer to process applications and complete rulemakings and 30% longer to resolve complaints and review EEO data. (2) Common Carrier Bureau would experience "severe delays and reduced oversight" in handling Uniform System of Accounts, 50% hike in MDS processing time, 25-50% delay in handling other activities. (3) Administrative law judges would need to spend 50% of their time on cable-related hearings, causing "significant delays" in other proceedings. (4) Private Radio Bureau and Field Operations Bureau would experience 20% delays.

Hill sources indicated that they may consider user fees again as source of income for FCC. Commission's programs lag behind other regulatory agencies in increasing their fees, sources said. Although measure allowing FCC to raise \$65 million through fees passed House 2 years ago, it was blocked in Senate where Commerce Committee Chmn. Hollings (D-S.C.) opposes user fees. It was Hollings' opposition, in part, that led to House Appropriations Committee determination not to allow Commission to impose cable user fees to pay for regulation program. Now, with FCC's budget crunch, Hill sources speculated Hollings may be open to new suggestions on fees.

MUST-CARRY/RETRANSMISSION CONSENT FIGHT WIDENS: Must-carry/retransmission consent wars continued to heat up last week as more broadcasters said they would demand retransmission fees, more cable operators said they wouldn't pay them and 2 courts in Cal. disagreed on whether implementation of rules should be delayed. Addition of Time Warner, MultiVision and Colony to list of MSOs that said they wouldn't pay fees means that cable operators with more than 50% of all subscribers have taken public pledge against fees. And addition of Cap/ABC to list of station owners saying they will demand fees means that stations owned by all 3 networks -- plus many others -- say they won't be carried on cable without fees.

Announcements mean that 13 MSOs, including 5 of top 6 and 12 of 20 largest, have said publicly that they won't pay cash fees. Others announcing that they wouldn't pay included Coaxial, Comcast, Continental, Crown, Harron, Jones, KBLCom, MultiVision, TCI, TeleCable, Viacom. TW will arrange for "suitable" substitute programming if it's forced to drop TV stations, and "will take steps to provide our customers with the ability to receive off-air signals," TW Cable Chmn. Joseph Collins said. "We are hopeful broadcasters will choose to be carried on our systems." Even though TW won't pay cash, Collins said it's open to agreements on channel positioning and "similar issues."

ABC became 3rd network to say that its stations would demand retransmission fees from cable operators, following NBC and CBS. "Our decision... flows from the conviction that our broadcast signals have significant value to television viewers, irrespective of how they receive our telecasts," Best. Group Pres. Michael Mallardi said. "The value we will seek will be consistent with the basic cable programming fees and, except for extraordinary market circumstances, will be applied uniformly across each of our

markets." Mallardi said negotiations could include "various options that can only be refined by definitive discussions." Other broadcasting groups also said they would seek retransmission fees, including Meredith and Benedek Bestg. Five-station Spartan group earlier said it would demand fees.

Conflicting decisions on must-carry by 2 Cal. courts, one of which differs from that of U.S. Dist. Court, D.C. (TVD May 3 pl), could set stage for either rapid sprouting of similar suits or quick appeal to U.S. Supreme Court, industry observers said. U.S. Dist. Court, San Francisco, June 1 granted Viacom stay of must-carry rules pending full-fledged appeal, but U.S. Dist. Court, L.A., same day rejected similar request by Times Mirror subsidiary.

It's "beyond all doubt" that Viacom raised "serious First Amendment questions" in its appeal of must-carry rules, U.S. Dist. Judge Eugene Lynch, San Francisco, said in granting Viacom temporary restraining order: "The proposition that cable television operators engage in speech protected... by the First Amendment is now too well settled to be questioned." Lynch, in decision concurred in by 2 other judges who will hear appeal, also said extent of First Amendment rights is "unsettled" and decision on appeal will depend on whether cable is judged to be more like newspapers or like broadcasters. Viacom claims will be heard by panel June 28 under expedited schedule.

In L.A., U.S. Dist. Judge Manuel Real refused to grant similar restraining order to TM subsidiary Dimension Cable, which has 32,000 subscribers in Orange County. Real indicated that he wasn't persuaded that cable operators would suffer irreparable injury if must-carry took effect as scheduled, and questioned whether Dimension would win on merits. Oral argument is set for June 21, with first filings due June 10.

Divergence among U.S. district courts on must-carry "virtually guarantees very quick appeals to the Supreme Court," CATA Pres. Stephen Effros said, but NAB Exec. Vp-Gen. Counsel Henry Baumann said divergence isn't that clear because U.S. Appeals Court, D.C., ruled on overall issue of whether any must-carry rules are constitutional, while courts in Cal. acted on facts of specific cases. San Francisco decision could encourage similar suits by other cable operators, Baumann acknowledged, but fact that L.A. court disagreed means victory won't be automatic. Effros said "there's the potential to possibly see this kind of suit all over the country. Either the government will quickly appeal this to the Supreme Court or it will mushroom." Justice Dept. said it won't appeal Viacom order. Key question, INTV Gen. Counsel James Popham said, is whether cable operators "pick this up as a signal to file" similar appeals throughout country: "If they do, we will fight them on every field of battle." NCTA spokeswoman said she "wouldn't be surprised" if San Francisco decision spurred more legal challenges and "in the end, we continue to believe that must-carry will be found unconstitutional."

Meanwhile, must-carry should be granted for smaller area than entire N.Y.C. metropolitan region, Cablevision Systems said in filing asking FCC to grant must-carry for only 5 small stations in local communities rather than throughout metropolitan area. Independent stations involved -- WTBY (Ch. 54) Poughkeepsie, WTZA (Ch. 62) Kingston, WLIG (Ch. 55) Riverhead, WHAI-TV (Ch. 43) Bridgeport and WMBC-TV Newton, N.J. (Ch. 63) -- can assert must-carry throughout Arbitron area of dominant influence (ADI) under Cable Act, but Cablevision said that's excessive. "New York's ADI is not a unified, geographically and politically homogeneous local market," Cablevision Gen. Counsel Robert Lemle said. He said stations provide no local programming with appeal outside their local markets, and national programming is duplicated elsewhere, and forcing Cablevision to carry them throughout metropolitan area would require it to drop cable networks that are more attractive to viewers.

LPTV station is asking FCC to ease rules for cable carriage of LPTVs. Media-Com, licensee of W29AI Akron, said cable operators should be allowed to carry only portion of LPTV station's signal, rather than entire broadcast day, if such agreement is negotiated voluntarily by parties.

FCC issued clarifications of must-carry rules, largely in response to petitions by NAB and INTV, including: (1) TV stations don't forfeit must-carry rights permanently if they don't immediately meet signal quality or copyright indemnification criteria. Must-carry status resumes as soon as problems are solved. (2) Cable operator that says there are signal quality problems must provide detailed description of reception and test equipment used within 3 business days, and faces FCC fines if it doesn't. (3) Signal quality measurements for stations currently being received must be made using current receivers. For new signals, cable operator must use "generally accepted equipment." (4) It "clearly interferes with a broadcaster's... must-carry rights" if broadcaster offers improved antennas and cable operator refuses to use them. (5) Cable operators must continue carrying stations while disputes are resolved. (6) Cable operators must provide estimates of copyright liability, but not "legal judgments" of amount.

TOP 100 BASIC SUBS INCREASE, PAY-TO-BASIC HITS NEW LOW: Basic subscribers at top 100 cable operators have grown 1.6% since Sept. 1, more than double 0.7% gain in previous 6 months (TVD Nov 30 p2), but pay units fell 1.5%, wiping out almost completely 1.8% increase in last survey period. Here are key figures from our latest semiannual survey:

(1) Top 100 had 53,630,776 basic subscribers as of March 1, up 1.6% from Sept. 1, compared with 0.7% and 2.6% increases in 2 previous surveys. Top 100 now serve 57.8% of U.S. TV households, using latest estimates from Arbitron, up from 56.9% and 57.2% in last 2 surveys. Top 100 serve 95.8% of all U.S. basic subscribers, which we estimate to be 56,000,000. (2) Pay units were 37,911,280, down 1.5% from previous gains of 1.8% and 0.81%. Top 100 pay units were up only 0.2% from year ago (TVD May 4/92 p4) and pay-to-basic penetration fell to new low of 71.05% from previous 72.9% and 72.82% ratios. (Note: Our pay unit totals don't include Encore subscriptions on TCI systems.)

(3) Addressability among top 100 is 37.4% of basic subscribers for companies reporting figures. Top 100 have 19,167,173 addressable homes, with most now answering question. Applying rate to industry in general, we estimate addressable U.S. homes total 21 million. (4) Homes passed were 88,201,057, down 0.59%. Almost all of decrease is in our revised estimate of Time Warner homes passed. Basic-to-homes passed penetration rose to 60.8% from previous 59.5% and 61%.

Biggest change in top 100 companies is exit of Storer Cable (last ranked 7) from list. Some Storer systems were consolidated into operations of TCI and TKR Cable late last year, rest now are owned fully by Comcast. Also gone from list is Cooke Cablevision (67), which continues to sell off properties.

Note: We continue to offer most up-to-date cable TV data anywhere, based on our 44 years of tracking details on cable systems. Data are available for use on your own computers or as customized reports. For details, call Lynn Levine or Karen Fahle in our Market Research & Data Sales Div., 202-872-9200.

FIRST 50

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Addressable Homes
1.	Tele-Communications Inc. ^a	10,248,059	5,930,311	17,726,685	180,055	2,675,000
2.	Time Warner Cable ^b	7,100,000	5,100,000	12,000,000 ^c	122,000 ^c	2,500,000 ^c
3.	Continental Cablevision Inc.	2,887,000	2,539,000	4,990,000	52,400	1,400,000 ^c
4.	Comcast Corp.	2,696,000	1,885,000	4,386,000 ^d	53,500 ^d	680,000 ^d
5.	Cablevision Systems Corp.	2,038,833	3,652,447	3,360,836	31,320	1,000,000 ^c
6.	Cox Cable Communications	1,721,386	1,248,684	2,766,937	26,077	642,929
7.	Newhouse Bcstg.	1,356,525	1,115,254	1,926,758 ^d	28,842	668,937
8.	Jones Spacelink Ltd.	1,300,000	939,138	2,007,580	28,000 ^c	499,800
9.	Cablevision Industries Inc.	1,289,906	718,268	1,929,832	31,488	410,819
10.	Adelphia Communications Corp.	1,225,262	657,799	1,782,124	23,000	648,906
11.	Times Mirror Cable TV	1,199,637	735,392	2,053,475	20,465	485,700
12.	Falcon Cable TV	1,086,824	346,362	1,274,770	28,046	377,977
13.	Viacom Cable	1,074,600	730,200	1,704,000	13,700	404,600
14.	Sammons Communications Inc.	940,000	602,326	1,383,050	15,500	346,000 ^c
15.	Century Communications Corp.	927,000	466,000	1,650,000	17,975	203,000 ^c
16.	Crown Media Inc.	813,846	483,189	1,530,962	29,750	475,000
17.	Colony Communications Inc. ^e	772,417	439,243	1,204,082	13,010	289,992
18.	Scripps Howard Cable Co.	675,541	595,850	1,131,199	18,234	272,000 ^c
19.	TeleCable Corp.	673,837	634,322	980,659	13,200	532,396
20.	KBLCOM Inc.	577,552	429,642	1,178,301	9,837	271,970
21.	Lenfest Communications Inc.	571,240	450,452	882,800	10,421	139,253
22.	Maclean Hunter Cable TV	540,714	625,487	1,150,307	9,296	314,122
23.	InterMedia Partners	519,151	313,594	873,116	13,926	104,000
24.	Prime Cable Corp. ^f	518,400	483,689	1,120,183	8,050	485,000
25.	Post-Newsweek Cable Inc.	476,092	289,929	690,000	9,300	172,209
26.	TCA Cable TV Inc.	474,828	242,878	644,585	10,040	N/A
27.	Tele-Media Corp.	452,263	136,172	642,706	9,371	N/A
28.	Wometco Cable Corp. ^g	425,342	265,166	762,940	11,293	174,677
29.	Multimedia Cablevision Inc.	412,752	324,870	685,074	8,750	60,000
30.	Rifkin & Assoc.	364,319	200,822	522,935	9,200	2,300
31.	Triax Communications Corp.	339,987	152,618	524,088	12,674	20,000
32.	TKR Cable Co.	334,052	348,779	472,611	5,247 ^d	104,000
33.	Western Communications	321,353	157,013	424,921	4,354	84,000
34.	C-TEC Cable Systems	252,441	176,113	413,869	9,302	177,288
35.	Service Electric Cable TV Inc.	238,184	80,852	368,000	5,545	56,605
36.	Columbia International Inc.	238,000	191,000	381,400	4,700	160,000
37.	Hauser Communications	225,000	221,000	390,000	3,800	145,600 ^c
38.	Harron Communications Corp.	223,852	143,789	331,313	6,117	117,578

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Addressable Homes
39.	Greater Media Inc.	223,225	198,375	366,546	2,959	169,000
40.	Media General Inc.	216,367	186,495	318,417	4,159	197,378
41.	MultiVision Cable TV Corp.	211,952	158,388	360,034	3,555	129,865
42.	US Cable Corp.	202,363	123,278	342,380	4,917	118,000
43.	Armstrong Utilities Inc.	177,846	98,390	224,699	4,392	0
44.	Fanch Communications Inc. ^d	172,000	80,000	280,000	N/A	N/A
45.	Simmons Communications Inc.	165,462	65,995	240,337	4,349	63,500
46.	Sutton Capital Group	161,000	171,000	270,000	2,440	148,000
47.	Bresnan Communications Co.	156,806	74,966	232,350	4,409	8,366
48.	Northland Communications Corp.	151,698	46,155	210,820	7,500 ^d	9,435
49.	Summit Communications Group Inc.	150,428	93,117	228,979	4,114	5,008
50.	United Video Cablevision Inc.	147,357	75,713	213,540	6,137	35,467
Total—First 50		49,668,699	35,424,522	81,536,200	956,716	17,985,677
SECOND 50						
51.	Blade Communications Inc.	146,861	68,414	234,636	2,168	113,174
52.	McDonald Group ^d	142,548	61,841	208,873	2,500	N/A
53.	Booth American Co.	138,819	67,918	187,385	3,625	16,300 ^d
54.	Marcus Cable Partners L.P.	138,395	84,512	209,495	3,810	35,020
55.	Insight Communications Co.	137,000	87,000	280,000	4,500	37,000
56.	Pencor Services Inc.	134,825	58,566	168,180	5,197	58,566
57.	New Heritage Assoc.	126,227	64,905	250,774	4,137	111,436
58.	Barden Communications Inc.	118,362	246,163	410,087	2,060	108,362
59.	Susquehanna Cable Co.	111,000	67,700	153,500	2,300	61,536
60.	Midcontinent Cable Co.	109,489	41,689	142,609	1,908	N/A
61.	WEHCO Video Inc.	107,688	48,200	150,860	2,535	0
62.	Coaxial Communications	107,664	83,858	197,131	3,566	76,476
63.	Prestige Cable TV Inc.	106,522	40,536	157,796	4,630	66,782
64.	Sonic Communications	106,279	47,226	170,224	1,796	30,000
65.	Douglas Communications Corp. II	105,451	56,250	177,000	4,276	N/A
66.	Chambers Communications Corp.	90,542	30,944	137,474	945 ^d	N/A
67.	Cardinal Communications Inc.	85,569	77,517	121,467	1,879	28,519
68.	Helicon Corp.	81,608	29,000	110,000	2,467	20,000
69.	Buford Television Inc.	81,070	55,779	160,691	6,109	1,941
70.	North Coast Cable	81,000	115,700	214,000	1,035	81,000
71.	James Cable Partners	79,474	29,471	127,231	3,425	N/A
72.	Cablevision of Texas Ltd.	78,037	33,120	125,425	3,968	1,200
73.	Unity Broadcasting Network	77,842	118,656	188,000	546	N/A
74.	Masada Corp.	66,720	29,976	116,748	3,925	N/A
75.	Star Cablevision Group	65,373	47,965	105,414	N/A	N/A
76.	Leonard Communications Inc.	64,750	20,600	100,000	1,500	4,000
77.	Star Cable Associates	63,935	35,291	114,485	N/A	0
78.	State Cable TV Corp.	61,189	23,198	63,000 ^d	1,350 ^d	N/A
79.	Great Southern Printing & Manufacturing Co.	59,430	36,823	83,535	1,525	1,825
80.	Omega Communications Inc. ^d	59,387	24,000	98,000	1,950	N/A
81.	Schurz Communications Inc.	56,232	41,310	73,785	785	32,218
82.	Galaxy Cablevision	56,034	40,814	97,300	2,600	20,000
83.	Wade Communications Inc.	56,000	89,000	156,000	591	56,000
84.	Donrey Media Group Inc.	55,535	28,426	78,400	775	7,100
85.	Twin County Cable TV	55,196	16,219	125,000	2,762	15,546
86.	Cable America Corp.	54,182	38,432	117,474	2,300	21,014
87.	Rock Assoc.	54,000	43,100	80,300	1,100	4,500
88.	Verto Cable TV	54,000	24,000	79,000	932	N/A
89.	Benchmark Communications	53,945	43,431	81,693	1,225	52,866
90.	World Co.	53,125	15,666	64,857	860	16,678
91.	Telesat Cablevision Inc.	52,000	33,000	95,000	1,175	9,500
92.	Americable International	51,360	28,750	102,000	1,029	2,100
93.	National Cable Ltd.	50,295	15,612	62,618	807	19,000
94.	Bill Daniels	50,000	35,696	63,386	671	18,800
95.	Fairbanks Communications Inc.	48,392	20,534	65,623	868	N/A
96.	Amzak Cable ^d	48,000	24,590	85,000	902	23,348
97.	N-Corn	47,529	36,453	84,706	1,182	14,234
98.	WestStar Communications Inc.	45,587	22,921	63,311	914	500
99.	Eastern Connecticut Cable TV Inc.	43,986	20,447	55,309	1,032	14,955
100.	Acton Corp.	43,623	35,539	70,075	850	0
Total—Second 50		3,962,077	2,486,758	6,664,857	102,992	1,181,496
GRAND TOTAL—Top 100		53,630,776	37,911,280	88,201,057	1,059,708	19,167,173

^a Numbers represent TCI & consolidated subsidiaries where ownership interest is greater than 50% as of December 31, 1992. ^b Includes Kansas City Cable Partners & Paragon Communications. ^c Warren Publishing's estimate. ^d As of September 1, 1992 or earlier. ^e Includes Copley Press Electronics Co. figures. ^f Includes G. C. Assoc. figures. ^g Includes Robert M. Bass Group figures.

FOX ENGAGES IN SELF-ADULATION: Affiliates at Fox TV Network convention June 3-4 in L.A. heard themselves praised, along with self-praise, of accomplishments of their network from Chmn. Lucille Salhany and Senior Vp-Affiliates Preston Padden. And, with few exceptions, station executives agreed with what they heard.

Padden said one result of Fox success has been "billions of dollars in increased equity value" for UHF TV stations: "In the end, the only reason that any of our plans and dreams have been fulfilled has been the unity and cooperation" of Fox affiliates. Said Salhany, who became chmn.-CEO in Jan.: "What Fox has accomplished since 1990 is simply staggering..." Network is going to 7 nights of programming, adding Chevy Chase (who entertained at closing party) at 11 p.m. weekdays, starting Sept. 7.

Of Big 3 networks, Salhany said: "We're not ignored anymore. We're real. We're growing... We're the leader among young viewers... The other networks are fighting with everything they've got... I'm happy to say that they are doing their part in helping us achieve our goal" by losing audience share. She said Fox has committed more than \$80 million for theatrical movies for next season and is increasing its in-house production with 7 made-for-TV movies ready or in production, with 10 others in works. Fox also is negotiating for 4 miniseries, she said.

"This company, more than any other company, is ready for the future," Salhany told affiliates. "We are now making the financial investments necessary to ensure that when the 21st Century arrives, we will be one of the few who are thriving... When viewers hear 'Fox Network,' they conjure up an image of a service that is unique, distinctive and that stands out in a crowd." One reason Big 3 are in trouble, she said, is that "the ties that bind them with their affiliates are loosening," that Fox has least number of preemptions among networks "and that's what keeps us strong."

Padden spent great deal of time pitching Fox's retransmission deal with TCI that gives network its own cable channel, plus payment by TCI of 25¢ per month, per subscriber, with 5-1/2¢-to-7¢ of that passed on to affiliates (TVD May 17 p2). Similar deals are being negotiated with other MSOs (none identified), both he and Salhany said. He said affiliates' "unity and cooperation" enabling Fox to secure VHF channel numbers for 80% of its affiliates (large majority of which are UHF stations) is "a giant leap forward for all of us."

Stations were urged by Padden to accept Fox-TCI plan and not to attempt to negotiate their own must-carry deals, saying they would receive "no assurance of carriage anywhere; no assurance regarding channel placement; totally unknown economic benefits... and the necessity of operating in an extremely contentious and hazardous environment without the benefit of the Fox Network umbrella." Affiliates that sign on (and large majority have said that they will) will receive 2 hours daily on Fox cable channel to program as they like and will retain 9 min. per hour (in those 2 hours) for local sale, plus local news updates. Participating stations also will get 5-year affiliation contract, as opposed to normal 2 years, Padden said. He said Fox TV Network programming "as a general rule" won't be shown on cable channel for at least 2 years.

At start of convention, Fox affiliate board endorsed network's cable channel deal with TCI and urged stations to "opt in." Affiliates' Chmn. Gregg Filandrinos, KDNL-TV St. Louis, said: "This is a win-win-win plan..." After his June 3 speech, Padden told affiliates next day that deals had been

signed with 2 more MSOs that he couldn't identify. He said Fox will be out in full force at NCTA convention in San Francisco this week, expects to sign other MSO deals and make joint announcement there (where Fox has news conference set for June 8).

As upbeat convention was going on in L.A. -- with Salhany stressing upcoming news magazine *Front Page* (debuting June 26) and other news efforts -- it was reported in Washington that Fox News Service had informed 20 of 29 employees there that their jobs would be terminated June 11. However, Fox said many of those persons would be picked up elsewhere at Fox-owned stations that are expanding their local news.

Stanford Telecommunications (ST) said its Custom Products Div. had completed prototype acceptance of "voice over CATV" equipment for undisclosed "major telecommunications customer" that it will identify "in the near future." System allows cable providers to transmit voice services locally to homes via existing cable infrastructures, ST said. Company said it had been selected as developer of baseboard processing functions for Headend and Subscriber Modems. ST's Subscriber Modem -- which will be installed in homes -- will transmit and receive voice signals between headends and subscriber's telephone. ST's Headend Modem has "burst communication" capabilities to transmit and receive voice signals to and from multiple Subscriber Modems. Company said it's shipping prototypes and expects production versions of Subscriber and Headend Modems to begin this month.

Evidence developed by FCC to bolster its 6 a.m.-midnight ban on broadcast indecency "does not support" restriction of such speech on public radio, group of public broadcasters told U.S. Appeals Court, D.C. Case is set for oral argument Sept. 13. Group said that when agency devised rationale for ban, it put great weight on number of children in listening audience but "disregarded the fact that children do not listen to public radio in appreciable numbers... Therefore, restricting the broadcast of indecent speech on public radio is neither necessary nor constitutional." Brief also said govt. has: (1) "No legitimate interest" in prohibiting children from hearing or viewing "nonobscene" materials "contrary to wishes of their parents." (2) "No compelling interest in protecting the privacy of home sufficient to suppress protected speech."

NABET has delayed signing new 4-year agreement with Cap/ABC because 2 of its 15 units haven't ratified contract. Dissident units (with only 19 employees combined of 3,000 NABET members who work for Cap/ABC) are publicists in N.Y. and AM writers-producers in San Francisco. NABET negotiators last month approved agreement, which called for 5% bonus if contract were ratified by June 5 and 3%-3-1/2% raises each of next 3 years, subject to ratification by all 15 units. Meanwhile, Cap/ABC announced June 3 that it would put agreement into effect June 12 within 13 units which have ratified it, but that bonus wouldn't be paid until NABET has signed new contract. Network also filed unfair labor practices charge against union with NLRB.

Cable operators should have until first billing cycle after June 21 to adjust cable rates, Continental said in petition for reconsideration of FCC rate regulation rules. Filing said June 21 is too early for operators to understand fully what adjustments need to be made, and billing firms such as CableData can't show all changes on customer bills that soon. Result will be "enormous upsurge in customer confusion" and "unprecedented strain on customer service," Continental said.

AT&T PLANS VIDEO SERVER: AT&T said it developed video server -- full-motion video storage and retrieval system that enables cable and telcos to offer pay-per-view (PPV) video-on-demand (VOD) programming and other advanced interactive programming. Product will store video programs, multimedia education and research materials, as well as interactive videogames, that customers can dial up at any hour of day, AT&T said. Video server is expected to be rolled out in mid-1994, company said, and will be used on Viacom's Castro Valley, Cal., testbed.

Although system is being designed to handle range of futuristic services, first offering will provide PPV, in which customers dial up first-run movies or popular programs running as often as every 5-10 min. that play continuously throughout day, company said. VOD mode will have "VCR-like features" such as pause, rewind, fast-forward. Other VOD services, such as those offered in trials by Bell Atlantic, have only limited VCR-like functions. Video server also will use AT&T's experience in billing and system maintenance. At outset, it will be located "in or near" provider's headend, satellite uplink center or central office, where video programs are distributed to viewers, AT&T said.

In Castro Valley project, AT&T and Viacom plan 18-month test of interactive video services on cable system there. Viacom Senior Vp Edward Horowitz and AT&T Consumer Video Services Gen. Mgr. David Carter said effort would test such services as VOD, multiplayer games, home shopping, informational and educational services, interactive advertising. "This venture gives us an extraordinary opportunity to view consumer preferences and behavior," Horowitz said. "It turns Castro Valley into a programming crystal ball." Test should begin by end of year and first services will be available by 2nd quarter of next year, companies said. Test will include at least 1,000 homes and may be expanded to up to 4,000. Executives declined to comment on terms of deal, but said venture doesn't involve either company's taking equity position in other. Horowitz said companies hope announcement will stimulate others to contribute their programming concepts and ideas.

U.S. Supreme Court has unanimously upheld FCC rule requiring SMATVs that aren't jointly owned to have franchise. In FCC v. Beach Communications, Court sided with Commission and overruled U.S. Appeals Court, D.C., decision year ago that had struck down FCC rule as unconstitutional. FCC rule states that "external" SMATVs, systems that connect apartment buildings with different owners, whether or not public rights-of-way are crossed, are to be considered local cable TV systems and requiring franchises. Justice Clarence Thomas, writing opinion for Court, said crossing rights-of-way isn't only plausible way to determine whether franchise should be required. "Rationales" include: (1) Belief that commonly owned buildings were spared franchising requirements because it was felt that cost of regulating such systems through franchise process would outweigh benefits. (2) Potential that first SMATV operator on city block would have capability to create monopoly.

One is leaving, another is joining, and a 3rd has been promoted on senior staff of FCC Comr. Barrett. Senior Legal Adviser Robert Branson, asst. gen. counsel of NAB before joining Barrett, has been named vp-legal affairs in Washington office of Post-Newsweek Stations. He will succeed Stanley Paige, who is retiring. Bryon Marchant was promoted to commissioner's senior legal advisor. Economist Jeffrey Hoagg has been named special adviser to Barrett, moving from N.Y. Dept. of Public Service, where he was telecommunications policy analyst.

Witnesses before House Copyright Subcommittee hearing strongly criticized European copyright arrangements that they said deprive U.S. recording artists and film makers of royalties. At issue at May 27 hearing was "national treatment" arrangements imposed by countries such as Austria, France, Germany, Spain, others. USTR Gen. Counsel Ira Shapiro told Subcommittee that several countries are levying fees on blank recording tape and using proceeds to support native artists. Problem, Shapiro and others said, is that only artists who recorded or filmed material in their home country are eligible to receive any of money generated from fees: "The bottom line is that U.S. copyright owners are denied the economic benefits that arise from the use of their works." Clinton Administration "is committed to making sure that Americans can obtain and enforce rights in intellectual property," Shapiro said. Jay Roth, counsel to Directors Guild of America, Screen Actors Guild and Writers Guild, said that in 1992 more than \$200 million was collected in France and Germany from blank tape tax. In France, where about \$100 million was collected, Roth said 25% of money is used for social purposes, such as training and development of film writers, performers, producers. Because of French law, he said, "American producers and performers received none of the \$50 million allocated to their interests in 1992. The American share of this sum was distributed to French performers and producers." Jason Berman, pres. of Recording Industry Assn. of America (RIAA), also criticized system, saying that storage of performance material in databases and delivery through digital means "will greatly expand the opportunities to rig systems" that allocate funds to people other than artists who produced material. Roth, Berman and others opposed move by European govts. to incorporate their laws into international treaties. Subcommittee Chmn. Hughes (D-N.J.) said arrangements raise "serious questions" about enforcement of international copyright law, but on other hand, European countries have complained about "inadequacy of U.S. law," with implication that if what they said were inadequacies in U.S. are corrected, American artists would receive proper compensation. Hughes said he doubted that situation would occur.

Pending outcome of expected appeals, FCC said that it wouldn't enforce ban against broadcast advertising of legal gambling casinos in Nev. as result of court ruling that restriction violated stations' First Amendment rights. Case was filed by Valley Bestg., licensee of KVBC Las Vegas and KRNV Reno, in U.S. Dist. Court, Las Vegas. Court held that stations' viewers were "overwhelmingly in Nevada" and that state has policy of promoting "legitimate and intensely regulated casino gambling." FCC said that it had received many inquiries about decision and that public notice was issued "to reduce uncertainty for broadcasters" within Nev. court's jurisdiction. In separate statement, Comr. Barrett expressed "concern" about FCC's action, said extension of court action to all Nev. stations doesn't "appear to be warranted at this time... I believe the FCC and the Justice Department must continue to defend and enforce this federal statute throughout the country."

Sen. Conrad (D-N.D.) will announce today (May 7) new coalition to oppose TV violence. Task force will attempt to influence Aug. 2 entertainment industry meeting on violence planned for L.A. Among 16 groups that have signed onto Conrad's task force are representatives of physicians (including pediatricians), nurses, child psychiatrists, social workers, educators, parents, Americans for Responsible TV, National Council for Children's TV & Media, National Coalition on TV Violence. Groups will conduct national petition drive to collect signatures for meeting. Conrad's news conference will be at 1:30 p.m., Rm. 325, Russell Bldg.

CABLE RATES APPEALED: Second round of appeals of cable rate regulations is under way, with Century Communications and Daniels jointly protesting FCC rules in U.S. Appeals Court, D.C. Additional appeals are expected by July 20 deadline, possibly in other circuits, but early Century-Daniels filing is seen as bid to increase likelihood that D.C. Court will have jurisdiction over what's expected to be consolidated case. Ruling by U.S. Dist. Judge Thomas Jackson, D.C., on separate appeal (TVD Dec 28 p4) was said to be expected "any day."

While earlier appeal tests constitutionality of 1992 Cable Act itself, new round questions constitutionality of FCC rules implementing Act (TVD May 10 p1). Petition gives only general description of grounds for appeal, but indicates that it will raise same First Amendment and Fifth Amendment issues as in earlier action. Some court observers were predicting that Jackson would avoid ruling on those issues on ground that they weren't ripe until FCC issued final rules, meaning that latest appeal would be main forum for constitutionality issue.

New grounds are that FCC exceeded its statutory jurisdiction with its specific rules and that they are "otherwise arbitrary, capricious and unlawful." Petition didn't expand on how operators would claim that FCC exceeded its authority, but cable officials have said they believe Commission erred by imposing same rate benchmarks on expanded basic tiers as on basic, while Act called for different regulatory regimes for each. Century and Daniels filed appeal early in appeals cycle, rather than waiting for deadline, to give D.C. circuit "leg up" in winning jurisdiction over appeals that could be filed in other circuits, observers said. D.C. Court, which handles many FCC and cable cases, is seen as better informed than others on cable issues, although not necessarily more sympathetic to cable.

WGBH-TV Boston plans to enter CD-ROM market in mid-1994 with *This Old House* (TOH) disc on kitchens. Disc, derived from book co-written by TOH host Steve Thomas, is first of what WGBH-TV hopes will become library of CD-ROM titles based on TOH and others of its how-to PBS shows, such as *Victory Garden* and *New Yankee Workshop*. List price of kitchen disc is expected to be under \$50, although WGBH Interactive Projects Dir. Geoff Miller said that would be determined largely by undisclosed publisher with which it's developing project. WGBH-TV is taking "cautious approach" to CD-ROM, he said, since technology's "platform wars" haven't been resolved. Miller's unit, meanwhile, also is working on two \$1-million interactive videodisc projects: (1) Earth sciences disc based on *NOVA* series of which NASA is major funder. (2) New disc on U.S. history that it's developing with major textbook publisher in conjunction with standard text.

Unusual fine was issued by FCC last week when Field Operations Bureau (FOB) assessed Class AAA baseball team (International League) Norfolk Tides \$8,000 for operating unlicensed radar gun in promotion to measure speed of pitches thrown by fans. Commission field inspector attended game, saw gun in use. Other FCC fines, all by FOB: Blue Bird Yellow Cab Co., Hyattsville, Md., \$7,500 for refusing to permit field inspection; Open Image Inc., Long Beach, Cal., \$5,000, for violating safety rules relating to small boats; \$8,000 each against 4 companies, all for operating without license and/or on unauthorized frequency -- Atlantis Submarines, Hawaii; Hampton Roads Yacht Corp., Norfolk; Lucky Mobile Communications, Lynchburg, Va.; TJAC Plaza Del Norte Mall, San Juan; Spanish Bstg. System of Fla., Miami, \$20,000, for operating at unauthorized location that interfered with FAA air traffic control.

Decision by Fairfield, Cal., cable operator Multivision to drop CBS affiliate KPIX San Francisco was put on hold while FCC considers station's petition for relief. Group W, which owns station, asked that Commission include Fairfield, 60 miles east of San Francisco and similar distance west of Sacramento, in both ADIs. For must-carry purposes, Fairfield now is in Sacramento ADI. Operator, which says it has no spare capacity on 40-channel system, decided to keep CBS affiliate KXTV Sacramento and drop KPIX after it was required to pick up independent KSCH-TV Stockton-Sacramento to satisfy must-carry provision of Cable Act. Multivision Sales & Mktg. Vp Ewan Mirylees said issue is "between broadcasters" and MSO will stay out of fight and probably won't file comments on KPIX petition. Mirylees said KPIX was scheduled to be dropped June 1 because it's programming was duplicated on Sacramento affiliate and it had lowest non-prime-time ratings of all network affiliates. He said company wanted to "protect minority stations." KPIX disputed operator's interpretation of its ratings. "Their numbers are wrong," station spokesman said. Mirylees said that unless FCC requires system to carry KPIX, "in all likelihood" it would drop station after current freeze on its lineup is lifted. Nonduplication rules have no impact on case, he said, because stations are outside 35-mile zones. Situation resulted in protests from Fairfield residents, 200 of whom showed up at City Council meeting on issue June 3, and newspaper coverage.

U.S. public broadcasting "is fiscally inefficient, chaotically organized and insufficiently committed to good popular entertainment. It is also inadequately supported by the federal government, and far too little is expected of it by the nation." So conclude Willard Rowland and Michael Tracey, respectively dean and prof. at U. of Colo. School of Journalism & Mass Communication, in preliminary report on state of field here and abroad. Study, funded by Tokyo-based Hosobunka Foundation, said U.S. public broadcasting, unlike its counterparts in most other countries, hasn't engaged in systematic examination of its conditions and needs in light of current and future challenges. In other countries with vigorous public broadcasting, 44-page preliminary report said, "the need for a common national experience in broadcasting that is based on other than commercial considerations has been reexplored... Nearly all [of those] countries have avoided the more Draconian measures that only a few years ago were thought to be imminent... The question for the U.S. is whether it has the will and vision to engage in the debate in the way that has been undertaken elsewhere."

Turner Bcstg. board approved launching 2 new cable networks, as suggested by Chmn. Ted Turner. U.S. feed of CNN International (version of CNN highlighting more international news) will launch in fall, and Turner Classic Movies (TCM) programmed with films from existing Turner library in mid-1994, company said. Domestic version of CNN International will be headed by Peter Vesey and TCM by TNT Exec. Vp Brad Siegel.

Infomercial maker Synchronal agreed to pay \$3.5 million to FTC to settle charges that 2 of its infomercials made false claims that products would dissolve cellulite and cure baldness. FTC also claimed that infomercials were disguised to look like ordinary TV programming instead of ads. Payment will actually be paid by Regal Communications, which later bought Synchronal.

TvB has added 38 new station members since Jan. 1 with signing last week of its first CBS owned station -- WCBS-TV N.Y. All ABC and NBC owned stations are members; none of stations owned by Fox TV belongs.

MOONEY HITS RATE RULE: FCC misapplied 1992 Cable Act by imposing same rate benchmarks on expanded basic tiers as on basic, even though Congress intended significantly different regulatory regimes for each, NCTA Pres. James Mooney said. He also said that cable companies that are "good actors" may be hurt most by rate regulations aimed at "bad actors." Officials of National Assn. of Telecommunications Officers & Advisers (NATOA), meanwhile, said NATOA/NCTA agreement last year on technical standards could provide blueprint for future city/cable cooperation.

FCC "fundamentally misread" 1992 Cable Act's rate regulation provisions, Mooney said in interview just before national convention in San Francisco, which continues through June 9. He said Congress planned 2 very distinct rate regimes -- tough regulation of basic cable rates and very little control over expanded basic tiers -- but "the FCC mashed them into one" by setting same benchmarks for both groups. He said "the plain English of the statute" shows that FCC is misapplying rules: "Regulatory agencies are not normally allowed to make policy when there is a statute that applies."

It costs most money to provide best service, Mooney said, but cable rate benchmarks apply across board. As result, operators that spent most money to provide best quality video signals and best customer service have to charge same price as those that have invested little in their systems, he said. Since "bad" cable system's operating and interest costs are lower and its rates are same as "good" system, its profits will be higher.

Rate limits will delay some investments that cable operators would have made in upgrading with fiber and interactivity, Mooney said, and will mean that some won't be made at all: "This is a classic example of government policy hindering the achievement of the goals of society. You have to ask if all of this is worth it for the sake of shaving \$1.50 or \$2 off of people's basic cable rates." Rate rules will encourage operators to reduce their emphasis on regulated basic service and focus on "new genuses and species" of services, particularly telecommunications, Mooney said, but industry must focus on "the customer-service culture" if it's to be success in telecommunications.

Cities and cable will "hopefully cooperate" on regulatory issues, said NATOA Vp William Squadron, N.Y.C. comr. of telecommunications. Assns. have established precedent for working cooperatively and there's "good chance" they will pursue similar approach to deregulation now that "bitter fight" on Act's passage and rulemaking is complete, he said. Either side could make implementation difficult because of "inherent complexity" of Act, he said, but it's in "no one's best interest to fight... If either side takes an extreme position, the other side will react adversarially, which will increase everyone's costs, and the benefits won't get to consumers." He said many NATOA members aren't "eager to regulate" and would prefer competition in video distribution market.

NATOA Past Pres. Susan Herman, of L.A. Board of Telecommunications Comrs., said most important job for operators and regulators now is communications between groups. Other major issue confronting NATOA members is quickened pace of evolution of telecommunications technologies, particularly technology convergence and blurring of lines between players. Members must decide how to invite competition, while protecting quality of service and maintaining interoperability and compatibility of systems, Herman said. NCTA convention provides good opportunity

for members to become educated and "cross-pollinate" before NATOA adopts position statement in Sept., she said.

CPB rejected demand by Irish-American group that it cease "all funding" for American Public Radio (APR) based on APR's distribution of BBC World Service in U.S. BBC since late 1988 has been banned by U.K. govt. from broadcasting "direct statements" by representative of prohibited organizations in Northern Ireland. In mid-April letter to CPB Chmn. Sheila Tate, James Mullin, head of Southern N.J. chapter of Irish American Unity Conference, cited CPB's objectivity/balance mandate and asked: "Where is the objectivity and balance in APR's use of BBC news on Northern Ireland... If the CPB is to continue as a nonpoliticized advocate for public broadcasting, all funding for APR and the BBC must stop." In May 10 response, CPB Pres. Richard Carlson told Mullin that "when you argue that CPB must act in response to the congressional directive that CPB 'afford maximum protection from... interference and control,' you are asking CPB to move towards 'censorship and control,' the very notions that prompted your" letter. He said that, as result of that "heatshield" language, CPB doesn't "intervene in matters related to program content," and Conference should "first" share its concerns with outlets airing service.

Pulitzer Publishing has filed with SEC to sell at least 1.35 million newly issued shares to help pay for its \$165-million purchase of WESH Daytona Beach-Orlando and KCCI-TV Des Moines from H&C Communications. Pulitzer said it expects to raise about \$40 million. Other funds for purchase will come from \$100 million in notes from Prudential Insurance and \$60-million, 5-year credit line from Canadian Imperial Bank of Commerce. Pulitzer, which has 2.1 million common shares outstanding, went public in 1986 in successful fight against unfriendly takeover attempt.

Former owner of 3 Northwest Ind. cable systems with total of 6,700 subscribers pleaded guilty to charges of defrauding cable networks by underreporting number of subscribers. Rhys Mussman of Hammond, Ind., faces up to 5 years in prison and \$250,000 fine, plus restitution. Mussman owned cable systems in DeMotte, Hebron and Lake of the Four Seasons, Ind., before selling them to US Cable. He is charged with, for example, having 800 HBO subscribers but reporting only 370 to network.

TV "must always entertain with a conscience and inform according to the highest journalistic ethical standards," ABC Entertainment Pres. Robert Iger told commencement at Ithaca (N.Y.) College, his alma mater. Citing current complaints on violence on TV, he said: "Although the networks are less to blame than some of their cable competitors, we too... must work to reduce incidents of violence in our programs."

Financials: **Lenfest** and **TCI** said they completed initial investment of \$10 million in French cable firm Videopole, giving them 30% ownership. MSOs bought stake from majority owner, **Electricité de France**... **Falcon Cable** said it lost \$1.6 million in quarter ended March 31, vs. \$1.9 million loss year ago. Basic cable revenue was up 7.6% to \$9.8 million, pay cable revenue dropped 2.1% to \$2.2 million and operating income rose to \$2.4 million from \$2.1 million.

U.S. Appeals Court, D.C., has "won" lottery to rule on numerous appeals of FCC's new finsyn rules. Appeals also had been filed in 3 other U.S. circuit courts. We're told effort still will be made to get case assigned to 7th Circuit in Chicago, which received 2 of new appeals and which last Nov. vacated FCC's new finsyn rules.

DRAFT BILL FAVORS TELCO ENTRY: Telephone companies would be able to provide cable service within their service territory, but couldn't have substantial investment in existing cable systems, according to draft of legislation by Senate Commerce Committee staff. Cable-telco provision is one element in catch-all infrastructure bill that includes sections on local interconnection, information services, local number portability, equal access for wireless services, subscriber privacy and some lingering MFJ issues dealing with interexchange service for cellular and video services.

Bill also would provide significant roles for states, change from current debate on federal preemption of mobile services in spectrum auction part of budget reconciliation package. Text said bill's purpose is to encourage development of telecommunications infrastructure through increased competition, for telephony as well as for cable services, while providing diversity of network pathways for users. Encouraging competition for all types of telephone service is one means of stimulating infrastructure development, text said. Under legislation draft, telcos would have to open up network, but would receive pricing flexibility in return.

In cable area, bill proposed 2 rules: (1) Telcos couldn't purchase more than 5% interest in cable system providing service within teleo exchange area, or enter into any joint venture or partnership with that type of cable company. (2) Telcos could provide video programming through separate subsidiary and under tariffed rates filed with states. States would have 12 months to act on tariff. Cross-subsidy to video programming wouldn't be allowed, but current exemptions for rural companies would continue.

NCTA objected to telco pricing flexibility: "Congress just got finished saying cable rate regulation shouldn't be lifted until local competition to cable actually materializes. We don't see why the same kind of test shouldn't apply to lifting telco lines-of-business restrictions."

In 2nd step into competitive long distance access market, Time Warner formed joint venture with Vision Cable in Charlotte, N.C., area. New joint venture, called Charlotte AXS L.P., follows Time Warner purchase of 50% of MetroComm, which provides similar service in Columbus, O. Cable operators said they plan to use excess capacity on fiber cable networks to connect businesses to long distance services, and eventually could add fiber solely for telephony. Time Warner has 150,000 cable subscribers in Mecklenburg County (N.C.), Vision 121,000.

U.S. Appeals Court, D.C., last week rejected individual's appeal of FCC failure to find Feb. 1989 report on NPR's All Things Considered "actionably indecent." Segment contained obscenity-laden recording of wiretapped phone conversation involving alleged Mafia leader John Gotti. Court ruled that petitioner, Peter Blanton, lacked standing to bring case: "The marginal increase in the probability that he will be exposed to indecent language in the future if NPR is not sanctioned is simply too slight to generate a case or controversy proper for resolution" by Court.

Cable Networks Inc. said it signed ad sales representation deals with cable operators with total of 757,000 subscribers. Deals with KBL-TV, Columbia Cable and Viacom cover 337,000 subscribers in Portland, Ore., area. Others involve United Artists in Baltimore and Annapolis, TCI of Elkton, Md., District Cablevision of Washington, Total Reach of Columbia, S.C., and Orlando, and separate deal with KBL-TV Laredo, Tex.

TV Macy's will be launched on cable by fall 1994, company announced. Network, which will show merchandise from Macy's and Bullock's department stores 24 hours per day, already has carriage deal with Cablevision Systems. Among executives involved in launch are 60 Minutes Exec. Producer Donald Hewitt and former CBS official Thomas Leahy.

WARREN CABLE DATA IN 2 NEW MAPPABLE DATABASES

Definitive data on cable system geographic boundaries and system-specific characteristics, generated using Warren Publishing's *Television & Cable Factbook* database, will be available soon in mappable databases. Warren has licensed Claritas/NPDC and Equifax National Decision Systems to use Warren's exhaustive copyrighted data on cable systems in Claritas' Compass/Cable and Equifax's Infomark desktop marketing systems. Each company will offer the data in combination with its own proprietary data.

"For the first time, the cable advertising community and others will be able to look at geographical boundaries of all 11,100 U.S. cable systems and know the demographic and purchasing characteristics of the people who live there," said Daniel Warren, Warren Publishing associate publisher. The databases will give cable networks, MSOs, other telecommunications providers, advertisers and agencies the ability to scan and segment the entire universe of cable systems in the U.S. using the mapping software systems of the companies, with the additional ability to close in on selected systems for marketing or programming purposes.

The project allows linking of Warren Publishing data on such factors as communities served, subscribers, channel capacity and ownership to census data and such other data as lifestyle segmentation and a variety of other market analysis databases, using Claritas and Equifax mapping software. The databases also will be available for use in a variety of geographic information system software packages. For further details, contact Lynn Levine, Warren Publishing, 202-872-9200.

Personals

Anne Sweeney, ex-Nickeloden, appointed chmn., Fox Basic Cable channel to be formed in agreement with TCI... **Daniel Barnathan** promoted to vp-daytime sales, ABC TV Network... **John Miller** named exec. vp-advertising and promotion and event programming, NBC Entertainment... **Linda Spalla** promoted to pres.-gen. mgr., WHNT-TV Huntsville... **Peter McCampbell**, ex-WFMY-TV Greensboro, N.C., appointed gen. sales mgr., WXIA-TV Atlanta... **Mike Cunningham**, ex-KTUL-TV Tulsa, joins KCCI-TV Des Moines as promotion dir., succeeding **Pam Kulik**, named dir.-marketing and sales promotion.

Diane Hofbauer, special asst. to FCC gen. counsel, detailed to Office of Legislative Affairs... FCC Secy. **Donna Searcy** (who will take on her husband's name Koehnke) moves to U.S. International Trade Commission in late June in same post; **Patricia Hunter**, confidential asst. to ex-FCC Comr. **Marshall**, named administrative asst. at LCI International (long distance carrier), McLean, Va.

Clarence (Larry) Irving was sworn in June 2 as NTIA dir.; **Tracey Weisler** appointed NTIA dir.-congressional affairs... **Joseph Duffey** has been sworn in as USIA dir... Promoted to vps at Showtime Networks: **Tom Christie**, national accounts; **Mary Kay Rabitt**, special markets and development.

Sally Prendergast promoted to vp-mktg., Hanna-Barbera... **Thomas Skinner**, WQED Pittsburgh exec. vp and 23-year station staffer, retires June 30 -- same day as longtime Pres. **Lloyd Kaiser**... **Richard del Castillo**, Tichenor Media, appointed to NAB radio board to fill newly authorized seat.

Robert Friedman advanced at Viacom Entertainment Group to vp-marketing and ancillary sales, new post... FCC Calendar: NCTA Convention, Moscone Center, San Francisco: June 7 -- Comr. **Duggan** participates on "Building the National Telecommunications Infrastructure" panel, 1:30 p.m. June 8 -- Chmn. **Quello** is luncheon speaker, noon; **Roy Stewart**, chief, Mass Media Bureau, participates on panel, 10:30 a.m. June 9 -- **Thomas Stanley**, chief engineer, participates on "Meet the FCC Staff Part II: Nut and Bolts" panel, 8 a.m... FCBA International Committee Seminar, Sheraton City Hotel, Washington, June 8: **Brian Fontes**, FCC chief of staff, addresses luncheon, noon; **Rudy Baca**, attorney-adviser, Office of International Communications, participates on "Global Personal Communications Services" panel, 10 a.m.

Two largest MSOs will cooperate on standards for interactive broadband network, TCI and Time Warner announced. Companies created joint venture to encourage potential suppliers to advance compatible hardware and software products by investing in development. TCI CEO John Malone tacitly endorsed TW's "full-service network" concept: "Both our companies are committed to transforming our cable systems into these powerful networks. It is critical that these networks be compatible with each other." Agreement covers such network elements as servers, network architecture, operating system software, set-top hardware and operating system, user interface.

President Clinton appears on 2 public service spots on alcohol abuse produced by Harvard U. Alcohol Project. Spots were distributed to stations by NAB week ago. They also began airing on TV networks in prime time last week.

TELEVISION DIGEST

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.

Copyright © 1993 by Warren Publishing, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Albert Warren	Editor & Publisher	Roy W. Easley III	Controller
Paul L. Warren	Sr. Ed. & Exec. Publisher	Gary Maderon	Marketing Director
Daniel Warren	Sr. Ed. & Assoc. Publisher	Gene Edwards	Advertising Director
Dawson B. Nail	Executive Editor	Betty Alvine	Circulation Mgr.
Arthur Brodsky	Managing Editor-Washington	Deborah Jacobs	Information Systems Mgr.
R. Michael Faezel	Senior Editor	Business	
Brock Meeks	Associate Editor	Roy W. Easley III	Controller
Myron Struck	Associate Editor	Gary Maderon	Marketing Director
Chris McCarter	Assistant Editor	Gene Edwards	Advertising Director
Michael French	Assistant Editor	Betty Alvine	Circulation Mgr.

NEW YORK BUREAU

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

David Lachenbruch	Editorial Dir.
Lisa Lilenfeld	Senior Editor
Paul Gluckman	Senior Editor
Martin Brochstein	Senior Editor
Michael Peck	Associate Editor

CONTRIBUTING EDITOR, EUROPE

Barry Fox
5 Denning Rd.
Hampstead, London NW3 1ST
Phone: (071) 435-6244

JAPANESE REPRESENTATIVE
Editorial and Circulation
CES International Corp.
1-18-2 Nishi Shinbashi, Minato-ku
Tokyo 105, Japan
Phone: (03) 3592-1531

Market Research & Data Sales Division

Lynn Levine Director
Karen Fahle Assistant Director

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

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

Signature _____

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Limited number of surplus copies of FCC Record -- Cumulative Index for Vols. 1-5 -- are available free on "first-come, first-served basis," Commission said. Copies may be picked in Commission Reference Center, Rm. 239.

In agreement called "unprecedented," ABC TV Network has signed deal with QVC home shopping network to promote its daytime All My Children on Sat. morning QVC show (11 a.m.-noon), starting July 17. Products from ABC show will be sold on QVC.

OBITUARY

Donn B. Tatum, 80, retired pres.-cmn. of Walt Disney Co., died in his Pacific Palisades, Cal., home May 31 after long illness. He was with Disney more than 25 years after career as entertainment lawyer and stint as gen. mgr. of KABC-TV L.A. and head of ABC TV Western Div. He was chmn. of Disney 1971-1980, was first pres. of Walt Disney World, chmn. of its Exec. Committee 1980-1983. Tatum was graduate of Stanford U., held 2 law degrees from Oxford, and joined L.A. law firm in 1938. Among his clients there were RCA, NBC, ABC. He joined Disney in 1956 and 15 years later became first non-Disney family member to be named CEO of company. Wife, 2 daughters, 3 sons survive.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	MAY 15-21	1992 WEEK	% CHANGE	MAY 8-14	20 WEEKS 1993	20 WEEKS 1992	% CHANGE
TOTAL COLOR.....	309,718	390,662	-20.7	247,887	7,833,014*	7,107,184	+10.2
DIRECT-VIEW...	305,707	386,224	-20.8	245,523	7,710,321*	6,992,273	+10.3
TV ONLY.....	282,788	372,547*	-24.1	228,404	7,291,225*	6,708,612	+ 8.7
TV/VCR COMBO.	22,919*	13,677	+67.6	17,119*	419,096*	283,661	+47.7
PROJECTION....	4,011	4,438	- 9.6	2,364	122,693*	114,911	+ 6.8
VCR DECKS.....	179,370	208,603*	-14.0	115,804	3,777,341	3,760,650	+ 0.4
CAMCORDERS.....	47,198	70,403*	-33.0	33,713	907,632*	817,477	+11.0
LASERDISC PLYRS#	3,131	3,905	-19.8	2,574	67,081	73,034*	- 8.2

Direct-view TV 5-week average: 1993--367,144; 1992--342,316 (up 7.3%).

VCR deck 5-week average: 1993--189,443; 1992--184,848 (up 0.01%).

Camcorder 5-week average: 1993--59,516*; 1992--54,211 (up 9.8%).

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

CES TRANSFORMED INTO MULTIMEDIA WORLD: Beginning with keynoter 3DO Pres. William (Trip) Hawkins' description of multimedia technology as latest example of consumer electronics (CE) industry's effort to create "real life in a box," and extending into virtually every nook and cranny of McCormick Place, Summer Consumer Electronics Show (CES) last week in Chicago offered clear picture of industry in transition. Absence of several major vendors from show floor was particularly noticeable, with Panasonic, Thomson and Philips as only broadline audiovideo companies to mount major exhibits and other majors either occupying hotel suits or essentially absent from scene. Coverage of CES will be included in this and future issues.

Majors that did show all reflected convergence of CE, computer and communications industries. Biggest surprise was announcement by Thomson June 3 that it's "exploring with the Consumer Systems Group of the IBM PC Co. areas of mutual interest and synergy involving the use of digital processing in future television-based entertainment products." TCE Exec. Vp-Sales & Mktg. Joseph Clayton said "key challenge will be to design a consumer-friendly interface that links the capabilities of the computer and television receiver in delivering even more entertainment and information to the home." Companies said they had been talking for 9 months, but declined to discuss specific products, projects or any other details of their relationship.

Philips, meanwhile, announced agreement under which 50 Paramount feature films will be available as CD-I full-motion video (FMV) discs over next 2 years, beginning with 10 this fall when FMV cartridge is launched. Philips Media Pres.-CEO Scott Marden said addition of FMV represents "relaunch" of CD-I format. As we have reported, FMV cartridge will be on market in fall at \$250 retail, although marketing plans, including software bundles, haven't been finalized. Philips officials said FMV music and interactive programming, in addition to Paramount feature films, will be available when cartridge is launched. Philips will be able to choose any 50 titles from Paramount catalog, including new releases that it will be able to issue on same day videocassette version hits shelves. Paramount official said company is "convinced that various formats can coexist in the marketplace," each appealing to different audiences. He included laserdiscs in that group.

Panasonic was at center of hoopla over launch of 3DO "interactive multiplayer" scheduled for fall. So-called "REAL" player was featured product in Panasonic booth, with demonstrations there and at separate 3DO booth of prospective software for system. However, company conceded that software wasn't being run off actual multiplayers, saying programs still were in development.

3DO announced it expects to conclude agreement with Sanyo in next 2 weeks that would make it 3rd hardware licensee, joining Panasonic parent Matsushita and AT&T, which signed licensing agreement shortly before show with intention of building networked version next year. Sanyo, which showed mockup of its player at 3DO booth, thus would become first licensee that isn't 3DO equity partner. 3DO also announced its technology will enter arcade game market through agreements with Atari Games (unit of equity partner Time Warner) and American Laser Games. At news conference, Hawkins said 3DO will support MPEG-1 format as "a kind of transitional step for FMV," and said company "intends to develop and support MPEG-2 in the future." He expressed doubt that there would be "widespread movie industry support" for MPEG-1 systems.

Hawkins said 3DO is developing "a specific cable version" of its technology, is having "very good discussions" with MSOs and "in the next couple of months expects to make an announcement of trials we'll be participating in." He said he expects cost of 3DO cable box, by time it gets to market, to be "substantially under \$200" to cable operators.

In keynote address on "The Multimedia Decade," Hawkins built historical case for what will determine winners in multimedia future. Although expressed generically, his scenario not surprisingly offered support for 3DO view of world, listing such criteria as strong corporate backers, big performance jump from previously available technologies, software support ("it's important to look at whether 3rd parties are spending their own money"), under-\$1,000 pricing, support from numerous brands. Most unusual observation was that new technologies that have succeeded in past weren't backwardly compatible with prior hardware, citing growth of black & white TV (from radio), Nintendo and Sega as examples. If performance leap is great enough, he said, people will buy incompatible technology. He also devoted much of address to dispelling popular "myths" about multimedia, attempting to minimize notions that it's priced too high, citing early price points of monochrome TV, VCR and CD player (all well over \$1,000 in today's dollars). Multimedia, he concluded, will be "a vital boost to the consumer electronics industry."

RCA JOINS MINIDISC CAMP WITH PORTABLE: RCA-brand MiniDisc (MD) play-only portable is scheduled to reach retail shelves in Sept. at projected \$599 list, Thomson Consumer Electronics said last week on floor of Consumer Electronics Show in Chicago.

Unit will contain 10-12 sec. of shockproof memory, company executive said, noting that performance is comparable with that of recently launched Sanyo unit -- but he wouldn't say whether Sanyo was source of product, only that it was developed with Sanyo's cooperation. He said TCE has no plans to market DCC products in U.S. in keeping with recent comment by senior TCE U.S. management that preference for MD reflected company's thinking that future audio carriers would be based on optical rather than tape technologies.

Philips is "very pleased with the results" of worldwide DCC launch thus far, Project Mgr. Gijs (Gerry) Wirtz told reporters. However, he said it was "nonsense" to believe that DCC would be panacea for audio sales recession. Despite success of CD format, Wirtz said, many observers were writing off CD as failure after first 6 months because of slow sales.

EIA INCREASES FORECASTS FOR RECORD 1993: As Summer Consumer Electronics Show (CES) opened in Chicago June 3, EIA released its revised forecasts for 1993, envisioning consumer electronics industry factory sales close to \$40 billion -- 5.6% increase over 1992's total.

Representing consensus of members, EIA predicted factory sales at record \$39.943 billion this year, up from \$37.836 billion in revised final figure for 1992. New forecasts, along with final 1992 figures, update estimates released at Winter CES (TVD Jan 11 p11).

Most of EIA's upward revision of its Jan. predictions was in video field -- it increased factory dollar forecast 4% to \$13.955 billion. That would be 6.4% increase over revised figure for 1992 (\$13.119 billion). Audio forecast is down very slightly from preliminary prediction, and at \$10.257 billion is 4.3% over \$9.834 billion achieved in 1992.

Home information equipment forecasts are relatively unchanged at \$10.077 billion, up 4.9% from \$9.604 billion in 1992. EIA projects blank media and accessories catchall category will rise 7.7% from 1992 to \$4.339 billion from \$3.029 billion. Home security, at \$1.315 billion, up 5.2% from \$1.25 billion, is unchanged

from previous estimate. (We're not reprinting accessory, battery and home security forecasts because they essentially are unchanged from Jan. estimates.)

In video category, EIA upped Jan. forecast for color TV sets (now 22.7 million units), color sets with stereo (9.32 million -- 43% of total), TV/VCR combos (1.4 million), VCPs (290,000) and camcorders (3.25 million), but decreased predictions on unit sales of projection TV (440,000), monochrome TV (550,000), LCD color TV (300,000), VCR decks (12.4 million), laserdisc players (235,000), home satellite earth stations (325,000). Here are EIA's revised video forecasts for 1993, compared with final figures for 1992:

U.S. SALES TO DEALERS AND FACTORY VALUE -- Video Products

Units (add 000)		Value (\$000,000)		Average Price
	1993	1992	1993	1992
Direct-view TV-only.	22,700	21,056	\$7,105	\$6,591
with stereo.....	9,750	8,534	\$4,241	\$3,729
Projection TV.....	440	404	777	714
Monochrome TV.....	550	633	40	47
LCD color TV.....	300	300	60	60
LCD monochrome TV...	550	525	33	32
TV/VCR combinations.	1,400	936	539	375
Vidcassette players.	320	349	44	49
VCR decks.....	12,400	12,329	2,840	2,947
with stereo sound.	3,390	2,941	1,102	1,020
Camcorders.....	3,250	2,815	2,031	1,841
Laserdisc players...	235	212	96	88
Home earth stations.	325	300	390	375
				1,200
				1,250

Audio sales in 1993 will top \$10 billion at factory level for first time, according to EIA consensus forecast. Only major decline from 1992 is seen in rack systems -- dipping 10.5% to 1.2 million units from 1.341 million -- and EIA lowered its 1993 forecasts not only for rack systems but also for compacts and portable headset audio. It increased Jan. forecasts for components, aftermarket autosound, home radios. New breakdowns are shown for CD categories, with total CD players coming close to 19 million units, 17.6% over 1992. However, 77.6% of CD player unit sales are expected to be in portables, up from 51.7% in 1992. Portable CDs will increase 28% to 10.68 million units, according to forecast. Here are EIA's revised audio and tape forecasts for 1993, together with final figures for 1992:

U.S. SALES TO DEALERS AND FACTORY VALUE -- Audio Products

Units (add 000)		Value (\$000,000)		Average Price
	1993	1992	1993	1992
Rack audio systems.	1,200	1,341	\$536	\$614
Compact systems....	4,100	3,877	820	756
Separate components	--	--	1,525	1,586
Aftermart.autosound	--	--	1,575	1,467
Factory autosound..	--	--	3,199	2,990
Home radios.....	21,700	21,553	326	324
Tape players*.....	15,420	16,319	411	437
Tape recorders*....	17,145	17,585	569	602
Portable CD equip..	10,680	8,341	1,296	1,057
Port. headset audio	23,315	23,567	863	846
Total CD players...	18,966	16,134	3,398	3,005
Blank audiocassettes	438,000	426,000	438	426
Blank videocassettes	380,000	358,000	916	872

* Includes combinations with radio.

IS TV INDUSTRY IN BEAT-THE-CAPTION RACE? Domestic assembly of color TV sets jumped almost 30% -- or about 750,000 sets -- in first quarter, compared with year earlier. Growth in U.S. output eclipsed 11.9% increase in color imports. As result, 55.1% of total color TV supply was assembled in U.S. -- complete reversal from 4th quarter 1992, when 55.7% of color sets were imported (TVD March 15 p10).

Domestic factories ground out almost 3.3 million sets, while more than 2.65 million were imported in same period, raising total first-quarter supply to more than 5.9 million sets, far more than number required to satisfy 15% increase in first-quarter sales to dealers. Total supply -- domestic assembly plus imports -- exceeded sales to dealers by 517,000 sets. For comparison, last year saw supply exceed demand by 191,000 sets in first quarter (TVD June 22 p13).

Despite top-heavy supply vs. demand, nobody seems worried about impending glut of color sets. Until we can discover better explanation, we must conclude production surge has something to do with requirement that all sets built (or imported) after June 30 must contain closed-caption decoders. Could it be that all-out production rate is part of effort to use up inventories of noncaption components, or even drive to stockpile lower cost sets before caption law results in increasing costs of production? It will take at least 2 more quarters to suggest answer.

Until this year, increases in imports -- particularly from Mexico -- had resulted in declining percentage of U.S.-assembled sets. Table below shows total TV, monochrome and color. All monochrome sets are imported. We derive U.S. production figure by subtracting Commerce Dept. import figure for total color sets (TVD May 31 p15) from EIA's "production" figure, which includes imports as well as domestic assembly.

TOTAL TV SUPPLY, FIRST QUARTER 1992 vs. 1991

		U.S.-	%	% of		%	% of	Total	%
		Assembled	Change	Total	Imports	Change	Total	Supply	Change
Color TV	1993....	3,263,000	+29.8	55.1	2,655,000	+11.9	44.9	5,919,000	+21.1
	1992....	2,514,000	+ 1.8	51.4	2,373,000	+24.5	48.6	4,887,000	+11.7
B&W TV	1993....	0	--	--	348,000	-16.5	100.0	348,000	-16.5
	1992....	0	--	--	417,000	- 7.1	100.0	417,000	- 7.1
Total TV	1993....	3,263,000	+29.8	52.1	3,004,000	+ 7.7	47.9	6,267,000	+18.2
	1992....	2,514,000	+ 1.8	47.4	2,790,000	+18.5	52.6	5,304,000	+ 9.9

NOTES:

1. Imports include assembled sets and unassembled but complete kits (chassis with tubes).
2. U.S.-produced sets include those made from imported chassis.
3. Figures include TV/VCR combos but not projection TV and may not add because of rounding.

ION BATTERY EXPANSION: Market for lithium-ion batteries -- used mainly in camcorders and cellular phones -- will expand to more than 50 million units annually in 2000 from current 8-9 million, according to forecasts in May 31 Nikkei.

Article said Sony Energytech would expand production of L-I batteries to one million monthly from present 700,000 before year-end. Joint venture of Toshiba and Asahi Chemical, now turning out 100,000 monthly, will increase rate to 500,000 by fall, Nikkei reported. Matsushita Battery is shipping sample L-I batteries in preparation for starting mass production. Also beginning production is Japan Storage Battery, which announced it will be producing 500,000 monthly in fall.

Correction: Jack Fuhrer heads Hitachi's Advanced Lab; Gregory DePriest is dir. of Toshiba's Advanced TV Lab. We inadvertently reversed their titles in last week's report on HDTV receivers. We regret the error.

First Newton products from Sharp will be shipped in 3rd quarter, said Gil DeLiso, mktg. dir. for Personal Home Office Electronics Div. Sharp's "Expert Series" based on Apple's Newton Intelligence will combine personal information management with communication, he said. No further details were available.

Wristwatch remote control for TV, VCR and cable box was shown by Casio at Chicago Consumer Electronics Show. Wrist Controller can turn TV or cable box on or off and change channels. In VCR mode, it has on-off switch, channel selector, fast-forward, rewind, play and stop. It carries \$90 list.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 107 yen = \$1, except where noted.

A/VA PROFITS SOAR: Audio/Video Affiliates said net profits soared 142% on 22% rise in sales for fiscal first quarter ended April 30 (see financial table). Company also reported total merchandise sales for May of \$18 million, up 24% from \$14.5 million in May 1992. Comparable-store sales for month rose 6.5% to \$15.2 million from \$14.3 million.

For year's first 4 months, A/VA's total merchandise sales were \$68.7 million, up 22% from \$56.3 million, and comparable-store sales gained 7%. At end of May, company operated 109 Rex stores in 20 states, compared with 96 stores year ago.

Best Buy reported sales of \$442 million for fiscal first quarter ended May 29, up 80% from \$246 million for same 1992 period. Comparable-store sales rose 15%. In May 1993, sales totaled \$142 million, also up 80%, from \$78 million. Company has 116 stores, of which 73 are considered comparable, and opened 5 in first quarter -- 4 in Chicago area and one in Toledo. Best Buy expects to release first-quarter earnings week of June 21.

Tandy said May retail operations sales jumped 14% to \$268.8 million from \$235.2 last year. On comparable-store basis, sales were up 5%. Closed stores associated with restructuring aren't included in those figures.

Circuit City reported May sales of \$288.7 million, 24% climb from year-earlier \$232 million, with 9% increase in comparable stores. Sales for first quarter ended May 31 hit \$798.5 million, up 24% from \$644.3 million. Comparable-store sales rose 9%. In quarter, company opened 6 superstores in Boston, plans 13 more stores there this year and several more in FY 1995.

— ■ —

Kodak introduced first portable Photo CD player at CES in Chicago. Although Kodak brand name is on Philips-made portable in Europe, model to be sold here beginning in fall was made by Hitachi, as we forecast earlier. Announcement of new portable said it's "more compact than other portable players that are Photo CD compatible," presumably meaning Philips-made unit. It has full-function wireless remote and virtually all features of high-end nonportable units, in addition to ability to play continuous sound when pictures are being viewed. Portable is priced at \$449 list and is expected to sell in area of \$399. Kodak spokesman told us company is working on simple device to enable consumers to make Photo CD audio track using home recorder.

Multiplayer videogame adaptor for Super Nintendo Entertainment System (SNES) has been developed by licensee Hudson Soft USA (HS). Super Multitap allows up to 5 people to compete, "opening the door to a new generation of games," HS said. First game developed for Multitap is HS's Super Bomberman, available in Sept., with Super Multitap included as in-pack accessory, at \$69.95 suggested retail. HS said it has licensed Square Soft, Redmond, Wash., which is developing 3-player action adventure game, Secret of Mana.

Zenith audio line, built by Soundesign (TVD Nov 30 p12), was displayed at Summer Consumer Electronics Show by Zenith Audio Products Div. of SDI Technology. Line includes mini-audio system at \$169 suggested list, 2-piece minisystem with CD player, dual cassette, unified remote at \$229, system with 3-CD changer at \$300. Portable CD player lists at \$249, while audio rack system with matching video cabinet is \$599.

STEREO TV DOLDRUMS CONTINUE: Despite increasing promotion for home theater and advanced TVs, high-end sets don't seem to be faring as well this year as last in terms of percentage. EIA figures on stereo sound in TV sets seem to show substantial amount of this year's sales increase over 1992 is in low-end -- nonstereo -- TVs.

New trend, which first surfaced this year, is declining percentage of set sales including stereo. Each of year's first 4 months showed lower stereo share than same month of 1992 (TVD May 10 p18). While sales to dealers of total sets and of stereo sets are up from last year in first 4 months, stereo sales gained only 9.5%, while total direct-view TV sales increased 13.8%.

For year's first 4 months, stereo was feature of 37.5% of sets sold to dealers, down from 39% in same 1992 period. In 1993 period, dealers bought 2,468,082 stereo sets vs. 2,262,601 in 1992. In April, even though stereo set sales hit record (575,270), they represented 38.8% of total sales that month, down from 39.1% year earlier. Color TV sales rose 14.3% in April, those with stereo 13.7%. Nevertheless, the 38.8% with stereo was best percentage of any month this year. All-time record was 44.1%, set last Aug.

ELECTRONICS TRADE BALANCE: Balance of trade in consumer electronics improved in first quarter, according to preliminary compilation of Commerce Dept. statistics by EIA. However, total electronics trade balance worsened during period.

In consumer electronics, imports declined 1.5% in first quarter from same 1992 period, but exports grew 5.4%, reducing negative trade balance 3.5% to \$2.537 billion from \$2.628 billion. Imports in period totaled \$3.311 billion, down from \$3.362 billion, while exports jumped to \$774 million from \$734 million.

— ■ —

Electronics industry as whole had negative trade balance of \$1.88 billion, up from \$720 million year ago, with imports up 14% to \$22.236 billion, exports up 8.4% to \$20.356 billion.

— ■ —

Our coverage last week of changes at Matsushita in U.S. (TVD May 31 p12) underplayed Akiya Imura's "many contributions to this industry over the past 6 years," ignoring "the many accomplishments for which [he] is responsible and which have won him the respect of so many people in the electronics business in the U.S. and Japan," Matsushita Electric Co. of America (MECA) spokesman wrote us. "When Mr. Imura took over as CEO of MECA in 1987, our company had only 8 factories in North America; today it has 19 and more than half of our 14,000 employees are engaged in manufacturing," letter continued, noting that under his direction company's labs increased to 9 from 3. Imura, letter said, "displayed leadership in a wide range of management and social issues," launching "company's aggressive program of corporate philanthropy, setting a goal of contributing to society 0.1% of sales. He set MECA on the road to eliminating virtually all of its long-term debt. He appointed Richard Kraft the first American president of MECA and is generally credited with revitalizing our dealer network."

Matsushita completed acquisition of Philips' 35% interest in component and tube maker Matsushita Electronics Corp. (MEC) for 185 billion yen (TVD May 10 p18), now valued at \$1.73 billion. Agreement provides for continuing exchange of licenses between companies.

SIZING UP REMOTE MARKET: Retail market for universal remote controls will increase to 46 million in 1997 from 11.76 million units this year, according to research by Universal Electronics (UE), as reported in UE-sponsored advertising supplement to HFD. Already estimated \$347 million retail market, it will grow to \$751 million by 1997, UE estimates, as average retail price declines from current \$29.50 to \$18.50. Other UE estimates:

There are 224 million remote controls in use now, and figure will rise to 393 million in 1997. Approximately 15% of remotes are lost or broken each year. Retail sales of remotes bought as replacements for lost or broken ones will total 19.5 million this year, rising to 43.6 million in 1997. Of replacement remotes, 7.8 million sold this year will be of universal type, with total increasing steadily to 26.2 million in 1997. Other category of universal remote sales -- to reduce clutter -- will jump even more steeply, to 19.8 million in 1997 from 3.96 million this year.

Largest segment of universal remote market is of preprogrammed type (with digital codes of video and audio devices stored in memory chip). "In order to program the codes," UE said, "manufacturers of the remotes literally go out and obtain the original remote controls sold by consumer electronics manufacturers with their equipment, analyze their codes in a lab, then add these codes to a database or 'library' for inclusion in their own universal remotes."

"Keeping up with all the infrared codes coming onto the marketplace as new equipment is introduced is the most difficult part of the business," UE quoted unnamed executive as saying, adding that library may contain more than 40,000 individual codes.

Like other growing consumer electronics businesses, prices are dropping rapidly. UE quoted estimate that retail prices had declined 40% in 6-month period June 1992-Jan. 1993.

Warning shot in increasingly complex videogame patent war was fired last week by ASCII Entertainment Software, subsidiary of Japan's ASCII Corp. "Many significant companies in the videogame industry are selling products which may infringe on our technology patent for hands-free automatic firing capabilities," Senior Vp-Counsel Jeff Dubrow warned. Company produces joysticks, controllers and other accessories for Nintendo and Sega games. Dubrow said company "will use all appropriate remedies" to protect its technology.

Consumer Reports looks at DCC vs. MD controversy in June issue, saying both systems deliver "essentially perfect sound," but recommending readers "wait for the digital dust to settle (and prices to drop)" before buying either. It gives edge to MD for buyers "starting from scratch" because of greater versatility in editing, adding: "You should consider a [DCC] deck only if you need something to play existing tapes as well as to record digital ones."

Canadian subsidiary of Gusdorf Corp. has been sold to its pres.-CEO, Ralph Lieb, terms not disclosed. Parent company, St. Louis manufacturer of knockdown electronic furniture, is being liquidated. Gusdorf Canada has plant in Montreal.

Boston Acoustics will buy back up to 2.5% of its stock -- 105,303 of 4,236,370 shares outstanding -- for general corporate purposes. As authorized by board, company will buy stock on open market, timing to depend on price.

RCA ADDS FLAT TUBES: Joining industrywide trend, Thomson Consumer Electronics is adding RCA tubes with flatter faceplate and darker glass for higher contrast in 27" and 35" sizes. Company demonstrated new tubes at Consumer Electronics Show in Chicago last week and announced it's taking orders for production models of all 3 sizes of widescreen 16:9 tubes made in its Italian plant.

New flatter, darker tubes, to be made in company's Marion, Ind., plant, will be available this month in 27" size and in June 1994 in 35". Lower light transmittance faceplate provides 30% increase in contrast. New tubes will add \$40-\$45 to manufacturing cost for 27" and \$70-\$80 for 35", primarily because they use invar mask for proper brightness and registration.

In addition to new tubes, TCE announced new phosphor system that it said includes more saturated red and blue phosphors for truer color reproduction, to be introduced late this year in all tube sizes. TCE said it made 5.8 million tubes last year in U.S. in 19-35" sizes. Its Circleville, O., plant produces 75% of its glass requirements, rest being sourced from outside, principally from OI/NEC.

INDUSTRY EARNINGS REPORTS: Video Display Corp. (VDC), largest CRT rebuilder and biggest independent CRT manufacturer in U.S., reported net loss in fiscal year and quarter ended Feb. 28 due largely to one-time charge of \$2.1 million for reorganization of Electron Gun Div. Sales for year rose 11.9%, but were down 3.5% for quarter (see financial table).

In period, Video Display started up recycling facility in Monterrey, Mexico. Company said it had signed agreement with NEC to supply rebuilt and new projection TV tubes "for the entire Consumer Electronics Division requirements in TV receivers" and is "pursuing similar programs... with other major [manufacturers of] projection receivers and color monitors." VDC's Vanco Div. "established a relationship with a national retailer to ship small consumer electronic accessories to stores throughout the Southeast."

Commodore International reported loss for 9 months and 3rd fiscal quarter ended March 31, with sales declining almost 40% in quarter. Economic softness in major markets, particularly Germany, and pricing erosion were blamed.

May wasn't hopeless, despite 3 consecutive weeks of declines in EIA sales-to-dealer data (see State of the Industry). Because of increase in buying by national chains and billing at end of month, final week of each month has been coming in far stronger this year than last. For May's first 3 weeks, color TV sales were down 23.9%, projection TV 19.9%, VCR decks 14.9%, camcorders 12.9%. More significant barometer of recent business is 5-week moving average, which is up for TVs, VCRs, camcorders. Final week of May, to be covered in report next week, could well salvage entire month.

Panasonic will increase prices on "selected Panasonic and Technics products" Sept. 1, company announced in Chicago at week's end. Categories affected will include portable and home audio products, VHS camcorders and VCRs, appliances, mobile electronics, telecommunications products. "The rapid and recent appreciation of the yen has put added pressure on consumer electronics firms which purchase from overseas factories," Pres. Ted Inoue said. As we reported last week, JVC plans to inform dealers soon of selective increases (TVD May 31 p19).

Consumer Electronics Personals

William White Jr., ex-Nintendo mktg. and corporate communications dir., joins Sega as mktg. vp... **Howard Phillips**, ex-software development vp at videogame publisher T-HQ and onetime Nintendo creative dir., joins Absolute Entertainment as dir. of west coast creative development... **Tarnie Williams** resigns as pres-CEO, Electronic Arts Canada (EAC), to form own business; Canadian subsidiary of Electronic Arts, based in Vancouver, B.C., will be managed jointly by Senior Vp **Don Mattrick** and Vp **Paul Lee**.

Christopher Stevens, gen. partner of AudioAccess, owner of Phoenix Systems and pres. of Custom Electronics Design & Installation Assn. (CEDIA), appointed pres. of Harman Kardon... **Ken Weller**, ex-sales vp at The Good Guys, joins Best Buy as regional vp-sales and member of exec. committee (TVD April 26 p17); **John Bohtinsky**, ex-Sears, becomes mktg. mgr.-appliances... **Mark Stuart** resigns as Blockbuster Entertainment vp-division mdse. mgr.

Former Eastman Kodak Photo CD officials moving to new Digital Imaging Div. of Applied Graphics Technologies, with hq in Rochester, N.Y., and applying Photo CD to publishing, advertising and other markets: **Scott Brownstein** as head; **Georgia McCabe** as senior vp-mktg. and business development; **Surinder Dahiya** as senior vp-product development; others from Kodak's Photo CD team are expected to join.

Acclaim Distribution Inc. (ADI) is new subsidiary of Acclaim Entertainment for sales and distribution of its Acclaim, LJN, Flying Edge and Arena software.

Subscribe now . . .

TELEVISION DIGEST WITH CONSUMER ELECTRONICS

Television Digest has been keeping leading communication executives informed since 1945 and is published for all those decision-makers—like you—who have a big stake in the ever-changing broadcasting, cable and consumer electronics industries.

(clip and return order certificate below)

ORDER CERTIFICATE Television Digest with Consumer Electronics

YES, I want to subscribe to **Television Digest with Consumer Electronics**. Send me a 1-year subscription for only \$752 plus \$50 postage and handling. (Washington, D.C., subscribers also add \$45.12 sales tax. Subscribers in foreign countries add \$150 for postage and handling.)

NO-RISK GUARANTEE: I understand that if I am not 100% satisfied with **Television Digest with Consumer Electronics** at any time, I am entitled to a full refund on all unmailed copies with no questions asked.

Bill me. Check enclosed. Credit Card Authorization.
(Make check payable to **Warren Publishing, Inc.**)

American Express. MasterCard. VISA.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Audio/Video Affiliates 1993-qtr. to April 30	52,810,000	601,000	.09
1992-qtr. to April 30	43,421,000	248,000	.04
Certron 1993-6 mo. to April 30	5,563,000	(85,000)	--
1992-6 mo. to April 30	8,673,000	205,000	.07a
1993-qtr. to April 30	2,530,000	(20,000)	--
1992-qtr. to April 30	4,495,000	96,000	.03a
Commodore International 1993-9 mo. to March 31	517,200,000	(273,600,000)	--b
1992-9 mo. to March 31	770,300,000	49,500,000	1.47
1993-qtr. to March 31	120,900,000	(177,600,000)	--b
1992-qtr. to March 31	194,600,000	4,100,000	.12
Fretter 1993-qtr. to April 30	79,444,000	3,201,000	.22c
1992-qtr. to April 30	74,516,000	383,000	.03
Go-Video Inc. 1993-9 mo. to April 30	22,606,521	122,620	.01
1992-9 mo. to April 30	11,492,825	(985,421)	--
1993-qtr. to April 30	7,878,932	41,227	--
1992-qtr. to April 30	4,842,743	120,683	.01
Video Display 1993-year to Feb. 28	61,017,000	(796,000)	--b
1992-year to Feb. 29	54,509,000	1,688,000	.41
1993-qtr. to Feb. 28	14,074,000	(1,696,000)	--b
1992-qtr. to Feb. 29	14,585,000	222,000	.05

Note: ^aIncludes special credit. ^bAfter special charge.

^cAdjusted.

Television Digest goes beyond the scope of any other publication by bringing into sharp focus all the conflicting forces at work—broadcast, cable, home video, MDS, DBS, SMATV and others. It provides experienced, authoritative coverage. The Los Angeles Times recently referred to **Television Digest** as "a publication considered the bible of the TV industry." Tack Nail, covering broadcasting, and Dave Lachenbruch, covering consumer electronics, are known and respected throughout the entire industry.

Television Digest gives you the information you need, delivered in a fast-paced style and clear format that always respects your busy schedule. **TVD** is designed to be read quickly . . . to help you spend less time gathering information and more time using what you've found.

Card number _____

Expires _____ Signature _____

Name _____ (please print)

Title _____

Organization _____

Address _____

City _____ State _____ Zip _____



WARREN PUBLISHING, INC.
2115 Ward Court, NW
Washington, DC 20037

PHONE: 202-872-9200 • FAX: 202-293-3435

NCTA

TELEVISION DIGEST®

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

With Consumer Electronics

JUNE 14, 1993

VOL. 33, NO. 24

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

FCC DELAYS CABLE RATE RULES: Rate freeze extended until Oct. 1, along with effective date of regulation. Action caps off week of protest and speculation at NCTA convention, as Mooney calls for cable to act like major-league industry. (P. 1)

CABLE MIND-SET SPLIT after convention. Industry optimistic about long-term future, fearful of short-term financial hit. Interactive technology dominates San Francisco gathering. (P. 3)

'EXCEPTIONAL YEAR' FOR ABC: Affiliates celebrate network's 40th year toasting achievements, hearing from President Clinton, criticizing new show from Bochco. Retransmission worries also appear. (P. 6)

SENATE PANELS PRESS FOR CURBS on TV, movie violence. Joint hearing by 2 Judiciary Subcommittees urges industries to act independently or face govt. intervention. (P. 7)

SATELLITE TV AND DBS PROGRAMMERS claim win over cable in settlement of 5-year discriminatory pricing suit. Forty states and U.S. win in effort to enable satellite TV to compete with cable. (P. 8)

ASIAN CABLE SATELLITE PLAN draws interest from programmers. Turner, ESPN, HBO, ABC and Hong Kong company reserve Apstar transponders, will work jointly on technical and marketing plans. (P. 9)

CABLE RATE REGULATIONS DELAYED: FCC said June 11 it would delay implementation of Cable Act rate regulations, and would continue freeze on rates, until Oct. 1. Announcement capped off week in which many cable operators spent their NCTA convention speculating about possible Commission actions and protesting burdens new rules imposed, while NCTA Pres. James Mooney called for industry to look ahead to assume burdens of major industry.

Delay came after FCC Chmn. Quello consulted with House Commerce Committee Chmn. Dingell (D-Mich.) and Senate Commerce Committee Chmn. Hollings (D-S.C.), who agreed to request, Quello told us. Legislators said "do the best you can," he said. But House Telecom Subcommittee Chmn. Markey (D-Mass.), who holds FCC oversight hearing June 17, was critical of delay, as was Consumer Federation of America. Delay will allow FCC to begin planning for enforcing rate activities, including finding office space, purchasing computers, etc. It now appears Commission will have some more money with which to work, as Senate Appropriations Committee last week agreed to give FCC \$11.5 million as part of supplemental appropriations for FY 1993. Full Senate is scheduled to take up matter this week. House must also approve, and there are warning signs that it may not be as generous.

Consumer Electronics

FUTURE OF SUMMER CES to be decided at EIA meetings starting today. Late date for 1994 show, absence of key TV-audio glamour exhibits portend drastic changes. (P. 11)

CAPTION CHIP SHORTAGE is possibility this year, but not yet major concern. Motorola on 7-day shifts. (P. 13)

TEXAS INSTRUMENTS VIDEO projector using 'digital micromirrors,' developed under \$10-million DARPA contract, being shown to prospective manufacturers. (P. 13)

GAINS IN SALES TO DEALERS in May came in last week of month, which accounted for about half of total in nearly every category. VCRs set record. (P. 14)

\$399 CD-I PLAYER could be offered by Philips later this year, dealers say. Company expected to announce deal with another major studio for films on CD-I. (P. 15)

STARLIGHT EXPECTS 4 LICENSEES for its on-screen program guide and VCR programmer in next few weeks. Mitsubishi is 2nd TV maker to sign after Zenith. (P. 15)

SONY PRICES GOING UP in fall, Briesch says. New organization seen improving intracompany communication. No Sony TV multimedia system this year. (P. 16)

AT&T PLANS SEGA PHONE PERIPHERAL for 1994 that will allow point-to-point game play and ability for players to talk during play over standard lines. (P. 16)

Quello said deferred date would be "good for the FCC and good for cable," and of particular help to small systems, giving them time to adjust to new regulations. He said he would like to give further relief to small operators of fewer than 1,000 subscribers within latitude that Cable Act gives him. Small operators in particular made their presence felt, and their displeasure known, to FCC and congressional staff at NCTA convention last week.

Mooney in opening NCTA address June 7 asked cable industry to look forward to broader public policy concerns while still fighting rear-guard action against cable regulations. He said industry should continue to work with all branches of govt. to "make sense out of what is at present an unsensible regulatory scheme." That activity could include reconsideration petitions at FCC, court challenges, other actions. Goal should be "on pragmatic livability, not just pain avoidance," Mooney said. Opportunity to avoid pain caused by rules "is long gone," he said. At same time, he said that however frustrated industry may be with what govt. has done to it, "we have got to show ourselves to be open, generous and constructive participants in the process." By trying to "make peace with the political system," cable has "more to win than to lose, and by reaching out we can heal whatever scars we bear in Congress," Mooney said.

One way to become part of process again will be for cable to start thinking about broader issues than it has in past, Mooney said: "If we're to become a truly important, national industry, we'd better get the psychology of one." Small industries are preoccupied with their rights, but bigger industries also must be aware of their responsibilities, he said. Among responsibilities that come with creating switched broadband telecommunications systems are universal service policies, obligations for interconnection and, in phrase usually associated with telephone companies -- "how we as a society avoid creating a population of electronic have and have-nots."

Small operators took advantage of panel appearances by congressional staffers at convention June 7, and of FCC staffers next day, to vent their anger over what they perceive to be unfair treatment under Cable Act. At session featuring mainly House staff, half-dozen operators attacked both law and subsequent FCC actions as imposing unrealistic burdens, with complaints ranging from complexity of agency worksheets to fact that some had yet to receive Commission materials that would allow systems to determine whether they fall under rate regulation. Those types of complaints helped persuade FCC to delay implementation of rate rules.

David Kinley of Sun Country Cable, Pleasanton, Cal., who put together Small Cable Business Assn. in last 3 weeks, told congressional panel that small operators wouldn't be able to meet June 21 deadline for determining their regulatory status. Tom Rovak of Apollo Cablevision said he would be "bankrupt tomorrow" if forced to abide by rate regulation, saying FCC didn't take into account amount of company debt in its benchmark calculations. Others told panel that they wouldn't be able to build out to more rural areas or to add programming. Alan Roth, staff dir. of House Commerce Committee, said Congress didn't intend to harm small operators through cable bill and suggested operators take their complaints to FCC. That response generated loud boos from audience.

Staffers' reactions to proposed delay of implementation date varied. Jill Luckett, aide to Sen. Packwood (R-Ore.), said she would support delay. But Gerald Waldron, counsel to House Telecom Subcommittee, said consumers expect to see rollbacks. Presaging Markey's reaction to FCC delay, Waldron said while he would support short delay, he said "significant postponement would be a problem."

By time FCC staff panel rolled around, members were ready to concede that they had been made more than adequately aware of concerns of small operators. John Hollar, senior adviser to Comr. Duggan, told standing-room-only crowd: "We have been sensitized to small operator concerns." And Robert Corn-Revere, senior adviser to Quello, acknowledged what Hill panelists had said day before -- that FCC was place to turn to with complaints.

On another aspect of complicated cable rules, cable MSOs are facing June 21 deadline (which is still in force) to move cable networks from expanded basic tiers to a la carte, but networks continue to resist move, panelists said. "We are facing financial problems the like of which we have never seen before" because of Cable Act, said Continental Pres. Michael Ritter, who suggested that networks should be more willing to help resolve situation because MSOs had assisted many of them in getting started.

FCC set de facto June 21 deadline with negative option rule, which requires cable operator to give customers positive opportunity to reject any change in channel lineup, Ritter said. Rule would make it difficult to assure that a la carte tier would get enough subscribers to be viable, he said: "Part of the solution to deregulation is to carve out as much deregulated revenue as possible from a high-penetration a la

carte tier." However, networks don't like idea because their ad revenue depends on highest possible audience, and a la carte sale almost certainly would mean some audience falloff.

Goal of convincing 80-90% of subscribers to take a la carte tier is "very realistic," HBO Exec. Vp John Billock said. But Rainbow Pres. Sharon Patrick said networks want "certain protections" to assure that they won't be hurt by move. She didn't detail what networks would need, but said she believed they could be worked out if there were enough time: "The timetable is the problem. Washington needs to understand that we need time to do this intelligently."

Rate rules probably will mean increases in premium channel rates, which are deregulated, panelists said. Billock said that cable systems probably would raise premium rates to help offset lost basic cable revenue, and that customers probably wouldn't be so resistant to premium rate hikes because they would be benefiting from lower basic rates: "They're used to paying a certain amount for cable. There is some premium pricing upside flexibility for the first time in a long time." Ritter said Continental hopes to boost premium rates same amount that basic drops, but that won't "make us whole" because only smaller percentage of subscribers take premium channels.

Rate benchmarks could be big boost to low-cost channels such as shopping and religious, Continental Pres. Michael Ritter told us. Benchmarks would allow cable system to raise total bill 50¢ or more for every channel added to system, regardless of cost to system or benefit to customer: "The benchmarks blindly and inanely give no credit for the value of the channel." Since religious channels usually charge nothing for carriage and shopping channels even generate system revenue, and allowing any systems to charge higher rates, there "certainly is an incentive" for systems to add low-cost, low-value networks, Ritter said: "This is the distortion that regulation brings to the marketplace." FCC officials confirmed benchmark effect, but said they believed market would provide some discipline over addition of low-value channels. However, Ritter said consumers probably wouldn't care about added channels as long as no popular channels were dropped.

UNBRIDLED OPTIMISM AND SHEER TERROR MIX AT NCTA: Mix of great optimism about long-term future of cable technology and short-term fear of financial consequences of regulation were hallmarks of NCTA convention in San Francisco last week. Buzz was all about new interactive, broadband, multimedia networks that were touted as generating huge new revenue streams and having potential to make cable heart of entire U.S. telecommunications infrastructure. But at same time cable owners were in side meetings with bankers in hotel rooms all around town, discussing fact that some could be in at least technical default on loans before long.

Technology buzz, along with reregulation (see separate story), drew largest convention attendance since glory days of early 1980s, with final figure up more than 1,000 from year ago to more than 16,000. Many of new attendees were from computer and telephone industries, looking for partners and assessing competition, but there also were big boosts in international attendance and in local regulators.

Regulation/govt. sessions drew standing-room-only crowds as cable operators and regulators tried to figure out meaning of rules. Even some local regulators told us that they're pushing for delay in implementation of rate rules because they hadn't had time to understand them and hire new staff to implement them. Attendees were heartened by strong signs from FCC (that proved true June 11) that Commission would, indeed, delay rate regulation effective date until fall. For cable operators, that would mean at least few more months before rate cuts force cash flow levels below covenant requirements, and before loans have to be renegotiated, almost certainly at higher rates.

Many cable operators will have to convince bankers to refinance loans as result of regulation, panelists predicted. Result will be higher interest costs and tougher bank-imposed limits on cable spending, they predicted, but most operators should be able to get financing. Very few operators will be able to meet loan requirements that they maintain cash-flow multiples, particularly since most MSOs are facing 10%-15% cut in cash flow, said James Lewis of Bank of Boston. He said that will mean "short-term adjustments" in covenants, which he predicted banks will be willing to give in return for "enhanced yields" and other concessions.

Bankers are "very calm" about impact of reregulation on cable loans, Falcon Cable Vp-Finance David Tomick said. "There's no panic. The banks still love the cable business." In separate session, Fleet National Bank Senior Vp Gregory Mulligan said banks won't "overreact" if reregulation makes it difficult for cable systems to repay loans on time: "Some loans may have to be rewritten, but I'm confident that refinancing will be available because cable has a stable cash flow."

Cable operators must keep banks fully informed about impact of rate reregulation to "help the banking industry manage its regulators," Tomick said. Lewis agreed that "overzealous" bank regulators were likely to downgrade value of debt that had to be restructured, making it difficult for banks to make loans. Avoiding bank regulator problem is "tremendous challenge" and work needs to be done on national basis with FCC participation, Lewis said. Industry is benefiting from previous round of bank regulation that many cable executives had considered overzealous, Tomick said. Highly leveraged transaction rules 2 years ago virtually closed cable debt market until they were revised. Tomick said that forced cable industry to deleverage, which was "probably good because if we hadn't deleveraged over the last 2 years we'd be in real trouble now."

Movement toward what might be called set-top cable "converger" seemed to be part of every other exhibit and many new product and service announcements at convention. Bewildering plenitude of new partnerships between cable companies and computer hardware and software entities were announced, along with refurbished here-and-now offerings from last year's interactive pioneers -- who fear appearing obsolete before they're even established.

Receiving much attention at crowded news briefing was announcement by Silicon Graphics (SG) that it will be providing technology for Time Warner's Castro Valley, Cal., interactive upgrade. Companies envision 1994 availability for 4,000 of system's subscribers an ambitious array of offerings in "full-service network," including true video-on-demand, videogames, interactive shopping, videoconferencing, telephony, PCs, video picturephone, distance learning.

Core of experiment is SG's MIPS microprocessor architecture and huge supercomputer-scale video servers interacting with digital multimedia set-top device being developed by Scientific-Atlanta (S-A) and Toshiba. Key to service, said James Chiddix, Time Warner Cable senior vp-engineering and technology, is AT&T-supplied ATM switching technology that makes possible transfers of data that will be stored in terabyte quantities.

Simultaneously with SG development will be joint effort of Kaleida Labs (IBM-Apple joint venture), Motorola and S-A to "develop next-generation open architecture software and hardware" for cable delivery of interactive and multimedia services. Three companies are providing, respectively, ScriptX multimedia programming language, microprocessor technology, set-top terminals. SG Chmn. James Clark said its announcements as part of 2 joint ventures were "separate."

Interactive services that are available more or less immediately also were seeking operators' attention. Under slogan that "we're in the box," TV Answer was touting deal with Jerrold under which its program guide/shopping interactive service will be included in version of set-top converter for transmission to cable homes. Upstream interactions from home still will be carried over air on FCC-assigned frequency. Officials acknowledged that \$500 tag for standalone set-top device -- it wasn't clear how much inclusion of TV Answer electronics would add to Jerrold converter -- would be tough sell to consumers, but they were hoping operators would absorb much of costs in hope of increased PPV activity and revenue sharing from vendor/participants.

Here-and-now services and devices designed to navigate megachannel and interactive environments vied for attention. United Video Satellite Services' Trakker Interactive Services showed satellite-delivered Preview Express electronic program guide (EPG) and Sports Trakker, on-screen sports guide. Company also introduced "Trakker Pak" bundled interactive services based on model of cable tiers. Using smart card, subscribers for example will be able to download electronic restaurant discount coupons, capability made possible as result of new Trakker deal with CUC International, provider of membership-based discount consumer services. United Video also announced partnership with Scripps Howard's United Media Div. under which latter, syndicator of comics and newspaper columns, will sign up local papers as Trakker information suppliers.

Another EPG, TV Guide On Screen, like Prevue Networks, was demonstrated by S-A on its Model 8600X analog Home Communications Terminal. S-A said terminal is intermediate platform to support EPGs of all kinds. TV Guide's version provides name recognition on technological flexibility, attribute that's deemed essential for interactive interfaces. Same benefit was claimed by yet another EPG entrant, Your Choice TV, brainchild of Discovery Channel Chmn. John Hendricks, that company said will undergo field tests "in several cable systems this fall." Service will permit virtual storage and retrieval of programming, is compatible with S-A's 8600X and boxes under development by General Instrument. Finally, Starsight Telecast, private company backed by Viacom, Tribune, Times Mirror Cable, PBS and others, demonstrated its EPG that uses PBS TV stations' vertical blanking interval to deliver viewer-customized program guide to StarSight-enabled cable converters, VCRs, TVs, satellite decoders, standalone component receivers.

First day of 3-day convention included panel discussion of cable's role in information superhighway, with industry leaders such as TCI Pres. John Malone, Viacom Pres. Frank Biondi and film producer George Lucas as participants. Panel discussion on "Cable TV -- America's Highway to Tomorrow" centered on prospects for broadband network that will present programming on demand for users at any time and on virtually any subject as more material is stored digitally and transmitted to users. Panelists painted pictures in which customers would have range of options, from looking at programmed services similar to what now exist to total a la carte menu. Question for industry is what will each type of service cost, but panelists such as Biondi said they thought demand would be sufficient in any case. They agreed more focus would result in marketing to differentiate services and programs from hundreds of competitors.

Most "blue-sky" prediction came from Lucas in discussion whether consumers would want to be bothered making all choices that such large system would require. He suggested there could be artificial intelligence persona created by cable network that would allow customers to talk to TV and tell it what type of show viewer wanted to see and computer program would provide it, based on information about past viewing habits.

Final panel, on morning of June 10, seemed to wrap up high spots of major issues, from retransmission consent, to financing, to technology and regulation. Cable is "on the top of the list" of those who will be blamed if retransmission consent disputes mean World Series (which starts simultaneously with effective date of retransmission rules) isn't carried on cable systems, Time Warner Cable Chmn. Joseph Collins said. He told closing session that loss of cable carriage of broadcast stations would be "very disruptive," but predicted that customers understand issues better than in past, so cable wouldn't be hurt too much.

Comcast remains only one of largest MSOs that hasn't said whether it will pay retransmission fees, but Pres. Brian Roberts said it "conceptually agrees that paying for something that is available free off the air is uncomfortable." He indicated that Comcast was open to deals similar to Fox-TCI as long as they involved "new programs that will attract eyeballs." Cable networks are more concerned about must-carry, Discovery Chmn. John Hendricks said. Networks fear they will be bumped from cable carriage to open channel capacity for must-carry broadcast stations. He said he's not concerned about competing with new networks, but objects when "the government steps in instead of competition." Turner Bestg. Chmn. Ted Turner said cable networks face new competition "every day," but situation "definitely puts pressure on existing networks."

Arrival of digital computer interfaces "will sweep the nation" as HBO did when satellite delivery began, Hendricks predicted. Collins agreed that technology is "so powerful that if you are in any part of the telecommunications business or the computer business you owe it to your shareholders to see how you fit into the game." Only possible roadblock to success of new services, other than regulation, Roberts said, is "the risk of whether cable will be able to take advantage of its lead" in developing broadband interactive networks and whether govt. will continue to "begrudge" cable or allow it to "get along with" development.

Money to develop networks shouldn't be major problem, even with reregulation, panelists said. Roberts estimated Comcast might have to spend \$500 million-\$1 billion to rebuild its cable systems completely, but said money was "incremental" and could be spent as revenue started coming in. Hendricks said that if video-on-demand captured only 10% of TV viewing at \$1 per hour, it would mean \$20 incremental revenue per month per subscriber for cable systems. He also predicted that there would be little customer resistance to computer-based digital cable systems, noting that 65% of people are computer "phobic" but "they all use remotes," which will be main way viewers communicate with cable systems.

Telcos were considered "Saddam Hussein" of cable industry at 1991 convention, moderator Jeff Greenfield of ABC News said, prompting Roberts to say they're now considered more like Sultan of Brunei. U S West's \$2.5-billion investment in Time Warner Cable Networks is "the best vote of confidence that the industry could get," Roberts said. "U S West could have spent the money on upgrading its own network, but it chose to invest in cable because our architecture does have value."

Customer service will be key to cable entry into telephony, Collins said, because business customers have "very high expectations of service. To have any business at all we have to meet those expectations." He said cable customer-service situation has "changed dramatically" over last 3 years, and "almost every cable system in the country has had a marked improvement."

James Cable Partners is latest MSO to put cable systems on market, hiring Communications Equity Assoc. to find buyer. James has total of 80,000 subscribers in several Southeastern and Southwestern states.

Vyx signed to use local cable network owned by Cox in Oklahoma City to provide access for Vyx's nationwide fiber network. Users at sites in city will connect to cable system to send video signals to Vyx network.

ABC AFFILIATES HIT NEW SHOW: Very much on minds of station executives at ABC TV affiliates' convention, which ended in L.A. June 10, were twin issues of cable retransmission consent and fall program "NYPD Blue," produced by Steve Bochco -- with Blue getting most attention because of sex, violence and language in pilot. ABC executives told reporters that in show of hands in closed meeting about 1/3 indicated that they wouldn't air program without major changes. Many affiliates scoffed at that count, saying it was more like 2/3 against show.

Also at meeting, President Clinton told affiliates June 9 that regulation of broadcasting "is not an area of expertise for me." But, he said, he "generally supports" federal regulations currently in force. He appeared by satellite from Washington for 40 min., just as he had done for CBS affiliates convention in N.Y. 2 weeks ago. When asked by moderator Peter Jennings whether news coverage of his Administration has been unfair, President said: "That's not a judgment for me to make... That's a no-brainer. There's not a way I can win that discussion."

Clinton answered questions from affiliates in audience and also from prearranged persons at ABC stations. Several questions dealt with his widely heralded problems on appointments, haircuts and others, to which he responded: "I'm just going to keep doing the best I can... I've been in a lot of tough fights since I've been President... When I make a mistake I admit it and just go on." When mistakes are made, he said, media should report them but not dwell on them and he's attempting to get public to focus on major issues and his accomplishments. Before Clinton's appearance, long videotape was shown of gaffes by Administration. Afterward, Jennings joined correspondents Sam Donaldson and Cokie Roberts in discussing them. Donaldson was critical of White House staff, saying its ineptness can be attested by failure to brief President on broadcast issues before his appearance.

In one scene in Blue pilot, scheduled to air at 10 p.m. Tues. in fall, detective grabs his crotch while cursing female district attorney; in another, man is shot at close range several times; sex scenes show couple making love while camera pans up and down their nude bodies. Cap/ABC Pres.-CEO Daniel Burke told affiliates: "You should regard it as a work in progress... The show has great merit as a reflection on urban America." But, he said, "obviously it's not for everyone," welcoming affiliates' input. ABC/Entertainment Pres. Ted Harbert told affiliates that sex and violence in Blue are "part of, a very small part of, a high-quality show that we all are proud of... Great shows are worth fighting for" and pushing boundaries of acceptable content was justified by show's quality. Bochco, who attended affiliates' closing night dinner, defended program. He told us that all pilots are "works in progress" and that he didn't plan to make any changes. He said nudity was necessary to make a point and that Blue has been screened by MPAA, which said as movie it would get PG-13 rating.

Typical affiliates' reactions: Frank Roberts, N.Y. Times stations -- "It's a very good Hill St. Blues [but] it'll be changed or it won't air." Jack Callagan, WSOC-TV Charlotte -- "Take out 2 rear-ends and some language and they've got a great show." ABC plans to have show carry warning: "Parental discretion advised." Harbert said Blue is "tame" compared with some cable programming. On violence, he said, ABC will keep it "to an absolute minimum" on series and refuse to show movies "where the primary selling point is violence." Several theatrical films already have been turned down for that reason, he said. Donald Wildmon's Morality in Media already has started campaign in attempt to block show.

ABC TV Network Pres. Michael Mallardi told affiliates at closed meeting that network's prime goal is "to seek cash" in retransmission negotiations, which he's heading. However, he said, alternatives are being considered and cable channel devoted to upcoming ESPN-2 could very well be one of them -- causing some concern among affiliates. "That judgment will be made as we progress in negotiations," Mallardi said, but he refused to identify any MSOs with which ABC is talking or terms being discussed. Burke said that "establishment of the long-term value of our signals is extremely important as we go forward into the 500-channel world."

Roberts told us regarding retransmission: "It's going to be a long summer... This retransmission thing is consuming so much of everybody's time and thoughts that it's hard to focus on the affiliates' convention and what it is." Affiliates, almost unanimously, told us they still hadn't decided what they will seek from cable systems.

Affiliates urged ABC to "aggressively pursue" TV rights to 1996 Summer Olympics in Atlanta, with negotiations to be conducted in July. However, ABC Sports Pres. Dennis Swanson said network would make no commitment under which it would lose money.

ABC TV Network Group Pres. Robert Iger said network had "an exceptional year" in season just completed, citing demographics in effort to prove his point: "No other network can match our accomplishments." As for technology in future, he said that "a virtual frenzy" is in store for over-air broadcasters and that ABC would remain in "the big-event business." As for station clearances, he sees "dark clouds on the horizon" for daytime and children's programming. But he said that despite all of future turmoil, over-air networks will remain dominant. Also on clearances, ABC News Pres. Roone Arledge said that live airings of Nightline have gone up to 70% from 61% year ago. Much was made of Nightline clearances year ago at ABC convention, with host Ted Koppel warning that popular 11:35 p.m. program could be canceled if more affiliates didn't carry it live. Arledge also trumpeted ABC's agreement with BBC for international coverage, noting that BBC had had similar deal with NBC since end of World War II.

In answer to question at closed meeting, Burke said he plans to retire as CEO in Feb. when he becomes 65, just as his predecessor Thomas Murphy did 2 years ago. "We've been making judicious and aggressive moves" for retirement, Burke said. He didn't discuss possible successor but most at ABC believe it will be Iger.

■■■

Bipartisan bill was introduced June 9 by Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) and Sen. Danforth (R-Mo.) designed to provide more competition in local loop by allowing cable and long distance companies right to provide local telephone service while also giving local exchange carriers (LECs) right to own cable systems (TVD June 7 p10). Measure promptly was attacked by RHCs as "bad for industry, bad for consumers and a bad approach to regulation," as Pacific Telesis Washington Operations Vp Ronald Stowe put it. Danforth said hearings would start within 3 weeks. NCTA opposed measure.

Viacom Cable said it had finished installing fiber for joint project with AT&T in Castro Valley, Cal. Called OneTouch, interactive system will provide ability to deliver early next year video-on-demand, 16 pay-per-view channels, universal remote control, one-button VCR recording, interactive programming guide and multiplayer video games.

Senate Panel Asks TV Violence Curb: Broadcast and motion picture industries were pressed to curb "gratuitous violence" in TV and movies at joint hearing by 2 Senate Judiciary Subcommittees June 8. Sen. Cohen (R-Me.) said broadcasters should tell scriptwriters: "We don't want to see as much violence, gratuitous or graphic, in the future. In the event you keep writing these scripts, they are not going to get produced and you will not get paid."

Parade of witnesses from 2 industries said self-policing efforts are under way. MPAA Pres. Jack Valenti said he will meet in next several months with directors, writers and acting unions along with studio film development executives, talent agents and movie companies that aren't part of Assn. to push for voluntary restraint. He also cited planned Aug. 2 meeting in L.A. of network, cable and movie executives to discuss effects of media violence and ways it can be reduced.

Sen. Kohl (D-Wis.), who co-chaired hearing, wasn't impressed: "Do you really think that because you have these half-dozen meetings scheduled in the next couple of months that television violence is going to actually decrease?" Valenti replied: "All I know is that we have to deal with people who control what is written in the scripts." He questioned how Subcommittees could distinguish between gratuitous and allowable violence, and who was to decide.

Subcommittee members said threat of governmental regulation was only way they believed industry would reduce violence. Cohen said he would prefer to see industry adopt self-policing policies, but it "has been promising to do it for decades and the level of violence seems to have increased."

Sen. Simon (D-Ill.), other co-chmn., applauded industries for their success in lessening other dangerous behaviors such as cigaret smoking in programming, but said "the difference is you can drop that cigaret from your hero's or heroine's hand but that is not going to affect the bottom line at all. If you drop the violence, there may very well be a drop in the bottom line."

Panelists included Lorimar TV Pres. Leslie Moonves, Paramount Pictures TV Group Chmn. Kerry McCluggage, Universal TV Exec. Vp Ned Nelle, King World Productions Legal Affairs Dir. Ralph Goldberg, CBS TV Network Affiliate Assn. Chmn.-elect Ralph Garbbard.

— — — — —

FCC Filed Special Request with Office of Management and Budget (OMB) June 9 for approval to use new form for data collection from 14,200 state and local govts., businesses and even individuals who want to identify unreasonable rates for cable programming services and associated equipment. Commission said it wants reply by June 14. Data collection is required under Sec. 623 of 1992 Cable Act. First form sent to OMB in April contained "typographical and other errors," FCC said. New form also takes into consideration requests for clarification on how to complete form. Under Paperwork Reduction Act, FCC is required to obtain OMB approval before imposing burden on private sector. Submission to OMB said it would take 40 hours of "average burden per response," or total of 568,000 hours for all applicants, to fill in blanks.

Infomercial maker Regal Communications Corp. agreed to pay \$3.5 million to settle false advertising charges brought by FTC. Agency said infomercials were disguised to appear to be regular TV programming instead of program-length commercials. Regal said programs, produced by Synchronal Corp. which later was acquired by Regal, have been discontinued.

Special NCTA program for federal lawmakers attracted at least 4 senators and dozen members of House. Unlike other industry conventions where they appear on open panels or give speeches, legislators at NCTA are treated to closed-door presentation -- this one on advances in cable technology -- and make no public appearances. Program featured live hook-up to school in Missoula, Mont., (which brought students to school on a Sun.) to show interactivity, as well as demonstrations by dozen companies and discussion led by ABC News commentator Jeff Greenfield, who moderated other sessions last week. Senators seen at session June 6, all members of Commerce Committee, were Burns (R-Mont.), Packwood (R-Ore.), Robb (D-Va.), Stevens (R-Alaska). House members included Democrats Waxman (Cal.) and Tauzin (La.) and Republicans Fields (Tex.), Gillmore (O.), Hastert (Ill.), McMillan (N.C.), Moorhead (Cal.), Oxley (O.), Schaefer (Colo.), Walker (Pa.). Stevens said in interview he thought spectrum auction would be success, and there was chance FCC would receive some of funds it's seeking. He also said beer and wine industries will have to come up with new programs telling of dangers of alcoholism if they want to head off legislation requiring warnings on ads, including TV spots. Congress has sent that message strongly, but hasn't received reply, Stevens said, calling for "solid thinking" and "innovative programs" from industry. Moorhead said he could endorse language being considered in spectrum auction bill to allow Cal. to continue to regulate cellular and other wireless services, but said question is "whether it's saleable." New NTIA Dir. Larry Irving also attended NCTA briefing.

FCC Granted N.Y. Telephone (NYT) approval June 10 to conduct video dial tone (VDT) tests for year in Manhattan. NYT will test transmission and switching technologies, methods of storing video programming and of delivering video to customers. Test will provide capacity for 160 channels of video, of which 70 will be assigned to new Liberty Cable. NYT told Commission it didn't expect capacity problems as it introduced digital technology during trial. FCC said NYT must: (1) "Accommodate all requests by video programmers" on first-come, first-served basis. (2) Provide for multiple video programmers on nondiscriminatory basis and, if capacity becomes problem, fund expansion of test to accommodate extra load. (3) Ensure that programmers have access to all end users and that coaxial drops of Liberty aren't used in discriminatory manner. (4) Carry tests on separate accounting books, and if costs aren't recovered from future VDT services, make up loss at expense of shareholders, not ratepayers. (5) Not charge programmers for facilities or equipment necessary to connect their programming platform, if any one programmer isn't charged. (6) Not discriminate against any programmer on means of access or testing technologies. (7) Submit written report to Commission within 6 months after close of trial.

NCTA Technical Notes: Phillips showed first-generation videophone for use with cable networks, already has begun testing 2nd-generation unit that's expected to be demonstrated by Western Cable Show at end of year. Unit is being designed in Germany... Cox and Bull said they jointly will buy 51% of software firm Information Systems Development, which has installed Cablemaster system in more than 75 cable systems... C-Cor introduced 1-GHz platform housing for fiber networks, to be available next Jan. and said it successfully passed 64-QAM video signal first time week ago... TV/Com and Tektronix signed technology development deal for low-cost digital receivers for compression systems. Circuits would be used primarily for satellite applications. TV/Com also said it set up London office.

ANTITRUST SUIT SETTLED: Seven of nation's largest cable TV programmers agreed June 9 to parity pricing of programming to noncable providers -- particularly satellite TV and DBS -- in settlement of 5-year antitrust litigation by 40 states and Justice Dept. Settlements require that programming those companies control -- HBO, Cinemax, MTV, Showtime, Movie Channel and others -- be made available to DBS and other noncable services at nondiscriminatory prices. Settlement was said by some analysts to be significant erosion of cable TV's monopoly status in sale of programming, and could enable satellite TV and DBS to compete effectively with cable. On other hand, they said, agreement may be more of form than of substance since it would allow cable companies to give bulk pricing discounts -- and cable industry has obvious advantage in numbers over noncable services.

"The big national cable television companies have had a monopoly in this area for too long," said Pa. Attorney Gen. Ernie Prete, representing one of 7 states whose investigation resulted in charges that cable companies had conspired to block access to channels such as HBO and ESPN by pricing them too high for noncable competitors. Agreement ends battle by 7 states in U.S. Dist. Court for Southern District of N.Y. Cable programmers also must pay \$4.75 million in settlement costs to be divided among same 7 states. Complaint had been filed simultaneously with suit by 40 states charging that major cable companies had violated state and federal antitrust laws by monopolizing local and national markets for delivery of programming. Named as defendants were TCI, Viacom, Time Warner, Newhouse, Cox, Continental, Comcast. All are owners in Primestar Partners joint venture in which Viacom holds majority but has announced intention to withdraw. Venture is "midpower" DBS system (Ku-band) based on GE Americom's Satcom K-1 satellite.

Suit had alleged that Primestar -- rather than being genuine venture to attract noncable viewers -- was scheme by cable companies to block noncable entities from competing in DBS market since it was designed to provide programming in rural areas not served by cable systems involved in venture. Agreement effectively changes that partnership, requiring that Primestar be made more independent by adding 2 "independent" members to its board and requiring that compensation of its key executives be based on Primestar's ability to sign up customers. So far, Primestar has signed about 50,000 subscribers in 48 states.

Although settlement has wording that in theory would prohibit discriminatory pricing against satellite TV services, it still would make bulk pricing discounts possible. That could provide obvious loophole for cable programmers. So far, 54 million households (58% of homes) subscribe to cable, while satellite home TV viewers have yet to top 3 million.

Specifically, agreement states that cable operators may not renew existing exclusive distribution agreements and can enter into only limited number of such deals with new program services. It also requires that defendants offer programming they control to competitors at rates and on terms that are comparable with their own rates and terms. Cable operators also are prohibited from retaliating against programmers that sell to competing distributors.

However, Primestar also claimed victory, saying it "can now freely pursue the development of its direct broadcast satellite business." Settlement goes further than last fall's Cable Act, which mandated that FCC design rules to ensure that cable programming would be priced on "reasonable terms" to noncable services.

It cost TCI and partners 18% more to add telephony capability to U.K. cable networks, Exec. Vp Fred Vierra said, but move provided more than 40% more incremental revenue. He told international seminar at convention that that's one of reasons cable operators are so interested in developing a "network of networks" that can be used for many purposes, including telephony. Vierra said networks don't have to achieve full capability in one step, "but we have to design a system that can be upgraded." Move to telephony also requires change in cable system culture, he said: "We have got to become a customer-service-driven company. Telephony requires that we convince consumers to migrate to our service, and that means we have to take customer service to unprecedented levels." He said it's easier to envision what cable networks and national telecommunications infrastructure will look like in 15-20 years than what they will look like over next 12-24 months: "I think we know where we'll ultimately go. The question is how we'll get there and at the same time keep the risks at a minimum."

TCI announced it had purchased 18% of Japanese cable programming service Cable Soft Network, owned by Sumitomo -- one of world's largest companies that also has interests in international fiber cables, making fiber and other communications-related businesses. Terms weren't disclosed. TCI International Vp Adam Singer said deal is "first step" in what could be developing relationship with Sumitomo, and is TCI's first venture into Japan. Sumitomo programs 2 other cable channels, but owns them with partners. Cable Soft Network, which offers movies from 1970s and 1980s, is carried on systems with 400,000 subscribers. Sumitomo Media Div. Deputy Gen. Mgr. Yasuhige Nishimura said it is unlikely TCI will become involved in his company's telephony-related activities because transpacific and other fiber cables also have multiple owners. Singer said entry by way of programming was best way to learn about Japanese market. He said TCI and Sumitomo also have had discussion on other deals in other parts of world.

Creditors have pushed Telemundo Group into federal bankruptcy court to halt interest payments on \$283 million in unsecured debt. Wilbur Ross, Rothschild Inc. investment bank advisory group, said creditors think Spanish-language TV network "is basically an interesting company. It just has to restructure itself and get on with its future." Ross said negotiations between Telemundo and creditors had been proceeding for 15 months. He predicted that company -- which reaches 85% of U.S. Spanish-speaking households -- would emerge from bankruptcy within year.

Attendance at NCTA convention set unexpected record at 16,438, topping high set in Houston in 1983 by nearly 1,500. Increase reflected heavy presence of attendees from computer and telephone industries, looking for partners and at potential competition for national interactive, broadband, multimedia infrastructure. Total also was boosted by larger number of small cable operators and local regulators, trying to figure out what new rules mean. International attendance was up sharply as NCTA began full-fledged program for that sector this year.

Black Entertainment TV signed letter of intent to buy at least 80% of Action Pay Per View. BET plans to transform Action to 24-hour service offering black-oriented programming under name BET Action Pay Per View (BETA PPV). CEO Robert Johnson said he believes BETA PPV will be successful because of market studies of black audience and because BET network and publications can be used for cross-promotions.

CHINA BIRD GETS CUSTOMERS: In bid to create "hot" cable satellite for Asia, 5 major programmers have reserved 6 transponders on China's Apstar-1 satellite and agreed to cooperate on developing compression and encryption standards. Companies are looking for additional partners and eventually may form joint venture to market programming to home dishes. Programmers participating in venture are Turner Bestg. (2 transponders), with one each for ESPN International, HBO Asia, Australian Bestg. Corp. (ABC) and Hong Kong's TVB International, which has Hong Kong cable franchise and plans to launch Chinese-language network soon.

Basic agreement involves standards for delivering networks to cable headends in region, but could be expanded to direct-to-home market. Group will form committees "very soon" to work on compression and encryption standards, HBO Exec. Vp Steven Rosenberg said. He said all options will be considered. Agreement will create "a cohesive transmission environment," ABC Project Dir. Bruce Donald said, helping assure that headends and eventually home dishes don't need multiple decoders and decompressors to receive signals from same satellite.

Group hopes to add more participants, eventually expanding to at least 10 program networks. As in U.S., programmers prefer to congregate on single satellite to reduce number of dishes needed at headend and make all providers on "hot" bird easier to sell to cable operators. Several of programmers said they have options for additional transponders on Apstar-1, and predicted that compression could add to networks carried. They selected Apstar-1 rather than follow-on Palapa C1. Most currently are on Palapa B2P for 2 reasons, Turner International Exec. Vp Robert Ross said: (1) Apstar-1 is scheduled for launch by 2nd quarter 1994, year ahead of C1. (2) Apstar-1 has "a superior footprint" for covering Chinese and Taiwan markets, which are considered prime growth areas.

— ■ —

Govt. doesn't expect to build or own "information superhighway," but will provide money to schools, hospitals and other public institutions that might not have other means of being connected, NTIA Dir. Larry Irving said in panel discussion. He said NTIA expects to have \$54 million to spend on demonstration projects this year, amount that could triple next year. Irving and FCC Comr. Duggan disagreed on possible effects of new technologies. Duggan said he thought high tech would be used mainly for transactions and that medical care wouldn't be "revolutionized" by broadband networks. Irving disagreed on use of networks for diagnostic applications. N.Y. PSC Chmn. Peter Bradford said govt. should be wary of picking winning technologies, taking lesson from last time all levels of govt. agreed on best new technology -- nuclear power plants. And yet, Bradford's state has started N.Y. Telecommunications Exchange, getting all segments of telecommunications industry, education, users and others to talk about network upgrades because neighboring N.J. is seen as making more progress in upgrading its network.

Fox didn't make expected announcements of additional cable carriage agreements at NCTA convention. Broadcaster had been expected to unveil deals, similar to TCI's, with 2 more major MSOs, even had scheduled news conference. But Fox cancelled at last min., with spokesman saying there wasn't enough news to justify conference. He said Fox had met with 21 of top 22 MSOs on carrying 2nd Fox cable channel (at 25¢ per subscriber) in lieu of paying retransmission consent fee for carrying Fox broadcast stations. He said response had been "very favorable but no deals are being announced."

Interconnections of cable franchises can increase system efficiencies and provide opportunities for new services, participants on 2 panels said. Interconnections can be used for sharing of pay-per-view facilities, which would lead to joint marketing and promotion opportunities, video-on-demand or near-video-on-demand, games, educational programs, transactional services or internal system communications. Systems also can hook up with competitive access carriers to carry telephony traffic. Cable Networks Inc. Senior Vp Peter Moran said one reason franchises have remained isolated for so long is that systems grew up in "franchise wars," and there was no impetus for them to unify. Rogers U.S. Cablesystems Vp Nicholas Hamilton-Piercy, who has linked systems near Ottawa, said problems occur when (1) some systems believe they have lost control over their signals, (2) scrambling schemes are incompatible, (3) problems develop over revenue sharing, (4) channel configurations are different, (5) there's uncertain authority over sharing material. But, he said, such problems can be worked out.

First Pacific Networks (FPN), Sunnyvale, Cal., which offers equipment to provide telephony over cable and for utility monitoring, expects to announce in couple of weeks participants in its Customer Choice 2000 project, sources said. Project would allow nonelectric utilities to share fiber installed in home that would be used by electric utility to monitor energy use. Participants are expected to include General Public Utilities, Pa. electric company; Southern Co., another electric holding company; Entergy, owner of Little Rock utility where test will take place; local cable franchise, which is TCI affiliate; Sprint; Corning. Participants had to invest \$300,000 each to be part of project. FPN also is expected to announce soon it has reached agreement for IBM to manufacture FPN's devices that make communications and monitoring possible.

Ark. law charging sales tax on cable systems, but not satellite services to home, was left intact without comment in June 7 ruling by U.S. Supreme Court. Law doesn't violate equal protection rights of Constitution or free speech rights when taxing one medium but not another, Supreme Court ruled 2 years ago in sending case back to Ark. Supreme Court to determine whether tax violated equal protection guarantees. State law was amended in 1989 to tax satellite broadcasts as well. In appeal, cable operators said more than \$11 million already had been collected under tax. State court had justified not taxing satellites "because the state needs satellite television transmission in those geographic areas where cable services are not feasible."

New Cable Networks: **Adam & Eve** Channel said it will launch in Oct., probably on GE satellite, and is looking for cable carriage agreements. Network would be 3rd competitor in adult PPV market... **Planet Central TV Network** is scheduled for launch in 4th quarter 1994, featuring programming with environmental theme... **Trax Network**, focusing largely on covering motor sports, will launch Jan. 1, 1995. Chmn. Robert Tullius said network should be success because motor racing is 2nd largest spectator sport in U.S.

NuMedia signed deal with Comsat Video Enterprises for joint marketing of Visitors TV, ad-supported video programming for delivery by satellite to hotels and convention centers. Visitors TV is to debut this month in some Washington, D.C., hotels, company said. NuMedia COO Michael Lindsay said it's also talking with cable operators on partnerships to deliver programming in their franchise areas.

Personals

Donald Wear, of counsel at Wiley, Rein & Fielding, named Intelsat gen. counsel... TeleCable Pres. **Richard Roberts** elected NCTA chmn.; other officers: Vice Chmn., **Larry Wangberg**, pres., Times Mirror Cable; Secy., Comcast Pres. **Brian Roberts**; Treas., TBS Pres. **Ted Turner**... **Mark Gearan**, White House deputy chief of staff, named communications dir... Appointments At USIA: **Douglas Wilson**, former U.S. diplomat, to head Office of Congressional & Intergovernmental Affairs; **Kimberly Marteau**, ex-Savoy Pictures, to dir., Office of Public Liaison; **Andrew Frank**, to senior adviser.

John Wentworth appointed senior vp-media relations, Paramount TV Group... Changes at Univision TV Group: Pres.-COO **Carlos Barba** adds duties of gen. mgr., WLTV Miami; WLTV Gen. Mgr. **Tony Oquendo** to vp-network operations and technical services, replacing **Manny Calvo**, who moves to vp-long-range corporate planning... **C.J. Beutein**, ex-WFIE-TV Evansville, Ind., joins WTOL-TV Toledo as news dir.

Newly elected officers, ABC TV affiliates' board: Chmn. **John Garwood**, WPLG-TV Miami, succeeding **Peter Desones**, Burnham Bestg.; Vice Chmn. **Andrew Fisher**, Cox Bestg.; Secy. **Deborah McDermott**, WKRN-TV Nashville; Treas. **Carlos Fernandez**, KMIZ-TV Columbia, Mo.; elected to board were **Thomas Griesdorn**, WXYZ-TV Detroit, and **Edward Reilly**, McGraw-Hill Bestg... **Thomas Iassally** promoted to senior vp-production, Warner Bros.; **Willa Clinton** to east coast publicity mgr... **Sharon Yokoi** advanced to vp-affiliate relations, Buena Vista TV.

Marcella Rosen named pres., Network TV Assn., succeeding **Peter Chrisanthopoulos**, who resigned in March... **Mary Alice Dwyer-Dobbin** advanced to exec. vp-daytime, ABC TV... **Douglas Bostrom**, ex-gen. mgr., WYEP-FM Pittsburgh, appointed dir.-member services, National Federation of Community Bestrs.

John Mathwick, ex-group vp-mktg., Jones Intercable, joins Weather Channel as senior vp-sales and mktg., new post... Named at Cable Networks: **Sheila Mulcahey**, sales mgr.-Chicago; **Martin Bratman**, account exec.-N.Y. sales team; **Paul Herzog**, account exec.-L.A.; **Kym Levitan**, account exec.-L.A.; **Matthew Phillips**, account exec.-N.Y. sales team... **Sue Panzer**, promoted Northeast Regional dir., Showtime Networks... **Matthew Miller**, vp-technology, General Instrument, moves to 110 E. 59th St., 6th Floor, N.Y.C. 10022... **Sam Stavro**, ex-Telematics International, appointed pres.-Private Networks Div., Scientific-Atlanta... **Bill Osbourne** promoted to mktg. dir., Home Sports Entertainment... Promotions at SET Pay Per View: **Marina Capurro** to vp-PR and promotions, **Sheila Larkin** to dir.-mktg. services, **Nancy Dunn** to mgr.-mktg., **Loreli Galardi** to mgr.-sales... **Terry Planell**, ex-WXTV N.Y.-Paterson, N.J., joins L.A.'s Spanish-language Prime Ticket La Cadena Deportiva as dir.-programming and production.

Carl Willis appointed national dir., Sesame St. Preschool Educational Programs... Changes at Children's TV Workshop: **Ken Gruber** promoted to pres.-chief financial officer, **Emily Swenson** becomes exec. vp-COO, **Gary Knight** moves to senior vp-corporate affairs... **Melissa Duprat** departs June 15 as CPB dir.-external communications... **Barbara Bellafiore**, ex-Bell Media, named news and information gen. mgr., Prodigy Services.

Promotions to senior vp at Fox: **Tom Nunan**, comedy development; **Bob Greenblatt**, drama development... **Tim Hailstone** named pres.-Times Mirror International Publishing... FCC calendar -- June 14: Comr. **Duggan** participates in "Future Technology Policymakers' Roundtable," International TV Symposium, Montreux, Switzerland, 3 p.m. June 15: Comr. **Barrett** addresses Southeastern Assn. of Regulatory Utility Commissioners Annual Convention, Disney Yacht Club, Asbury Rotunda, Orlando, noon. June 17: Chmn. **Quello** and Comrs. **Barrett** and **Duggan** testify at House Telecom Subcommittee hearing on FCC authorization, 11 a.m., location to be announced... Chmn. **Quello** addresses Pa. Assn. of Bestrs. dinner, Hershey Lodge & Convention Center, Hershey, Pa., 6 p.m.

Scientific-Atlanta (S-A) signed interactive multimedia memorandum of intent with Kaleida Labs (IBM-Apple Computer venture) and Motorola. S-A will supply overall architecture, terminals, networks and servers for set-top units to deliver multimedia. Motorola will supply microprocessors based on its PowerPC architecture, and Kaleida will offer ScriptX open architecture multimedia programming language. Venture also will use ScriptX operating system software. Companies expect to finalize agreement by mid-July and deliver first terminals in summer 1994. S-A Subscriber Systems Pres. Gary Trimm said joint venture won't affect company's deal to supply interactive systems for Time Warner's network in Orlando: "There are many different ways to do things." Also, S-A introduced single-dwelling interdiction unit. Company previously configured units only for multiple-dwelling units. Single-port unit accommodates 550 MHz and can handle compression tier above 550-MHz.

Spanish-language cable channel SUR will launch on 60,000-subscriber Liberty cable system in South L.A. in July and has signed carriage agreements for 20 systems on 3 other "major" unnamed MSOs, Pres. Luis Guerra said. Network, which also is carried by Time Warner systems in Paterson, N.J., and Queens, N.Y., also reaches 3,000 TVRO customers in U.S. and one million in Latin American, he said. SUR is expanded basic service on Liberty system (costing system \$1 per subscriber per month), but is being marketed more as pay or minipay service.

Teleport Communications (TC) said it signed letters of intent with 11 major cable operators to establish joint ventures to build new local fiber networks. Partners are Cablevision Industries, Crown, Hyperion, InterMedia, Maclean Hunter, Times Mirror and Viacom, plus TC owners Comcast, Continental, Cox, TCI. Deal involves building new fiber networks in Detroit, Miami, Providence, Phoenix and St. Louis and expanding networks in Boston, Chicago, Dallas, Houston, L.A., San Diego, San Francisco, Seattle.

At 3-hour meeting June 10, NCTA board voted to file reconsideration petition of cable rules at FCC, and endorsed new non-profit corporation, FiberSpan, formed by Pa. cable TV assn. to promote state-wide fiber network. Board took no position on infrastructure bill introduced June 9 by Sens. Danforth (R-Mo.) and Inouye (D-Hawaii), but opposed measure when draft was released June 2.

Cablevision Industries has become 13th of top 20 cable MSOs to announce it won't pay retransmission consent fees. MSOs with more than 50% of all cable subscribers have said publicly that they won't pay, and many more are believed to have made similar decisions privately.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	MAY 22-28	1992 WEEK	% CHANGE	MAY 15-21	5 MONTHS 1993	5 MONTHS 1992	% CHANGE
TOTAL COLOR.....	693,377*	422,404	+64.2	309,718	8,526,391*	7,529,588	+13.2
DIRECT-VIEW...	682,753*	415,979	+64.1	305,707	8,393,074*	7,408,252	+13.3
TV ONLY.....	634,011*	388,759	+63.1	282,788	7,925,236*	7,097,371	+11.7
TV/VCR COMBO.	48,742*	27,220	+79.1	22,919*	467,838*	310,881	+50.5
PROJECTION....	10,624*	6,425	+65.4	4,011	133,317*	121,336	+ 9.9
VCR DECKS.....	387,356*	270,914	+43.0	179,370	4,164,697	4,031,564	+ 3.3
CAMCORDERS.....	126,344*	86,382	+46.3	47,198	1,033,976*	903,859	+14.4
LASERDISC PLYRS#	6,775*	2,603	+160.3	3,131	73,856	75,637*	- 2.4

Direct-view TV 5-week average: 1993--431,207*; 1992--344,304 (up 25.2%).

VCR deck 5-week average: 1993--230,566; 1992--196,305 (up 17.5%).

Camcorder 5-week average: 1993--74,242*; 1992--60,122 (up 23.5%).

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

EIA MEETING ON FUTURE OF SUMMER CES: First in series of critical meetings on future of Summer Consumer Electronics Show (CES) is scheduled for today (Mon.) in Chicago, as EIA Consumer Electronics Group (CEG) Exec. Committee convenes to discuss changes for next year in response to problems at this year's show which ended 4-day run last week. Show itself isn't in doubt, but drastic alterations could be in works -- or presumably would have to be, to placate show's many critics.

Although exhibitors' reactions were mixed -- from enthusiasm to despair -- trade attendees generally expressed disappointment at fact that many stalwarts of traditional CES were missing from show floor this year. Major emphasis shifted for first time from main floor at McCormick East to North Hall, where videogame bazaar was even more active than in previous years. But it's far from certain that next year's show will be center of videogame universe again.

In East Hall, many traditional audiovideo manufacturers simply were absent, with Panasonic and Thomson Consumer Electronics (TCE) -- only companies providing traditional elaborate CES glamour in their exhibits -- serving as anchors. Many major TV manufacturers actually were represented in Chicago -- but at "outboard" exhibits in hotel suites, which provide income to cab drivers but not to EIA. While their displays attracted dealers, they generally were off limits to run-of-mill showgoers. In news release on closing day of show, CEG hailed off-floor exhibitors -- which CEG loyalists 2 years ago privately called "parasites" -- as added asset at this year's Chicago event.

Obviously highlights of show -- from keynote address by 3DO Pres. William (Trip) Hawkins through 4-day event -- were multimedia and interactive systems, with such exhibits as 3DO, Philips CD-I and StarSight Telecast attracting heavy attention on main floor. Of TV majors there, TCE's large exhibit focused on HDTV and DBS and Panasonic's on 3DO. Except for videogames in North Hall and high-end audio in Chicago Hilton, this certainly wasn't show of mainstream products that could be readily purchased by consumers.

EIA/CEG put best possible face on show, Group Vp Gary Shapiro saying: "Summer CES has changed. No longer is it just a trade show -- it is the gateway for new technologies to reach the mainstream marketplace." He said that "many companies who manufacture mature products such as VCRs, camcorders and CD players no longer need elaborate exhibits on the show floor twice a year."

Official trade attendance at CES was 50,792, including 1,571 who registered for new Personal Communications & Computing Show (PCC). Including all PCC registrants, attendance was down only 2%

from 51,850 at 1992's Summer event; subtracting PCC registrants resulted in decline of 5%. General public attendance at show's single consumer day (Sun.) was given as 37,694, compared with total of 98,720 for 2 consumer days (Sat. and Sun.) last year.

* * * * *

Among measures to be considered by CEG Exec. Committee will be how to integrate "outboarders" at Chicago hotel exhibits into show -- possibly charging relatively nominal fee and listing them in official show directory as well as limiting displays to relatively few hotels with good shuttle bus transportation to cut transit time.

Typical of comments we heard from retailers was frustration expressed by Dayton Hudson Div. Mdse. Mgr. Michael Flynn, who complained he had "spent half my time making cab drivers wealthy" and had gone to "more hotels than ever" in seeking existing vendors and potential suppliers. He said that if idea of show is to bring everyone together so a merchant can view industry and develop long-term strategies and planning, "it's difficult if not impossible to use the show for that purpose." He said all suppliers were in Chicago "if you knew where to look," but quickly added: "That's not going to a show, that's chasing down vendors."

However, that's far from biggest problem faced by show sponsor. While early June date already was considered too late by many in industry (and even previous shows' late May dates had stirred some objections), next year's dates -- June 23-26, only availabilities for Chicago show -- already have raised even stronger objection.

Even worse, CES's primacy as videogame tradefest is being challenged by show planned for Atlanta in April, and Nintendo and Sega officials -- whose massive booths anchor videogame area and attract those of major independent software publishers -- say they haven't decided where they're going to display in 1994. But implicit in their responses is fact that they won't back 3 major trade exhibits in 6 months. Potential challenge is coming from proposed TIMES (The Interactive Multimedia Entertainment Show), scheduled to debut April 8-10 next year under sponsorship of Knowledge Industry Publications.

Both videogame powers are ready to listen, though both claimed they were satisfied with their experiences at Chicago CES. Nintendo spokeswoman said company "has not made a decision yet" about whether to show at either Jan. or June CES in 1994 or whether to display at TIMES.

Conceding Sega had "a great show," PR dir. Ellen Beth Van Buskirk said company's "perspective on the June show is that it remains in the wrong time period for our business. If they move it later in June, we have to question that investment." She noted that Sega for last 2 years has followed lead of major consumer electronics hardware manufacturers and staged pre-CES meeting for key accounts and is "putting more and more into showcasing product there."

Question of where Sega will mount major booth next year is matter of return on investment, and should be decided by end of month, Van Buskirk said. Sega had 50,000-sq.-ft. booth in Chicago, with space rental alone costing company "close to \$1 million." Van Buskirk said Sega brought about 100 U.S.-based people to show, another 30 from Japan and spent significant sum on staging live show in center of booth. "It's a very big undertaking," she said.

Beyond dates of show, Van Buskirk said Sega was troubled by absence of major audio and video companies from floor. "The whole point of what's going on is having this convergence" of industries, she said. If A/V players aren't there, "you're only getting part of the story. It's tearing apart the partnerships we're trying to make... It's hard for top executives of these companies to separate time to go to 8 or 10 shows to get business partners together."

Independent software publishers probably will take lead from Nintendo and Sega for next year. Acclaim Entertainment Pres. Robert Holmes said that while CES was "a great show, from our standpoint one show per year is sufficient, and I don't know of any show that needs to be 4 days long. Interactive entertainment has grown to such a point that it probably does deserve its own show." He said company has committed to TIMES if Nintendo and Sega attend, "but if they say no, I don't have an incentive to go to a 3rd show." He said that "from a retail standpoint, [Summer CES] is almost late as it is. Certain accounts have much longer lead times" for key 4th-quarter business, with most decisions wrapped up before anyone gets to Chicago. Holmes said "it's ironic that as that consumer electronics segment -- the elephant on whose back we've ridden -- has shrunk, our industry has grown."

Two traditional consumer electronics anchors in main hall had mixed reactions to show. TCE Exec. Vp Joseph Clayton, who also is chmn. of CEG's TV Div., was happy. "I've heard all the negative vibes, but from

our standpoint we're very pleased," he told us. "It's not a selling show for us -- we are still in the midst of open houses for our dealers -- but from a PR standpoint we got tremendous coverage. We are very pleased." As for controversial "consumer day," he said: "Frankly if the show weren't open to consumers we probably wouldn't be there."

Jack Pluckhan, Matsushita Electric Corp. of America (MECA) vp and EIA industry vp, said from EIA's standpoint he was "disappointed, as were many others, about the falloff of exhibitors." He conceded that show "may be in the midst of a drastic change in direction -- it seems to be a computer, multimedia and allied industry show -- not an audiovideo show any more." Speaking as official of Panasonic's parent company, he said, show "was very successful as a launch for 3DO -- it was very good for Panasonic. But as one of the very few majors at the show, we certainly have to look at what it is worth to us [in future]. It's an expensive show if we're not getting the kind of visibility we need [with prime customers]. We'll be talking and discussing our options for next year." (Other reports from CES appear elsewhere in this issue.)

SPECTER OF CAPTION CHIP SHORTAGE LOOMS: It's just tiny cloud on horizon now, but chip shortage problem could develop as result of sudden demand for closed-caption chips, which will be required in all TV sets built after end of this month.

Although there are several sources for chips, most indicators point to problems reportedly being experienced by Motorola in revving up production of new chip. "Shortage is a concern, not a problem in the short term, but our concern could be elevated, depending on developments," said Joseph Clayton, exec. vp of Thomson Consumer Electronics, which co-developed chip with Motorola. Most other TV manufacturers said they expect no problem.

Motorola didn't confirm any startup problems, but spokesman pointed out unprecedented demand for chips of all kinds. He said company's fabrication facilities are working on 24-hour 7-day basis, with particular emphasis on caption chips. He said company believes it can meet demand.

Set makers apparently aren't taking any chances. Our speculation that big surge in first-quarter domestic TV assembly was due to imminence of caption deadline (TVD June 7 p15) was verified by several manufacturers last week.

TI SHOWING DIGITAL VIDEO PROJECTOR: Texas Instruments is beginning to demonstrate digital projection TV display system -- which it says is better than either LCD- or CRT-based projectors -- to potential users, including TV set makers. System was developed under \$9.8-million contract in high-definition display (HDD) program sponsored by Defense Advanced Research Projects Agency (DARPA) (TVD March 12/90 p18, June 19/89 p11). System currently provides what are described as excellent pictures in standard NTSC specs, and HDTV version is due by year-end under DARPA contract.

Heart of system is "digital micromirror device" (DMD), tiny collection of multiple pivoting mirrors fabricated on 5/8" square silicon chip using conventional semiconductor-making techniques and facilities. Single DMD has 307,200 microscopic mirrors (640x480), each constituting one pixel. Mirrors reflect light rays from external source (xenon lamp is used) into imaging lens that then projects digitized image onto screen. Since entire system is digital, it's ideally suited to digital HDTV transmissions. Analog NTSC picture must be digitized for projection.

Demonstrations have used 60" front-projection screen, but TI sources said system can be used for either front or rear projection. TI's demonstrations employ 3-segment color wheel of type used 40 years ago in CBS color system. Prototype has "excellent resolution, brightness, contrast and color fidelity and fast response times," said Gary Feather, mktg. mgr. for TI's Digital Imaging Systems Dept. Picture source used for prototype demonstrations is standard videodisc player.

HDTV version is expected to use 3 DMDs -- presumably one for each color, eliminating color wheel -- each a single silicon chip with 2.3 million micromirrors. "We're bringing it out of the lab and into commercial viability," TI representative said. "We're talking with system manufacturers to determine their needs." No timetable for commercialization has been given.

Sarnoff Research Center is subcontractor under DARPA contract, in charge of developing optical system. "We think it's an impressive display technology," Sarnoff Center Pres. James Carnes told us, adding that development will continue. "We like it."

LATE-MONTH RUSH GENERATED SALES GAINS IN MAY: Huge surge during last week of May was enough to offset declines in sales to dealers of major video products during first 3 weeks of month, leaving moderate increases for month in most areas, big jumps in others. All categories showed increases of more than 40% over last year for final week of May -- and, reflecting same pattern as in April, final week represented 45-55% of full month's sales in all categories for which EIA releases figures on weekly basis.

May was lowest volume month so far this year for direct-view color TVs, although sales were up 4.5% over year ago. They ran at seasonally adjusted annual rate of 22.4 million sets, leaving rate for first 5 months at just over 23 million, lowest point this year. Projection TVs were at seasonally adjusted rate of 415,000 for month, bringing rate through May down to 454,541.

As has been case every month this year, sales of TV/VCR combos set record, running more than 50% ahead of year earlier. Sales of laserdisc players in May were highest for any month this year, passing 15,000 for first time.

VCR deck sales were at highest seasonally adjusted rate for any month this year, 14.1 million, raising rate for first 5 months to 12.7 million, highest since end of Feb. Almost half of month's total was sold to dealers in final week. Camcorder sales, on other hand, were at lowest seasonally adjusted rate of 1993 -- 3 million, but that might just be adjustment from hot sales earlier in year, since rate for first 5 months stands at 3.5 million -- pace that would be well ahead of record for any year. Here are EIA's figures on sales to dealers for May, compared with last year and 1992:

Product	May 1993	May 1992	% Change	May 1991
Total color.....	1,435,175	1,371,941	+ 4.6	1,248,108
Direct-view...	1,415,698	1,354,465	+ 4.5	1,230,766
TV only.....	1,321,186	1,291,964	+ 2.3	1,187,314
TV/VCR combo.	94,512*	62,501	+51.2	43,452
Projection....	19,477*	17,476	+11.4	17,342
VCR decks.....	787,126*	740,948	+ 6.2	652,265
Camcorders.....	239,680	216,562	+10.7	216,884
Laserdisc players	15,216	10,538	+44.4	8,429

* Record for any May.

NATM Buying Corp. has elected new president and appointed key executives of 2 of its member companies to act as corporate merchandising vps to better coordinate programs between suppliers and members. Glen Grodem, pres. of Smith's Home Furnishings, Portland, Ore., will take over as president when term of George Scala ends in Sept.; Scala will remain as NATM dir. at large. American TV & Appliance Vp David Shepard has been named NATM mdsg. vp for electronics and computer products, while H.H. Gregg Pres. Jerry Throgmartin will hold same title for major appliances. Group, which does more than \$3.5 billion in sales through its 17 members in N. America, also developed formal mission statement, "to refine and strengthen NATM's identity as a cohesive buying entity with national recognition and stature" through long-term stable relationships with key suppliers, differentiated merchandising programs for value-added retailing and maintaining willingness to be "member- and customer-driven."

Bigger 16:9 tube, 38W", is under study but not definitely scheduled, said Thomson Tube Div. N. America Vp Robert Lorch, who told us company's U.S. and European tube operations are evaluating prospects. That size would be equivalent in vertical dimension to standard 31". It would be 4th direct-view widescreen tube size, others being 34W", 30W" and 26W" (U.S. viewable diagonal measurements). Company's new 27" FDT (flatter darker tube) is being made at Thomson plant in Italy, and if demand warrants it will be produced in Scranton plant, which makes all Thomson 27" tubes in U.S., not in Marion, Ind., factory, which makes all other sizes (TVD June 7 p17).

First Art Levis Award for Journalistic Excellence was won by Dennis Normile, resident of Tokyo, for article on flat panel displays in Popular Science magazine. Announcement was made at ceremony at Summer Consumer Electronics Show in Chicago. Award by Art Levis Foundation, in memory of late journalist who served as senior editor of TV Digest and later as editor of Consumer Electronics Monthly and Video magazine, for best reporting on consumer electronics, this year included \$1,000 prize. Judges were William Livingston of Stereo Review and David Lachenbruch of TV Digest. Foundation was chartered to promote consumer electronics journalism through awards and scholarships. Details and contributions: Box 19100, Washington, D.C. 20036.

"**CES for Nintendo** is a business show, not a science fair," Mktg. Vp Peter Main told reporters and analysts at meeting just before show opened. "We have all kinds of R&D under way, but we're not going to talk about any of it." Noting that much discussion in interactive entertainment community was centering on fewer technologies, Main pointedly said that "everything on the floor of this booth is shippable and promotable between now and Jan. 1."

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 106 yen = \$1, except where noted.

\$399 CD-I PLAYER? Philips is considering introduction this fall of CD-I player with \$399 retail price, sources who met with Philips at Consumer Electronics Show (CES) told us. They said it seemed certain that Philips would drop price on current model to \$499, whether or not it introduces lower cost model. Philips spokesman, citing company policy, declined to comment on pricing plans.

Major retailers said \$399 model that Philips was exploring would have same general characteristics as current player, but fewer readouts on display and would have wired, rather than wireless, remote. Dealers who told us they had discussed matter with Philips unanimously were upbeat on \$399 player's prospects, predicting it would boost format's sales significantly, particularly with Panasonic planning to introduce 3DO player in Oct. at expected \$699 retail.

Philips made major splash at CES by announcing agreement under which 50 Paramount feature films -- catalog titles or new releases -- will be available as CD-I full-motion video (FMV) discs over next 2 years, beginning with at least 10 this fall when FMV cartridge is launched (TVD June 7 p12). Philips Media Pres.-CEO Scott Marden said addition of FMV represents "relaunch" of CD-I format. FMV cartridge will be on market in fall at \$250 retail, although marketing plans, including software bundles, haven't been finalized.

Although it's undeniably major move, ability to offer only Paramount films on CD-I won't by itself establish format as significant linear playback system. However, Philips is believed to have signed similar agreement with at least one other major studio to put feature films on CD-I, but executives would neither confirm nor deny report. While several major studios said they were taking wait-and-see attitude, Warner Home Video spokesman indicated company hopes to see its films on CD-I when MPEG-2 becomes available. Pres. Warren Lieberfarb said MPEG-2 encoding and decoding system, which may be available as early as next year, would allow up to 2 hours of footage to be compressed onto single CD while offering "demonstrably better picture quality" than current MPEG-1.



Vista International, which surfaced just before Jan. Consumer Electronics Show (CES) by announcing intention to ship \$499 dual-deck VCR this year (TVD Dec. 21 p11), resurfaced at Summer CES in news release saying it has contracted with Korea's Daewoo to provide "key parts" for its machine. Vista also said it has signed agreement "empowering a manufacturer to assemble" VCR, which it now says will be available in sample quantities Dec. 1. Pres. Steven Abboud declined to identify manufacturer, other than to say it's Korean. He said that when Vista tried to contract with other manufacturers, "there were threats of lawsuits" over possible patent infringements that made factories shy away. He said Vista has assembled 14-company rep network to sell its unit, which is combo VCP-VCR. Meanwhile, Go-Video Mktg. Vp Edward Brachocki said company's similar VCP-VCR, which it had announced in Jan. at \$499, actually will be at \$599, which he said was "more natural price point," given that next higher model is \$699 retail. He conceded that "\$499 is a mass-market price point. Some would argue it should be lower than that, but that's hard to achieve."

Sanyo and Art Institute of Chicago have agreed to produce series of short documentaries in still-picture HDTV on works in Institute's permanent collection. Sanyo will offer laserdisc recordings to HiVision museums, information centers, schools and trade shows in Japan.

MORE STARSIGHT LICENSEES: StarSight Telecast, developer of on-screen program guide and VCR programmer, was one of major main-floor attractions at Consumer Electronics Show (CES), and its officials held private meetings during event with TV set and VCR makers.

Announced on eve of show as licensee was Mitsubishi, which is to start building StarSight system into its TV sets in July 1994 when Zenith's one-year exclusive runs out. Zenith is expected to offer StarSight-equipped TV sets this fall. StarSight said it plans to announce at least 2 more licensees in next few weeks. One is widely assumed to be Philips, although neither StarSight nor Philips would confirm that.

Standalone StarSight component will be made in Far East by PCI, said Brian Klosterman, senior vp, consumer electronics mktg. It's expected to sell for less than \$200, he said. There will be 3 versions -- for broadcast, cable and satellite reception. Channels of distribution for component haven't been resolved, he said. Programming service subscription will cost "under \$5 monthly," Klosterman said. StarSight-capable cable boxes already are being made by Zenith, and will be produced by Jerrold and Scientific-Atlanta as well.

StarSight's display at CES was live, program guide transmission being carried on vertical blanking interval of MTV via cable, although WTTV (PBS) Chicago also was transmitting guide.

StarSight announced last week that Providence Journal Co. was acquiring "substantial interest." Other "strategic partners" are Viacom, Tribune Co., Times Mirror, KBL.COM, Spelling, Sumitomo, PBS.

Other electronic program guides -- for cable distribution -- were shown at NCTA convention in San Francisco last week, including United Video Services' Trakker, TV Guide (TV Guide On Screen), Prevue Networks.

QUASAR SHOWS 16:9: Quasar, exhibiting in large room off floor at Consumer Electronics Show in McCormick Place, joined growing ranks of brands offering 16:9 widescreen TVs, with 58W" projection TV at suggested list of \$6,500. Quasar uses same CinemaVision name as related Panasonic, whose apparently identical set has minimum advertised price of \$5,999 (TVD Nov 16 p11). Quasar also is offering standard ratio 51" projection with new slim cabinet (21.6" deep), 2-tuner PIP, 700 lines of horizontal resolution, Active Dome sound system, at \$3,500 list.

Quasar line, bearing strong resemblance to Panasonic's, features SuperFlat sets, now with dark glass to increase contrast 40%. Dark glass also is used on standard tube 20" and 27" sets. Also in line is 10" remote kitchen set at \$340, 13" at \$320 and 19" at \$360 list. Extensive line of TV/VCR combinations includes two 13" models at \$579, two 20" at \$649, top-end 20" at \$899.

VCRs start at \$269, moving to 4-head with simple remote programming system at \$299, hi-fi stereo at \$379, center drive model with VCR Plus at \$429. Camcorders include full-size 12x zoom model at \$899, entry level VHS-C with 10x zoom, full-size head drum at \$899, hi-fi stereo model at \$999, color viewfinder version with image stabilization at \$1,399. Also in Quasar line are 3 laserdisc players at \$600, \$750, \$1,000. Home entertainment rack audio systems are \$800 in 2 finishes.

SONY PRICES GOING UP: "We will be asking more for our products this fall," said John Briesch, pres. of Sony Consumer Products Group and deputy pres. of Sony Sales & Mktg. of America, following up forecast by Sony Exec. Deputy Pres. Ken Iwaki in our interview last winter (TVD Feb 22 p11).

In interview in Chicago during Summer Consumer Electronics Show, Briesch told us Sony is talking with customers on potential increases. "Dealers realize that consumers will pay more" for quality products, he said. As we reported last week, Panasonic has announced it will increase prices Sept. 1 (TVD June 7 p17).

Discussing recent reorganization (TVD May 31 p12), Briesch said new setup "vastly improves communications" within Sony, which he called "unique in the world," because it covers virtually all areas of communication, entertainment, electronics. Reorganization is helping to "position Sony for the change to a 500-channel world... We will be a player in satellite, cable and telecommunications." He said software and hardware businesses are interrelated -- "as software people develop better material, this creates more demand" for hardware products and components. He said Sony is closely involved with Hughes DirecTV satellite system as provider of station equipment.

Asked whether Sony would market TV-based multimedia system, he replied: "We don't have a game machine and there will be nothing in 1993." Sony once seemed on verge of introducing Play Station console that could use Nintendo cartridges or special discs. Although Sony sells CD-I players in Japan and U.S. as business products, Briesch said it had no plans for consumer version. In multimedia hardware, Sony will continue to concentrate on MMCD, Data Diseman and CD-ROM, he said.

As for 16:9 widescreen receivers, Briesch said: "It's an issue of timing -- not this year for us. We will continue to concentrate on XBR²." He said demand is greater than supply for 32" version. As for camcorders, Sony is "looking for ways to expand the market, for more variations," but Briesch sees it as steady market at about 3 million units annually, with replacement business now starting.

As hinted by others at Sony, Briesch implied that audio MiniDisc is merely first in series of products using that format. "MiniDisc is where CD was in 1982," he said. Starting as audio product, it gave birth to such variations as CD-ROM and interactive video systems.

Reacting to reports that several manufacturers were attempting to raise prices on color TVs, Zenith Sales Co. Pres. Jerry McCarthy said last week "if all the talk leads to nothing more than stability, then it's a victory" for industry. He said that in discussions with retailers at and before Consumer Electronics Show, "I haven't heard a great deal of complaining about their competitors' making downward price moves, so I guess I'm cautiously optimistic that the need [for price stability] that we've spoken of for years" is being met.

TV exports to Europe from Asia will be discontinued by Japanese manufacturers, creating overcapacity in such countries as Malaysia and Singapore, Nikkei Weekly reported. Manufacturers anticipate European Community finding that TV sets are being dumped, in response to complaint by Philips and Thomson against China, Korea, Thailand, Malaysia, Singapore, Turkey. Sanyo and Sharp executives were quoted as saying they would shift production to Europe from Asia by fall.

AT&T SEGA PHONE PERIPHERAL: AT&T showed at Consumer Electronics Show prototype peripheral for Genesis that would allow point-to-point play over standard phone lines, with players able to talk to each other via headsets as they compete. Device, which plugs into Genesis cartridge slot, also will accept up to 4 "smart cards" enabling players to save their progress on game for resumption later or offering game updates (rosters of new players for sports games, etc.).

"The Edge 16," developed in conjunction with PF. Magic, San Francisco, is planned for release by summer 1994 under AT&T brand. John Slevin, mktg. dir., new business development for AT&T Consumer Products, said he expects retail price of "about \$100," depending on bundle of headset and number or storage capacity of smart cards. Unit incorporates 4,800 baud modem, compresses voice band so it "rides on top of the data channel" over phone lines, Slevin said, adding that technology is similar to that used in AT&T videophone. He said The Edge 16 was designed "with the intent of running on any platform," so versions for other videogame systems are possible in future.

Product was designed over 18-month period by Howard Delman, PF. Magic consultant; companies said it will include special ports for add-ons, including keyboard, and will be adaptable for networked game play. Companies said they have reached agreements with Sega, Electronic Arts, Tengen and GameTek, along with PF. Magic, to develop software to support device. Slevin said developers need only add 1 kbyte of code to standard 2-player games to make it playable over phone.

Slevin said AT&T, which has signed letter of intent with Sierra On-Line that could gain it control of The Sierra Network, intends to introduce game network in fall 1994. AT&T's ventures with Sega, The Sierra Network and 3DO are being managed now by Richard (Rick) Selvage, former Skypix executive who recently joined AT&T in new post of vp for interactive multimedia systems and services in Foster City, Cal.

—

JVC July 2 begins shipping in Japan lower priced version of WonderMega console that combines Sega Mega Drive (Genesis in U.S.) with Mega CD (Sega CD) in single unit. Price of new model is 56,000 yen (\$564), 28% lower than previous version introduced last year in Japan by Sega and JVC. As we have reported, Sega stopped selling WonderMega in Japan, saying price was too high for sale in toy channels, where Sega was distributing it. JVC is distributing its version in consumer electronics outlets, where price isn't so big a barrier. New model has different external design, is packed with 6-button controller that allows control of some TV functions, retains basic functions of prior unit. JVC spokesman in Japan said that while new WonderMega is fully compatible with Sega products, it was developed "independently;" Sega itself recently introduced reengineered Mega CD and Mega drive (TVD April 5 p17). JVC spokesman said company expects to market WonderMega in U.S. "in the early part of 1994," although it hasn't finalized features, price, marketing plans, etc. However, JVC representatives are known to have contacted U.S.-based software companies at CES.

Standards-converting VCR for NTSC and PAL was introduced in Japan by Aiwa. Unit is capable of recording and playing back in slow speed (1/2 and 1/3 speed in NTSC and 1/2 speed in PAL) as well as standard speeds. Earlier model, which also was introduced in U.S., is single-speed unit. New model sells for equivalent of \$635 in Japan.

HOME THEATER ASSN. LAUNCH: Organizers of fledgling Home Theater Industry Assn. (HTIA) were buoyed by heavy turnout at meeting June 5 at Consumer Electronics Show. Acting Exec. Dir. Ken Furst estimated meeting drew about 150 attendees despite fact that only 60 invitations had been sent.

HTIA emerged from event with 6 checks for \$750 in charter membership dues and optimism that strong attendance would generate substantial interest, Furst said. He said election of board will be conducted by mail, with voting rights restricted to full-fare members. Nonvoting affiliate membership status for groups such Professional AudioVideo Retailers Assn. (PARA) and Custom Electronic Design & Installation Assn. (CEDIA) will be free. HTIA hopes to have full board in place by end of July.

Furst reiterated that HTIA's mission is to expose consumers to home theater experience, educate retailers and public on equipment available and how to operate and install it and promote cross-pollination of home theater at events such as July Video Software Dealers Assn. (VSDA) convention in Las Vegas.

Addressing Chicago meeting, William Matthies, pres. of Verity Group market research firm, said that despite heavy industry recognition of home theater, few consumers know what it is. Verity research indicates only 20% of consumers who keep audio equipment and TV in same room actually have them connected together, he said.

Next HTIA activity is set for VSDA convention, where PARA and CEDIA representatives will be on hand to promote cooperation between software and hardware dealers, Furst said. He said he hopes collaboration will result in cross-promotions, sharing of mailing lists and pooling of other resources between hardware dealers and neighboring video software stores.

HTIA said it plans 2 meetings per year "to provide members with an opportunity to explore new technologies and trends through a variety of member sponsored presentations." It said in-store efforts "will not be industry specific, but home theater specific, allowing dealers in any market to benefit." Planned "home theater promenade" at VSDA convention will be sponsored and organized jointly by Dolby Labs and VSDA to "emphasize the opportunities of co-promoting" home theater software and hardware products.

Image Entertainment expects to turn profit in first quarter ending June 30, reversing year-earlier \$1.7-million loss, on more than 60% revenue increase to \$9.8 million. Image earlier this year said it would take \$9-million loss on about \$59 million revenues for FY 1993 ended March 31 because of restructuring; results don't have to be reported until end of this month. Image Pres.-CEO Martin Greenwald said reorganization, which included reductions of staff, debt, inventory and number of laserdisc releases, is bearing fruit "as gross profit margins improve and expenses decline." Shipping delays stemming from new computer system have been resolved, he said, and company continues to seek exclusive licenses of "new marketable titles."

NAPC becomes PENC: Philips Electronics N. America Corp. is new name for former N. American Philips Corp. Pres. Stephen Tumminello announced change June 7, saying name "more accurately defines our products, past and future; emphasizes our commitment to electronics manufacturing and research in N. America and more closely identifies us with our parent company."

CES AS RESEARCH LAB: Market researchers were out in force on consumer day, Sun. June 6, final day of Consumer Electronics Show in Chicago. In addition to floor surveys by sponsor EIA Consumer Electronics Group, analyses also were being conducted by individual exhibitors -- particularly those wanting to feel public's pulse about products and services not yet on market.

StarSight Telecast, developer of automatic interactive program guide system, not only asked visitors to give their impression of one-touch VCR recording system and electronic program guide, but how much they would be willing to pay for service on monthly basis.

3DO asked consumers at its booth whether they owned videogames, computers or CD-I. It also wanted to know importance of various capabilities, such as playing audio CDs, photo CDs, video CDs, interactive CDs and capability of multi-user play. It sought their favorite types of software (games, movies, education, etc.) and type of store where they expected to find 3DO.

Thomson Consumer Electronics distributed detailed questionnaire developed by U. of Md., with sections to be answered before and after viewing exhibit. Among questions: How much would you be inclined to spend on "a new advanced video system" (\$750, \$1,000, \$1,300, \$1,800, \$2,500)? Which type of programs would help convince you to buy HDTV receiver (sports, movies, drama, sitcoms, etc.)? Do you believe "new TV technologies (developed by American companies) would lead to a resurgent U.S. consumer electronics industry?" After viewing exhibit, visitors were asked some of same questions and some additional ones, including whether they "consider the new TV technology of sufficient importance that [they] would support a government program to help smaller TV stations change over to the new technology."

VideoSnap printer, which uses Polaroid system and LCD to make low-cost still prints from video, will be built by one of plants of Kong Wah Holdings, Hong Kong company with extensive facilities in China. First model of system displayed in Las Vegas at Jan. Consumer Electronics Show (TVD Jan 18 p15) will be standalone unit without TV but with built-in freeze frame, VideoSnap Pres. Vincent Donohoe said. He said company is developing 16:9 widescreen 50W" LCD projection TV with million-pixel resolution and built-in VideoSnap system.

VirtualVision video goggles (TVD Dec 21 p15, Dec 14 p14), now rolling out nationally, adds optional lens system for "professional use," increasing resolution of LCD picture to about 200 lines from some 160, as demonstrated at Consumer Electronics Show. Option costs additional \$100. Another new option is built-in eyeglass frame for prescription lenses (\$20). Basic system lists at \$900, with 33% margin, Mktg. Vp Brian Durwood said.

Warner New Media changed name to Time Warner Interactive Group (TWIG) to better reflect mission of developing interactive multimedia products, Chmn. Geoffrey Holmes said. He said TWIG will broaden emphasis from CD-ROM and CD+Graphics markets to include products for Time Warner's planned "full service networks." TWIG plans to establish digital production studio in Burbank.

U.S. Consumer Electronics Industry in Review, EIA Consumer Electronics Group's annual compendium of statistics and background, is available now for 1993. Single copies are free -- 202-457-8702.

TELEVISION DIGEST

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Newsmat and
Predcasts 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.

Copyright © 1993 by Warren Publishing, Inc. Reproduction in
any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Albert Warren	Editor & Publisher
Paul L. Warren	Sr. Ed. & Exec. Publisher
Daniel Warren	Sr. Ed. & Assoc. Publisher
Dawson B. Nail	Executive Editor
Arthur Brodsky	Managing Editor-Washington
R. Michael Feazel	Senior Editor
Brock Meeks	Associate Editor
Myron Struck	Associate Editor
Chris McCarter	Assistant Editor
Michael French	Assistant Editor

Business

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

NEW YORK BUREAU

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

New York Bureau	Editorial Dir.
Lisa Lillenthal	Senior Editor
Paul Gluckman	Senior Editor
Martin Brochstein	Senior Editor
Michael Peck	Associate Editor

CONTRIBUTING EDITOR, EUROPE

Barry Fox
5 Denning Rd.
Hampstead, London NW3 1ST
Phone: (071) 435-6244

JAPANESE REPRESENTATIVE

Editorial and Circulation
CES International Corp.
1-18-2 Nishi Shinbashi, Minato-ku
Tokyo 105, Japan
Phone: (03) 3592-1531

Television and Cable Factbook
Michael Taliastro Managing Editor &
Asst. Publisher—Directories
Mary Appel Editorial Director
Richard Koch Asst. Managing Editor &
Asst. Editorial Director
Maria B. Lawrence Asst. Managing Editor
Susan B. Woodruff Production Manager
Gregory H. Death Sr. Ed. & Ed. Supv.
Brian C. Mealey Ed. Supv.

Market Research & Data Sales Division
Lynn Levine Director
Karen Fahle Assistant Director

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

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

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

Affluent Guangzhou, closest major city to Hong Kong in China, is subject of survey designed to indicate trends of China's consumer market. Responses by 209 households showed 98.6% own color TV, 67% have VCR, more than 80% own washing machine, refrigerator and electric iron, but only 1.4% own car. Some 45.4% purchased color TV at local electronics shops, 27.3% on trip abroad, 19.1% at tax-free shops in city, 8.2% from friends or acquaintances. Among 1,104 brand names, most frequently cited were Panasonic (220 times), Sanjiao, Chinese small appliance maker (109), and Toshiba (81), followed by Sony, Mitsubishi, Sharp, Aiwa, Sanyo, Nintendo, Pioneer, Sansui, Kenwood. Survey was conducted by Oriental Research Institute and CES International, Tokyo -- 03-3477-0136 or 03-3592-1531.

Chinese govt. is establishing its first TV plant outside of China, China Daily reported. Changhong State Machinery Factory, established in 1950s with aid of Soviet Union, described as China's largest color TV producer, is setting up joint venture with Indonesian interests to produce color TVs in Jakarta, where it expects to make 300,000 sets annually. Same company is negotiating with interests in Thailand and Russia on joint ventures in those countries. Company also is talking with Japanese manufacturers on joint ventures in China to produce camcorders, projection TV and other advanced consumer 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
Home Shopping Network 1993-9 mo. to May 31	770,000,000	(15,300,000)	—a
1992-9 mo. to May 31	836,500,000	29,900,000	.34
1993-qtr. to May 31	260,200,000	5,800,000	.07a
1992-qtr. to May 31	269,300,000	9,000,000	.10
Orion Pictures 1993-year to Feb. 28	222,318,000	250,240,000	38.70
1992-year to Feb. 29	491,117,000	(312,071,000)	—bc
Paramount Communications 1993-6 mo. to April 30	1,898,100,000	(77,800,000)	—a
1992-6 mo. to April 30	1,998,500,000	46,700,000	.39
1993-qtr. to April 30	954,400,000	(10,100,000)	—a
1992-qtr. to April 30	927,900,000	28,300,000	.23

Note: aAfter special charge. bIncludes special credit.
cRestated.

Consumer Electronics Personals

Gerald Calabrese, ex-Philips, joins Emerson as mktg. vp... **Jack Pluckhan**, who has been serving as external affairs vp for Matsushita Electric Co. of America (MECA), named MECA South Region vp, with hq in Atlanta in decentralization move; he continues as EIA industry vp for Consumer Electronics Group... **Hideaki Kumano**, currently dir. gen. of industrial policy bureau at Japanese Ministry of International Trade & Industry, expected later this month to be appointed MITI vice minister, succeeding **Yuji Tanahashi**, retiring.

Richard (Rick) Selvage, ex-Skypix, joins AT&T Consumer Products in new position of vp, interactive multimedia systems and services, based in Foster City, Cal... **Christian Jorg** promoted to new post of Bertelsmann Music Group (BMG) vp-new technologies, heading BMG New Technologies arm, reporting to Senior Vp **Tom McIntyre**; **Elizabeth Schimel**, ex-BMG's Bantam Doubleday, appointed multimedia development dir., reporting to Jorg... Software Toolworks Pres.-COO **Bob Lloyd** also named CEO, succeeding founder **Les Crane**, who remains as chmn. and takes additional title of creative dir... **Adam Chasnow** moves to McCann-Erickson ad agency from Hill & Knowlton PR firm, where he managed Philips-PolyGram DCC account... **Dave Davies** and **Michael Wilke** named vp and gen. mgr., respectively, of new Ampex Digital Media Div.

Glen Grodem, pres., Smith's Home Furnishings, elected pres., NATM Buying Corp., to take office in Sept. following end of term of **George Scala**, who remains dir. at large; **David Shepard**, vp, American TV & Appliance, named to newly created position of NATM Mdsig. vp-electronics and computers; **H.H. Gregg** Pres. **Jerry Throgmartin** named to similar position for major appliances.

One-price policy has been adopted by 3M for camcorder videocassettes. Designed to make it easier for retailers, company has set of 3 products -- high-grade VHS, VHS-C and 8mm cassettes -- that may be advertised at single price. 3M has redesigned all videocassette packaging, color coding boxes for easy differentiating and consolidating 2 former tape grades (EXG and Hi-Fi) into single new "Extra High Grade." New VCR head cleaner tape gives on-screen and audible messages to guide user through cleaning process.

TELEVISION DIGEST®

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

With Consumer Electronics

JUNE 21, 1993

VOL. 33, NO. 25

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

MUST-CARRY INTIMIDATION claimed by NAB. Fritts says broadcasters won't be 'bullied.' 'Substantial number' of broadcasters to seek consent fees. (P. 1)

CABLE RATE DECISION HIT by Congress, consumers. CFA claims delay to cost consumers \$300 million. Local regulators praise action, FCC defends it. Markey angry, Dingell pleased. (P. 3)

TELCO-CABLE ARGUED IN COURT: Federal judge raises questions on banning telco ownership of cable. Bell Atlantic says First Amendment rights are abridged. Govt. says ban is justified. (P. 5)

GINSBERG ON TV, CABLE: Supreme Court nominee has backed throwing out must-carry, is strong on First Amendment and minority preferences, has rejected indecency rules. (P. 5)

ALL GOVT. BROADCASTING would be combined in single board under USIA, subject to congressional approval, Clinton proposes. Move predicted to save \$150 million a year. New Asian voice sought. (P. 6)

CAMPAIGN REFORM PASSES SENATE: Fairness doctrine language in, vouchers and free TV time proposals out. (P. 6)

HILL INTEREST IN VIOLENCE HEATS UP: Hearing planned as 5 Kan. lawmakers introduce resolution. Agenda for Aug. 2 L.A. meeting released. (P. 7)

NAB SAYS CABLE IS TRYING TO INTIMIDATE ON CONSENT: Broadcasters "will not be bullied" by cable MSOs that are claiming that they won't pay retransmission consent fees, NAB Pres. Edward Fritts told reporters last week, just before broadcasters were to notify cable systems whether they chose must-carry or consent. He said "substantial number" of broadcasters, including most of top-25 station groups, will opt for consent despite what he believes is "a cable campaign orchestrated and calculated to intimidate broadcasters from selecting retransmission consent." Meanwhile, cable officials are reporting that fewer TV stations than expected are demanding retransmission fees.

Among broadcasters that said last week that they would demand retransmission consent fees: (1) Post-Newsweek and Outlet. (2) Lee Enterprises' 7 network affiliates and one independent. Stations are CBS affiliates KRQE Albuquerque, KGMB Honolulu, KMTV Omaha, KOIN Portland, Ore., and KBIM-TV Roswell, N.M.; ABC affiliate KGUN Tucson; NBC affiliate WSAZ-TV Huntington-Charleston, W.Va.; independent KZIA Las Cruces, N.M. (3) Chronicle Bestg. stations, including NBC affiliates KRON-TV San Francisco and WOWT Omaha, ABC affiliate KAKE-TV Wichita and 2 satellites. Broadcasters said decisions could affect 700 cable systems. (4) All 5 Group W stations -- WJZ-TV Baltimore (ABC), WBZ-TV Boston and KYW-TV Philadelphia (NBC), KDKA-TV Pittsburgh (CBS) and KPIX San Francisco (CBS). "We certainly recognize that

Consumer Electronics

PRICE PICTURE STILL MIXED, as some announced increases go through and others don't. Audio makers in beat-the-hike 'buy-in' period. (P. 13)

LARGE-TUBE TV SALES will double by 1996, TCE Tube Div. forecasts. It sees projection climbing 31.6%, 25" continuing surprisingly strong. (P. 14)

JAPANESE EXPORT PRICES on camcorders hit new low in yen for 2nd consecutive month in April. Despite exchange rate, dollar prices fell slightly. (P. 15)

ACTION ON SUMMER CES seen in Aug. as CEG exec. committee sets 2nd meeting. Retail advisory committee forms subcommittees. (P. 16)

4-HEAD MONO VCR SALES increased share of mix in May, as stereo dipped slightly. Full-size camcorder revival continued, with 27.2% of mix. (P. 16)

OFFICIAL CES DAILY to be designated by EIA in time for Winter show. Others would be denied distribution on show premises. (P. 17)

'JOEY' IS STILLBORN, as Jerrold fails to show complete TV set in cable box, dismissing it as 'concept.' (P. 17)

CIRCUIT CITY NET UP 51% in first quarter on 24% sales rise. Productivity gains offset promotional environment and higher computer sales. (P. 17)

our cable systems contribute to the distribution of our television service," Pres. Jonathan Klein said. "At the same time, we believe that the availability of our signal on those cable systems adds significant value to their business."

All 3 networks said earlier they would demand retransmission consent cash for their owned stations (TVD June 7 p2). Other broadcast groups that made same announcement include Benedek Bestg., Meredith Bestg., Spartan. Nation's TV stations had until June 17 to put notices in mail to cable systems stating whether they would opt for must-carry or retransmission consent. Given mail delays, many cable systems weren't expected to receive notifications until early this week. Some changes, however, began taking effect June 2 when many cable systems were forced to give must-carry status to noncommercial and other stations, in many cases forcing network affiliates and major independents off systems in favor of specialized and religious stations.

Despite that, Cablevision Systems said that 110 of 147 TV stations that have provided it with notifications to date had opted for must-carry, but other 37 will demand retransmission consent fees. Most of more than 1,000 TV stations that TCI deals with will opt for must-carry rather than retransmission consent, TCI Senior Vp Robert Thomson said, based on preliminary meetings: "We are pleasantly surprised that so many are choosing must-carry. The majority of the broadcasters are as anxious as we are to avoid potential conflicts in the fall."

Since systems with nearly 60% of all subscribers have said they won't pay fees, Fritts acknowledged that disruptions of cable carriage of broadcast stations are likely if MSOs "stand by their refusals" to pay fees. NAB board member William Ryan, CEO of Post-Newsweek Stations, agreed that there would be "a huge hue and cry" if stations were dropped, but he predicted problem would be "fixed swiftly and forcefully." Broadcasters probably "will be singed a little" if consent demands mean that NFL games or hurricane warnings aren't available over cable, Outlet Communications Chmn. James Babb said, "but I believe that the biggest losers, other than the viewers, will be the cable operators."

It's impossible to tell whether MSOs would stick to commitments not to pay consent fees, Babb said at NAB-organized news conference, but they were "certainly rattling a lot of sabers." Ryan said he believes MSOs' intent not to pay fee is "genuine" rather than pre-negotiation posturing. He and Babb said they were hoping that MSOs would leave consent decisions up to local cable system managers because they think local entities will be more open to creative negotiations. Fritts predicted that "in the end" most MSOs would decide they need broadcast signals, even if they have to pay for them, and said "the test is not in the number of dollars, but in the number of deals." Ryan agreed that broadcasters "don't expect to make a killing on retransmission consent, but it's important to establish the precedent of cash value of our signals."

Cable has "thrown up roadblocks" to retransmission consent process, Fritts charged: "Cable never misses an opportunity to take a hard line." In response to question, NAB Exec. Vp-Gen. Counsel Henry Baumann predicted that "someone" would consider filing antitrust action against cable as result of consent dispute: "It's strange that a lot of major MSOs have decided they won't even negotiate."

Post-Newsweek will be seeking same fees that cable operators pay for cable networks -- 5¢-60¢ per subscriber per month, Ryan said. Baumann said such fees shouldn't affect customers because "rate regulation takes care of that." NAB Senior Vp-TV Charles Sherman cited studies that he said put consumer value of broadcast signals at least at \$1.67, and possibly as high as \$14.60, per subscriber per month. He said studies showed that 59% of subscribers would drop cable if they couldn't get broadcast signals. Ryan and Babb said they probably would demand consent fees in portion of their markets where they're strongest and most valuable, but opt for must-carry on outer edges.

Even if stations are dropped from cable, they still will be available to "overwhelming majority" of TV viewers, Babb said, because most retain antennas for over-air reception. Fritts said that even though 62% of TV households have cable, only 38% of all TV sets are hooked up to cable. Ryan said use of A/B switches threatened by some MSOs isn't practical because few are in existence. Babb said move to A/B switches would "drop the unemployment rate dramatically."

TCI, meanwhile, said it signed no-cash consent deals with 14 more TV stations, including 8 of Chris-Craft/United TV and 4 of Times Mirror. In 5 of cases, including all Times Mirror stations, broadcaster will form local cable channel that will be carried on TCI systems in return for right to carry TV station. Times Mirror will be sole owner of cable channels in its markets (KDFW-TV Dallas-Ft. Worth, KTVI St. Louis, WVTM-TV Birmingham and KTBC-TV Austin), but TCI will be part owner with Cox-owned WPXI Pittsburgh in channel there. Times Mirror stations are for sale.

Chris-Craft stations signed consent deal as package, with all 8 stations receiving contractual must-carry even if courts declare FCC must-carry unconstitutional. Stations are KCOP L.A., KPTV Portland, Ore., KUTP Phoenix, KBHK-TV San Francisco, KMSP-TV Minneapolis-St. Paul, KMOL-TV San Antonio, KTVX Salt Lake City, WWOR-TV N.Y.-Secaucus. TCI Senior Vp Robert Thomson said deal allows weaker independents to get same package deal as powerful independent WWOR-TV and NBC affiliate KMOL-TV. Independent WPWR-TV Chicago-Gary, in deal negotiated by INTV Chmn. Al Devaney, won similar agreement for contractual must-carry in turn for retransmission consent. Station also will be carried on common channel number on all TCI systems in area.

Cablevision Systems said it's offering broadcasters free channel on cable systems, plus package of promotional time valued at up to \$1 million, in return for retransmission consent, but it won't pay cash for consent. In some markets, broadcasters would have to divide both channel and ad time among themselves, Cablevision said. "While Cablevision will not agree to anything that forces cable subscribers to pay extra for stations that other TV viewers get for free, we are open to alternatives which deliver added value to our customers," Pres.-Cable Operations William Quinn said. Extra channel could be used, for example, to repeat popular broadcast TV shows, company said.

In other must-carry/retransmission consent developments: (1) CBS, which earlier said it would demand retransmission consent for its owned stations, said it will opt for must-carry for independently owned cable systems with fewer than 1,000 subscribers. (2) Tribune Bcstg. said it will demand retransmission consent for its 5 largest stations, must-carry for other 2. (3) New UHF station in L.A. said it's actually offering to pay cable systems up to 10¢ per subscriber for carriage in areas where it doesn't have must-carry rights. Station, KMET-TV L.A., carries mix of programming in Spanish, German, Russian, Korean, Italian, English.

FCC HIT BY CONGRESS, CONSUMERS, ON RATE DELAY: FCC took its expected licks from members of House Telecom Subcommittee and from consumers last week on its decision to delay cable rate regulation, but it found some friends, including Commerce Committee Chmn. Dingell (D-Mich.) and several of panel's Republican members, who were in Commission's corner. Consumer Federation of America (CFA) Legislative Dir. Gene Kimmelman said rate delay would cost consumers \$300 million and accused agency of "caving in" to cable interests, but FCC Chmn. Quello angrily denied allegations, saying consumers would benefit in long run.

At hearing on FCC authorization for FY 1994 and FY 1995, commissioners for most part stuck to Oct. 1 implementation deadline (TVD June 14 p1), despite efforts by Subcommittee Chmn. Markey (D-Mass.) and others to pin agency down on whether it could speed up cable implementation efforts if new appropriations came through. Asked by Markey to "pick a date" when rate regulation could begin, assuming that FCC received supplemental appropriations in next 2 weeks, Quello demurred, saying he would have to discuss it with staff. Comrs. Barrett and Duggan said Commission would work as quickly as possible to implement rules, but Barrett said he didn't see how rules could be implemented any faster. Following hearing, Markey said "we expect this funding to be available by early July, and the FCC will then report to the Subcommittee on their immediate schedule for rate regulation."

Markey said it wasn't Congress's intent to pass legislation in 1992 that wouldn't bring relief to consumers until 1994. Quello replied that "the integrity of the Commission was at stake" in choosing whether to delay rules or to implement them immediately but not fully. Duggan said "administrative chaos" would result if rules were put into place before FCC was ready. In his written statement, Quello said FCC already had received more than 1,800 written complaints on cable rates and requests for franchise authority certifications, Commission staff had responded to 7,400 phone calls since April 1, and Field Operations Bureau had received 4,200 more complaints about other aspects of cable service.

Rep. Cooper (D-Tenn.) called decision "awfully convenient for the powerful cable companies... suspiciously convenient." Rep. Schenk (D-Cal.) said FCC didn't do good enough job in letting public know that rate relief would be put off. Delay, she said, "breaks faith with the public" and goes to "every reason why people distrust the government."

Commission also had its supporters, notably Dingell, who put in appearance to praise what he called "sound decision" in deferring rate regulation. From Republicans, many of whom opposed bill, theme of day was, "I told you so," or as Rep. Oxley (R-O.) put it: "You reap what you sow." He said there had been repeated warnings when cable bill was being debated as to cost of implementing it, but Congress ignored Commission's pleas. Oxley characterized Kimmelman's charges as "truly bizarre," saying allegations of yielding to cable pressure were "totally unfounded."

Delaying rate regulation will cost consumers \$300 million because cable fees remain higher than they would be under regulation, according to Kimmelman. He said Commission decision to delay "had nothing to do with" agency's claimed lack of resources and simply reflected fact that "the FCC finally caved in to cable industry pressure." Decision was "the most duplicitous action I have seen at the FCC in the 12 years that I've been involved with it," Kimmelman charged. Figure of \$300 million is based on prorating FCC's announced \$1 billion annual consumer saving over period from June 21 to Oct. 1, Kimmelman said. He called figure "very conservative," saying delay could cost consumers \$500 million.

Local cable regulators, however, praised FCC decision on delay, saying that extra time would help ensure that regulations are implemented successfully. In view repeated by other local regulators, William Squadron, N.Y.C. Telecommunications Dept. commissioner and vp of National Assn. of Telecommunications Officers & Advisers, said: "While we want to see relief delivered to consumers as soon as possible, the most important thing is to make these regulations as workable and as effective as possible... Hopefully, we'll all benefit from the extra time."

"Delay will better serve the consumer in the long run," Quello said. He said "carefully considered decisions" will "minimize many potential legal loopholes" and quick action would result in "numerous legal challenges... I do not believe the overall public interest is served by a chaotic rush to regulatory judgment by an understaffed, underfinanced Commission." Quello said that adhering to June 21 effective date would have jeopardized entire regulatory scheme and that Commission intended "to fully implement the law."

Commission could retain June 21 date for refunds of fees found later to be too high, Kimmelman said, while delaying certification and other actions that would require FCC spending. He said only immediate need for spending would be to copy and mail consumer complaint forms -- job that he said CFA has offered to take on if FCC can't afford it.

FCC won't begin accepting cable consumer rate complaints (but it already has received more than 1,800) or certification filings by franchising authorities until Oct. 1, Commission said in clarifying order released June 15. Delay also means that MSOs and cable networks have until Oct. 1 to negotiate new carriage agreements, including a la carte. At same time, FCC extended current rate freeze until Nov. 15, date it said would give enough time for local authorities to be certified after Oct. 1.

Claiming that Big 3 TV networks still dominate program market, Hollywood Coalition to Preserve the Finsyn Rule asked FCC June 17, as expected, to reconsider new rules adopted April 1 that relax restrictions on networks (TVD April p3). Also seeking reconsideration was CBS, while ABC, NBC and most other parties by-passed FCC and appealed directly to 4 different courts (TVD May 31 p6). Through lottery, case was assigned to D.C. circuit. Rules adopted by FCC in 1991 (to amend those originally put in place in 1970) had been vacated by 7th U.S. Appeals Court, Chicago, last Nov. as unconstitutional, but Court remanded case to give Commission opportunity to adopt acceptable rules. Said Coalition: "The world of television has changed since 1970, but the buyers of high-cost, quality entertainment programs have not. The networks still dominate that market, but the FCC's elimination of [finsyn] marks the end of the independent producer in that arena... The FCC now has made sure that the financial interests of a few (the networks) take precedence over the interests of the creative community and the viewing public." CBS said new FCC rules have "completely prohibited" Big 3 from participating in domestic syndication: "Both the irrationality and the fundamental unfairness [of rules] are underscored by the blatantly discriminatory exemption" of Fox TV Network from restrictions.

Ex-Fox Chmn. Barry Diller received immediate \$4.9-million bonus in Dec. 1992 as "incentive" to become chmn. of QVC, according to proxy statement. Company also gave him option on 6 million shares of stock valued at \$41.8 million (difference between exercise price of \$30.43-\$36.63 and stock price of \$40.50 as of Jan. 29). Diller's base salary is \$500,000.

IBM is supporting MPEG-2 standard for digital video compression, including HDTV, and will produce MPEG-2 encoder and decoder chips by early 1994, said Alexander Kauer, asst. gen. mgr.-IBM Technology Products. Company also is looking for partners to help exploit MPEG-2 technology, preferably those with systems experience, he said, and hopes to have alliances in place by end of year. IBM is backing MPEG-2, Kauer said, because it assumes that computers and TV gradually will merge and that's "the only thing on the table that will accommodate both." Technology Products Div., which previously manufactured chips and other products for use only by IBM itself, is making big push to sell products outside company and sees potentially big market for MPEG-2 chips in TV, cable, video dial tone, video-on-demand, multimedia. Some had assumed that IBM would back proprietary compression technology, largely because it had used it in multimedia products, said Cesar Gonzales, senior mgr.-imaging technology. He said proprietary systems "had a place in giving us early entry into the market, and still may be relevant to some computer applications," but widely accepted standard is needed for future applications.

Quote from NCTA convention -- TCI founder-Chmn. Bob Magness, when we asked him to compare his current net worth with his assets when he built his first cable system: "If it had cost \$100 for a trip around the world, I wouldn't have been able to get out of town."

News Corp. agreed to buy 22% of TV Bests. Ltd., described as world's leading producer of Chinese-language programming, for reported \$237 million. Deal is subject to regulatory approval.

TELCO-CABLE CASE: In oral argument on appeal of ban on telco ownership of cable systems, Bell Atlantic (BA) claimed that its First Amendment rights are abridged by ban, position that Judge T.S. Ellis appeared to agree with June 17 in U.S. Dist. Court, Alexandria, Va. Harvard U. Prof. Laurence Tribe, representing BA, said Justice Dept. reasoning appeared to divide First Amendment responsibilities by technology sector, claiming RHC could buy broadcast outlet within its 5-state region or transmit video programming through subsidiary cable company it could buy into, but is barred from using its own fiber to distribute video programming directly to telephone customers.

"This is a direct abridgement of speech," Tribe said. He said govt. used "vague prophylactic argument... that said someday telephone companies might become monopoly providers" of home video. "Explain to me better," Ellis said to Justice Dept. lead attorney James Gilligan, "why this isn't just switching one monopolist for another?" He also questioned govt. reasoning that fear of cross-subsidization was issue.

Ellis said that while he wasn't taking sides, he had drawn some early conclusions. He said complaint rested on view that ban in 1984 Cable Act was indirectly content-based -- even though it didn't specify programming or prohibitions. He said govt. had attempted to extend reasoning that case was based on economic concerns -- that telcos would enter market and become monopoly providers despite FCC restrictions and letter of law. Gilligan said there's public interest in having division of ownership of local mass media for several reasons, including: (1) To prevent undue concentration of economic power. (2) To promote diversity of viewpoints. (3) To have fair competition in video marketplace. Ironically, in years since law went into effect, Justice and FCC have argued that curb on telco entry into cable programming should be eliminated.

DoJ attorney Sarah Wilson said court shouldn't use "strict scrutiny" doctrine to evaluate whether there was abridgement of First Amendment rights: "The government cares not whether the telephone companies want to transmit Seinfeld or the McNeil-Lehrer Newshour," she said, it cares about means of transmission and potential for monopolist control of market. She said purchase of broadcast station or transmission of video programming through corporate partner would give BA outlets of expression, as would using other forums. Ellis said he interpreted Wilson's comments as reasoning that govt. can tell people where they can't speak: "You say they [BA] can speak outside their service area. I don't find that very compelling."

DoJ centered its presentation on parallel cases that without direct focus of law on content of speech, it couldn't be accused of having violated constitutional barrier. Govt. also said it relied on language in Senate reports that accompanied 1984 and 1990 bills as underpinning for understanding motivation of Congress. Ellis said he would abide by letter of statutes, but found suspect use of such legislative history when contrary opinions may be found "in subsequent statements." Tribe said govt. argument is based on mistaken supposition that Cable Act focuses on need to spur diversity and competition. Provision govt. was trying to defend, he said, "is not narrowly targeted to any evil. It cannot be said that all video programming is evil."

Advanced TV Systems Committee moved to new offices: 1750 K St. NW, Suite 800, Washington, 20006, phone and fax numbers unchanged.

GINSBERG'S APPEALS COURT RECORD: Opponents of must-carry and FCC indecency rules, as well as supporters of Commission's minority policies and eased satellite regulation, could take heart from record of U.S. Supreme Court nominee Ruth Ginsburg on U.S. Appeals Court, D.C. She participated in at least 18 cases involving communications policy, generally voting to uphold First Amendment and minority preference arguments, writing 2 opinions rejecting FCC indecency rulings and voting with majority in 1985 to throw out must-carry.

In most recent indecency case, Ginsburg wrote opinion directly countering congressional mandate that FCC adopt indecency safe harbor, despite earlier Supreme Court ruling in *Pacifica* case rejecting such plan: "Can you tell us any way that the statute Congress passed can be squared with the opinion of this court? As you [FCC] take your marching orders from Congress, we must take our orders from the Supreme Court." Earlier, Ginsburg wrote opinion remanding 2 indecency cases to Commission, although she disagreed with claims that FCC indecency definition was too broad.

Ginsburg sided with majority rejecting must-carry on First Amendment grounds in *Quincy* case. Majority said that "at some point, the goal of preserving localism becomes undifferentiated protectionism" and called must-carry "blunderbuss approach" to meeting public needs. Majority said must-carry rules in general "coerce speech."

In 1984, she wrote opinion upholding FCC decision to allow satellite operators to sell transponders on non-common carrier basis, saying that Commission "appropriately... has not attempted to impose an inflexible regulatory regime." In other communications cases, she: (1) Concurred with decision allowing increase in cable compulsory license payments. (2) Concurred with decision remanding FCC decision on sponsorship identification in children's TV shows. (3) Sided with majority in 1987 case ruling saying that FCC can't prohibit local regulation of cable. (4) Agreed with majority decision vacating FCC radio recordkeeping rules. (5) Agreed with majority to reject on procedural grounds ACT's claim that FCC wasn't gathering enough information on programming carried by TV stations.

In decision likely to affect retransmission consent, FCC rejected cable petition to limit network nonduplication coverage in smaller hyphenated TV markets. Broadcasters had opposed limiting network nonduplication rules, saying that would make it easier for cable systems to bypass stations that demand consent fees. Commission earlier had said that station in any city in hyphenated market could assert 55-mile protection around all cities in market, prompting NCTA and Westmarc Cable to seek reconsideration on ground that protection circle should only be around broadcaster's own city. Petitioners claimed that FCC had violated procedural rules by making decision without formal rulemaking, but Commission said that Gen. Doc. 87-24 had expanded scope of proceeding. It also said that adopting NCTA interpretation would be departure from established policy of compensating stations in smaller markets for comparatively low density of audience.

Showing first major impact of rate freeze, cable fees actually fell 1.8% in May, marking first drop in recent memory, according to Consumer Price Index (CPI) figures collected by Bureau of Labor Statistics. CPI for all products showed inflation rate of 0.1% for May. Despite May decline, cable prices were up 6.1% for 12 months ending May 31, while overall CPI was up 3.2%.

ALL GOVT. TV-RADIO UNDER ONE BOARD: In what President Clinton called "a proud rebirth" of U.S. overseas broadcasting and "an important step in the promotion of democracy," Administration proposed last week to combine all govt. TV-radio activities. Plan, subject to congressional approval, would place VOA, Radio Liberty/Radio Free Europe, TV and Radio Marti under management of new board to be appointed by Clinton and would save \$150 million annually, according to govt. estimates. It also calls for establishment of new U.S.-sponsored radio voice directed toward Asia.

Clinton said govt. broadcasts to overseas audiences "have played such an important role in bringing truth and hope abroad." All services would remain under USIA, but would be managed by board of unspecified number to be appointed and subject to Senate confirmation. New board would replace existing Board for International Bcstg. and would "take a leadership role in helping create a new Asian Democracy Radio to provide accurate local and international information for the people of Asia whose governments still suppress the truth," Clinton said. In recent years, several studies, commissions and members of Congress have recommended that one or more of existing services be disbanded.

Clinton also said "good work" of TV and Radio Marti, "aimed at speeding the arrival of freedom in Cuba," will be continued. TV Marti itself has been highly controversial in 2 years it has been broadcasting and has been able to reach only minuscule audience in Cuba for short periods because of nearly around-clock jamming. Marti also have caused interference to U.S. stations. Clinton said plan would "ensure independence, coherence, quality and journalistic integrity in our surrogate and other broadcast services." Proposal generally received kudos from members of Congress.

Clinton plan could save at least \$261 million over next 4 years and \$137 million for each year after that, Sen. Feingold (D-Wis.) said. He had introduced his own bill (S-51) to consolidate govt. international broadcasting. He said on Senate floor June 15 that his bill would cut budget for Radio Free Europe and Radio Liberty to \$75 million annually from current \$220 million by FY 1996 and further \$135 million could be saved if Israeli transmitter isn't replaced by new one in Kuwait.

Feingold called Clinton plan "very substantial movement in the direction needed" and praised Administration for standing firm against lobbyists, saying that "while defenders of the status quo had lots of allies, the deficit reduction forces had virtually no troops." Sen. Pell (D-R.I.), chmn. of Foreign Relations Committee, also praised plan, saying it addressed issue in which he was particularly interested, program independence: "In my view, the less susceptible broadcasts are to political pressure from the State Department or USIA, the better. [Clinton plan] helps guarantee that the broadcasts will be as objective as possible, and not shaded to meet the policy exigencies of the day."

Meanwhile, House is expected this week to finish action on State Dept. authorization legislation (HR-2333) that contains funds for international broadcasting while setting neutral language on allowing for reconfiguration. House took up measure last week, but didn't finish working through it. House International Operations Subcommittee Chmn. Berman (D-Cal.) hasn't decided how to work Clinton plan into legislative form, sources said, because it wasn't

announced until House Rules Committee had set ground rules for floor debate that foreclosed possibility of amendments.

House bill would authorize \$813 million in FY 1994 for USIA and \$766 million for FY 1995, with separate authorizations of \$455 million for U.S. international broadcasting in FY 1994 and \$718 million in FY 1995. International broadcasting language also would delete \$180 million from FY 1994 for transmitter in Israel, but would provide \$30 million in new spending for proposed Radio Free Asia.

CAMPAIN REFORM PASSES: Senate passed campaign reform bill (S-3) on 60-38 vote June 17, including provisions of fairness doctrine, but without controversial voucher system that would have allowed candidates to purchase TV time if opponents exceeded spending limits. Senate Majority Leader Mitchell (D-Me.) said that one of strong selling points was that "discount broadcast rates will provide greater opportunities for challengers to get their message across to the voters."

Bill said broadcasters have obligation "to operate in the public interest and to afford reasonable opportunity for the discussion of conflicting views on issues of political importance." That provision has been part of campaign reform bills in past, but industry is taking this one more seriously because of possibility that measure could succeed. Language reinstating fairness doctrine could appear twice, because amendment by Sen. Roth (R-Del.) adopted June 16 duplicates wording already in bill, although Roth staffer said he wasn't aware of fairness doctrine implications. Roth wanted to make certain public interest standards were met, staffer said.

NAB Pres. Edward Fritts criticized passage, saying: "Senators have voted themselves a blue light special by mandating a 50%-off sale on the price they pay television stations for advertising time. This is the ultimate piece of special-interest legislation. Senators have used consumer dissatisfaction with the political process as a cover to grant themselves a special financial advantage. We are outraged that they have chosen to conduct this charade at broadcasters' expense." Fritts said bill was "clearly unconstitutional" and said NAB board would consider court challenge (see separate story, this issue).

Turner Bcstg. System (TBS) is prepared to implement violence ratings system for TV shows if other networks do so, Chmn. Ted Turner said in letters to House Telecom Subcommittee Chmn. Markey (D-Mass.), Sen. Simon (D-III.), sponsor of antiviolence legislation, and 3 broadcast networks. Turner also said TBS had adopted formal standards for depiction of TV violence and will review policy on programming promotions, including assuring that those with violent content won't appear in children's shows. TBS also will participate in Aug. 2 industry violence conference in L.A., he said.

WKRC-TV Cincinnati fired one reporter, disciplined 2 mgrs., and apologized to Hamilton County Common Pleas Court for making secret recordings of courtroom proceedings. Recordings were made with hidden cameras in early May, but weren't broadcast. Reporter Chris Yaw, who was fired, had suggested recordings as part of investigation of overstaffing of courts. Station suspended News Dir. Steve Minium 60 days without pay and Asst. News Dir. Matthew Silverman 90 days without pay. Court officials said station may have violated defendants' civil rights by illegal tapings.

HILL RESOLUTION HITS TV VIOLENCE: Five Kan. lawmakers and one from N.J. introduced resolution June 18 dealing with TV violence as House Telecom Subcommittee announced plan for hearing June 25. Rep. Slattery (D-Kan.) offered resolution asking that TV stations and cable programmers and operators not show violent programming and proposing to classify programming on basis of amount and type of violence it contains. Hill aide conceded there were internal inconsistencies in resolution language, but said purpose was to get industry thinking about issue.

Resolution also: (1) Suggested programmers superimpose viewer advisories or displays throughout programming that has dramatic "or documentary violence," and provide audio and textual viewer advisories. (2) Asked that programmers not use promotions or ads that contain violence. Measure was co-sponsored by other members of Kan. delegation -- Reps. Glickman (D) and Meyers (R) -- and by Rep. Roukema (R-N.J.). Similar version was introduced same day by Sens. Dole and Kassebaum (both R-Kan.). Kassebaum and Meyers held news conference June 18 in Kansas City to announce support for petition drive urging entertainment industry to cut back on violence. Petitions will be presented at industrywide consortium on violence in Aug.

Meanwhile, House Telecom Subcommittee said it would hold hearing June 25 on TV violence, focusing on "technology and parental empowerment," 2 items suggested by Chmn. Markey (D-Mass.). Hearing will be 9:30 a.m., Rm. 2123, Rayburn Bldg. Sen. Dorgan (D-N.D.) said in June 16 Congressional Record that he hoped Congress would pass legislation on TV violence this year. He has introduced bill to require FCC to compile quarterly report card on issue. This week, Subcommittee expects to release replies to letter from Markey to industry asking for comments on rating system and other issues. Sources said many comments were supportive. About dozen were received, but total wasn't complete late last week.

Program for Aug. 2 conference on violence in TV programming at Beverly Hilton Hotel, Beverly Hills, sponsored by National Council for Families & TV, will include 2 panels and round-table discussion. First morning panel, "What the Experts Say," will have Prof. George Gerbner of U. of Pa.'s Annenberg School, who has researched TV and violence; Prof. Edward Donnerstein of U. of Cal.-Santa Barbara, who has studied sexual violence; Prof. Leonard Eron of U. of Mich., who has chaired American Psychological Assn.'s Commission on Violence & Youth. Second morning panel, "The Children Are Watching," will have Geraldine Laybourne, Nickelodeon pres.; Karen Scott, child development psychologist; Andy Heyward of DIC Animation City, producer of children's cartoons; Arnold Shapiro, exec. producer of Rescue 911; head of broadcast standards for one of networks; producer of action/adventure series.

Sen. Simon (D-Ill.) will be lunch speaker. Afternoon session will be roundtable discussion featuring Jeff Sagansky, pres., CBS Entertainment; Nadine Strossen, pres., ACLU; Mel Harris, pres., Sony Pictures Entertainment TV Group; Terry Rakolta, founder, Americans for Responsible TV; Winston Cox, chmn., Showtime; Peggy Charren, founder, Action for Children's TV; Scott Sassa, pres., Turner Entertainment; Philip Jones, pres., Meredith Bestg.; Leonard Hill and Dick Wolf, producers.

NAB EXPECTS SMOOTH WATERS: No divisive issues have arisen and no major actions are expected as NAB prepares for June 22-25 board meetings, which have been moved to suburban Washington (Ritz-Carlton Hotel, Pentagon City, Va.) for first time. "The usual stuff" is up for discussion, NAB Pres. Edward Fritts said. "Mostly a review of issues."

However, new wrinkle was thrown in last week when Senate passed campaign finance bill that mandates 50% off station's lowest unit rate for candidates for House and Senate, as well as other provisions onerous to broadcasters, such as banning TARPAC (and other PAC) contributions (see separate story, this issue).

INTV will be hosting gen. mgrs. of independent TV stations at Grand Hyatt Hotel in Washington June 22-23. They will hear first day from House Telecom Subcommittee Chmn. Markey (D-Mass.) and Rep. Tauzin (D-La.), panel member. On 23rd, separate panels of congressional and FCC staffers will be on stage, followed by visits to Hill.

One possibly controversial issue for NAB TV board was developing over weekend as result of retransmission consent deal between TCI and 8 Chris-Craft/United stations, along with Times Mirror and other stations, in concept pioneered by Fox (TVD May 17 p2). Chris-Craft/United is headed by NAB TV Vice Chmn. John Siegel, who at week-end was only candidate for TV chmn. Some TV directors were openly critical of TCI deal, one saying "we were blindsided."

Much of sessions (joint board meets June 22-25, radio board 23rd, TV board 24th) will be taken up by staff briefings, with no actions expected, on such issues as violence, indecency, status of cable litigation, beer and wine ads, performance rights, spectrum fees and auctions, teleo policy, advanced TV, others. Violence is primarily a network issue, which they're addressing, TV Chmn. Ronald Townsend, Gannett TV, told us. Possible action issues: (1) Consideration of court appeal, when and if Senate campaign bill becomes law. (2) Viewer educational campaign against excessive drinking and drunk driving. Most radio issues will await full complement of 5 FCC commissioners and at that time NAB will have "an agenda for moving forward," Exec. Vp-Gen. Counsel Henry Baumann said.

Only contest for Exec. Committee seat is for radio chmn. between current Vice Chmn. Robert Fox, KVEN(AM)-KHAY(FM) Ventura, Cal., and Bayard Walters, Cromwell Group. In something of palace revolt, Walters lost year ago by one vote to Radio Chmn. Wayne Vriesman, Tribune Bestg., who is slated to replace Gary Chapman, LIN Bestg., as joint board chmn. Skip Finley, WKYS(FM) Washington, is unopposed for radio vice chmn., as is William Ryan, Post-Newsweek Stations, for TV vice chmn. -- which would put Ryan in line to become joint chmn. in June 1995.

■ ■ ■

Permit of Black TV Workshop (BTW) for noncommercial KEEF-TV (Ch. 68) L.A. has been revoked by FCC, affirming 1992 decision of law judge. Commission said "this proceeding has a long and convoluted history," including lengthy dispute over control of KEEF-TV among its dirs. BTW was granted construction permit in 1983, and KEEF-TV went on air in early 1987. However, FCC soon ordered it to go dark for "operating at variance with the facilities authorized." New hearing was ordered to explore disputes among station dirs. and judge found "substantial and material questions of fact" on unauthorized transfer of station. FCC order agreed "substantially" with judge's findings in revoking permit.

MICROSOFT SEEKS INTERACTIVE: Leading software maker Microsoft confirmed that it's talking with TCI and Time Warner on developing interactive TV software, but wouldn't say whether deal is imminent. Cable-software joint venture would be called Cablessoft. Microsoft already is partner with Intel and General Instrument to produce set-top convergers as key components of interactive cable networks.

Microsoft also is considering similar ventures with others in cable industry, spokesman said: "We're very interested in the cable TV area." N.Y. Times said that TCI-Time Warner deal could be finalized by end of month, but spokesman refused to confirm timetable. TCI and Time Warner had announced earlier that they were forming their own joint venture to establish de facto standards for compatible hardware and software for interactive TV.

It's not clear how Microsoft venture with MSOs would connect to its previously announced similar venture with General Instrument and Intel (TVD April 12 p4). That deal is intended to develop computer-friendly set-top unit that would include many of same capabilities as personal computer.

U S West will buy equipment for its broadband video/telco network within its service area from Scientific-Atlanta, AT&T and DSC Communications, RHC said. S-A will provide video equipment for multibillion-dollar project, which is expected to provide broadband equipment to 500,000 additional customers per year. Equipment potentially includes one of largest recent orders of addressable interdiction equipment, companies said. U S West said it will use interdiction for trials to accommodate even smaller programmers, but hopes to avoid it in full network because of expense. DSC and AT&T will provide telephony distribution components. Spokeswoman said it's impossible to tell value of each company's equipment order because deals still are subject to technology tests and FCC approval of broadband network concept.

U.S. HDTV alliance should become "a tres grand alliance comprising all interested nations" in world, FCC Comr. Duggan said, endorsing concept suggested by French Communications Minister Michel Pelchat at TV symposium in Montreux. Duggan told symposium that wider acceptance of common HDTV system "should enhance our ability to engage in cultural exchange and may deepen our common understanding." He said alliance would require linking U.S. HDTV Advisory Committee to European and Japanese agencies working on digital TV, setting up formal information and data exchange, engaging in common development efforts, and even requiring "a kind of Supreme Allied Commander of advanced television," similar to role former FCC Chmn. Richard Wiley is performing in U.S.

Public TV annual meeting now underway at New Orleans Hilton is swan song for PBS Pres. Bruce Christensen, who becomes dean at Brigham Young U. next month. Christensen, at helm for 9 years, is expected to urge greater capitalization by public broadcasting's nonprofessional supporters, among other matters, in valedictory speech June 22. But annual conference, expected to be attended by 1,100-1,200, also will focus on future services, such as PBS Education unit's Mathline and projected \$70-million Ready to Learn, as well as new Horizons TV cable venture. Morning sessions June 22 will focus on educational on-line services and interactive TV.

Second black woman is making run at FCC chairmanship. First was Antoinette Cook Bush, senior counsel to Senate Communications Subcommittee, who withdrew from consideration May 25 after her first child was born. New entrant is Bernice McIntyre, ex-chmn., Mass. Dept. of Public Utilities (DPU), state agency equivalent to public utility commission. She served on DPU March 1983-Aug. 1990, was member of NARUC Executive and Communications committees. McIntyre, now senior consultant at Arthur D. Little Inc., Cambridge, Mass., working on telecommunications and other issues, was said to be calling around Washington to gather support. She also served on energy transition team for Clinton Administration. Attorney Reed Hundt, with law firm Latham & Watkins, is seen as leading field. He's politically active attorney with close ties to Vice President Gore and is co-hosting fund-raiser June 22 for Senate campaign of Rep. Cooper (D-Tenn.). Name of House Commerce Committee staffer David Leach also continues to pop up, although he is said not to be interested in job.

No new deal is imminent for Bill Cosby to buy NBC, his agent, Norman Brokaw, said in responding to media reports of possible deal. NBC also denied deal was in works. Brokaw said entertainer hasn't even met with GE officials recently on possible sale. Wall St. Journal said Cosby is working with investment bankers Goldman Sachs to make another bid to buy NBC, after failing to raise \$3.5-\$4 billion to make first bid last fall. Meanwhile, to emphasize health of NBC, parent GE released new financial figures (GE normally provides only most general financial results for network). According to release, NBC's pretax income and cash flow are "up dramatically" this year, and GE is projecting \$300-million cash flow and \$350-million pretax income for network this year. Release also points out that NBC is in 2nd place in ratings among "key" 18-49 group: "GE today respectfully asked journalists to reprogram their word processors to remove 'beleaguered' and 'embattled' as adjectives describing its National Broadcasting Co. unit."

Bell Atlantic (BA) June 14 publicly demonstrated its video-on-demand technology, capable of delivering movies-on-demand, network TV shows and other video services over existing telephone network. It called system Interactive Multimedia TV (IMTV). BA said that "all major Hollywood studios, broadcasters, such as NBC, cable programmers such as HBO, BET and USA Network... and many leading independent producers" will supply movies and other materials for IMTV trials. Tests eventually will involve about 300 BA customers in Northern Va. Actual video-on-demand service isn't due to begin until Jan. Video server for trial will be based on IBM's RISC 6000 work station system, equipped with video applications software written to BA specifications. BA said each unit will have enough capacity to store up to 30 feature-length films in coded, compressed form that conforms to MPEG-1 standard.

Paramount purchased WKBD-TV Detroit (Ch. 50, Fox) from Cox. Price wasn't announced but we're told it was \$105 million-\$110 million. Paramount said purchase is part of "program to expand in broadcast television." Station is top-ranked independent in Detroit, one of top-5-rated Fox affiliates, and has rights to games of Detroit Red Wings, Pistons and preseason Lions. Deal will give Paramount total of 7 stations, including 4 in top 10 markets. Cox also had placed KTVU (Ch. 2 Fox) Oakland-San Francisco on market, but withdrew it, reportedly because offers weren't high enough.

FCC won't begin accepting cable consumer rate complaints or certification filings by franchising authorities until Oct. 1 as result of delayed implementation of rate regulation (TVD June 14 p1), Commission said in clarifying order. Delay also means that MSOs and cable networks have until Oct. 1 to negotiate new carriage agreements, including a la carte. At same time, FCC extended current rate freeze until Nov. 15, date it said would give enough time for local authorities to be certified after Oct. 1. Commission said it ordered delay because, "while our funding requests have made significant progress, Congress has not yet enacted a supplemental appropriation. In addition, when supplemental funds are appropriated, it may take an additional period of time for the supplemental appropriation to be effectively utilized." Delay also will provide franchising authorities and cable operators more time to assure smooth transition, including giving cable systems more time to notify customers of changes and "local franchise authorities a further opportunity to prepare for exercise of their rate regulation responsibilities." Decision means that refund liability for overcharges will extend back to Oct. 1, instead of current June 21, footnote said. On freeze, Commission said it will entertain petitions for emergency relief for cable systems that make detailed claims that freeze would impose severe hardship or threaten their viability. Freeze applies to basic and expanded basic tiers, as well as equipment rates. FCC acted on own motion to reconsider setting June 21 date, and dismissed as moot similar petitions by Coalition of Small System Operators, InterMedia Partners, Prime Cable. Commission earlier had rejected NCTA petition to delay rate start on assumption that supplemental funds would be available about June 21.

FCC dismissed political ad complaint against CBS-owned WCIX Miami, saying candidates hadn't established *prima facie* case that station violated lowest unit rate and other rules. Gubernatorial candidates Lawton Chiles (now gov.), Robert Martinez (then incumbent) and ex-Rep. Nelson (D-Fla.), and Secy. of State candidate James Smith had charged that station had failed to offer preemptible rates, steered candidates to higher rates, impermissibly increased political ad rates, didn't rebate money spent for primary election ads after it lowered rates for general election. However, in order released June 14, Mass Media Bureau said station appeared to have complied with all rules as they existed in 1990. Complaint was one of several filed in late 1991.

Infinity Bctg. is buying KRTH(FM) L.A. from Beasley Bct. Group, paying record \$110 million cash for standalone FM. Beasley purchased station, along with KRTH(AM), in 1989 for \$86.6 million; AM was sold in 1990 to Liberman Bctg. for \$23 million. Beasley said Infinity's offer presented "a phenomenal financial opportunity to sell the station to a committed broadcaster." Infinity owns 21 radio stations in 13 markets, including KROQ(FM) L.A.

Time Warner (TW) said it will operate Personal Communication Service (PCS) developed by Qualcomm as part of Orlando "full-service network." TW Telecommunications Pres. Dennis Patrick said test will be first to integrate PCS fully into cable infrastructure. Qualcomm will produce specialized package of PCS handsets and infrastructure for test.

Ross Perot will be keynote speaker at NAB radio show, 9 a.m., Sept. 9. Convention, which includes more than 50 sessions and expected 7,000 attendees, is Sept. 8-11 at Dallas Convention Center -- 202-429-5420.

FCC asked Congress to set up new fee schedule, including 25% surcharge on some services, as well as fees for new services and for some existing services, such as amendments to Table of Allotments. Requests were part of legislative wish list submitted to House Telecom Subcommittee that also includes appeal for new authority to allow news operations owned by foreign govts. to operate satellite newsgathering units within U.S. and "infrastructure trust fund" to help FCC pay for upgraded equipment. Commission's infrastructure fund, which would go toward updating agency's scientific equipment, would be financed by surcharge on variety of FCC services involving radio frequency assignments and equipment authorizations, permits, STAs, other fees. Funds would be deposited in special account to be used for scientific and technical equipment, information resources management and vehicles, Commission said. Current fee schedule covers only petitions for rulemaking to amend Table of Allotments in limited circumstances involving modification of existing station. New proposal would require \$1,565 filing fee for any amendments. Commission also asked for general authority to impose fees for new services. Satellite newsgathering request arose because foreign govt. representatives can't receive radio station license in U.S. In some cases, their news organizations are owned by govt., presenting another problem in their satellite transmissions. U.S. broadcasters are concerned that without authority to license foreign services, Americans could be victims of retaliatory action.

FCC's proposed new rules for ITFS will reduce cost of wireless cable service without lowering amount of educational programming that must be provided by ITFS licensees, Wireless Cable Assn. (WCA) said in comments on rulemaking (MM 93-106). Proposed rules would allow ITFS licensees to bunch educational programs on one or more channels, freeing others for full-time wireless cable. WCA said operators are using channel mapping to accomplish essentially same thing, but that "imposes financial and operational burdens... that limit the ability of ITFS licensees to maximize utilization of their ITFS channels, increase the cost of wireless cable service... and cause operational hardships on all concerned."

European Community communications ministers at June 16 meeting in Luxembourg approved stripped-down 4-year, \$274-million subsidy for producers of wide-screen HDTV programming. Subsidy is well below \$1 billion proposed 14 months ago, and includes requirement that producers get at least 50% of funding for projects from other sources, with priority given to those with non-govt. sources.

NAB is seeking contractor to develop techniques to measure electromagnetic fields so they can comply with FCC-proposed safety guidelines for tower emissions. Bids are due June 30, request for proposals said. NAB plans to submit study results to FCC in comments on rulemaking.

Rockefeller Group agreed to sell its 12.5% interest in Arts & Entertainment Network to other 3 partners -- Hearst Corp., Cap/ABC and NBC -- for undisclosed price. Deal will give Hearst and Cap/ABC 37.5% each, NBC 25%. Partners said change will have no effect on programming.

Jefferson-Pilot Communications said June 18 it has signed definitive agreement to purchase WCSC-TV (Ch. 5, CBS) Charleston, S.C., from GE Capital Corp., price not announced.

Cable and telcos are disagreeing again, this time on whether FCC should include low-penetration cable systems in its rate regulation benchmark calculations. Commission has proposed excluding them, which effectively would lower benchmarks another 18%, on ground that low-penetration systems aren't truly competitive. NCTA, in comments on proposal, said there's "no basis in law or logic for excluding such systems" since 1992 Cable Act specifically includes them in definition of competitive systems. Assn. said low-penetration systems probably better represent competitive rates than overbuilders, which are subject to rate wars and greenmail. It said legislative definition of competitive system, which includes low-penetration, is of "crystalline clarity, and there is no legislative history anywhere that suggests that the Commission might, in any circumstances, redefine the term." Joint filing by 7 MSOs agreed that FCC doesn't have legal authority to disregard "clear statutory language" and predicted that further rate rollbacks would lead to "widespread failures of cable companies." Filing by another group of 7 MSOs said change "would force virtually every cable operator to pursue cost-of-service showings, thereby rendering the benchmark approach, which the Commission clearly prefers, to be irrelevant." However, telcos said FCC need "take into account" only rates of low-penetration systems, not necessarily include them in benchmark calculations: "No part of the provision implies that the agency must check its critical faculties at the door." Joint filing by Bell Atlantic, GTE and Nynex said incorporating rates of high-priced low-penetration systems "grossly distorts" benchmark calculations.

World broadcasters endorsed digital TV broadcasting and MPEG-2 as basic building block of digital TV at recent meeting in Geneva. Despite continuing plans for analog HDTV in Japan and Europe, position was endorsed almost without debate by Asian Bctg. Union and European Bctg. Union. "I think everyone believes that the ultimate method of TV distribution is digital," EBU Technical Dir. George Waters told us. "Some may disagree on the timetable, and there may be some windows for analog, but there's no debate on the ultimate goal." Meeting included all of major international broadcasting associations. Group agreed that digital TV should include maximum standards commonality worldwide, maximum receiver commonality and flexible, reconfigurable system based on packets and identifying headers. They also agreed that MPEG-2, "with appropriate enhancements, is likely to meet this requirement" so standards should have "maximum commonality with MPEG-2." Moving Picture Experts Group, which is developing MPEG-2, meets July 12-16 in N.Y.C. to discuss enhancements.

CBS has named new vp-gen. mgrs. at 3 of its owned TV stations and moved Steve Gigliotti from that post at KCBS-TV L.A. to vp-station mgr. William Applegate shifts from WBBM-TV Chicago to replace Gigliotti. Roger McGann, WCCO-TV Minneapolis vp-gen. mgr., replaces Applegate, and John Culliton, exec. dir.-news and public affairs, WCCO-TV, succeeds McGann. Applegate was general assignment reporter at KCBS-TV (then KNXT) 1973-1976.

Time Warner plans to issue new debt with face value of \$2 billion, using liquid yield option notes (LYONs) due 2013, it said in preliminary prospectus issued June 15. Immediate cash yield of about \$750 million and other available cash will be used to redeem 8-3/4% convertible subordinated debt due 2015, company said. Underwriter: Merrill Lynch.

Tee-Comm Electronics (TCE), Milton, Ont., said it will create Canadian DBS service that will deliver 150 channels of mostly Canadian programming via country's Anik E-1 and E-2 dual band satellites. TCE Mkt. Development Vp Theodore Boyle said service, called TCI Home Entertainment, has received "regulatory encouragement" from Canadian Radio-TV & Telecommunications Commission (CRTC) and said no formal licensing was required. Company will make 24" dishes at Ark, plant, but manufacturer for receivers and other electronic components, including MPEG-2 digital compression chips, is "up in the air," he said. Initial reception package, including antenna and electronics, will cost about \$1,000 (Canadian), and there will be unspecified monthly fee, he said. Company has leased 7 transponders on Anik satellites for undisclosed price, Boyle said. Company said it expects half-million rural Canadians will subscribe by end of decade. He said they will be offered "big basic" that has many channels, and TCE eventually will consider selling programming on a la carte basis because that "makes sense." TCE was handed "big favor" by CRTC, which said programmers that market in Canada through proposed American DBS operators DirecTv and U.S. Satellite Bctg. will be removed from list of services eligible for country's cable carriage, Boyle said. He said U.S. DBS lineups are more than 90% American in content, while his service will have 60 Canadian channels, 30 U.S. channels, rest pay.

FCC should classify as major any change in LPTV station that expands its horizontal coverage in any direction, MSTV and NAB said in joint filing. Comments on rules Commission proposed in April to relax LPTV rules said that reclassifying many of changes as minor -- major changes can be proposed only during filing windows and face additional procedural safeguards -- could "pose a significant risk of causing interference" to full-power stations. FCC proposes to reclassify as minor several changes, including antenna moves, that would expand LPTV station footprint, but broadcasters said that while applications could indicate no interference, real-world operation could cause "significant" problems for stations. Broadcasters generally endorsed other changes to streamline LPTV licensing procedures and said they backed giving LPTV 4-letter call signs, as long as suffix LP is added.

First Pacific Networks (FPN) said it enhanced its line of cable telephony products to include FPN 1000 system with operating radius up to 50 miles, 10 times previous radius. It said extended-range systems are being deployed for evaluation by Time Warner in Queens, N.Y., by MCI for long distance service, and in Croydon, England, and is scheduled to be used in Canby, Ore., and Glasgow, Ky.

Reception to mark 25th anniversary of CPB was hosted at White House June 17 by President and Hillary Clinton, with 200 guests present. CPB was established by Congress in 1968, over opposition of commercial broadcasters, to distribute federal funds to public TV and radio stations.

Cox Cable San Diego, nation's 2nd largest system with 345,752 subscribers, is buying small Jones system with 6,700 subscribers in suburb of Spring Valley for undisclosed price. Cablevision Long Island remains largest system with 376,375 subscribers.

C-Cor will provide fiber equipment for upgrade of Cable Corp. system in Windsor, England. System has 100,000 subscribers and work will be completed by Oct. 1. Terms weren't disclosed.

Effective reduction in PBS support for continuing series remains as hallmark of its recently announced funding commitments, this time for fiscal year beginning in July 1994 (FY 1995). Symptomatic is its continued support of documentary series *Frontline*, for which it will provide \$10.92 million in FY 1995 -- down 3.75% from nearly \$11.35 million in FY 1993 and 1994. While lauding show's "distinguished record" and terming it "keystone of [public TV's] public affairs effort," PBS said it was "concerned about the high cost of the series in the face of continuing financial pressures on the NPS. Consequently we are not looking to increase funding for *Frontline* and are reducing the number of episodes to 22 in FY 1995. We expect a further reduction to 20 in FY 1996." PBS similarly committed \$12.84 million for *MacNeil-Lehrer NewsHour* -- flat with FY 1994 -- while saying it plans to work with it in next year to explore ways to support show "in the face of increasing financial pressures and difficult underwriting circumstances." PBS got tough in some of its comments to producers of National Program Service (NPS) shows that are included in report. It told WNET N.Y.--Newark-based *Nature*, for example, that continued PBS aid hinges on "demonstrable progress" in developing "wider audience appeal," and told WNET-based *Great Performances* that in order "to provide the strongest service to stations and maintain NPS funding," it needs in future to "include a greater number of programs that are more accessible and compelling..." Final funding decisions haven't been made for many NPS series, including *Wall St. Week* and *Washington Week in Review*, which PBS is evaluating with eye to bolstering its Fri. night lineup. In separate report, PBS said that in future those 2 staples "may continue or perhaps be replaced by other current affairs entries."

FCC should be authorized to conduct auctions of broadcast spectrum, with proceeds used to support public broadcasting, ex-NTIA Dir. Henry Geller said. No, said NAB Exec. Vp John Abel: "If you install auctions, which is going to drive up the price artificially... there's going to be less news and public affairs on the air." They appeared on last week's edition of public TV's *TechnoPolitics*. Said Geller of broadcasting: "It's a business... You ought to pay for the use of the spectrum just as you pay for the use of the land." He said that whether or not spectrum is auctioned, commercial broadcasters won't provide sufficient public affairs and educational programming: "The public interest scheme has been largely broken... I don't think the commercial system will deliver that type of programming, particularly when it's under such competitive pressure." Counter Abel: "Henry thinks this [broadcasting] is a very big and wealthy business... We're a small business." He said that in 1992 some 60% of radio stations and 40% of TVs lost money.

Rep. Tauzin (D-La.) sent letter June 16 to U.S. Dist. Court, N.Y.C., Judge John Sprizzo saying consent decrees filed by state attorneys gen. and Justice Dept. in *Primestar Partners* case "undermine both the letter and spirit of the 1992 Cable Act." Tauzin said proposed exclusive contract with "a high-power DBS operator at the 101-degree orbital position" allows *Primestar* to prevent other DBS operators from obtaining programming under *Primestar's* control. Contract also sets ceiling and floor for price, terms and conditions for services, Tauzin wrote, creating "potential for artificially high pricing, thereby undercutting the benefits to consumers which should flow from increased competition to cable."

In continuing effort to scale back operations, UPI offered early retirement incentives to about 200 of its 300 employees. Plan would reorganize UPI into 6 regional bureaus to cut costs.

Major new activities loom for Ga. Public Telecommunications (GPT), partly with funds raised in state lottery. With \$2 million in lottery proceeds, network plans to install satellite receive dishes at all of Ga.'s public schools, colleges and state vocational/technical schools. Extension to state prisons and hospitals could follow, Exec. Dir. Richard Ottinger told us. Bond money in this year's state budget makes possible installation of satellite uplink at network hq in Atlanta and downlinks at system's 9 TV and 11 radio stations. Other new efforts being pursued by GPT include: (1) Purchase of transponder on upcoming PBS satellite *Telstar 401* for distribution of distance learning and telemedicine programs. Ottinger termed \$12-million acquisition "virtually a done deal." About half of money will come from dedicated \$50-million state fund for distance learning-telemedicine, with network amortizing rest over some years. (2) Construction of \$19.5-million, 160,000-sq.-ft. broadcast facility next to Emory U. in Atlanta, with completion in time for 1996 Summer Olympics. Emory already has purchased land for center, which Ottinger said will include studios for distance learning and others capable of national public TV productions.

TV and cable programming leave impression that U.S. is mostly devoid of women over 35, disabled people and minorities, according to 10-year study by U. of Pa.'s George Gerbner for 2 actors' unions. Problem has existed so long that it has become civil rights issue, he said. Study found that nonwhite, nonmale actors are being discriminated against and children are being shown radically inaccurate picture of society. Blacks account for less than 11% of prime-time roles, Hispanics 1% and Asian-Americans and American Indians even less. Some 2/3 of featured roles in TV programming were male in 1991-1992 season, same imbalance as existed 10 years earlier, study said. Women in featured roles tend to be under 35. Study was made for SAG and AFTRA, which met jointly in Washington last week with organizations representing women and minorities to pressure entertainment industry for change. "It is an uphill battle," SAG Pres. Barry Gordon said. "There is going to have to be some education of consumers."

FCC is scheduled to make decision on must-carry for home shopping stations at agenda meeting June 24, 9:30 a.m., Commission hq. Shopping stations are claiming that denying them same must-carry rights as other stations would raise "serious constitutional questions," but cable companies contend that granting request would limit cable's First Amendment rights. Also on agenda are decisions on cable ownership rules (MM 92-264), cable EEO rules (MM 92-261), interim report on migration of sports to cable. FCC has proposed to limit single MSO to owning 25-35% of cable systems, figure that wouldn't require any divestiture or place immediate limits on any MSO's expansion.

Program Notes: Multimedia said it will launch 24-hour **Talk Channel** in fall 1994. Channel will be headed by Paul FitzPatrick, recently COO of *Weather Channel*... **QVC** signed agreement in principle with British Sky Bctg. to develop home shopping service in U.K., Ireland and other parts of Europe. Live service from London would be similar to QVC's U.S. counterpart. QVC earlier agreed to participate in similar service for Latin America and Spain.

Petition by WOAB(FM) Ozark, Ala., asking that commercial FM stations be permitted to operate with vertical polarization only, has been dismissed by FCC. Rules require stations to operate with horizontal polarization or with combination of horizontal and vertical, but not vertical alone. WOAB argued that stations would save on energy bills by using only vertical polarization.

Personals

Michael Pulitzer elected chmn., Pulitzer Publishing, succeeding late brother, **Joseph Pulitzer**... **Peter Ross**, senior legal adviser to ex-FCC Comr. **Marshall**, rejoins Wiley, Rein & Fielding law firm... Newly elected professional members, PBS board: **Fred Esplin**, KUED Salt Lake City (incumbent); **Wayne Godwin**, WCET Cincinnati; **Susan Howarth**, Ark. ETV; **Ron Hull**, Neb. ETV (incumbent)... **Donald Thoms**, dir.-regional productions, Md. PTV, joins PBS in mid-July as dir.-program management.

Joyce Kravitz, former Clinton presidential campaign communications executive and ex-ABC, named senior adviser for broadcasting, USIA... **Ken Williams** joins Satellite Sports Networks as telemarketing and customer service dir... **Earl Rector** promoted to dir.-text operations and technical services, Prevue Networks... **Stephen Croncota**, ex-Details magazine, named vp-creative services, Cartoon Network... **Frederick Franzwa** advanced to vp-regional business gen. mgr., U.S. and Canada/Western U.S., Motion Picture & TV Imaging, Eastman Kodak.

Robert Priddy, MissouriNet and ex-RTNDA chmn., will receive Assn.'s 1993 Rob Downey Citation for "exceptional service" Oct. 2 during convention in Miami Beach... **Larry Irving**, NTIA dir., appointed by FCC Chmn. **Quello** as ex-officio member of Advanced TV Advisory Committee... **Louis Critelli** promoted to dir.-N.Y. national sales, CapCities/ABC National TV Sales... **John Mathwick** appointed senior vp-sales and marketing, Weather Channel... **Bill Beckner** promoted to chief engineer, WUSA Washington... **Fred Thomas** named WNVC Fairfax, Va., program mgr... **Thermal Stewart** promoted to vp-business, WDAF-TV Kansas City... **Don Moran** named gen. sales mgr., WUTV Buffalo... **Stuart Smiley** promoted to senior vp-creative development, Fox Bctg.

Howard Katz, ex-Ohlmeyer Communications, appointed senior vp-production, ESPN... **Dale Moss**, ex-Rosenbluth Travel, moves to QVC Network as vp-TV sales... **Marsha Armstrong** promoted to vp-program production, TNT... **Trisha Cardoso**, ex-Burson-Marsteller, named vp-media relations, Paramount TV Group... **Michael Styer**, ex-Md. Public TV, and **Oliva Kim**, former PBS assoc. dir., named programming dirs., PBS... **Mary Ann McKown** promoted to asst. program dir., KWGN-TV Denver.

Richard Skillman promoted to regional vp, International TV Assn... **Sally Bryan** joins Allied Film & Video as sales exec... **David Richards** named vp, Landmark Communications... FCC Calendar: Fla. Assn. of Bctrs. Convention, Doral Beach Hotel, Miami: June 24 -- Field Operations Bureau Chief **Richard Smith** participates in "FCC Enforcement" panel, 2:30 p.m. June 25 -- Mass Media Bureau Chief **Roy Stewart** participates on "Substantive TV and Radio Blues and Regulations," panel; Smith participates on "Role of Broadcasters Before, During and After a Hurricane," panel, 3 p.m... **William Rinchik** moves from WRGB Schenectady-Albany-Troy to controller of parent Freedom Newspapers' Best. Div.

—

FCC has set aside Review Board grant of Ch. 20 New Orleans to Swan Bestg. Ltd. based on "gender enhancement as a dispositive factor" and remanded case (which includes 3 other applicants) to law judge for new hearing. In remand, agency cited court ruling that FCC policy of rewarding credit for female ownership violates Fifth Amendment. Other applicants are Crescent City Bestg., Delta Bestg. of La., Tucker Bestg.

Published Weekly Since 1946

TELEVISION DIGEST

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 Report*,
Consumer Multimedia Report, *Facility Strategies*, *Television and Cable Factbook*,
Warren's Cable Register, *Cable & Station Coverage Atlas*, and other special publications.

Copyright © 1993 by Warren Publishing, Inc. Reproduction in
any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Business

Albert Warren Editor & Publisher
Paul L. Warren Sr. Ed. & Exec. Publisher
Daniel Warren Sr. Ed. & Assoc. Publisher
Dawson B. Nail Executive Editor
Arthur Brodsky Managing Editor-Washington
R. Michael Feazel Senior Editor
Brock Meeks Associate Editor
Myron Struck Associate Editor
Chris McCarter Assistant Editor
Michael French Assistant Editor

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

NEW YORK BUREAU

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

David Lachenbruch Editorial Dir.
Lisa Lilenthal Senior Editor
Paul Gluckman Senior Editor
Martin Brochstein Senior Editor
Michael Peck Associate Editor

CONTRIBUTING EDITOR, EUROPE

Barry Fox
5 Denning Rd.
Hampstead, London NW3 1ST
Phone: (071) 435-6244

JAPANESE REPRESENTATIVE

Editorial and Circulation
CES International Corp.
1-18-2 Nishi Shinbashi, Minato-ku
Tokyo 105, Japan
Phone: (03) 3592-1531

Television and Cable Factbook

Michael Taliadoro Managing Editor &
Asst. Publisher—Directories
Mary Appel Editorial Director
Richard Koch Asst. Managing Editor &
Asst. Editorial Director
Maria B. Lawrence Asst. Managing Editor
Susan B. Woodruff Production Manager
Gregory H. Deahl Sr. Ed. & Ed. Supv.
Brian C. Meoley Ed. Supv.

Market Research & Data Sales Division

Lynn Levine Director
Karen Fahle Assistant Director

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

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

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

TV News Education Foundation said it has expanded to include staff training for mid- and late-career TV journalists. Foundation said programs will be operated from stations' facilities and cover "all facets" of TV journalism. Foundation Pres. Herbert Brubaker, ex-NBC News, said: "A recent Freedom Forum survey indicated 93% of the newspaper journalists polled said they wanted more training. Almost half said they sometimes felt inadequately equipped to cover a story properly. I believe if there were a similar television survey today, the figures would be even higher." Program is cost effective, he said, because foundation is nonprofit, has low fees, and any of trainees' Foundation work can be aired by station.

Study of feasibility of public broadcasting consortium for state employee training is being conducted by Gail Arnall with funding from CPB and public TV (PTV) state network-oriented Organization of State Bestg. Execs. (OSBE). Arnall was an organizer of public broadcasting/state education department joint distance learning venture Satellite Educational Resources Consortium to which new project is being likened from organizational standpoint. Effort stems partly from cost-effective training provided to Ky., Neb. and S.C. state employees by PTV networks.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	MAY 29— JUNE 4	1992 WEEK	% CHANGE	MAY 22-28	22 WEEKS 1993	22 WEEKS 1992	% CHANGE
TOTAL COLOR.....	209,640	301,208	-30.4	693,377*	8,736,031*	7,830,796	+11.6
DIRECT-VIEW...	205,769	297,772	-30.9	682,753*	8,598,843*	7,706,024	+11.6
TV ONLY.....	191,503	289,310	-33.8	634,011*	8,116,739*	7,386,681	+ 9.9
TV/VCR COMBO.	14,266*	8,462	+68.6	48,742*	482,104*	319,343	+51.0
PROJECTION....	3,871	3,436	+12.7	10,624*	137,188*	124,772	+10.0
VCR DECKS.....	105,595	115,176	- 8.3	387,356*	4,270,292	4,146,740	+ 3.0
CAMCORDERS.....	28,959	28,927	+ 0.1	126,344*	1,062,935*	932,786	+14.0
LASERDISC PLYRS#	3,764	1,694	+122.2	6,775*	77,620	77,331*	+ 0.4

Direct-view TV 5-week average: 1993--324,293; 1992--330,447 (down 1.9%).

VCR deck 5-week average: 1993--178,544; 1992--171,227 (up 4.3%).

Camcorder 5-week average: 1993--53,728; 1992--49,098 (up 9.4%).

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

PRICE PICTURE MIXED -- STABLE TO UP: To paraphrase Mark Twain, everybody talks about price increases, but nobody does anything about it. Well, hardly anything. One result of all the price increase talk among TV manufacturers has been relative lack of usual price-cutting. As Zenith Sales Co. Pres. Jerry McCarthy was quoted in these pages last week as saying, "if all the talk leads to nothing more than stability, then it's a victory" for industry (TVD June 14 p16).

Several TV manufacturers already have announced price increases -- some more than once -- but it's difficult to determine what really has happened. In some cases, promotional dollars distributed to retailers at same time have left store prices where they were before "increases."

Report in Japanese press last week said Mitsubishi is raising color TV prices in U.S. by average 7-8%, noting that although almost all its color sets sold in U.S. are assembled here, about half of parts -- including picture tubes -- are imported from Japan. Same report said company hopes to increase procurement of U.S.-made parts to 80% from current 50-60% by 1996. Mitsubishi spokeswoman said increases already have been put into effect in products introduced this year, and company plans no further boosts.

Mitsubishi's quandary -- and industry's -- was underlined in Japanese reports of its plans for increase with assertion that company had projected rate of 115 yen to dollar as recently as beginning of fiscal year in April. As of last midweek, rate was below 107, and there was widespread prediction that dollar would settle at about 100 by year-end (although it closed out week with recovery to 110 yen).

Panasonic announced at Consumer Electronics Show (CES) that it would increase prices on "selected" products Sept. 1 (TVD June 7 p17), followed by Sony's forecast that it would raise prices in fall (TVD June 14 p16). Earlier, Sony and Panasonic had said some prices were up on new products, but didn't pinpoint any specific increases. Sharp tried to prepare its dealers as early as last Jan.'s Winter CES for increases on TV, but even those moderate boosts had evaporated by May -- while company talked about trying again.

Pioneer talked of across-board increases in late April, saying they could happen as early as June (TVD May 3 p11), but last week spokeswoman said that while boosts were being considered, there had been no action yet.

In TV, manufacturers are being doubly pressured by need to cover added costs of closed captions and of Japanese-made components. Reality of situation is that nobody will make major price move unless Thomson's RCA brand takes lead, and so far it's standing pat.

In audio, however, increases are beginning to shape up -- or will by midsummer. Suppliers canvassed by our affiliated Audio Week newsletter pointed uniformly to plans to increase pricing on selected models as hedge against rising costs.

While most price hikes seem destined to take effect July 1, Onkyo instituted 3-5% increases June 1, Sales & Mktg. Vp Ted Green said. Company offered accounts buy-in program at old pricing in May, he said, resulting in "good" month, but didn't generate nearly as many takers as price hike in 1980s tied to yen's first dramatic climb against dollar. Conservative retail response "underscored the fact that it's a different world out there now," Green said. He advised Onkyo competitors "not to get your hopes up" and expect dramatic invigorating effects of buy-in period. Onkyo may have to reevaluate pricing situation in late summer if dollar continues its slide against yen, Green said.

At Yamaha, Sales Vp Steve Caldero said notices went out to dealers 2 weeks ago announcing July 1 price boosts of \$20-\$50 on "approximately a dozen" products. Like other suppliers, Caldero said, Yamaha has given dealers opportunity to place orders through June 30 at old pricing, but thus far few have done so because of "the realities of the present marketplace." If there's run on product tied to dealers' trying to take advantage of old pricing, "I expect that to occur toward the end of the month," Caldero said.

At Chicago CES, Denon announced price raises averaging 6.4% on 12 "selected" models, Sales & Mktg. Vp Stephen Baker said. Although increases became effective immediately, he said, "de facto" effective date is July 1 because Denon, like its competitors, is offering buy-in program at old pricing through June 30. "We chose wisely," Baker said when asked about scope and degree of price increases. "We think all the dealers expected this move."

Kenwood was among few companies we sampled to report significant increase in orders tied to buy-in program that expires July 1, when 2-3% price hikes on selected models take effect, Senior Vp Bill Cowdrey said. Kenwood is projecting "record" sales for June, with stimulative effects of buy-in program principal reason, Cowdrey told us, citing CD hardware in general and mobile CD players in particular as strongest sellers.

30"-UP TV SALES SEEN DOUBLING BY 1996: Sales of very large screen (VLS) direct-view TVs will double this year's rate in 1996, according to long-term forecast by Thomson Consumer Electronics' N. America Tube Div. Both 30-32" and 35-40" categories will approximately double, according to prediction, while projection TV will increase only 31.6%. Contrary to some forecasts that envision giant screens dominating TV, TCE sees VLS category (30" and above) climbing to just 6.2% of total mix in 4 years from this year's 3.5%, while projection inches upward to 2% from 1.8%.

Forecast envisions total color TV sales this year (including projection and VCR combos) at 24,250,000, up 8.3% from 1992, leveling off at about 25 million annually for 1994-1996. While all size brackets are seen increasing this year over 1992, larger sizes are expected to show greater growth than total color increase, while smaller ones will decline as percentage of total, TCE predicts. VLS category (30" and up) is seen growing 23.3% this year, with large screen (25-27") up 13.1% and projection eking out 8.9% gain, just slightly above total color TV sales growth.

Forecast shows 13" and smaller up just 0.3%, while midscreen sizes (19-20") increase 4.9% this year over 1992, with TV/VCR combos up 33.5%, exceeding million units for first time at 1.25 million. Small-screen sets are seen declining to 18.6% of total mix in 1993 from 20% last year, while midsizes drop to 40% from 41.3%, large-screen growing to 30.5% from 29.2%, total VLS moving to 4% from 3.5%, projection remaining at 1.8% and combos rising to 5.2% from 4.2% of mix.

On longer term basis, tube maker's projection shows small-screen sales staying about same numerically, at around 5 million annually through 1996. Forecast, which doesn't include 16:9 widescreen sets, shows 19" sales gradually declining after this year, as 20" takes over midsize area, 19" dropping 11.6% from 1992 through 1996, while 20" increases 18.7%. Interestingly, 25" won't suffer same fate as 19" but will reach plateau, staying at around this year's level of 4.1 million, increase of 33% over 1992, as 26" continues phaseout, dropping 44.5%.

Sales of 27" will plateau next year, according to data, remaining at about same level through 1996, when it will be up 10.3% from 1992. The 30-32" category will show strong yearly growth, passing million units for first time in 1996, with total growth of 95.2% over 4-year period. Biggest direct-view category, 35-40", will

more than double in 4 years, but even in 1996 its sales will be just shy of 500,000. Projection sets, whose sales in 1991 were double those of biggest direct-view sets, will sell at about same 500,000 level as 35-40" sets by 1996, according to forecast.

In terms of percentage of total sales in 1996 compared with 1992, here's what is envisioned by TCE: 19" will decline to 15% from 1992's 18.9%; 20" will increase to 25.8% of mix from 22.4%; 25" will rise to 16.4% from 13.8%, 26" will drop to 1.9% from 3.4%, 27" slipping to 11.9% from 12%. However, 30-32" will almost double in share to 4.2% from 2.4% and 35-40" to 2% from 1.1%, with projection holding about level at 2% from 1.8%.

Here are TCE Tube Div.'s estimates and forecasts of sales by screen size, 1991-1996, in data developed for its TV-making customers:

COLOR-TV SET SALES BY SCREEN SIZE

(add 000)

Year	19"	20"	25"	26"	27"	30-32"	35-40"	Proj.
1991.....	3,966	5,048	2,512	862	2,434	374	160	380
1992.....	4,241	5,435	3,085	757	2,686	543	244	404
% change...	+6.9	+7.7	+22.8	+12.2	+10.4	+45.2	+52.5	+6.3
1993.....	4,600	5,830	4,141	579	2,881	730	330	440
% change...	+8.5	+7.3	+34.2	-23.5	+7.3	+34.4	+35.2	+8.9
1994.....	4,270	6,020	4,085	545	2,945	840	375	470
% change...	-7.2	+3.3	-1.4	-5.9	+2.2	+15.1	+13.6	+6.8
1995.....	4,010	6,215	4,095	507	2,923	945	440	490
% change...	-6.1	+3.2	+0.2	-7.0	-0.7	+12.5	+17.3	+4.2
1996.....	3,750	6,450	4,103	478	2,964	1,060	495	500
% change...	-6.5	+3.8	+0.2	-5.7	+1.4	+12.2	+12.5	+2.0

JAPANESE CUTTING CAMCORDER EXPORT PRICES: Average price of camcorder shipped from Japan to U.S. in April hit new low in yen for 2nd consecutive month. However, because of growing strength of yen against dollar, camcorders blazed no new price trail in terms of U.S. currency.

Japan Finance Ministry export figures for April showed average price of camcorder exported to U.S. dropped to 60,896 yen, down 4.1% from previous all-time low of 63,501 set in March and big 20.5% below the 76,599-yen average for camcorders shipped in April 1992. But with dollar averaging 113 yen in April, average price worked out to \$538.90, down 5.7% from April 1992 (when one dollar equaled 134 yen), but still well above all-time low in dollars (\$509.84) set last Aug. (at 127 yen = \$1).

Average price of VCR deck shipped from Japan in April also hit all-time low in yen, surprising in light of fact that Japan supplies mostly high-end VCRs, leader models increasingly coming from other Pacific Rim countries. However, despite fact that 26,911-yen average price in April was 12% below yen average set in April 1992, translating price to dollars results in 4.3% increase, or \$238.15, up some \$10 from year earlier. Decline in average yen prices of both VCRs and camcorders from Japan illustrates strong cost-cutting efforts by Japanese manufacturers.

April was 2nd consecutive month of increases in Japanese camcorder exports to U.S., following 16 consecutive months of declines to balance inventories with sales rate. That this finally has been accomplished is indicated by fact that inventories at end of May represented just slightly over 4 weeks' supply (see separate report, this issue). April shipments from Japan were more than double those of one year earlier, when they hit their low point of recent years.

Camcorders and CD players (latter up 0.1%) were only products registering increases over year earlier in April. VCR deck shipments declined for 10th consecutive month -- presumably largely because of

increasing shipments from countries other than Japan. Laserdisc players were down 33.6% for month and 22.8% for year to date, and color TV continued to dwindle.

Japanese exports to Canada for April (4 months of 1993 in parentheses): Color TV 11 sets, down 95% (431, down 74.7%); VCRs 9,943, down 53.1% (49,616, down 59.6%); camcorders 18,047, up 111.6% (56,734, up 47.5%); laserdisc players 1,311, up 100.2% (5,742, up 33.9%); CD players 25,365, down 27.3% (128,190, down 14.9%). Here are Finance Ministry figures on Japanese exports to U.S. for April and year's first 4 months):

Product	Apr. '93	Apr. '92	% Chg.	4 Mo. '93	4 Mo. '92	% Chg
Color TV.....	2,180	11,391	-80.9	28,832	30,097	-4.2
VCR decks.....	268,535	396,052	-27.7	1,283,860	1,852,796	-30.7
Camcorders.....	243,552	113,518	+114.5	744,382	650,970	+14.3
Videodisc players	19,478	29,344	-33.6	69,410	89,942	-22.8
CD players.....	473,185	472,764	+0.1	1,790,771	1,863,189	-3.9

CES ACTION SEEN IN AUG.: EIA Consumer Electronics Group (CEG) Exec. Committee at Chicago meeting last week opened preliminary discussions on Topic A -- What to Do About Summer Consumer Electronics Show (CES) -- but reached no definitive conclusions. It scheduled another meeting on subject for Aug., when it's expected to come up with program to deal with crisis of Summer show (TVD June 14 p11).

There's no unanimity, even among top CEG officials, on remedy for situation. Recoton Pres. Robert Borchardt, member of Exec. Committee, said this month's show "was a good one for us, and if there are changes we'll have to consider whether we'll exhibit." Another member of CEG board, but not of Exec. Committee, compared CEG's efforts to save summer show with "trying to breathe life into a dead horse."

* * * * *

CEG's Retailer Advisory Council (RAC), at meeting held during CES, formed 4 subcommittees -- each co-chaired by retailer and manufacturer -- to examine specific industry issues.

Subcommittee aimed at developing industrywide approaches to merchandise returns issues will be chaired by Ed Hart of Nobody Beats The Wiz and Michael Aguilar of Panasonic. Public Policy Subcommittee is headed by NARDA Dir. Elly Valas and Cobra Pres. (and CEG Chmn.) Jerry Kalov. Chmn. will be named in near future for subcommittees on CES ("which will develop a long-term approach to ensuring that the Consumer Electronics Shows meet the needs of the consumer electronics industry") and distribution. Latter group will delve into topics relating to maximizing efficiency of industry distribution practices, including electronic data interchange (EDI), inventory control, point-of-sale practices.

RAC, chaired by Kalov and Hart, first met April 1-2 in Washington, held 2nd session at CES earlier this month. Group, which represents first formal involvement of retailers in EIA, is "is off to a sure start in developing a solid working partnership between the retailing and manufacturing communities," CEG Vp Gary Shapiro said.

China has reestablished Ministry of the Electronics Industry (MEI) in effort to increase share of world electronics market. Ministry has reemerged as separate entity 12 years after being combined with Ministry of the Machinery Industry. New MEI minister is Hu Qili.

4-HEAD VCR SALES GAIN: Four-head mono VCRs increased their share of total sales to 46.1% in May, highest percentage of year so far, according to unreleased EIA breakdown of sales to dealers. For year's first 5 months, 4-head mono units represented 44% of total sales.

As 4-head mono increased, sales of stereo models declined slightly to 25.3% of total in May from high of 27.4% in April. Even so, May figure was 2nd highest of year, and 5-month stereo percentage was 24.5%. Recorders including VCR Plus feature totaled 16.7%, 2nd highest for any month this year but well below the 19% registered in April (TVD May 24 p16).

Leader category, 2-head mono, dipped to lowest percentage of year in May, at 28.7% (from 29.1% in April); 2-head units represented 31.4% of total in year's first 5 months. S-VHS type continued to hold insignificant percentage of sales, at 0.8% for May and for 5-month period. Because of overlap of categories (stereo, VCR Plus, S-VHS), percentages don't add to 100. VCR inventories at end of month totaled very comfortable 4-1/2 weeks of sales at current sales rates.

Full-size camcorder revival continued in May, totaling 27.2% of sales to dealers, up from 21.5% year earlier and 2nd highest of year to date (after 29.2% in Feb.) For year's first 5 months, full-size models represented 25.2% of sales, while compacts (8mm plus VHS-C) were 74.8%. In May, full-size sales were up 39.6% from year earlier, but compacts rose just 2.7%, lowest gain of year. For 5 months, however, full-size models were up only 7.6% vs. 16.9% for compacts.

Full-size models represented only 24.6% of inventories in May. Total inventories of camcorders appeared to be in healthy shape, at just over 4 weeks' supply.

Yen price of **WonderMega** console that JVC plans to begin shipping in Japan July 2 was reported incorrectly in these pages last week. Actual price is 59,800 yen; dollar equivalent we printed (\$564) was correct.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 107 yen = \$1, except where noted.

EIA SEEKS 'OFFICIAL' CES DAILY: Electronic Industries Assn. (EIA) this week plans to issue "request for proposals" (RFP) as first step in process of designating "official" daily for Consumer Electronics Show (CES). Authorized daily would be only one distributed on show premises, conceivably spelling end of some or all of those that currently exist, since they would be limited to handing out copies at hotels and other off-site venues. Independently published dailies at most recent shows have been TWICE CES Daily, HFD Daily, CES Daily News and CES Trade News Daily.

Plan is scheduled to go into effect in time for Winter CES Jan. 6-9 in Las Vegas. Cynthia Upson, EIA Consumer Electronics Group (CEG) staff vp for communications, said process will be "open to anyone who wants to submit a proposal," with final decision expected around beginning of Aug. Winner will be designated by committee of CEG officials, possibly supplemented by "people from the industry," Upson said.

TWICE Editor-in-Chief Robert Gerson said publication and parent Cahners Publishing were reserving judgment until RFP is issued. He said Cahners "would have to see if it would be commercially viable" to publish without EIA seal of approval, although adding "I suggest it would not," since lack of access to show distribution "would certainly dry up ad support." He said daily has been profitable for TWICE, although he was unable to quantify its success. We were unable to reach spokesman for HFD.

EIA has explored concept of designating official daily at various times over years, but never actually did so. (Warren Publishing Inc., which published only daily during first 5 years of CES, 1967-1971, was offered official status for its CES Daily, but turned it down in order to retain its independence.) Upson said many other trade shows have their own publications. She said EIA was approached by several exhibitors who expressed confusion over which of dailies they should support with ads, and said CEG and members have been concerned that "the quality amongst the dailies has been inconsistent."

Upson said that EIA would prefer that CES workshops and other official events be covered in more depth than is practice now by current independent publications. However, she said, official designee would control editorial and advertising process. "We do not want to publish a daily. They will have editorial control and advertising control," Upson said, although she said winner will have to meet "certain criteria." For example, she said, publisher won't be allowed to charge "an astronomical amount for ads." She said publication "could possibly be a small revenue generator" for CEG.

EIA already has publishing partnerships. Reese Communications, publisher of Video Magazine, has distributed consumer guides for last 2 summer shows and this year mailed CES Show Planner to many of registrants before Summer CES. "Our partnership has been a very good one, one we are planning to expand," said Reese Pres. Jay Rosenfield, although he declined to disclose nature of proposed expansion.

EIA's expressed disenchantment with independent show dailies inspires memories of letter sent to publishers on eve of Jan. 1990 CES by then-CES Vp Dennis Corcoran urging them to "support our journalistic goals" by providing "high-quality coverage" of event and offering "maximum service to our attendees" (TVD Jan 1/90 p13). Specific list of editorial "suggestions" proposed in Corcoran letter largely have gone unheeded, including request that dailies print

more news gathered on-site and publish at least 4 issues (most still skip last day).

Among editorial guidelines Corcoran said would assure "high-quality coverage" in show dailies: (1) At least 40% of each issue should be on-site editorial coverage, including "stories written about products, events or people at the show during the show." (2) Reporters should be used "who regularly cover the consumer electronics industry." (3) On-site workroom "where CES exhibitors can drop off newsworthy information" should be operated. (4) Dailies should feature advertising "from firms officially participating in the show."

'JOEY' IS STILLBORN: Jerrold "floated a trial balloon that exploded," quipped EIA Consumer Electronics Group Vp Gary Shapiro after "Joey" failed to show up as promised at NCTA convention in San Francisco. Indications are that concept of Joey -- elaborate form of cable box containing all the works of TV set except picture tube and cabinet (TVD May 24 p13) -- has been buried.

In advance of NCTA convention, Joey received only scant publicity, but presumably mention in these pages was enough to create firestorm of indignation among TV set manufacturers at a most sensitive time -- just as cable TV and consumer electronics interests were discussing how best to get along together.

Although original Jerrold release announcing Joey mentioned that company was discussing manufacture of "receptacles and picture tubes" for unit with "several large Far East manufacturers," company now says, in effect, "never mind," dismissing project as mere "concept." Jerrold spokesman told us Joey wasn't displayed because "we didn't have a prototype ready," but also indicated company's own news release was "premature." Asked about adverse reaction to initial announcement, he conceded that "may have had something to do with" failure of Joey to show up in San Francisco.

There are strong indications of disagreement within Jerrold and parent General Instrument about concept, and particularly about publicizing it at this time.

CIRCUIT CITY NET UP 51%: Circuit City said productivity gains in advertising and store staffing, combined with profits from private label credit card program, helped boost first-quarter profits 51.3% over of last year on 23.9% net sales increase. Pres.-CEO Richard Sharp said first-quarter results "reflect the strength of [our] consumer offer and the continued success of our geographic expansion program."

Sharp said that "competitive environment" and higher ratio of computers as percentage of sales product helped drag gross profit margin down to 26.9% from 28.2% year earlier. However, he said, that was more than offset by drop of nearly 2 percentage points in expense ratio. Net profit margin rose to 2.2% from 1.8% in year-earlier period.

Circuit City ended quarter with 220 superstores, 7 smaller CC stores and 39 mall-based stores that operate under Circuit City Express and Impulse labels.

* * * * *

The Harvey Group, which operates 6 Harvey Electronics stores in N.Y. area, posted \$377,000—loss in first quarter ended May 1, compared with \$9,000 profit year ago. Sales dropped 20.6% to \$5.1 million. Pres. Arthur Shulman blamed "extremely adverse weather conditions, reduced corporate sales [and] soft market conditions" in N.Y. area.

AUDIO SHARE ESTIMATES: Sony last year dominated U.S. audio business, taking top market share position in 5 major categories from receivers to compact systems, according to independent estimates based on analysis of unreleased 1992 EIA factory audio unit sales.

Not surprisingly, home CD (including single-play CD decks and all home changer configurations) was area in which Sony displayed most dominance, accounting for better than one in every 4 machines sold at factory level. Sony's closest rival in home CD arena, Pioneer, finished more than 12 points behind, survey said. Most competitive category was midicomponent and minicomponent systems priced above \$400, where Sony again finished first, but only slightly ahead of JVC. Sony claimed better than 20% share in home hi-fi receiver market, but Pioneer was close 2nd. Sony even dominated cassette deck category (which included single- and double-well home recorders) being stalked so aggressively by Technics, Philips and others via fledgling DCC format.

Top 5 contenders listed in table below accounted for combined 67.8% share of receivers sold at factory level and 63.4% of home CD players, 63.3% of tape decks, 51.8% of rack systems, 46.5% of compacts. Table lists independent market-share estimates, based on factory unit sales (below each category name) rounded to nearest thousand:

U.S. MARKET SHARE LEADERS IN HOME AUDIO -- 1992

Category	Sony	Pioneer	Technics	JVC	Kenwood
Receivers.... 1,939,000	21.9%	19.6%	6.4%	8.3%	11.6%
Home CD decks 3,255,000	26.1%	13.7%	8.1%	8.6%	6.9%
Tape decks... 1,445,000	19.7%	12.8%	9.3%	13.5%	8.0%
Rack systems. 1,340,000	21.6%	9.7%	8.2%	4.1%	8.2%
Minis/midis*. 1,150,000	17.8%	3.0%	4.3%	15.7%	5.7%

* Includes only systems list-priced higher than \$400.

"Reusable" alkaline batteries were introduced last week by Rayovac, which claims they offer advantages over NiCd cells. Company said "Renewal" batteries, available in fall, will last 3 times longer than fully charged NiCd cells and come fully charged from package. It said Renewal alkalines will hold charge up to 5 years, compared with 3-month shelf life of NiCds. Company said 4-pack of Renewal "AA" batteries typically will cost about \$6 -- twice as much as conventional AA cells, but reusable 25 times or more when recharged in "Power Station" modules that plug into wall outlet. Besides AA, Renewals will be available in D, C and AAA sizes. Power Stations will cost about \$15 for smaller wall unit, \$30 for larger "family" module. Rayovac licensed U.S. manufacturing rights from Canadian-based Battery Technologies Inc. and refined technology for production in U.S.

Settlement of Litigation between JVC and WRS Motion Picture & Video Lab, Pittsburgh, has resulted in licensing custom duplicator under VHS patents, JVC announced last week. Details of settlement weren't announced, except that WRS acknowledged "validity of the VHS logo trademark and JVC's cassette patents."

CAR MINIDISC GAINS SUPPORT: MiniDisc (MD) camp took on 2 important new followers when Mitsubishi and Blaupunkt, in separate announcements, said they plan to emphasize automotive MD products while putting rival DCC format on back burner.

Jack McKnight, sales and mktg. mgr. of Mitsubishi's auto subsidiary, said company plans to make extensive pitch for MD commitment from OEM clients at Big 3 automakers. Mitsubishi's auto manufacturing operation already has committed to market MD either as factory- or dealer-installed option, according to McKnight, who said he understands first MDs could appear in its cars starting with 1996 model year. Hottest selling product in Mitsubishi car audio line is CD changer, McKnight said, and in-dash MD changers constitute "next logical extension" of that trend.

Mitsubishi 4-disc MD car changer was highlighted in technical paper at International Conference on Consumer Electronics (ICCE) in Chicago that said DIN-sized changer can be "utilized independently and played continuously without any pause when the disc changes," using 10-sec. 4-Mb memory buffer. Mitsubishi MD playback-only portable, according to paper, will be made "as thin as possible in order that it can be worn in a shirt pocket."

In Japan, Mitsubishi is shipping Sony-sourced car MD player, but said it won't be sold in U.S. because it will be able to procure only 500 per month from Sony.

Meanwhile, Blaupunkt announced it was throwing its support behind MD. Mktg. Mgr. Frank Honold saying company doesn't believe DCC will make same inroads in U.S. as in Europe. As result, Blaupunkt doesn't plan to market DCC products here, although that can change "if DCC becomes a viable product" in U.S., Vp-Gen. Mgr. Wulf Herrmann said. He said Blaupunkt expects MD to represent minuscule share of car audio head market this year, rising to 19% by 1998, growing at expense of analog cassette product. It expects to ship first MD unit in 1994.

Philips and Thomson won victory last week when Britain dropped opposition to \$270-million European Community subsidy for widescreen TV programming by broadcasters and independent producers. However, sum was just over 25% of original proposal that would have backed widescreen TV and by implication European analog HDTV system, but was vetoed by Britain. Grants will be made over 4-year period and can be used for production of widescreen programs, conversion of existing programs or upgrading of production equipment, and must be matched by industry or public institutions. In addition to paving way for HDTV, one of goals of program is to provide new product to help recovery of Europe's depressed consumer electronics industry. Both Philips and Thomson are offering 16:9 sets on European market.

Sanyo, which was announced last week as being on verge of signing on as 3DO hardware licensee, established multimedia software subsidiary capitalized at \$850,000. Sanyo MAVIC (Music and Visual Interactive Communication) Media has 193 employees, with hq in Anpachi-gun, Gifu prefecture, under Pres. Oku Toshiharu, former dir. of Sanyo's optical disc business. MAVIC will take over Sanyo's OEM production of MiniDisc software (now running at 1.5 million discs monthly, to be increased to 2.5 million next month). Company aims for overall sales of \$37.3 million in first 6 months, \$93 million in following complete fiscal year.

JAPANESE MARKET SHARES: Annual Japanese domestic market share tally by Nikkei shows relatively unchanged rankings in color TV and VCR, with Matsushita still strongly in lead, and Sony increasing its edge in camcorders. Top 5 in major categories for 1992, with market share change (in percentage points) from 1991, if any, in parentheses:

Color TV, domestic shipment 8.3 million, down 7.9%.

(1) Matsushita 22%, down 0.5 points. (2) Sharp 16%, up 0.9. (3) Toshiba 15%. (4) Sony 12.8%, up 0.3. (5) Hitachi 11%, up 0.5. Top 3 brands represent 53% of market, up 0.4.

VCR decks, shipment 4,597,000, down 11.9%. (1)

Matsushita 25%. (2) JVC 13%. (3) Sony 13%, up 2. (4) Toshiba 12%, down 1. (5) Sharp 12%, down 1. (5) Sharp 12%, down 1. Top 3 represent 51%, up 2 points.

Camcorders, shipment 1,133,000, up 25.4%. (1) Sony 48%, up 2. (2) Matsushita 32%. (3) JVC 7%, down 3. (4) Canon 6.9%, up 1.2. (5) Sharp 6.4%, up 3.9. Top 3 represent 87%, down 1.

Laserdisc players, shipment 570,000, down 25%. (1) Pioneer 57.9, up 7.9. (2) Sony 13.3%, down 3.7. (3) Nippon Columbia 10%, down 4. (4) Matsushita 8%, up 4. (5) Clarion 3%, up 2. Top 3 represent 81.2%. down 0.2.

Videogame hardware, total shipments (domestic plus export) 37.51 million, up 7.6%. (1) Nintendo 65%, down 9.7. (2) Sega 32.4%, up 11.5. (3) NEC 2.4%, down 1.9. (4) NIK 0.2%, up 0.1.

Blank videocassette, domestic production 688 million T-120 equivalents, down 11.6%. (1) TDK 23%, down 1. (2) Hitachi Maxell 20.9%, up 5.7. (3) Sony 20%, up 3. (4) Fuji 17.1%, up 0.1. (5) JVC 11.5%, down 0.5. Top 3 represent 63.9%, up 5.9.

Leaders in other categories: Mini stereo, Aiwa 20.3%, up 13.3. Headphone stereo, Sony 44.5%, up 2.5. CD software, Sony 20.1%, up 1.7. Video software, Victor 20%, down 6. Microwave oven, Matsushita 26.3%, down 1.5. Fax, Ricoh 16.6%, up 0.6. Home phone, Sharp 22%, up 0.5. Cellular and portable phone, NTT 60.9%, down 0.6. Personal computer, NEC 53.7, up 0.6.

Memory card designed to expand memory of NEC PC Engine and CD-ROM² Duo (known as Turbo Technologies Duo in U.S.) to 18 mbps from 2 will be released in Dec. in Japan at 12,800 yen (\$120). Added memory will make it easier to directly convert arcade version of game -- which requires large memory capacity and data throughput -- to home machine, which will cut production cost of titles and maintain arcade quality. Company says it expects to sell 300,000 memory cards in Dec. Turbo Technologies Inc. (TTI) spokesman in U.S. said he was unaware of any plans to sell memory card in this country. TTI is joint venture of NEC and Hudson Soft, which took over U.S. marketing of TurboGrafx and Duo last year.

Highest resolution LCD, for its size, is 0.7" version developed by Seiko Epson with 160,000 pixels, which gradually will replace current unit that has resolution of 100,000 pixels. Price will be \$75-\$85 per unit. LCDs of that size are used primarily for camcorder color viewfinders and projection TV, but Seiko is quoted in Japanese press as saying it also will ship new unit to "U.S. manufacturer which is developing goggle-style portable TV." Asked about Seiko development, Brian Durwood, mktg. vp of Virtual Vision, which makes goggle TV system, declined comment.

MAGNAVOX VOICE PROGRAMMER: Philips has expanded its involvement with Voice Powered Technology (VPT), signing agreement that gives it exclusive right to distribute Voice Powered Remote at retail in fall. Company will market remote under Magnavox name at \$150 retail, same as price under which VPT is selling unit under its own name in direct marketing.

Philips earlier this year announced it would include version of voice-powered remote with 2 Philips and 2 Magnavox VCRs to be introduced later this summer (TVD May 10 p15). As we reported, that remote handset will have preprogrammed codes for Philips Consumer Electronics VCRs; standard units are full learning remotes that can be programmed for virtually any brand TV and VCR.

VPT news release last week said Philips will distribute voice unit "on an exclusive basis to retail channels in U.S. and Canada this fall." Philips spokesman wasn't aware whether exclusivity extended beyond this fall, and VPT couldn't be reached for comment. No other terms of agreement were disclosed. VPT has been selling VCR Voice Programmer primarily via radio spots and TV infomercials since it began marketing it late last year, and will continue its own direct marketing efforts. News release quoted Philips Video Marketing Vp James Newbrough as saying company plans "extensive" ad and marketing campaign in fall, and expects it to be "extensively promoted by retailers."

Meanwhile, VPT said it plans to introduce advanced model of Voice Powered Remote that will be able to control audio equipment as well as video gear. Company said it plans to sell A/V remote for \$170 at undetermined date.

— — —

"We'll make a comeback." This unusual prediction -- from Japan -- is credited to Takehiko Yoshino, deputy dir. of NHK Science & Technical Research Labs in June 14 Nikkei Weekly. He was referring to digital HDTV, after Japan's Telecommunications Ministry recommended continued support for NHK's analog MUSE system until early in 21st century when it expects digital system to take over. "We'll be able to propose in the 21st century a system that facilitates the merger of computers and broadcast systems in a more integrated way than the U.S. system." Article quoted Japanese manufacturers as saying "simple decoder" can convert MUSE TV set to receive digital HDTV. It also quoted Yasuji Matsumoto, a vp of RCA Engineering Labs in Japan, as saying he has received requests from Japanese electronics firms for cooperation in developing HDTV "without telling the Telecommunications Ministry."

Fujian Hitachi TV Co., first joint TV venture in China with Japanese company, has celebrated 12th anniversary. It has produced 4.48 million TV sets valued at \$1.34 billion since it was established in 1981, more than 760,000 in 1992. Its sets have been exported to 100 countries, including U.S. It's making PIP and projection sets, according to China Daily. Note: Hitachi ranked 2nd, after Panasonic, in brand names cited in recent survey of residents of Guangzhou (TVD June 14 p18). Error by survey sponsor in reporting results left Hitachi out of rankings.

Matsushita's record-only camcorder will be exported to most overseas markets starting this month and next. Exception is U.S. Called "Pattoru" in Japan, it will be marketed as "Snapcorder" in other countries. Monthly production is being expanded to 40,000 from initial 30,000, Matsushita says. It's priced at equivalent of \$790 in Japan.

GLOBAL LCD VENTURE: New company to make fabricating equipment for flat panel displays, particularly active matrix LCDs, will be formed by Applied Materials Inc. (AMI), Santa Clara, and Japan's Komatsu Ltd. One of major goals is development of technology to improve yields and "dramatically" lower costs of panels, including those used for TV.

Komatsu will make undisclosed investment in AMI subsidiary Applied Display Technology (ADT) and will assume 50% ownership. AMI says it's world's largest producer of semiconductor manufacturing equipment, while Komatsu is maker of electronic materials, industrial equipment, robotics.

ADT, which will be renamed, was formed in Dec. 1991 by AMI to develop manufacturing equipment for flat panel display market. Successor company, not yet named, will be based in U.S. and Japan with hq in Japan, where most LCDs currently are manufactured.

Consumer Electronics Personals

Naoto Otsuki, pres. of Techno Group, which plans to purchase Toshiba's 69.7% stake in Onkyo, elected pres. of Onkyo in Japan, replacing **Tsuneo Ohtsu**, retiring; Techno Group's **K. Sahashi** installed as Onkyo managing dir. for sales and production; **K. Sugiura**, also of Techno Group, becomes Onkyo managing dir.-controller; no changes were announced in Onkyo USA management... **Hu Qili** named to head China's newly reestablished Ministry of the Electronics Industry.

Howard Elias, former sales and mktg. executive at Tandy and proposed TE Electronics spinoff, joins AST Research, which has agreed to buy Tandy's computer business, as mktg. vp... **Apple Computer Pres. Michael Spindler** adds title of CEO previously held by **John Sculley**, who remains chairman, "focusing on emerging new business opportunities for Apple"... **Stephen Bender**, co-founder of Ambico accessories firm acquired earlier this year by Recoton, elected to Recoton board.

James Tweten, pres.-CEO, Magnolia HiFi, Seattle, elected to board of Progressive Retailers Organization (PRO) buying group, replacing **Bill Pearse**, Soundtrak, Denver; **Gary Thorne**, Audio King, Minneapolis, and **Jeffrey Snow**, HiFi Buys, Atlanta, reelected to 6-year terms... **Mark Balsama**, former northeast group TV, video and special AV products sales and mktg. mgr., promoted at Panasonic to national mktg. mgr., kitchen and portable appliances.

Sen. DeConcini (D-Ariz.), sponsor of Audio Home Recording Act, named keynoter speaker for National Music Publishers' Assn. annual membership meeting, July 12, Park Lane Hotel, N.Y... Promotions at Boston Acoustics: **Paul Reed** to vp-administrative services, **Debra Ricker-Rosato** to vp-finance, **Bob Spaner** to vp-sales... **Tina Victor**, ex-Conair Corp., joins Maxell as midwest regional sales mgr... **Mark Endres** and **Robert Law** promoted to Kenwood national mktg. mgrs. for car and home audio, respectively.

Dan Maydan, exec. vp, Applied Materials Inc., and **Eisuke Nakanishi**, managing dir., Komatsu Ltd., will be co-chmn. of new worldwide LCD fabrication equipment company formed as successor to Applied Display Technology Inc., to be owned jointly by 2 companies (see separate report); **Tetsuo Iwasaki**, chmn., Applied Materials Japan and pres., ADT, will be pres. of new company, and Komatsu's **Makoto Inoue** will be exec. vp.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Circuit City Stores			
1993-qtr. to May 31	798,950,000	17,230,000	.18
1992-qtr. to May 31	644,840,000	11,384,000	.12 ^a
Handleman			
1993-year to May 1	1,121,715,000	43,743,000	1.32
1992-year to May 2	1,020,237,000	40,013,000	1.21
1993-qtr. to May 1	251,885,000	10,527,000	.32
1992-qtr. to May 2	268,319,000	9,867,000	.30
J2 Communications			
1993-9 mo. to April 30	1,389,000	(1,148,000)	-- ^b
1992-9 mo. to April 30	4,027,000	(735,000)	--
1993-qtr. to April 30	358,000	(905,000)	--
1992-qtr. to April 30	897,000	(279,000)	--
National Semiconductor			
1993-52 wk. to May 30	2,013,700,000	130,300,000	.98
1992-53 wk. to May 31	1,717,500,000	(120,100,000)	-- ^c
1993-13 wk. to May 30	557,900,000	46,200,000	.35
1992-14 wk. to May 31	491,500,000	27,500,000	.22
Prism Entertainment			
1993-qtr. to April 30	4,371,000	191,000	.09
1992-qtr. to April 30	5,541,000	329,000	.16
TCA Cable TV			
1993-6 mo. to April 30	74,494,000	9,851,000	.40
1992-6 mo. to April 30	68,178,000	7,349,000	.30 ^d
1993-qtr. to April 30	37,844,000	5,076,000	.21
1992-qtr. to April 30	34,576,000	3,826,000	.16 ^d

Note: ^aAdjusted. ^bIncludes special credit. ^cAfter special charge.

^dRestated.

Retail Notes: **Campo Electronics**, New Orleans chain of electronics and appliance stores, reported 10.3% increase in net sales in May to \$7.9 million, as comparable-store sales rose 1%. For 3rd quarter ended May 31, company had 22% increase in net sales to \$22.1 million, spurred by 7.8% gain in comparable stores. It also said it had completed negotiations for relocating E. New Orleans store and for opening new stores in fall in Baton Rouge, La., and Jackson, Miss... **Tops Appliance City** said it has agreed to long-term lease for 7th store, 55,000-sq.-ft. unit in Union, N.J. Opening is planned in 4th quarter, shortly after 3rd-quarter opening of chain's first store on Long Island... **Audio/Video Affiliates** shareholders approved company's name change to REX Stores Corp. effective Aug. 2; company's symbol on N.Y. Stock Exchange will become RSC. Company, based in Dayton, operates more than 100 stores in 20 states under REX name.

Mitsubishi has opened Advanced TV Research & Development Lab in Somerset, N.J., facility as division of Santa Ana, Cal., Consumer Electronics Engineering Center (CEEC). Lab's activities in development of Digital 525 and HDTV technologies will be led by Julius Szakolczay, who also retains responsibility for R&D of "more current products," company said. Facility will employ Japanese and American engineers and is "actively recruiting additional researchers."

New BASF tape promotions: (1) Cash refund to buyers of T-130 and T-160 tapes purchased singly over period of year, resulting in equivalent of 25-33% saving. (2) Instantly redeemable \$1 coupon shipped with 2-pack 8mm P6-120 cassettes. (3) New package designs for 8mm and VHS-C cassettes with scene of mountain range to identify them clearly as designed for camcorders.

TELEVISION DIGEST®

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

With Consumer Electronics

JUNE 28, 1993

VOL. 33, NO. 26

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

'VIOLENCE CHIP' IN SETS QUESTIONED: Networks testify this week after sending letters criticizing Markey proposals. Turner blames networks, offers strong support for chip and rating system. (P. 1)

FCC MOVES ON CABLE ACT ITEMS, adopts antitrafficking and cross-ownership restrictions, sends interim report on sports siphoning to Hill, requires TV stations to file mid-license EEO report. (P. 3)

CABLERS ASK RECONSIDERATION of FCC rate rules. Commission 'departs substantially' from Cable Act, NCTA says. CATA and small operators seek exemption of systems under 1,000 subscribers. (P. 5)

DUGGAN HOLDS HOME SHOPPING must-carry from FCC agenda, questions whether such stations comply with public interest mandate. Dingell says action would make 'mockery' of public interest standard. (P. 6)

PRIMESTAR DECREE 'UNDERMINES' Cable Act, DirecTV says, asks court for time to comment. Liberty Cable, which wants Time Warner's Court TV, seeks 'action' by N.Y. attorney gen. (P. 6)

INTEROPERABILITY OF PROPOSED HDTV SYSTEM debated at House Technology Subcommittee hearing. Computer industry says plan would lower cost to public. Alliance backs phasing in interlaced progressive scanning. (P. 7)

NETWORKS OPPOSE 'VIOLENCE CHIP': TV networks have their turn on griddle this week before House Telecom Subcommittee in last of series of hearings on TV violence. Networks indicated in letters to panel released last week that they oppose measures proposed by Subcommittee Chmn. Markey (D-Mass.) for use of computer chip as means of giving parents more control over viewing habits of children, while having their doubts about usefulness of rating system for violence.

However, cable and satellite interests, led by Turner Bestg. Chmn. Ted Turner, were more favorable to Markey proposals. Turner was star witness at hearing last week, telling Markey and his colleagues to keep up pressure on broadcasters if they want to get results.

Markey received about dozen replies to May 19 letter to industry leaders asking for their views on his suggestions for ratings system and for technological fix for TV violence that would allow parents to block out such programming. Some were favorable, some skeptical, some both. At hearing July 1, network executives will be challenged to defend their views.

Among broadcasters, Cap/ABC Chmn. Thomas Murphy said his network has concluded it should put advisories on programs more regularly, such as one that will appear with new show, *NYPD-Blue*, that already

Consumer Electronics

1994 SUMMER CES will be 3-day show, with no public days, emphasizing 'emerging technology.' CEG to co-sponsor S. American show in Aug. 1994 in Brazil. (P. 11)

APPLE INTERACTIVE TV GUIDE unveiled by Sculley as company makes bid for piece of 1,000-channel TV future. Company seeks alliance 'before year is out.' (P. 12)

U.S. COLOR TUBE SALES set record in 1992, EIA reports, producing 16.7 million, up 12.1% from 1991, exporting 21% of them, almost 10 times imports. (P. 13)

CAMCORDER IMPORTS UP in April as domestic inventories shrink. 8mm's share of imports rose for 2nd consecutive month. B&w TV imports jump. (P. 14)

LCD DUMPING DUTIES DUMPED by Commerce Dept., citing sole U.S. producer's request to drop 61.67% levy imposed in 1991 and fought by computer makers. (P. 15)

STATUS OF U.S. FLAT SCREEN industry is revealed in filings by active and potential manufacturers in Commerce Dept.'s active matrix LCD dumping review. (P. 15)

CD-I MOVING TO \$499 RETAIL next month as Philips pulls disc out of box in effort to boost player sales. (P. 16)

BEST BUY NET OFF 12% ON TAX CHANGE, although it would have risen 21% without accounting adjustment. Personal computer sales continue to hurt margins. (P. 16)

has been criticized as too violent. However, he also said he had some doubts about blocking technology, saying that parents could stop not only violent programming but controversial shows as well: "Wouldn't coding controversial programming tend to drive it off television? Blocking technology might thereby become part of a generalized assault on the diversity and variety of television programming."

CBS Bcst. Group Pres. Howard Stringer said his company was "carefully reviewing" Markey's suggestions and expressed some of same concerns as Murphy: "We are concerned that the same chip that would block out The Texas Chainsaw Massacres would also affect Lonesome Dove." Stringer also said he disagreed with Markey's testimony at Senate hearing that goal of chip would be to discourage advertisers from supporting violent programming. Because free TV depends on advertising, Stringer said, he's concerned about any proposals for reducing ad levels. NBC Pres. Robert Wright said his network still is looking at Markey's proposals.

News Corp. Chmn. Rupert Murdoch said there were practical problems with ratings such as large amount of programming available, argument also made by Writer's Guild West Pres. Del Reisman, who said some programs aren't delivered until shortly before air time so coding would be virtually impossible. Murdoch said system would have to be very subjective in order to distinguish between oft-mentioned chainsaw movie and Laugh-In: "Rather than a tool to empower parents, the system would deprive parents of the power of selection, discrimination and choice." INTV Pres. James Hedlund raised similar question, even mentioning same show Murdoch did. He said research submitted to Subcommittee classified some types of comedy as violent, but "it is doubtful that the average American or most members of Congress would consider Rowan and Martin a violent show." Hedlund said rating system, which would be difficult for network stations, would be even harder to implement for independents.

Testifying before Markey's panel, Turner acknowledged, however, that his stations had begun to broadcast programs more violent than he would have liked in order to be competitive in TV markets. And he predicted that Congress would have to act later this year on TV violence because much-heralded industrywide conference set for Aug. 2 to discuss issue won't produce results. Turner said he was "not optimistic" about any results from gathering, expected to attract 500 of top executives in industry: "It will be just a big stall." Reason for his pessimism, he said, is that one network (CBS) "is owned by a cigarette company, and one [NBC] by a company that makes nuclear weapons" -- General Electric. Somewhat ironically, given topic under discussion, Turner said he didn't think networks would act on violence "unless you [Congress] keep a gun pointed at their heads." Without that pressure, all "you'll get is mumbly, mealy-mouthed BS," he said.

If broadcasters had any doubts about congressional power, Turner said, Congress "can remind them what you [Congress] did to the cable industry." If broadcasters don't comply, then Congress can "ram it [antiviolence policy] down their throats," he said, recommending: "If broadcasters don't knuckle under, give them the same kind of treatment you gave the cable industry." Russell Patrick, spokesman for industry's Aug. 2 conference, said meeting is designed as series of "consciousness-raising" seminars. He said that rather than being geared to produce resolutions or policy, top industry leaders will be able to go back to their companies after one-day event, reflect on information and opinions they gathered, then act at some later point.

Turner said his company had policy against programs with gratuitous violence and ads for R-rated movies. He added, however, that although his networks were beginning to show more violent programs than they used to in order to be competitive with other programmers, he was committing company to follow industry standards. Several members of Congress urged action against TV violence. Rep. Kennedy (D-Mass.), who testified in favor of such move, said he would introduce bill this week to create 800 number at FCC for public to call with comments, complaints and suggestions about violence on TV. Commission would be required to collect and publish comments and to transmit to each station comments made by their viewers, he said.

In his letter to Markey, TCI Pres. John Malone wanted to lay off some of blame on other parts of industry. He said much of programming provided by other components of TV industry, particularly major broadcast networks, appeared to pander to appetites for violence, especially during ratings periods, in order to win rating points and ad dollars. Those stations have right under federal law to require carriage on local TCI cable systems, he said. Law also bars cable operators from altering signals or from "warning our customers that broadcast programming contains violent content."

Kennedy and Rep. Wyden (D-Ore.), member of Subcommittee, urged more responsibility by corporate advertisers, suggesting they not buy time on shows with gratuitous violence. Wyden again attacked voluntary

industry standards, saying fact that ABC has scheduled NYPD Blue is evidence that standards are meaningless.

EIA Vp Gary Shapiro said TV transmission and receiver standards would have to be reconfigured to set aside space in vertical blanking interval (VBI) for violence rating information. However, he said there were practical reasons why extended data service (name for data in VBI) might not be able to provide "reliable solution" to TV violence problem. He said there are potential problems with ease of use, including assumption that parents are more technologically adept than children. Data stream also is very small, and continuously broadcast codes would take up much of available spectrum, Shapiro said, adding that for system to work, every program offered by every delivery mechanism would have to be coded.

FCC MOVES ON CABLE ITEMS MANDATED BY LAW: Cable siphoning of sports from free TV has been "slight" so far, FCC concluded in preliminary report prepared for Congress under Cable Act, but agency said it will be "watchful" for further migration in future. Commission also adopted new cable EEO rules and cable antitrafficking and cross-ownership restrictions at June 24 meeting. Agency had been scheduled to rule whether home shopping stations (there are 117 operating full or part time) qualify for must-carry but item became controversial and was removed from agenda by Comr. Duggan (see separate story, this issue). Under Cable Act, Commission must decide issue by July 2 and it now will be considered on circulation this week.

FCC, which is required to submit by July 1994 a final report to Congress on migration of sports to cable, said it would be "premature to make specific recommendations at this time." However, it said, interim report is designed to give Congress and others "a cohesive picture" of trends. Agency said that there has been some migration of professional basketball, baseball and hockey to cable but that it has been "slight." Professional football and college basketball haven't moved to cable "and are in little danger of doing so," Commission concluded. However, on college football, agency said record indicates that contracts with regional networks, ESPN and ABC "may have a preclusive effect" on telecasts by local stations. Commission said it would seek further information on issue, as well as migration of baseball and hockey, before sending 1994 report to Congress.

There was little discussion by commissioners at meeting of any cable issues. However, Chmn. Quello said he's concerned about "slow migration" from free TV: "Boxing is gone. Tennis is on HBO." He promised to be "watchful personally" of situation. Comr. Barrett agreed that there's been "a slight migration."

On EEO, Commission added requirement that TV stations file report halfway through 5-year license term. Commission said it would use EEO standards included in congressional conference report on cable law, which indicated that FCC should compile statistical comparison using its processing criteria. Licensees whose midterm reports show questionable EEO programs will be notified, Commission said, but that shouldn't be construed as any kind of sanction, merely early warning. Duggan said midterm review of TV stations' compliance "is an excellent idea."

For cable, job classifications have been raised to 15 from 9, with specific definitions for each category, and systems will be required to collect job title information. Scope of EEO rules also was expanded to include multichannel video programming distributors who provide 2 or more channels to public. In separate statement, Barrett said: "I am particularly encouraged that the rules will allow the Commission to assess the ongoing recruitment efforts" of multichannel systems. He also said FCC should revisit whether video dial tone providers should be subject to EEO rules.

Under antitrafficking, owners will be required to hold on to systems for 3 years before selling -- with those with fewer than 1,000 subscribers exempt. FCC said it would rely on local franchise authorities for enforcement, but would step in to handle disputes. Cable will be prohibited from owning MMDS systems where coverage overlaps. Attributable interest will be triggered if system owns more than 5% of MMDS, voting or nonvoting, with policing to be done by Commission through ownership reports required of MMDS. Ruling prohibits system from buying MMDS in its service area, but would allow building of new MMDS within system's coverage area.

FCC will seek further comment on proposal to establish national limit of 25% on number of homes any one entity could reach, with figure to be increased if systems are minority controlled. On question of vertical integration of program services, agency asked for comments on plan to limit number of channels to 40% on system in which programmer has attributable interest. That figure, too, could go up if program service is minority controlled or is directed at minority audiences.

In statement, Barrett expressed concern that FCC consider vertical and horizontal ownership limits in context with prior decisions on rate regulation and program access: "These cable ownership provisions will play a critical role in determining whether the future broadband network will ultimately belong to all multichannel competitors." Also, he said, he will be interested in extent to which channel occupancy rules permit opportunities for future investment and development of new ventures.

Stations in states that don't have lotteries can't air commercials for lotteries in neighboring states, U.S. Supreme Court ruled June 25 on 7-2 vote (Justices John Stevens and Harry Blackmun dissenting). Decision overturned 2-1 ruling by 4th U.S. Appeals Court, Atlanta, and U.S. Dist. Court. Case (U.S. vs. Edge Bestg.) involved suit filed by 100-kw WMYK(FM) Moycock, N.C., whose transmitter is 3 miles from Va., where more than 90% of station's listeners live. Va. has state-sponsored lottery, N.C. doesn't. In opinion for majority, Justice Byron White said that ban meets standard Supreme Court set in 1980 ruling on restraints on commercial speech: "The government has substantial interest in supporting the policy of nonlottery states, as well as not interfering with the policy of states that permit lotteries... The activity underlying the relevant advertising -- gambling -- implicates no constitutionally protected right; rather, it falls into a category of 'vice' activity that could be, and frequently has been, banned altogether." In dissent, Stevens said: "The United States has selected the most intrusive, and dangerous, form of regulation possible -- a ban on truthful information regarding a lawful activity."

Literair TV, consortium of several groups and individuals, announced June 22 that it plans to develop what it claimed would be first live, interactive, multimedia TV series and "virtual reality bookstore" designed to preserve literacy beyond 20th Century. Viewers will be permitted to use home computer or Touch-Tone telephone to review and purchase books over air. Venture is nonprofit, with proceeds to be applied toward series and other literacy projects. Literair TV said it plans to experiment with high-tech features and multimedia technology. "The idea for this series was inspired by a growing concern in the publishing community that reading will be rapidly replaced by other, more passive, less thoughtful forms of entertainment," said Richard Kohl of Random House. Series is targeted for early 1994 start, initially will consist of weekly one-hour cablecasts. Project has unusual range of backers, including Random House, CBS News, Paramount, Harvard, MIT, Nynex Center for Technology.

U.S. Appeals Court, D.C., ruled June 25 that FCC has right to regulate nonvideo communications cables attached to utility poles. Court in 3-0 decision (No. 92-1032) in effect ruled that Tex. Utilities Electric Co. (TUEC) couldn't set rates at 10 to 20 times higher for data transmission cables strung by TCI Cablevision of Dallas than for same company's video entertainment cable. Court said it was making ruling even though there was no statutory or regulatory underpinning for FCC's position. Decision was written by Judge Patricia Wald, joined by Judges Karen Henderson and Raymond Randolph.

House passed State Dept. authorization bill (HR-2333) June 22 that also contained financing for govt. international broadcasting and authority for Clinton Administration to reorganize broadcasting agencies. Vote was 273-144. Report of House Foreign Affairs Committee on legislation, prepared before Administration presented its plan, said panel wanted to "provide the President with maximum flexibility" in planning and said it would revisit issue later.

Community Bcstrs. Assn. (CBA) told FCC it "warmly welcomes" rulemaking to relax rules covering LPTV stations, including permitting 4-letter calls and relaxing what constitutes major change in applications. CBA said LPTVs (now totaling 1,352) have "grown dramatically... despite numerous serious obstacles... The LPTV industry is lively and energetic and its continuing growth proves that there is an important public demand for the small niche-market services" that they provide. Specifically, CBA said it seeks: (1) Deletion of requirement that applications be "letter perfect" for acceptance, acceptance of "substantially complete" applications. (2) Reliance on "terrain shielding" to be permitted in more circumstances. (3) More applications to be allowed to modify facilities as "minor" changes, saying current requirement has been "vexatious" for LPTVs. Extension of contour up to 10% should be classified as "minor." (4) Four-letter calls should be permitted without LP suffix as sought by NAB and MSTV (TVD June 21 p10). Mandatory suffix "to put it simply, is a very bad idea," said CBA.

Philanthropist Walter Annenberg has made record cash gifts totaling \$365 million to 4 schools: (1) U. of Southern Cal., \$120 million to establish Annenberg Center for Communications; (2) U. of Pa. (Annenberg attended in 1931), \$120 million for public policy institute; (3) Peddie (preparatory) School, Hightstown, N.J., \$100 million to fund scholarships, teacher salary increases and endowments; (4) Harvard U., \$25 million for scholarships, endowments and social hall in memory of Annenberg's son who died in 1962 while senior there. Annenberg was founder and long-time owner of TV Guide, TV & radio stations, Daily Racing Form, daily newspapers. He also owned Television Digest Inc. (now Warren Publishing Inc.) 1958-1961.

Senate passed bill (S-2118) June 22 that included \$11.5-million supplemental appropriation for FCC in current FY 1993 to carry out mandates of Cable Act. By virtue of their membership on Appropriations Committee, Sens. Hollings (D-S.C.) (also chmn. of Commerce Committee) and Inouye (D-Hawaii), chmn. of Communications Subcommittee, will be among conferees with House, which didn't appropriate any extra funds for Commission. However, at closed session before meeting of gen. mgrs. of independent TV stations in Washington, House Telecom Subcommittee Chmn. Markey (D-Mass.) said FCC would have its supplemental appropriation in hand by congressional July 4 break. Agency has delayed implementing several provisions of Cable Act until Oct. for lack of funds.

Time Warner AxS of Cal., L.P. (TWAC), arm of Time Warner Cable, has filed with Cal. PUC to provide competitive telephone access service in San Diego. Company said it would construct fiber system to multiple office locations and link with long distance providers of their choice. Network would extend to nearby Mission Valley, Kearney Mesa, Rancho Bernardo and Golden Triangle with voice, high-speed data transfer, videoconferencing. TWAC has selected Gene Taylor & Assoc., San Diego, to design and engineer project. TWAC Vp Terry Churchill said venture would offer "attractively priced, high-quality communications services" beginning in 1995.

CABLERS SEEK RATE RECONSIDERATION: Cable operators, NCTA and CATA joined forces last week in asking FCC to reconsider cable rate regulation rules under 1992 Cable Act (TVD April 5 p1). Commission's regulatory approach "departs substantially from the directives of the Act," NCTA claimed, and "in many respects [is] arbitrary and unreasonable." CATA said that unless smaller systems are exempt from what it called FCC's "arcane and costly regulations, industry growth will be delayed, subscribers will be disadvantaged and smaller systems will be forced out of business."

CATA also said agency must "correct serious flaws" in rate benchmark process and simplify it for smaller systems. It recommended creation of rate regulation approach based on profits of small systems, developing new benchmarks customized for such systems, elimination of price caps on small systems and allowing for "passthrough" of costs associated with construction of systems or rebuilding.

NCTA said Cable Act, even if implemented properly by FCC, would "impose severe restraints" on ability of industry to invest in programming and new technology "demanded by consumers and needed to compete in the constantly changing video marketplace." However, Assn. said, Commission's implementation of Act "embodies a regulatory framework even more severe than what is mandated by the Act." Changes it suggested under benchmark rate regulation: (1) Nonbasic rates should be deemed unreasonable only if they "substantially exceed" median rates charged by all systems or if they "reflect excessive rate increases." (2) Such rates should be deemed unreasonable only if combined per-channel rate for basic and nonbasic tiers "substantially exceeds the norm for all systems."

(3) FCC sample of about 100 systems subject to effective competition doesn't provide accurate measure of "competitive" overall rates to be used as benchmarks for remaining 11,000 systems nationwide. That's because systems facing head-to-head competition and municipally owned systems are likely to charge rates that don't yield reasonable profit. (4) Benchmarks, if applied to nonbasic tiers, would preclude cable systems from adding new, quality programming to those tiers. (5) "It is unfair and irrational" not to allow systems whose rates for particular tier are below benchmark to raise rates to equal benchmark.

"New bank financing will be unavailable to most cable operators" as result of regulations, coalition of bankers said. They included Bank of America, Bank of N.Y., Citibank, NationsBank. "It is unlikely that we will lend new funds to the industry until the impact of the Report and Order is quantified and the operators are able to provide supportable forecasts," coalition said. Bankers predicted "many cable system operators" will end up in default on loans because of reduced cash flow and will "have to defer investment in plant improvements." They said it would take "a number of quarters" for industry to assess impact of regulations and provide bankers with meaningful forecasts.

Continental Cablevision said FCC's "tier neutral" system for rate regulation that doesn't differentiate between basic channels and satellite channels "contradicts the statute's [Cable Act] explicit instructions."

Cablevision Industries, Cox Cable, Jones Intercable and others said FCC's failure to distinguish between basic and satellite services was "impermissible." Group said rules on certification of local franchising authorities need to be clarified so operator can be better able to prove effective competition exists.

FCC's rate benchmarks are so far off mark they could be wrong by 25% on high end or 25% on low end, Time Warner (TW) told Commission in lengthy petition that included 2 economic studies. Commission's work on benchmarks was "so fatally flawed that the benchmarks cannot lawfully serve as a legitimate basis for regulation," TW said, also arguing that agency was wrong to apply benchmarks to basic and nonbasic service tiers alike.

Coalition of Small System Operators, as did CATA, said FCC shouldn't apply benchmarks to systems with fewer than 1,000 subscribers because "regulatory burdens fall disproportionately on small systems." Commission should permit them to "show that their rates are reasonable by a simple net-income analysis," coalition said.

Three state cable associations (Ariz., Pa. and Mid-America) and 8 operators, filing together, said FCC should exempt small systems from rate regulation entirely. They suggested changing definitions for what constitutes "small system," arguing in part that system size should be determined by size of franchise area, not on principal headend as now is rule. Others on filing were Falcon Cable TV, Mt. Vernon Cablevision, Nashoba Communications, Prestige Cable TV, Star Cable Assoc., Tele-Media, Weststar Communications, Whitecom Investment Co.

Newhouse Bestg. said that FCC's rules penalize cable companies that haven't "taken advantage of their deregulated status." Such systems, it said, are "likely to be hindered in their ability to finance technological improvements." Newhouse also objected to benchmarks on programming and basic tiers, and protested FCC decision to require system's maximum rates to be calculated on community-by-community basis rather than on systemwide basis.

Partners in public TV's first national cable venture, Horizons TV, are "feeling pretty bullish" that they will attract startup funding from PTV stations and/or other nonprofits, PBS Exec. Vp Robert Ottenhoff said. Speaking June 22 at PTV annual meeting in New Orleans, he said partners, which also include WGBH-TV Boston and WNET N.Y.-Newark, hope to attract at least 5 additional funders for lecture-oriented network. Ottenhoff said that cable industry is interested in additional high-quality education networks as it plans for period of major channel expansion, but launch of PTV service would await that expansion as well as what he described as sorting-out period in industry resulting from implementation of new cable law. At same session, WGBH-TV Pres. Henry Becton acknowledged that several cable networks with similar programming plans are on drawing board, but said Horizons is better thought out and "we think we have a much better chance of succeeding."

FCC said its contribution to agenda of 1993 ITU's WRC '93 will focus on facilitating use of frequency bands allocated to mobile satellite services. If WRC '93 approves FCC proposal, issue would receive broader review in 1995 conference. ITU already has recommended review of 4 issues for WRC '95 agenda: (1) Satellite digital audio broadcasting. (2) Wind profiler radio systems. (3) Space science services. (4) High-frequency broadcasting. Commission plans to request public comments. (Editor's Note: "WRC" had been "WARC" for decades, but Commission has decided to use new acronym. Comr. Duggan indicated he preferred "WRC," didn't say why.)

Entertainment News TV is 6-day-per-week show scheduled to launch in fall of 1994 by Time Warner.

FCC DELAYS HOME SHOPPING DECISION FCC didn't act as scheduled at June 24 meeting on whether to grant home shopping stations must-carry status under Cable Act. Controversial item was taken off agenda at request of Comr. Duggan, as House Commerce Committee Chmn. Dingell (D-Mich.) also protested planned action, both citing public interest standard. Duggan said issue "poses difficult questions" that need to be explored further before vote is taken: "Do home shopping stations serve the public interest? And, has our concept of the public interest become so denatured -- so attenuated -- that virtually anything goes?"

FCC staff had recommended that home shopping stations be given must-carry status under Cable Act. Commission has statutory deadline to decide issue by July 2, and item now will be circulated for vote this week.

Granting home shopping TV channels must-carry status "makes a mockery of the public interest responsibilities that are embodied in the Communications Act," Dingell (D-Mich.) wrote FCC Chmn. Quello. Dingell said that Congress, in cable bill last year, required that Commission start new proceeding to determine issue because "there is widespread dissatisfaction with prior decisions" on home shopping channels. If FCC "simply determines that these stations fulfill the public interest responsibilities required by the Commission at this time, it will have failed to comply with its statutory mandate," Dingell said. "Congress fully expects that the Commission will undertake a de novo review of its policies, and consider the various factors that were specified in the statute." He said he recently hosted workshop for Mich. municipal officials and found "a substantial level of dissatisfaction" at prospect of dropping popular regular cable channel to carry shopping channel.

Duggan said that shopping stations offer many benefits to viewers, including shut-ins, and that format has provided opportunity for entrance into broadcasting for minorities. But, he said, Cable Act "squarely presents the Commission with an obligation to take serious measure of what it means to broadcast in the public interest. As one who has repeatedly called for the rehabilitation and rejuvenation of the public interest standard, I am not ready to make a shallow judgment on such a deep question. I believe our decision could have a fundamental, long-term impact on the Commission's ability to define the 'public interest' in regulating broadcasting generally."



By 15-2 vote, Minn. News Council ruled that Gannett's KARE-TV Minneapolis engaged in unethical journalism by flying murder suspect from Chicago to Minneapolis without knowledge of police. Council said station crossed line from being observer of news to becoming maker of news. Suspect is awaiting trial for allegedly killing Minneapolis police officer last Nov. KARE-TV doesn't recognize Council, refused to participate in hearing. Complaint had been filed by Police Chief John Laux, who charged station's action endangered its news crews, police officers, public. In another case, 18 Ford dealers have withdrawn their commercials from KMOV St. Louis to protest station's hiring of male prostitute and arranging meeting with priest in hotel. Part of March 26 conversation between 2 was recorded but not aired by KMOV. St. Louis prosecutor is investigating case, according to AP.

Time Warner Interactive Group (TWIG) and Apple Computer have formed 3-year alliance under which Apple will market all CD-ROM software products developed by TWIG.

DIRECTV ASKS DELAY ON PRIMESTAR: Language in settlement of antitrust case by Primestar Partners and state attorneys general (TVD June 14 p8) will affect DirecTV's ability to compete, proposed DBS operator said in asking U.S. Dist. Court, N.Y., Judge John Sprizzo to withhold approval of consent decree. DirecTV spokesman said parties responsible for agreement had adopted section in decree that "appears to be a scheme" to dictate pricing and marketing of programs to DBS operators that plan to have satellites located at 101°W, over middle of U.S., "without the participation of the DBS licensees." He said provision that would permit Primestar to enter into exclusive agreements with single (unspecified) DBS operator was "very strange" surprise: "We were shocked when we saw the language in the consent decree."

DirecTV's reaction seemed to mirror that of Rep. Tauzin (D-La). Both said agreement "undermines the letter and spirit of 1992 Cable Act." Tauzin, author of Act's program access provision, wrote Sprizzo last week requesting more thorough review of decree, asked that Court allow parties to comment.

Meanwhile, Liberty Cable TV Pres. Peter Price requested that N.Y. Attorney Gen. Robert Abrams take action to require Primestar participant Time Warner (TW) to provide N.Y.C. SMATV operator with Court TV under terms of decree. Price told us he had tried unsuccessfully since before passage of Cable Act to get permission to carry program, which is owned by cable operator he competes with. Liberty has been unable to get access under Act or decree, he said, meaning TW is "in violation" of both. TW said it's "in the process of studying the law" and will comply with it and terms of consent decree.

New PBS Chmn. Gerald Baliles has proposed year-long examination of public TV (PTV) governance and funding with possible eye toward seeking long-term dedicated funding from Congress. Speaking June 19 at PTV annual meeting in New Orleans, former Va. governor (D) said that to win dedicated federal support -- long holy grail for field -- "I believe that we must first be ready to address the structural, organizational and economic issues that are certain to be at the center of a debate over such funding." He called for examination to lead to set of recommendations that could be presented at next year's annual meeting for adoption. In Q-&-A afterward, Baliles stressed that advisability of pursuing dedicated funding -- likely to take form of some type of spectrum fee or tax -- remained to be determined. In valedictory address same day, outgoing PBS Pres. Bruce Christensen urged much greater PTV reliance on lay representatives rather than professional staffers, saying "we were founded by lay leaders and more than once we have been saved by them."

TV stations sales: (1) Black-owned Granite Bestg. is purchasing WTVH (Ch. 5 CBS) Syracuse and KSEE (Ch. 24 NBC) Fresno from Meredith Bestg. for \$32 million cash. Meredith, which said it plans to buy affiliate in top 40 market with proceeds, also will receive tax certificate for selling to minority group. Granite owns 4 other TV stations. (2) Group headed by Richard French of Kingston TV Group is buying 66% of WZTA (Ch. 62 independent) Kingston, N.Y., for \$2.5 million from Edward Swyer.

TCI, Comcast and other cable companies unveiled interactive cable TV system called Zing, which allows viewers to play along with game shows and sporting events, judge contests, register opinions, obtain product or other information. Retail price of Zing device will be \$150, companies said.

HDTV DIFFERENCES CALLED 'CRITICAL':

Representatives of HDTV alliance and computer industry told Congress June 24 that proposed standards for system are similar, but disagreed on whether systems should have ability to operate under variety of applications. AT&T Video Technology & Infrastructure Vp Robert Graves told House Technology Subcommittee that digital approach to HDTV "gets us 90% of the way" to fully interoperable system that computer industry wants. He said use of square pixels and combination of interlaced and progressive scanning technologies represents "appropriate balance" between various interests.

However, Michael Liebhold, Apple Computer senior scientist—media architecture research, said disagreements on last 10% are "critical." He said standards should start with progressive technology in use in computer and film industries and not incorporate interlaced technology used by broadcasters and TV manufacturers.

Since technologies such as DBS and videophones will be hitting "power curve" by time HDTV is deployed (within 5 years), standard adopted should be "cutting edge," Liebhold said. Spreading cost of developing system over variety of applications, including medicine, education and business, would lower price for consumers, he said. "The wide application of such systems in broadcast advanced TV will generate economies of scale that will reduce or eliminate the high cost of converting signals across disparate environments... There should be no question that interoperability is an essential element of the U.S. advanced TV standard."

David Sarnoff Research Center Pres.—COO James Carnes said existing interlaced technology would help keep costs down because less development and experimentation would be required. He said use of progressive scanning would be risky because potential delays could make U.S. "fall behind" competitors in Japan and Europe. Interlace technology is "the only feasible" way to give broadcasters practical, affordable equipment that can deliver 1,000-line pictures they want, he said. Carnes said digital technology would satisfy broadcasters' requirements for interlaced technology and computer industry's desire for progressive scanning. In response to question from Rep. Eshoo (D-Cal.), he said reason computer industry hasn't been involved in alliance's decision-making is that it hasn't been investing money in process.

AT&T is "an ardent supporter" of progressive scan technology, Graves said. He told us later that AT&T, via its NCR subsidiary, plans to be involved in developing and marketing computer-based applications that use HDTV technology and that progressive scan would be best suited for those uses. However, he testified: "In the meantime, to satisfy the near-term concerns of many broadcasters and cable operators, the alliance system incorporates one interlaced format." He said process shouldn't be delayed to "evaluate any theoretically superior system for which neither hardware nor software has been implemented."

Dallas-based Skylink America, cable TV and pay-per-view TV operator, and prospective partner St. Charles Gaming, Lockport, Ill., have received preliminary approval from La. Riverboat Gaming Commission to operate gambling boat. Skylink Pres. Edward McMurphy said company will sell its TV operations and concentrate on riverboat activities if final approval and merger are approved by La. authorities. Boat and facilities will cost \$30 million, he said. Company is considering stock offering to raise capital, he said.

"Continued reliance on interlaced scanning would greatly hinder interoperability, diminish the capabilities of advanced TV and weaken the infrastructure," said Digital Equipment Advanced Technology Communications R&D Mgr. Branko Gerovac. General Instrument HDTV Business Development Vp Robert Rast said: "You can't deny broadcasters the ability to compete." He said abandoning interlaced format would be too expensive for broadcasters. "We must recognize that the production side of progressive scan video programming does not exist. If you are a broadcaster, it would be very difficult to speculate on the timely development of this capability."

Rep. Rohrabacher (R-Cal.) said decision on format "shouldn't be made by government." Walt Disney TV Animation Technology Vp Robert Hummell said: "Don't leave it to manufacturers" because they might "low-ball it" and go with cheapest, not best, technology. Russell Neuman of Tufts U. proposed creation of new programs at National Science Foundation and National Institute of Standards & Technology to address HDTV and other national information infrastructure technical issues.

Fund raising around public TV's children's programming "may not have been a groundswell issue among viewers" in March pledge drive, PBS Senior Vp—Development Jon Abbott said, but it's factor PTV must tackle from standpoint of perception. Speaking June 22 at PTV annual meeting in New Orleans, he said that concerns about practice -- which focused on premiums pitched around Barney and Friends preschooler show -- appeared to have originated more with media than with parents. But Abbott said that "fair and real concerns" were expressed by media and that some key decision-makers, such as House Telecom Subcommittee Chmn. Markey (D-Mass.), also have weighed in with questions. James Scalem, head of PBS fund-raising programming, cautioned that "to make an extra couple of bucks from Barney dolls could in the long run cost us a lot more... We need to class up our act a little bit."

Since cable and telephone are competing to deploy same technologies and services, telcos would be at "severe disadvantage" if cable operates under "pure price cap regime" and telcos don't, Bell Atlantic said in comments to FCC. "Parity of regulatory treatment between the two industries is increasingly important if the marketplace is to function free of one-sided regulatory constraints that artificially favor or handicap particular competitors... There are many benefits to be gained from applying pure price caps" to telco and cable industries, including greater incentives for increasing productivity and efficiency, advancement of new technologies and services, reduced administrative burden on industry and regulators.

Several dozen CBS TV affiliates fell for fake Spy magazine brochure setting new date, and new name, for upcoming Late Show with David Letterman. Spoof said show had been renamed Dave and would premiere Aug. 23 instead of Aug. 30. As result, several affiliates called CBS to ask what was going on and network then sent message to all stations warning them of hoax. "They sounded pretty upset over at CBS," said Spy Exec. Editor Larry Doyle, who came up with idea.

Stanford Telecommunications (ST) reached agreement to provide Scientific-Atlanta (S-A) with specialized applications-specific integrated circuits for use in S-A's MPEG-based digital video compression systems. ST said it will provide high-speed Viterbi decoder for forward error correction capability. Terms weren't disclosed.

DAB, ALCOHOL ABUSE, VIOLENCE: NAB concluded 4 days of meetings June 24, termed by Pres. Edward Fritts "smoothest board meetings that we've had in a long, long time." In fact, about only controversial issue was election of radio chmn. -- accomplished on 5th ballot after 4 tie votes (see below).

While TV board took no action and issued no statement on televised violence (see separate story, this issue), Fritts said it held "very lengthy discussion" on issue during which much concern was expressed as broadcasters analyzed seriousness of situation. Without giving details, he said private talks are continuing, that industry statement can be expected within month and that NAB would have presence at Aug. 2 summit meeting on violence in L.A. Board also expressed opposition to proposal of House Telecom Subcommittee Chmn. Markey (D-Mass.) to require that chips be installed in TV sets for parental control of viewing and that programs be given ratings for violence content.

Joint board authorized national public service campaign, to include other organizations, to combat abuse of alcohol. Resolution said that "voluntary public information campaigns by local stations are extremely effective" in informing public, as opposed to mandatory warnings in all advertising sought by several members of Congress. NAB said it would provide stations with spots and other material, but said cost of campaign hadn't been determined.

Board reaffirmed statement on telco entry into cable, first adopted in 1989, with minor changes. Main goal is to keep telcos out of programming and to promote local competition. Board also ordered Exec. Committee to review functions of all NAB standing committees with view toward eliminating some, consolidating functions of others.

TV board formed special committee to help assure continued broadcaster participation in testing and evaluation of HDTV alliance by Advanced TV Test Center. Newly elected TV Vice Chmn. William Ryan is chmn. Members are TV Dirs. Martin Frank, Harry Pappas, Nicholas Trignoy and Edward Reilly and NAB Exec. Vp John Abel. Board also directed staff to develop strategy for broadcasters' participation in helping shape development of emerging technologies related to TV. Staff also was asked to develop technical standard for interactive/multimedia broadcasting.

Radio board adopted 9 objectives for digital audio broadcasting (DAB), main goals of which are preventing development of satellite DAB and securing on-channel AM and in-band FM DAB systems. NAB will seek to develop industry consensus and standards "to implement terrestrial DAB most efficiently" and to gain FCC approval for those standards. Assn. said it "opposes all steps to license satellite DAB services because [they] would present a potential danger to... universal, free local radio service and to the public interest it serves." Board allocated \$50,000 for testing of in-band, on-channel DAB systems.

Race between Radio Vice Chmn. Robert Fox, KVEN(AM)-KHAY(FM) Ventura, Cal., and Bayard Walters, Cromwell Group, for chmn. had been labeled "too close to call" by members of radio board, and close it was: Fox won post on 5th ballot after 4 tie votes 17-17. Ironically, Walters was defeated year ago for same post 17-16 by Wayne Vriesman, Tribune Bcstg., who moved up to NAB joint board chmn., succeeding Gary Chapman, LIN TV.

That was only contest among 5 board elections. Joining Vriesman, Fox and Ryan on NAB Exec. Committee are newly elected TV Chmn. John Siegel, United/Chris-Craft, and Radio Vice Chmn. Skip Finley, WKYS(FM) Washington.

Trend away from adult drama on commercial networks provides programming opportunity for public TV (PTV), former NBC Entertainment Chmn. Brandon Tartikoff said June 21 at annual PTV meeting in New Orleans. He commended PBS on recently announced acquisition of former NBC drama series *I'll Fly Away* and said "follow-up act" should be development of PTV-original drama show -- goal shared by PBS programming chief Jennifer Lawson. Tartikoff, who is developing topical comedy show for PTV, said advertisers were attracted to such former network hits as *Hill St. Blues* and *St. Elsewhere* by their upscale audiences. He also assured public broadcasters that creative community would back their efforts, saying that "no one else is calling them" for work. Tartikoff said PTV is well positioned for kilochannel environment in such areas as children's and informational programming but, in remark met with applause, stressed "tremendous need for promotion and marketing [which] has got to be higher on your agenda in the future." TV viewers generally are shifting to "democracy of choice," but he said it would be "erroneous" to assume that they want complete control over programming because many times they don't know what they want to watch until it's presented to them.

SPI Holdings has dropped patent infringement claims against Comsat's On Command Video (OCV) unit relating to hotel room video systems. SPI subsidiary, Spectradyne, filed court papers dropping claims and indicating it was abandoning ownership of patent and dedicating it to public. Meanwhile, Spectradyne has been designated as Renaissance Hotels & Resorts preferred vendor, will provide satellite TV and interactive services to all Renaissance locations. In other hotel video action last week, Comsat Video Enterprises (CVE) was selected in Embassy Suites as preferred vendor of in-room entertainment and interactive guest services. CVE plans to install OCV in 11,500 rooms in 50 properties.

PBS plans to proceed with test of \$70-million "Ready to Learn" service following generally favorable station reaction at annual meeting in New Orleans. Few station staffers objected to plan, which involves 8 hours of weekday preschool programming on participating outlets, along with such support materials as monthly parents' newsletter and toll-free phone line. But effort will require concerted lobbying by public TV, since federal govt. is seen as major source of funding and most promising current legislative vehicle -- Ready to Learn Act -- is authorized at only \$25 million and currently isn't limited to public TV. Plan calls for 1-2-year test on 8-12 stations beginning as early as Jan.

First on-air test of proposed new FCC emergency broadcast system will be conducted in Denver June 30. Test will utilize all types of broadcasting systems -- govt., TV, radio, cable, satellite, pagers, etc. "The proposed new system will allow [for] the flexibility to choose from a wide range of technologies to improve the quick delivery of emergency information," FCC Chmn. Quello said. Proposed modernization of EBS includes increased signal speed and reliability, shortened alert tones and emergency area-specific information to be delivered within seconds from variety of origination points. Second test is scheduled in Baltimore later in summer.

"Every TV station whose signal was carried as a distant signal by at least one cable system in 1992 should file a claim with the [Copyright Royalty] Tribunal between July 1 and July 31, 1993," NAB said in letter to members. Collection of royalties from cable systems has increased recently and stations must file with Tribunal if they want to receive funds, NAB said.

FCC BUDGET ADVANCES: House Appropriations Committee June 24 approved FY 1994 FCC budget of \$129,889,000, same as requested and \$1.38 million above FY 1993 amount (without counting any supplemental funds that may be appropriated). At same time, panel cut in half appropriations for radio broadcasting to Cuba, to \$17.5 million from \$35 million. Program includes funds for Radio Marti and Voice of America Cuba.

Acting on recommendations of Commerce, Justice, State and Judiciary Subcommittee, full panel, which declined to appropriate supplemental FY 1993 money, said in report on actions that total for FY 1994 "assumes that the other responsibilities of the Commission will not be curtailed in order to implement either the Cable Act or the spectrum auction proposal."

Committee also said it assumed that legislation would be enacted providing FCC with authority to collect fees or retain receipts to "offset the cost of implementation of these new responsibilities," saying there was financial potential of \$7.2 billion from auctions. Committee urged Commission to act in next 6 months on docket dealing with automatic vehicle monitoring systems (PR 93-61) and "as expeditiously as possible to accommodate the spectrum requirements" of emerging Personal Communication Services (PCS) industry.

In same bill, NTIA was given \$18.9 million, reduction of \$3 million from Clinton Administration request, but up \$1 million from FY 1993. Bill would appropriate \$21.7 million for information infrastructure grants, \$29.5 million below Administration's request. Recognizing that separate authorization process may take place in Commerce Committee, Appropriations panel said it supported enactment of separate information infrastructure program.

N.Y. Times Co. (NYT) plans buyback of up to \$100 million of its Class A shares before completion of stock-swap acquisition of Affiliated Publications (Boston Globe). NYT Pres. Lance Primis said stock's current market price "does not reflect the underlying value of the company's assets or its earnings or its cash-flow potential" and repurchase represents "an attractive investment opportunity." Purchase price of Affiliated is pegged to NYT's average stock price since June 11 at time of closing, as long as average is above \$22. Stock has dropped since announcement of deal, was trading at about \$23.50.

Boston U. (BU) is buying WQTV (Ch. 68 independent) Boston from First Church of Christ Scientist for \$3.8 million. Church purchased WQTV in 1986 for \$7.5 million. Faculty of BU College of Communications, student volunteers and professionals will operate station. Church folded World Monitor TV cable channel in 1992 and has been trying to sell WQTV ever since. Station will continue to operate as commercial outlet.

CableLabs said it selected Carl Jones Corp., Springfield, Va., to assist in development of test procedures to determine direct pick-up interference susceptibility of TV sets and VCRs and to examine other performance standards of devices' tuners. CableLabs said procedures also would look at devices' ability to accept certain types of multichannel signals distortion free.

LIN TV said it will dedicate "major portion" of future retransmission consent fees to community service projects and new children's programming. LIN owns 7 TV stations and has said it will require fees from cable systems carrying their signals.

KYW-TV WALLACE SHOW NOT INDECENT: Jane Wallace Live program on KYW-TV Philadelphia, during which graphic and coarse language was used in discussing activities at N.J. "couch dancing" bar by callers, wasn't "actionable indecency," licensee Group W said in answer to FCC inquiry. Commission had said "it appears that KYW-TV may have violated" indecency rules by language used on live program, aired Nov. 12, 1991 (TVD May 3 p6). Group W said that "issue [illicit sex], an admittedly sensitive one, was dealt with substantively in a manner not intended to titillate or pander... The discussion was not patently offensive by any objective community standard."

Host Wallace cut several callers off and "neither used nor encouraged the use by others of nonclinical descriptive terminology" for sexual activities, Group W told FCC. "Jane Wallace's hard line of inquiry and tough questions produced positive results, confirming allegations of illicit activity at the establishment."

When substantive broadcast journalism is at issue, "the Commission must apply a restrained enforcement policy" to avoid infringing on First Amendment rights of public and journalists and "chilling" free and open discussion of issues, Group W said. Language from program cited by FCC was taken out of context and doesn't "fairly or accurately portray the program," Group W said. Licensee's position was supported by Rep. Andrews (D-N.J.), as well as several civic leaders and members of N.J. legislature.

QDE is name of new 7-year venture with merger of producers Quincy Jones and David Salzman and Time Warner Entertainment that has "broad-ranging, multimedia agenda to encompass programming for current and future technologies," companies said. QDE said it will be involved in theatrical motion pictures, network, cable and syndicated TV, magazine publishing, live entertainment, direct response marketing and "cross-media projects" for home entertainment and education.

"Age Has a Future: Maturity and the Media" is title of Sept. 11 seminar, sponsored by Academy of TV Arts & Sciences and several others, Academy Plaza Theater, N. Hollywood, Cal. Fernando Torres-Gil, asst. secy. of Health & Human Services, will speak, and CBS TV will receive award from American Assn. of Retired Persons for presenting "quality programming for older adults" -- Mark Rosch, 818-763-2975.

FCC has waived duopoly rule and approved Shamrock Bestg. purchase of KLAC(AM)-KZLA(FM) L.A. and WHK(AM)-WMMS(FM) Cleveland from Malrite. Waivers were necessary because Shamrock officers Roy Disney and Stanley Gold have attributable interest in KCAL L.A., and Milton Maltz, who becomes 6.3% owner of Shamrock, has interest in WOIO Shaker Hts., which puts Grade A signal over Cleveland.

Washington Post Co. has met terms of agreement that allows it to buy majority stake in interactive TV company ACTV. Post already owns 15% of company. Price of proposed 51% share hasn't been determined, companies said.

First-quarter 1993 newspaper advertising totaled \$6.977 billion, up 5.03% over year ago, Newspaper Assn. of America (NAA) reported. Said NAA COO Len Forman: "We expect steady growth throughout the year."

Communications Equity Assoc. has been hired to sell Area Telecable and Chesterfield Cablevision systems in W. Dover, Vt., and Chesterfield, N.H., respectively.

Personals

Newly elected FCBA officers: **Alan Campbell** of Irwin, Campbell & Crowe, pres., succeeding **Robert Beizer**, Sidley & Austin; **Sydney Rhine** of Mullin, Rhyne, Emmons & Topel, pres.-elect; **Henry Rivera** of Ginsberg, Feldman & Bress, secy.; **Alexandra Wilson** of FCC, secy.-elect; **Jean Kidoo** of Swidler & Berlin, treas.; **Paula Friedman** of Sidley & Austin, asst. secy.; **Richard Zaragoza** of Fisher, Wayland, Cooper & Leader, delegate to ABA.

Pat Servodidio, Multimedia Bstg., elected to Tvb board; **Henry Yaggi**, WUSA Washington, reelected... **Steve Bell**, ex-Twentieth TV, named pres., Fox Star Productions... **Arnold Kleiner**, ex-WMAR-TV Baltimore, named pres.-gen. mgr., KFMB TV-AM-FM San Diego... **Howard Haas**, ex-Sealy Inc., elected chmn., Broadcast International, succeeding **Frank Stanton**... **Strauss Zelnick** resigns as pres.-COO, Twentieth Century Fox, to become pres.-CEO, Crystal Dynamics... **James Yee**, exec. dir., National Asian American Telecommunications Assn., named exec. dir., Independent TV Service, succeeding **John Schott**.

Paul Levesque, Taylor Communications, appointed Dist. 7 dir., NAB radio board, succeeding **Matt Mills**, Paxson Bstg., who moved out of area... Promotions at Cox Cable U.K., effective July 15: **William Geppert**, managing dir., Southwestern Bell-Cox Cable; **Douglas Brooks**, dir.-operations and planning; **Samuel Howe**, dir.-hq marketing; **David Livengood**, dir.-customer services; **Marianne Livengood**, mgr.-total quality management... Time Warner Cable Full Service Network additions: **Harold Wolf**, ex-Home Shopping Network, as vp-programming and interactive development; **Constance Beck**, ex-Time Warner Div., as dir.-public affairs... Changes at Home Sports Entertainment: **Nancy Wetmore** promoted to regional ad sales mgr.; **Deborah Nowlin**, ex-Houston Metropolitan magazine, named mdsg./promotions mgr.; **Jenny Gray**, ex-TBS, appointed account executive... **Andrew Hoffman** promoted to local sales mgr., WCVB-TV Boston.

Changes at TBS Productions: **Vivian Schiller** moves to vp-development and co-productions, **Thom Beers** named vp-current series and specials, **George Puckhaber** promoted to vp-operations, **Karen Anthony** advanced to program mgr., **Katie Frankle** named mgr.-development and children's programming... **William Jernas**, ex-National Basketball Assn., will head Entertainment Div., Marvel Entertainment Group... **Jack Serpa** promoted to mktg. and sales dir., NATPE*Net.

NBC Nightly News commentator **John Chancellor** retires in July... **Diana Dionisio** promoted to publicity-promotions coordinator, WGN-TV Chicago... **James Coltharp**, economist in Policy & Rules Div. of FCC Mass Media Bureau, detailed to office of Comr. **Barrett**... **Jan Gay**, asst. chief, FCC Mass Media Bureau Audio Div., retires June 30... FCC Asst. Secy. **William Caton** appointed acting secy., succeeding **Donna Searcy**, who joins U.S. International Trade Commission as secy... **Von Johnson**, ex-Walt Disney TV, named vp-technical operations, ITC Entertainment... **Joe Robinowitz**, ex-TV Guide, appointed news dir., WTTG Washington, succeeding **Piers Akerman**, who moves to "senior executive position" with parent News Corp... **Rose Shannon** promoted to news dir., KETV Omaha.

James McDonald, ex-J.H. Whitney & Co., elected pres.-CEO, Scientific-Atlanta, effective July 15... Promotions at Fox Affiliate Relations: **Sue Kiel** to exec. dir., western region, **Rebecca Swett** to dir., west-central region... **Renee Bruce** advanced to national ad sales mgr.,

Published Weekly Since 1945
TELEVISION DIGEST
With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Newsmat and Precasts 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.

Copyright © 1993 by Warren Publishing, Inc. Reproduction in any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Albert Warren	Editor & Publisher
Paul L. Warren	Sr. Ed. & Exec. Publisher
Daniel Warren	Sr. Ed. & Assoc. Publisher
Dawson B. Nail	Executive Editor
Arthur Brodsky	Managing Editor-Washington
R. Michael Feazel	Senior Editor
Brock Meeks	Associate Editor
Myron Strick	Associate Editor
Chris McCarter	Assistant Editor
Michael French	Assistant Editor

Business

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

NEW YORK BUREAU

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

David Lachenbruch	Editorial Dir.
Lisa Lilenthal	Senior Editor
Paul Gluckman	Senior Editor
Martin Brochstein	Senior Editor
Michael Peck	Associate Editor

CONTRIBUTING EDITOR, EUROPE

Barry Fox
5 Denning Rd.
Hampstead, London NW3 1ST
Phone: (071) 435-6244

JAPANESE REPRESENTATIVE
Editorial and Circulation
CES International Corp.
1-18-2 Nishi Shinbashi, Minato-ku
Tokyo 105, Japan
Phone: (03) 3592-1531

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

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

Signature _____

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

Prevue Channel... **Sherry Heide** promoted to affiliate relations mgr., Sunshine Network... **Steve Fisher**, ex-exec. vp, Westinghouse Bstg., appointed managing dir., Bachow & Assoc., communications investment firm... **Joseph Barletta** ex-Thompson Newspapers, named pres.-CEO, TV Guide... **Jack Waterman** promoted to exec. vp-business affairs and finance, Paramount video and motion picture marketing.

Cablevision Systems said it will buy assets of CATV Enterprises in Riverdale, N.Y., price not disclosed. Cablevision said it expects to convert CATV's 11,000 subscribers to its service in "next several months." CATV had been operating under temporary franchise that expired when Cablevision recently completed construction of Riverdale system.

Deadline for reply comments in FCC rulemaking (MM Doc. 93-25) on proposal to require DBS programmers to meet same public interest standards as over-air stations has been extended to July 14 from June 30. Assn. of America's Public TV Stations asked for delay.

Classic Cable, Austin, purchased 9 cable systems, totaling 9,800 subscribers, from TV Enterprises in Tex., terms undisclosed.

Consumer Electronics

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

STATE OF THE INDUSTRY

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

	JUNE 5-11	1992 WEEK	% CHANGE	MAY 29- JUNE 4	23 WEEKS 1993	23 WEEKS 1992	% CHANGE
TOTAL COLOR.....	284,751	353,653*	-19.5	209,640	9,020,782*	8,184,449	+10.2
DIRECT-VIEW...	280,640	349,841*	-19.8	205,769	8,879,483*	8,055,865	+10.2
TV ONLY.....	266,100	337,491	-21.2	191,503	8,382,839*	7,724,172	+ 8.5
TV/VCR COMBO.	14,540*	12,350*	+17.7	14,266*	496,644*	331,693	+49.7
PROJECTION....	4,111	3,812	+ 7.8	3,871	141,299*	128,584	+ 9.9
VCR DECKS.....	107,633	184,334*	-41.6	105,595	4,377,925	4,331,074	+ 1.1
CAMCORDERS.....	20,946	29,045	-27.9	28,959	1,083,881*	961,831	+12.7
LASERDISC PLYRS#	1,590	2,373	-33.0	3,764	79,210	79,704*	- 0.6

Direct-view TV 5-week average: 1993--344,078; 1992--343,922 (up 0.005%).

VCR deck 5-week average: 1993--179,152; 1992--179,778 (down 0.3%).

Camcorder 5-week average: 1993--51,432; 1992--49,004 (up 5.0%).

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

SCES '94 -- 3-DAY TRADE-ONLY 'NEW TECH' SHOW: Attempting to salvage much-maligned Chicago event, sponsor EIA Consumer Electronics Group last week announced these changes in Summer Consumer Electronics Show, starting next year: (1) It will be first 3-day show, Thurs. June 23-Sat. June 25. (2) There will be no public days, except possibly at high-end audio exhibits in Chicago Hilton, if those exhibitors wish. (3) It will be "collection of related shows" devoted to "new emerging technologies and services." (4) There will be no attempt to restore Summer show as "audio, video, mobile electronics and home office hardware" showcase; that will be function of Winter show in Las Vegas.

CEG also revealed it plans "a new CES... in South America." Although no date or locale were announced, we have learned it's scheduled for Sao Paulo, Brazil, Aug. 6-10, 1994, with joint sponsorship by Brazilian trade show producer and local electronics trade association. Show producer also handles Comdex S. America, which presumably sparked EIA's interest in S. American show biz.

Future of Summer CES after 1994 is up in air. CEG will press for earlier date, and split-up of show apparently is possibility. Group Vp Gary Shapiro told us EIA is committed to a Summer show "for the foreseeable future," but when asked whether "collection of related shows" could be split into different time periods and venues, he merely replied "we will not do that for 1994."

Change of name for Summer show was raised as possibility at EIA Exec. Committee meeting in Chicago, presumably to differentiate it from Winter CES which has strong consumer product focus. One name suggested was "Convergent Electronics Show," maintaining widely promoted "CES" initials. "We will look at all alternatives," Shapiro told us, in light of segmented nature of show -- "but CES is a very strong name."

Decision to end public days was as controversial as decision 2 years ago to begin them. Official announcement said surveys of exhibitors, trade attendees and buyers favored eliminating public, and "our first priority is to serve the needs of our trade customers." In response to our question, Shapiro said: "Cost was certainly a consideration -- it's very expensive" to have public show, which he described as "wonderfully successful, terrific, exceeding our expectations" and contributing this year to "more general media coverage than any [CES] in history" -- adding, as afterthought, "and more negative trade press coverage." We're told by insiders that while overall June 1993 show was marginally profitable for EIA, group spent about \$800,000 in promoting and staging event for consumers.

One of those most pleased by admission of public and strong supporter of concept was Exec. Vp Joseph Clayton of Thomson Consumer Electronics, who also is chmn. of CEG Video Div. Commenting on CEG's decision, he told us: "We'll have to reevaluate our position" about presence on show floor in 1994. "It's not a selling show for us -- it never has been. It all depends on what new products we have to push." In that context, he left open possibility that TCE would be on floor to give promotional push to DirecTv satellite operation, scheduled for April launch. "We'll participate in Chicago, whether as an outboarder or on the floor," he said. He emphasized he was speaking as TCE executive -- "as Video Chairman of EIA, I think they had to do something."

No matter what happens beyond that, 1994 Summer show won't feature glamorous, costly exhibits that made earlier shows so photogenic and visually exciting. There apparently will be little effort to attract traditional consumer electronics products to main exhibit floors. "We want to come up with ways to serve buyers without having to create huge exhibits," Shapiro said. "We are looking at all alternatives," adding that making off-site exhibits official was one of possibilities. "We will look at creative ways to encourage companies to have a presence at the show," he said, but buyers and press "would rather be served in fewer locations."

Among areas specifically mentioned for emphasis in Summer show were expansion of Personal Computing & Communications (PCC) Show, desktop video, multimedia, business productivity software, high-end audio, videogames, new product areas. CEG release mentioned enhanced role for high-end audio as well, but Shapiro assured us there would be "absolutely no diminishing of the role" of audio at Winter show in Las Vegas.

Videogame exhibits -- largest single area of Summer and Winter shows -- could be key to survival of any remnant of Summer CES. Nintendo and Sega are being wooed by new multimedia show in Atlanta next April; last week, representatives of both said they had been contacted regarding new show, but hadn't made any decisions as to which among 3 shows -- Summer and Winter CES and proposed TIMES (The Interactive Multimedia Entertainment Show) -- they would support in 1994. Effect of their decisions would be far-reaching, since raft of software and accessory companies that have taken booths at CES in past undoubtedly would follow whatever course they set.

Although Winter CES has become more successful of the 2 industry shows, so-called Summer show (which usually is held in spring) is original CES. First show was June 25-28, 1967 in N.Y.; after 5 years, it moved to Chicago. First Winter show was held in Chicago in 1973, moving to Las Vegas after 5 years.

* * * * *

EIA's unexpected move into S. America follows by one year Comdex's annexation of 20-year-old information technology show in Brazil. CEG will have 2 partners at show, we have learned -- Guazzelli Assoc., trade show producer that also puts on Brazilian Comdex, and Abinee, Brazilian electronics trade association. New show will be called CES Abinee S. America, will be open to manufacturers of consumer electronics and small appliances, with about 10% of floor devoted to electronic components.

Show possibly will admit consumers on last day, but principal goal is attracting 30,000-50,000 trade visitors, principally dealers, from S. America. Target is 150-200 exhibitors occupying 100,000-150,000 sq. ft. Products for exhibition can be imported into Brazil duty free through Manaus free trade zone.

APPLE UNVEILS INTERACTIVE TV PROGRAM GUIDE: Apple Computer has finally entered TV -- as latest player in race to market on-screen interactive TV program guide, in preparation for 1,000-channel age. Chmn. (and ex-CEO) John Sculley gave first public demonstration of "eztv" system at Digital World conference in L.A. June 23. Eztv is designed to operate with hypothetical cable box of future, which would require inclusion of Apple-developed microchip to be "eztv-ready." Besides chip, viewers would need Apple-compatible handheld remote unit.

As demonstrated by Sculley, system exhibited many of same characteristics shown in other proposed guides and interactive systems, such as those by TV Guide, StarSight Telecast, Microsoft, others. In Apple's version, viewer would be able to scroll through program listings and also have capability for one-button taping on VCR; interactive shopping options; previewing and instant ordering of pay-per-view events; accessing additional data on TV programs (such as statistical rundown on ballplayer as he batted during game); ability to organize program choices by category and subcategory, showing up as icons on screen; program schedule customizing options; ability to control devices such as CD player, A/V system, etc.

"We haven't talked about interactive TV before," Sculley said as leadoff speaker in 4-day conference. "We chose not to so we could get the work done. Now it's starting to look very real." He acknowledged that Apple couldn't go it alone with eztv: "We'd like to make alliances before the year is out." Those "relationships will come in 2 directions," Sculley said. One is with communications industry ("you can clearly expect to see us there") while other will relate more directly to "what happens inside of a program. Lots of people have talked about navigating channel to channel, but what does it look like inside a program?" Such an alliance would be needed for eztv to provide baseball stats during live game, as recreated in last week's demo.

Who would opt for Apple's system? Speculation at conference centered on companies backing Kaleida, Apple-IBM joint venture. (At our deadline, Kaleida was scheduled to host first demonstration of cross-platform capabilities of ScriptX, running software on Mac and Windows PC.) Kaleida itself has strategic alliance with Motorola and Scientific-Atlanta, which are developing computerlike set-top converter. Apple and Sony also have had close working relationship on variety of projects. On communications side, Sculley said even though "most of the attention has been focused on cable, I would not count out the telcos. It's still an open game."

* * * * *

Newton in a TV set? Or a car? They're among possibilities Sculley sees for future of Apple's Personal Digital Assistant (PDA), due out this summer. And, he said, potential of PDAs remains bright: "Long term, this new industry will be bigger than the PC market" in terms of hardware and software combined.

(Source at Sharp in Japan said English-language version of Newton under Sharp and Apple brands would hit market in Aug., with French, German and other versions close behind and Japanese model slated for 1994. Source said Newton will be priced slightly higher than \$699 target retail announced for Casio-Tandy "Zoomer." He also said Sharp's multimedia development efforts will focus on developing applications for Newton and similar products.)

Newton is "on its final bomb run" before launch, Sculley said, adding that reports that it would be late were based on "wrong information... It's going just great. We now have the first image of the ROM, and it had only one bug." Master chip will be ready "before the end of this month. It's looking real cool," he said. Sculley said unit has "no moving parts -- it's either display or it's silicon." He predicted that it would be downsized, that people such as health workers would "wear it around their necks" for instant medical records, etc., and that it would be built into TV sets or cars. He didn't speculate as to what TV Newton might do. One possibility might be to receive faxed product information from home shopping channel.

To support 3rd-party developers, Apple has introduced Newton Toolkit, highly intuitive authoring tool. Company's aim is for Newton Toolkit to be easy enough to use for businesses to build own custom applications.

U.S. COLOR TUBE SALES SET NEW RECORD: Feast-or-famine picture tube industry apparently was in feast stage last year, when it cranked out record number of color tubes for record dollar volume and exported record number of them.

According to EIA's new Electronic Market Data Book, U.S. industry produced 16,741,530 color tubes for new TV sets last year (renewal tube data no longer are compiled) at factory value of \$1,698,664,000. In units, that's 12.2% above previous record, set in 1991, and in dollars it's increase of 10.7%.

Color tube exports are helping to improve U.S. trade balance. Some 21% of tubes built in U.S. -- 3,498,300 -- were exported last year. That compares with 20% in 1991, 15% in 1990, 10.9% in 1989. Color tube imports were equivalent to just 11% of exports, totaling 395,630.

Average price of domestically produced color tube last year was \$101.46, based on EIA figures. That's decline of \$1.44 from 1991's \$102.90 and \$4.58 from 1990's \$106.04, which was record high. Preceding year, 1989, was first in which average factory price exceeded \$100 (at \$100.39).

Tube imports weren't cheap -- at least on average. Average color tube imported last year came to \$168.99, according to Commerce Dept. figures, far above price of average domestic tube. Figures are somewhat distorted by imports from Japan, which work out to average of \$439 per tube, presumably because of heavy shipments of 35" tubes in mix. According to Commerce, Taiwan shipped 36% more tubes here than Japan (147,965 vs. 108,881), but realized only 5% as much in dollar sales (\$7,376,548 vs. \$47,806,430). Average price of color tube from Taiwan was \$49.85. Even Taiwan was undersold by Malaysia, which

emerged last year as 3rd biggest source of tubes -- 58,736 at average of \$42.75 each. Canada, where Mitsubishi makes tubes, was source of 31,445 at average of \$122.78. China sent 27,734, averaging rather high \$78.70 each.

Monochrome tube imports -- presumably for replacement -- totaled 229,730 last year at \$7,711,889, or \$33.57 each. Last year, U.S. imported record \$66.9 million worth of projection TV tubes, up from 65.4 million in 1991, \$60 million in 1990, \$48.3 million in 1989, \$22.5 million in 1988. "Other cathode ray tubes," presumably mainly for computer monitors, dwarf monochrome TV tubes in value -- \$303.3 million in 1992.

New 1993 version of Electronic Market Data Book, reformatted and with greater emphasis on foreign trade, but with some of former features of its consumer electronics data curtailed, is available to EIA members at \$75, nonmembers \$125.

CAMCORDER IMPORTS UP AS INVENTORIES SHRINK: Imports of camcorders are resuming normal climb, rising for 2nd month in response to record sales and declining inventories here, Commerce Dept. figures for April reveal. Increase, which started in March, ended more than year of consecutive monthly declines (TVD May 31 p15).

April also was 2nd consecutive month in which 8mm increased share of camcorder imports, after adjustment phase to correct shortage of full-size, and, perhaps, VHS-C models. In April, 8mm format constituted 38.2% of imports, vs. 26.4% in April 1992 -- 8mm versions rose 13.5%, while "others" were down 4.7%.

In total, camcorder imports rose 13.5% over same 1992 month, following 3% increase in March. Those gains weren't enough to bring up total for year to date, which showed deficit of 2.7% (with both 8mm and "others" also down 2.7%). Four-month imports of camcorders totaled 752,600, 5.2% below sales for same period (794,300), while April imports were in almost perfect balance with sales, at 251,600 vs. 253,500. After April, camcorder sales to dealers continued to run at record level, exceeding a million in year's first 23 weeks (through June 11), up 12.7% from year earlier (see State of the Industry).

While color TV imports were flat in April, monochrome showed unusual 77.9% rise -- probably attributable to flood of 13" and larger sets being imported to beat ban on noncaptioned receivers, which begins Thurs. (July 1). What happens to b&w imports after that is anyone's guess, but for time being they're in minirevival, sparked in April by China, which was source of 45.5% of total (and also was 3rd highest source of color TV units).

Other high spots in imports were flat-panel TV, which ran more than double last year in first 4 months, and videocassette players (VCPs), up 75.8% in April and 17.6% in 4 months. CD player imports continued soft, around 10% below last year. Here's summary of major imports, based on Commerce Dept. data:

Product	April '93	April '92	% Chg.	4 Mo. '93	4 Mo. '92	% Chg.
Color TV.....	831,300	833,900	- 0.3	3,486,400	3,207,200	+ 8.7
Monochrome TV....	211,700	119,000	+77.9	560,200	536,300	+ 4.5
Flat panel TV....	34,500	28,500	+21.2	142,400	63,700	+123.4
VCR decks.....	952,500	982,800	-13.7	3,816,000	4,236,000	-41.2
Camcorders.....	251,600	221,600	+13.5	752,600	773,700	- 2.7
8mm.....	96,100	58,500	+64.2	271,700	279,300	- 2.7
Other.....	155,400	163,100	- 4.7	480,900	499,300	- 2.7
Videocass. players	50,900	29,000	+75.8	181,500	154,400	+17.6
CD players.....	706,800	786,800	-10.2	2,180,400	2,446,900	-10.9

Nokia's consumer electronics operation sustained heavy loss in year's first 4 months, despite 51% increase in sales to equivalent of \$440.7 million, company said. CEO Jorma Ollila said cost reductions in consumer electronics weren't sufficient to compensate for European slump. Company as whole moved to \$28.5 million pretax profit for period, compared with loss of \$51.85 million (at current exchange rate) in same period last year, thanks to major growth in telecommunications and mobile phones.

Codemasters Software, U.K. developer of Game Genie, names HWH Public Relations for its PR in U.S.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 109 yen = \$1, except where noted.

LCD DUMPING RULING DUMPED: Those on-again off-again antidumping penalties against high-resolution active matrix LCDs from Japan are off again, probably for last time. Although major effect currently is on computer industry, last week's action by Commerce Dept.'s International Trade Administration (ITA) could pave way for eventual U.S. assembly of color TVs using LCDs imported from Japan, only significant source. Dropping of penalties came 5 full months after ITA said it would do so (TVD Jan 25 p11).

ITA revoked its 1991 antidumping ruling, which had resulted in imposition of 62.67% antidumping penalty on imported LCDs, after "changed circumstances" review requested by OIS Optical Imaging Systems, Troy, Mich., only U.S. manufacturer of active matrix LCDs. Since duties originally were imposed on basis of complaint by OIS, it was acquired by Guardian Industries and conceded it wasn't realistic alternative to imports as supplier of LCDs for computer displays. U.S. computer manufacturers said punitive duties would kill manufacture of portable computers in U.S.

Imposition of duties in 1991 foreclosed any possibility of U.S. assembly of high-quality LCD TVs. Imports of complete LCD color TVs are sharply curtailed by high dumping penalties on TV sets from Japan.

Late in Dec., Court of International Trade ordered International Trade Commission (ITC) to reconsider decision that imports of Japanese flat panel displays injured domestic industry (TVD Jan 4 p11). It said ITC erred in considering all types of flat displays (LCDs, plasma, electroluminescent, etc.) together, instead of separately. However, ITC defied court, reiterating LCD injury finding, but withdrew finding that imports had injured electroluminescent display industry, in effect removing 7% antidumping penalty on those products (TVD March 8 p16). That came more than month after ITA said it would revoke LCD duties.

Entire fiasco illustrates problems in antidumping laws, observers said, adding that nobody can even venture estimate of how many millions of dollars it cost taxpayers and manufacturers.

Laura Tyson, chmn. of President's Council of Economic Advisers, specifically referred to case in her book, "Who's Bashing Whom? Trade Conflict in High-Technology Industries," written before her appointment by Clinton: "The use of the antidumping remedy in the LCD case... is a mistake from the national point of view. Its negative consequences are easily predictable. Higher prices on Japanese imports will not save the U.S. LCD industry and will harm U.S. industries using LCDs... encouraging them to migrate to lower cost production locations abroad."

U.S. FLAT SCREEN STATUS: In inquiry that led to final reversal of antidumping order on active matrix LCDs (AMLCDs) from Japan (see report this page), Commerce Dept.'s International Trade Administration (ITA) heard from several companies studying or planning AMLCDs or competitive flat-screen products.

However, it concluded OIS -- whose parent Guardian Industries asked for revocation -- was only U.S. company actually making AMLCDs. In all cases, it concluded that other companies weren't "interested parties," either because they weren't manufacturing AMLCDs or like products or didn't submit enough information. Here are some of companies describing their activities to ITA:

AT&T: Supporting revocation, AT&T said that it recently had formed R&D program to develop new display technologies and that it "is considering the feasibility of producing AMLCDs in the future."

Active Matrix Assoc.: Privately held consulting firm that opposed revocation said it doesn't currently produce AMLCDs but conducts R&D and designs prototypes. It has discussed possibility of AMLCD production, which ITA dismissed as "purely speculative."

Micron Display Technology: Opposing revocation, company said it's developing 1" and 10" "FED-based flat-panel displays," which it didn't describe other than to say it didn't use LCD material. It said FED products under development compete directly with AMLCDs, but ITA said it didn't present enough information and that FED displays are only in development stage.

Planar Systems Inc., which opposed revocation, said it's working on new technology called "active matrix EL (AMEL)," presumably referring to type of electroluminescent display. Planar said 2 products would be interchangeable, with identical applications, sold through same channels and be comparably priced, only difference in physical characteristics being in weight. It said it plans to start producing AMELs by late 1994. ITA found company's R&D activities on AMELs (less than 5% of all its R&D) didn't constitute "significant progress" toward production. Device, said ITA, is "still in conceptual stage," without "substantial progress toward production." In addition, it said, there's no way of determining whether it's "like product."

UCE Inc., currently developing passive matrix display with "active" or "adaptive" drive, opposed revocation. Drive would make possible performance levels similar to those of AMLCDs, UCE said, and will be available in 12-18 months. ITA said UCE didn't indicate how far development had progressed, established whether displays were "like products," wasn't responsive to questionnaire.

Standish Industries Inc. said it would support revocation if accompanied by govt. initiatives to develop strong AMLCD industry. Company does some partial assembly of AMLCDs, which "will move from the R&D lab to production by the end of the 3rd quarter." Company said it's partner with AT&T and Xerox "evaluating establishing an AMLCD manufacturing operation."

Textronix Inc. argued that its Plasma Addressed LCD (PALCD) is within scope of order, saying "the only difference between PA AMLCDs and TFT AMLCDs is in the style of the transistor used to do the active addressing" -- gaseous electronics vs. semiconductor. Tektronix didn't respond to request for additional information and took no position on revocation.

Among companies favoring revocation were Adastral Systems, Apple, Compaq, Dukane, Grid Systems, Hitachi, Honeywell, Hosiden, IBM, Matsushita, Mitsui, NEC, Rockwell, Seiko, Sharp, Tandy, Toshiba.

—
Philips Kommunikations Industrie, German subsidiary of Dutch company that includes its interest in Grundig consumer electronics business, expects to lose \$60.2 million in first half of year after 20% decline in sales, Financial Times reported. Company plans this year to eliminate 1,500 of total 6,300 jobs and to concentrate on communications, newspaper said. In first quarter, it reported 23% drop in sales and 36% plunge in incoming orders.

\$499 CD-I PLAYER NEXT MONTH: Although more via merchandising adjustment than price cut, Philips next month will move CD-I hardware street price below \$500 for first time. To achieve that price point, Philips will stop packing "Comptons Multimedia Encyclopedia" in with player. Instead, carton will contain coupon offering that disc for \$99, so net cost to consumer who wants it is same. Dealer margin stays same at lower price level.

Company hopes ability to inch below psychological barrier of \$500 price will help boost CD-I in normally slow-summer months, although main gain would come in fall. Philips Interactive Media Systems Vp Paul Fredrickson said forthcoming introduction of Panasonic's 3DO player played no part in move, but another Philips spokesman pointed out that combination of \$499 player and upcoming \$250 full-motion video (FMV) add-on cartridge will create versatile home entertainment center at only \$50 more than expected \$699 Panasonic price point (which doesn't include MPEG decoder).

Fredrickson said new strategy "will give us more flexibility to hit the \$499 retail price and still have Comptons to use as a promotional tool." He said Philips has been discussing move with retailers for several weeks, and said their reaction "has been very positive." One CD-I retailer told us new plan "will help. It's not as big a drop as we would have liked, but it will definitely help sales."

Fredrickson declined comment on our report (TVD June 14 p15) that company was considering marketing this fall downfeatured CD-I console that could be retailed at \$399. As we gleaned from conversations with major retailers, player would have simplified faceplate with fewer readouts, and would be equipped with wired remote instead of wireless model that accompanies CDI-220. Our retail sources, who remain upbeat about sales potential of \$399 CDI player, say that their profit margins for it would be somewhat less than those for current model.

He also wouldn't discuss published report that Disney was close to signing deal with Philips to become 2nd major studio (after Paramount, which was announced at Consumer Electronics Show earlier this month) to allow its films to be issued on CD-I format. Fredrickson deferred all questions to management of Philips Media, business unit that oversees CD-I hardware and software operation. Disney spokeswoman similarly was tightlipped. "There is no agreement between the 2 companies," she said in response to our question, not even confirming whether they had been talking. Fredrickson said Philips hasn't finalized marketing plans for FMV cartridge (including what if any software will be bundled at \$250), but reiterated that Philips is on schedule to launch it at retail in early fall.

Semi-Tech (Global) Co., Hong Kong, is selling its 51% ownership in Singer Co. to parent International Semi-Tech Microelectronics (ISTM), Markham, Ont., for \$850 million, raising about \$550 million from sale of new shares and borrowing rest. All 3 companies are controlled by James Ting, who indicated cash would be used largely for new investments and acquisitions in China and other Asian countries. ISTM owns about 42% of Hong Kong company, which owns 51% of Sansui, of which Ting is now chmn. Singer, in addition to making sewing machines, operates retail stores throughout world. Semi-Tech once sought control of Emerson Radio, now has small interest in company and sells some of its products at retail. Semi-Tech, at last report, owned 20% of Hong Kong audio manufacturer Tomei Holdings, which is said to make much of Sansui's product line.

BEST BUY NET OFF 12% ON TAX CHANGE: Best Buy (BB) reported 12.3% drop in net income to \$1.1 million on 79.3% sales increase to \$442.0 million in first quarter ended May 29 (see financial table). Earnings were affected by \$425,000 charge from cumulative effect of accounting change related to income taxes; without charge, earnings would have risen 21.9% to \$1.52 million. As reported earlier, comparable-store sales rose 15% in quarter.

Sales of personal computers continued to affect BB's gross margins, which dropped to 16.9% in most recent period from 20% year ago. In statement accompanying earnings report, Best Buy said that along with normal effect on margins that accompanies growth of PCs as percentage of sales, situation was exacerbated by fact that last year's quarter featured rollout of new 486 computers, whose profits were maximized in early sales. Home office -- bulk of which is taken up with computers and related products -- now is BB's biggest merchandise classification, accounting for 27% of revenues in most recent year, higher than either video (26%) or audio (20%). Home office share has nearly doubled in last 3 years to 27% from 14%, while video has dropped to 26% from 32% of BB's business. Company said decreased sales of service contracts and "increased commoditization of consumer electronics" also contributed to gross margin drop.

On more positive note, selling, general & administrative (SGA) expense as percentage of sales dropped to 16% in most recent quarter from 19% year earlier, gain BB attributed to increase in sales per store, which boosted overall productivity. Company had 117 stores at end of quarter, vs. 73 year earlier.

Have they or haven't they? 3DO spokeswoman told us that Sanyo last week signed hardware license to make 3DO-compatible hardware, as 3DO had predicted at CES. She was responding to comments earlier in week to our correspondent by Sanyo spokesman in Japan, who said that no licensing agreement had been signed, and that company was merely gathering information about 3DO and other multimedia technologies in order to formulate its own plans for future. Sanyo spokesman said company showed nonworking mockup of 3DO player at 3DO booth at Chicago Consumer Electronics Show to generate discussion about its potential adoption of 3DO system, and its entry into multimedia business in general. Spokesman also said that even if Sanyo were to sign as 3DO licensee, move wouldn't preclude its participation in other multimedia formats. Sanyo spokesman couldn't be reached for further explanation at our deadline.

Group of hardware makers, with some support from programming side of business, announced support for karaoke CD format announced last year by JVC and Philips as standard for distributing MPEG video on 5" CDs. Group announcing support last week included C-Cube Microsystems, Commodore International, E-Motions, Goldstar, JVC, Philips, Paramount Home Video, Samsung. Paramount recently became first major video company to announce plans for feature films to be introduced on CD-I discs (TVD June 7 p12). Karaoke CD format will be unveiled at CD-I conference this week in London.

Sanyo is entering TV/VCR combo market in Japan with low-priced 13" units imported from Singapore; TV portion of 23" model will be imported from joint venture in China and assembled in Japan. Next year, Sanyo plans to assemble 19" combo in Singapore using VCR components made in Indonesia. Spokesman told us company hasn't yet made plans for export to U.S.

CHINA NO. 2 TV SOURCE: China has moved to No. 2 source of total imported TVs (color plus monochrome) in units for year's first 4 months due to dominance in monochrome. It's No. 4 in color, after Thailand and ahead of Korea. Mexico is still No. 1 supply country for color, providing 62.7% of imports in first 4 months, according to Commerce Dept. figures.

In VCRs, only countries showing increases over 1992 in year's first 4 months are Malaysia, Indonesia, Singapore.

VCR Decks

	April	% Chg.	4 Months	% Chg.
TOTAL....	952,500	- 3.1	3,816,000	- 9.9
Japan....	357,800	-13.7	1,408,400	-23.7
Malaysia.	210,900	+47.5	898,100	+38.1
Korea....	179,700	- 6.5	795,000	-15.2
Thailand.	93,200	-34.9	266,900	-41.2
Indonesia	66,500	+ 5.2	245,100	+21.3
Singapore	30,300	+106.9	165,500	+94.5
Taiwan...	3,000	-70.6	17,100	-69.1

TV Sets

	April	% Chg.	4 Months	% Chg.
TOTAL....	1,043,000	+ 9.5	4,046,600	+ 8.1
color....	831,300	- 0.3	3,486,400	+ 8.7
b&w....	211,700	+77.9	560,200	+ 4.5
Mexico				
color...	521,100	+12.2	2,109,600	+20.4
China				
total...	186,800	+125.0	466,100	+60.6
color...	72,400	+37.9	214,400	+20.1
b&w....	96,400	+328.1	251,700	+125.5
Malaysia				
total....	101,400	+19.7	457,500	+36.7
color...	74,500	- 0.08	398,600	+30.6
b&w....	26,900	+151.6	61,000	+96.3
Thailand				
total....	66,100	-14.4	294,800	- 3.7
color...	63,700	-17.4	287,300	- 6.1
b&w....	2,300	*	7,500	*
Korea				
total...	62,200	-39.5	255,600	-40.7
color...	46,400	-37.8	167,000	- 6.5
b&w....	15,800	- 4.4	88,700	-47.5
Taiwan				
total...	20,100	-59.8	135,200	-46.5
color...	8,100	-42.7	30,700	-44.3
b&w....	12,000	-66.5	104,600	-25.2
Japan				
total...	26,000	-10.3	129,000	+11.6
color...	16,200	- 6.5	89,100	+28.8
b&w....	9,800	-16.0	39,900	- 0.3
Singapore				
color...	10,100	-76.3	97,400	-45.0
Hong Kong				
total...	9,800	+ 4.5	43,000	+17.7
color...	9,800	+67.3	40,900	+17.4
b&w....	0	--	2,100	-89.9
Philippines				
color...	2,000	-70.9	30,000	+ 5.3
Canada				
color...	5,400	-63.8	21,500	-13.6

* No significant shipments in 1992.

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

APRIL AUDIO SALES REBOUND: Industry recorded strongest audio equipment sales month for some time in April, as factory dollar volume increase hovered just below 10% and was buoyed by upturns in all 4 broadbased audio categories, EIA Mktg. Service Dept. reported.

Overall April factory audio dollar volume climbed 9.9% from year earlier, sparked by 31.1% rise in systems, followed by portable audio, which increased 8.4%. Even beleaguered components category rebounded 5%. Aftermarket autosound held its own, climbing 4.5%.

But sales through year's first 4 months were relatively lackluster because of scant 1% gain in first-quarter dollar sales volume. Overall Jan.-April performance was up 3.1%, notwithstanding 9.4% increase in systems, partly because components fell 2.5% in Jan.-April. Meanwhile, remaining categories tracked modest growth curves closely mirroring overall industry gain through first 4 months. Aftermarket autosound rose 3.9% and portable audio climbed 3.3%.

Here's breakdown of EIA factory audio dollar sales for April and first 4 months of year:

FACTORY SALES OF AUDIO EQUIPMENT (add 000)

Product	Apr. 1993	Apr. 1992	% Chg.
Portable audio*.....	\$169,898	\$156,744	+ 8.4
Components.....	110,567	105,274	+ 5.0
Systems.....	90,605	69,125	+31.1
Autosound (aftermarket)	143,410	137,172	+ 4.5
TOTAL.....	\$514,480	\$468,315	+ 9.9
4 Mo. '92	4 Mo. '91	% Chg.	
Portable audio*.....	\$660,783	\$639,919	+ 3.3
Components.....	454,980	466,695	- 2.5
Systems.....	386,079	352,818	+ 9.4
Autosound (aftermarket)	482,445	464,479	+ 3.9
TOTAL.....	\$1,984,288	\$1,923,910	+ 3.1

* Includes home radio.

Digital Vision (DV) CD-based karaoke machine currently is outselling laserdisc version on Japanese commercial market, according to JVC, which has been only manufacturer. Sony also will manufacture system, which was developed jointly by JVC and Philips and provides full-motion video. Sony will supply Daiichi-Kosho, one of Japan's leading karaoke companies, on OEM basis. JVC said it has sold 12,000 DV systems Oct.-March and expects to sell 20,000 in fiscal year to March 1994. It said DV now has 50% share of commercial karaoke market.

Shortage of consumer electronic products has replaced surplus in China as result of buying spree by consumers fearful of rising prices, particularly of imports, China Daily reported. In year's first 5 months, color TV set sales were up 8.2%, VCRs 5.8%, cassette recorders 7.4%. Publication said growth of TVs and VCRs would have been greater but for "shrinking supplies, especially of imported brands, and by curbs on smuggling." State Statistical Bureau warned domestic manufacturers to be careful in expanding production, since 75% of Chinese families already own color TV sets and 74% have audio cassette recorders.

Seeking foreign know-how and investment partners, as well as customers, are 46 Chinese electronics companies that will send 125-member delegation to Hong Kong International Exhibition on Peaceful Use of Military Industrial Technology July 5-12.

Consumer Electronics Personals

Robert Goodman, onetime Harman America pres., named to new post of Onkyo pres.-international relations, reporting to corporate hq in Osaka, responsible for "strategic development of overseas business" in Europe and N. America (see report, this issue), following sale of Toshiba's 69.7% interest to Techno Group (TVD May 3 p13). Techno Group subsidiary Techno Ace is former Shin Shirasuna, was onetime owner of Harman Kardon and still was key OEM supplier even after it sold brand back to Sidney Harman in May 1985.

Carl Wegener departs as Philips national mktg. dir. for CD-I to join U.S. Satellite Bestg. (USSB) DBS venture as dir., consumer electronics mktg., responsible for building network of dealers to sell USSB programming with Digital Satellite System hardware packages... **Strauss Zelnick** leaves as pres.-COO, 20th Century Fox Film, to become pres.-CEO of software publisher Crystal Dynamics June 30; current Pres. **Judith Lange** to take undetermined executive position over worldwide distribution and operations... **Eric Doctorow** promoted to pres., Paramount Domestic Home Video Div.

Fred Yando resigns after short stint as Infinity home audio sales and mktg. vp, reportedly in protest over company's recent decision to take on Circuit City account starting next month, his duties to be assumed by Pres.-CEO **Henry Suerth** until replacement is named... **Kevin Gordon** promoted to vp-creative dir./advertising, Best Buy... **Murray Slovik** departs as editor of Dealerscope Merchandising magazine for same post at IEEE Spectrum, where he will cover consumer electronics issues from engineering perspective.

Appointments at Warrantech Consumer Product Services: **Steve Williams**, southeast regional mgr., as national sales mgr.; **David Litwack**, ex-Macy's Cal. and Whole Earth Access, as western regional mgr.; **Pat Reynolds**, ex-JVC, as southeast regional mgr.; **Mary Aldrich**, ex-direct mail mgr., as client services mgr. for Warrantech Direct subsidiary... **Robert Bowlin** promoted to exec. vp, Sony Music Entertainment and senior exec. vp, affiliated Sony Music International... **Godehard Guenther** resigns as chmn., Analog & Digital Systems, but retains seat on board, remains major shareholder and will remain consultant.

—

Sales of personal digital assistants (PDAs) won't reach mass market proportions until they have access to widespread low-cost wireless data communications, probably 1996 or 1997, according to forecast issued by BIS Strategic Decisions market research firm. BIS projected that 65,000 PDAs would be sold in U.S. this year to "innovator" segment of market, with another 150,000 in 1994 as "early adopters" follow lead of innovators. BIS said survey -- 1,700 random telephone interviews -- showed that "while many innovators were interested in expanding their computing capabilities, communications features were considered central to PDA product acquisition."

International Jensen reported 30% sales increase in first quarter ended May 31 to record \$56.47 million. Company said stronger OEM speaker sales to car makers contributed more than 25% of increase. Moreover, Jensen said European operations, which weren't incorporated into first-quarter financial results year earlier, added \$6.63 million to sales in 1993 quarter. Net income in quarter rose to \$5.32 million (93¢ per share) from \$3.6 million (26¢) year earlier.

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
Best Buy 1993-13 wk. to May 29 1992-13 wk. to May 30	441,919,000 246,481,000	1,091,000 1,244,000	.09a .11
Broderbund Software 1993-9 mo. to May 31 1992-9 mo. to May 31 1993-qtr. to May 31 1992-qtr. to May 31	73,360,000 56,364,000 16,443,000 14,861,000	10,684,000 7,728,000 2,105,000 1,605,000	1.07 .79 .21 .16
Silver King Communications 1993-9 mo. to May 31 1992-9 mo. to May 31 1993-qtr. to May 31 1992-qtr. to May 31	34,563,000 35,716,000 11,719,000 11,535,000	(5,443,000) (11,480,000) (1,603,000) (4,242,000)	-- -- -- --

Note: aAfter special charge.

Funco, chain specializing in sales of used videogame hardware and software, plans to use share of proceeds from stock offering completed last week to fund opening of 47 Funoland stores (in addition to 7 already opened) in current fiscal year, primarily in metropolitan Detroit and N.Y. City suburbs. Eden Prairie, Minn.-based company last week sold 1.25 million shares at \$11, with another 100,000 sold by founder-CEO David Pomije, who retains 51% ownership. Proceeds were earmarked for new stores, general expenses, MIS system upgrade. In year ended April 4, Funco lost \$520,000 (12¢ per share) on revenues of \$20.5 million, with biggest portion of loss coming from operation of "Game Informer" magazine. In preliminary registration statement, Funco said it expects magazine, which has more than 50,000 paid subscribers, to be profitable by 2nd half of current year. About 75% of last year's retail sales, which account for 97% of revenues, came from used merchandise, vast majority of which is purchased from chain's retail customers. However, overall margins last year were hurt by increased percentage of sales of lower margin new goods, which accounted for 25% of retail revenues.

Recurring pattern in which sales to dealers of major video products run well behind last year in first part of month only to be surpassed by large margin in last week could be repeating itself in June. Figures released by EIA Mktg. Services Dept. show direct-view color TV sales were trailing last year by 27% for 2 weeks ended June 11. However, TV/VCR combos continued at hot pace maintained through first half of 1993, running 38.4% ahead so far in June, just under 50% ahead through first 23 weeks of statistical year. Projection TV sales also are staying ahead of last year, up 10.1% in first 2 weeks of June, 9.9% so far in 1993. VCR deck sales were 1.1% ahead of 1993 pace for first 23 weeks, with first 2 weeks of June off 28.8%. Camcorder sales were off 13.9% so far in June, but remained 12.7% ahead for year. Laserdisc players, which at end of 22nd week had moved ahead of 1992 pace, slipped just behind last year, although sales for first half of June were 31.6% ahead.

Data Discman with built-in speakers, allowing use of audio "electronic books" without headphones, has been introduced by Sony in 2 packages. Version bundled with "Passport's World Travel Translator" carries \$349 suggested retail price, while same hardware with "Grolier's Multimedia Encyclopedia" is \$399. Company also released list of 30 new "electronic book" optical discs that would raise total library to more than 100 titles by end of year.