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With Consumer Electronics

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SENATE STARTS EXPLORATION OF BELL ATLANTIC/TCI DEAL: Senate Antitrust Subcommittee started examination of Bell Atlantic (BA)/TCI merger Oct. 27 by trying to sort out 2 contrasting views of cable industry. From Viacom Chmn. Sumner Redstone there came down-and-dirty description of industry dominated by one man, TCI CEO John Malone, whose tactics he said determine whether any given cable programmer can live or die. From Malone's would-be merger partner, Bell Atlantic Chmn. Raymond Smith, there was description of network with virtually unlimited video capacity that no one person or company would be able to dominate. Job for Subcommittee will be to determine whether \$30-billion merger should be blocked.

Meanwhile, Justice Dept. has taken jurisdiction over federal govt.'s antitrust review of Bell Atlantic/TCI merger and FTC will oversee QVC bid for Paramount, officials confirmed Oct. 29. Govt. had said earlier that both merger proposals would be reviewed, but didn't immediately decide which agencies would handle them. Justice previously endorsed end of telco-cable cross-ownership ban and, in most recent antitrust case involving communications, okayed AT&T bid for NCR. FTC recently approved Viacom bid for Paramount. QVC, meanwhile, asked Del. Chancery Court for preliminary injunction to stop Viacom offer for

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FLAT VISION TV DUE IN U.S. from Matsushita in fall 1994 at more than \$3,000 retail. Its 14" beam index system will be aimed at commercial use. (P. 16)

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Paramount. Filing amended earlier QVC complaint that lockup provision in original Paramount-Viacom deal was unfair.

Also tossed into mix at hearing was Viacom's bid for Paramount -- merger that Redstone and Paramount Chmn. Martin Davis testified would be good for both companies. Despite presence of those principals, man who dominated proceeding -- Malone -- wasn't there, was out of country. Malone is entering merger with Bell Atlantic, has control over considerable cable programming and has large stake in QVC, which is mounting competing bid for Paramount. Subcommittee Chmn. Metzenbaum (D-O.) said he expects Malone will testify at next hearing, yet to be scheduled. Subcommittee member Sen. Hatch (R-Utah) said it would be "critical" for Malone to testify. Metzenbaum said that QVC Chmn. Barry Diller has agreed to appear, and that AT&T Chmn. Robert Allen also has been asked to do so on his company's merger with McCaw.

While not coming out against BA/TCI deal, Metzenbaum through opening statement and questions showed he had strong concerns, including whether merger would be quick way for Bell Atlantic to eliminate possible competitor in local telephony business. He also raised 4 questions: (1) "Can the merger of 2 huge monopolies that would otherwise be fearsome rivals usher in greater competition?" (2) Should there be restrictions on new conglomerate's ability to leverage programming and distribution? (3) Can regulatory authorities protect consumers? (4) Is there anything unique "about this combination of monopolists that cautions against the merger?"

Redstone's testimony and replies to questions were built around antitrust suit his company filed against TCI. He said combination of Bell Atlantic and TCI, including TCI's programming interests, reached half of U.S. households, and concluded that no one person should have kind of power Malone possesses: "John Malone determines what people hear and see in the United States." No service can be carried unless Malone approves it for TCI, Redstone said.

Redstone described several of what he called examples of anticompetitive activity by Malone and TCI, including TCI threat "to 'crucify' The Movie Channel," owned by Viacom, by denying that network and another Viacom premium service, Showtime, access to TCI subscribers unless Viacom agreed to "low-ball merger" with TCI service Encore. More recently, Redstone said, Viacom came up with idea for shopping program built around MTV. He said Malone liked idea, but Diller objected because service would be offered over competitor Home Shopping Network. Redstone said he advised Diller to talk to Malone, and idea was dropped. Next thing he knew, Redstone said, TCI and Bertelsmann Music Group in mid-Sept. announced formation of such channel.

TCI merger with Bell Atlantic would make bad situation worse, Redstone said, because of reach of both companies and ability of both to dominate technology. QVC acquisition of Paramount would compound problem by increasing Malone's domination of programming, he said. Redstone said he hadn't carried allegations of anticompetitive conduct to Justice Dept. or to Congress because, like other programmers, he was afraid of retaliation. Before filing suit, heads of his programming networks warned of possible disaster, but Redstone said he decided to go ahead because dealing with Malone led to conclusion that "we're going to get killed anyhow."

It was left to Smith to answer charges against Malone. He did so by telling Subcommittee that Redstone was making only unproven allegations, and that takeover battles usually involve those types of charges: "Accusations are not proof." He called Redstone's description of Malone's control over country's viewing habits "nonsense." After merger is completed, Smith said, new company will spin off cable holdings in BA's region to unrelated entity that would be completely separate from new Bell Atlantic: "There will be no cozy arrangements." He also said Bell Atlantic would sell interests in Teleport Communications operations, now 30% owned by TCI, in cities in which BA provides local telephone service.

On broader scale, Smith said Redstone's view of cable world no longer applies, because of compression and wireless technologies. Limits on what video services would be available are only those of computer video servers, he said, predicting there could be 2,000 channels. He expected competition for cable and telephony in markets around country and said deal would lead cable companies, such as TCI, to offer local telephony in competition with telephone companies, and telcos, such as his in Bell Atlantic region, offering video. Smith said his company would spend \$15 billion to upgrade network, including continuing work on technology to send video over copper, and that advanced interactive services were only 1-2 years away. But Redstone didn't buy it, saying he would believe world of 500 channels "when I see it." He also challenged notion there would be enough programming, saying it took 6 years to develop MTV.

In other testimony, consultant Dale Hatfield warned of dangers from merger, while attorney Peter Huber said there shouldn't be any antitrust problems. In letters to Metzenbaum's Subcommittee, NAB and 5 consumer groups raised questions about merger, while letter signed by ex-NTIA Administrator Henry Geller, ex-FCC Comr. Henry Rivera, Alliance for Public Technology Technology Chmn. Barbara O'Connor and attorney Andrew Miller said deal would promote competition and public interest.

Also on Hill, Sen. Kerrey (D-Neb.) said in floor statement Oct. 27 that "merger of Bell Atlantic and TCI is a marriage of technologies born of science, not corporate greed. We should not attempt to force these technologies to compete. Their convergence is inevitable. What we must do is see that those who provide this combined technology and the services associated with it compete fairly and aggressively."

VIACOM MOVES TO TOP QVC BID IN PARAMOUNT RACE: Viacom's sweetened tender offer for Paramount won't increase debt load so much that merged company "can't realize our dreams because of debt" and he has no intention of selling assets, Viacom Chmn. Sumner Redstone said after new offer was announced. It at least matches earlier QVC bid (TVD Oct 25 p7), and could exceed it in quickness of payoff and total return to investors. Viacom began tender offer Oct. 25 to pay \$80 cash for first 51% of Paramount stock offered, and mix of common stock and preferred stock valued at \$80 per share for rest. Total bid is put at \$10 billion, up from \$7.5 billion 6 weeks ago. QVC declined to comment, formally launched its tender offer Oct. 27.

Since QVC stock fell \$1.50 to \$55 per share after its bid, Viacom offer is about 70¢ per share more than QVC's, analysts said. Viacom officials also said its final payout could be quicker because Viacom-Paramount offer already has passed federal antitrust review, while QVC's still is pending. Each tender offer must be open for at least 20 days.

Cash portion of Viacom's bid is readily available, company said. Redstone said it would come from mix of previously announced investments by Nynex and Blockbuster, internal cash and mix of new bank and other debt. Additional money could be available, Redstone said: "I can't believe the number of people offering us money in various ways, both in the U.S. and abroad." He said Viacom has met only with companies that offer "real strategic value" in addition to cash, and those meetings continue. Redstone also pointed out that Viacom will have access to Nynex and Blockbuster cash regardless of whether Paramount deal goes through because both investments are unconditional.

Viacom also would have access to estimated \$260 million that it would get from Paramount if deal doesn't go through. Despite some press speculation that deal that was approved by boards of both Viacom and Paramount in hastily called secret meetings Oct. 24 included end to "poison pill" that guaranteed payoffs to Viacom if deal didn't go through, Viacom officials told media that provision still applies. They wouldn't provide details.

Redstone refused to speculate on whether QVC eventually would increase its bid for Paramount, now that Viacom has matched it. He said Viacom and Paramount still aren't sure that current QVC bid is credible, in part because half of it is in form of QVC stock that has more than doubled in value this year. Referring to speculation that QVC bid could be better because QVC Chmn. Barry Diller has more experience running studios, Redstone said "this merger is not about running a studio," but about running integrated media companies. He also said that success record of all studio heads is "mixed."

Stock portion of new Viacom offer includes 0.20408 share of Viacom Class A common, 1.08317 share of Class B common and 0.20408 share of newly issued convertible exchangeable preferred stock for each Paramount share. Preferred stock carries same terms as that in deals with Nynex and Blockbuster, Viacom said. Paramount Chmn. Martin Davis said new Viacom offer "represents superior long-term value to our stockholders."

Pacific Bell demonstrated Advanced Broadcast Video Service (ABVS) Oct. 29 at Society of Motion Picture & TV Engineers (SMPTE) conference in L.A. In parallel demonstration, Columbia Pictures' Dracula was sent from Sony Pictures High-Definition Center to theater. Process eliminates shipping of film to editing studio, to director and back, PacBell said. Films also can be released to theaters electronically. For screening purposes, video transmitted from Sony was digitized and compressed to 45 Mbps from 90 MHz using HDTV equipment made by Alcatel Network Systems.

FCC amended rules to require that pleadings, briefs and most other documents be printed in 12- or 14-point type. It said that will ensure that page limitations for filings "will not be circumvented by the use of printing reduction processes." Filings must be on 8-1/2" by 11" paper.

QVC Chmn. Barry Diller will be keynoter at CTAM western conference Nov. 29-30 at Anaheim Marriott. Other speakers include Time Warner Senior Vp Geoffrey Holmes, Crown Media Exec. Vp Rodney Thole, Daniels Pres. Brian Deevy -- 703-549-4200.

KID TV FINES ARE COMING -- KREISMAN: There will be more fines against TV stations for violating commercial time standards in 1990 Children's TV Act, Barbara Kreisman, chief of FCC Video Services Div., promised Oct. 27 at NAB children's TV symposium in Washington. Also at symposium, which McDonald's co-sponsored, Marian Edelman, pres. of Children's Defense Fund, launched attack on violence in TV and movies, saying that "after 30 years of research, we know that media violence has an [adverse] impact on children."

Asked by moderator Valerie Schulte, NAB senior assoc. gen. counsel, whether there would be more fines for children's shows, Kreisman responded: "Yes. Two come to mind at the top of my head." She said their violations of commercial time standards had numbered 300-500 each since 1990. FCC on Oct. 21 fined 3 stations and satellite of one \$25,000-\$30,000 (TVD Oct 25 p10). Kreisman said staff has fined additional 6 stations up to \$15,000 (fines of more than \$20,000 must be approved by full Commission). Nearly one of every 4 renewal applicants has some "overages" of time standards, she said, although staff has found that nearly half of those are "de minimis" -- fewer than 10 overages. FCC has taken no action against licensees for not fulfilling law's mandate to provide "informational and educational" programming for children because agency has inquiry pending on subject, she said.

On violence issue, Edelman said she isn't seeking govt. regulation but is asking media what can be done. Influence of media "can be used for good as well as bad," she said: "I don't believe that this is a First Amendment issue and I don't believe in censorship." However, she said, televised and movie "violence is the issue for every group I talk to." Failure of parents to control viewing of their children doesn't relieve media of responsibility, she said: "A lot of parents are working. A lot of parents are single." She said U.S. movies are edited heavily for violence before being shown overseas: "I wonder if this is the reason" foreign murder rates are so much lower than in U.S.

Fox weekday Children's TV Network has "exceeded expectations," Margaret Loesch, pres. of network, told symposium. Network operates as co-op, with affiliates and producers sharing profits. She said Fox Kids Club has more than 5 million members.

Evening before seminar, NAB presented its children's programming awards to 13 TV stations, with 3 winning "Best of the Best": WESH Daytona Beach-Orlando, WCSH-TV Portland, Me., KODE-TV Joplin, Mo. Ceremony, held in House Caucus Room, attracted many members of Congress.

Cable Industry has made "good-faith effort" to comply with Cable Act, said Rep. Fields (R-Tex.), who also gave FCC Chmn. Quello pat on back. In Oct. 27 letter, Fields, senior Republican on House Telecom Subcommittee, wrote to "commend you [Quello] for the expeditious and thorough way in which the Commission conducted its recent cable rate survey." He acknowledged that results showed many subscribers had lower rates but, as opponents had predicted, many had increases. In those cases, Fields said: "I firmly believe that the specific cases in which consumers' cable bills have risen, as revealed by the FCC's survey, are the result of a flawed law -- not the way in which it was implemented." Because of cable's efforts to comply with law, he urged Quello "to resist congressional pressure to make broad and unfounded assumptions about whether the cable industry has attempted to evade rate regulation." Instead, FCC should look at situations on case-by-case basis, he said.

PARAMOUNT, CHRIS-CRAFT PLAN 5TH NETWORK:

Long-rumored 5th TV network will become reality in Jan. 1995 if plans of Paramount and Chris-Craft announced Oct. 26 bear fruit. They said Paramount Network would start then with 4 hours of original programming over 2 nights weekly, with Paramount's 7 TV stations (covering 11% of U.S. TV households) and Chris-Craft's 8 (20%), through BHC and United TV, forming core. First program announced will be new, action-adventure, one-hour Star Trek: Voyager.

Paramount Chmn. Martin Davis said that, under proposed merger with Viacom, "the launch of the Paramount Network has been approved by Viacom. They share our enthusiasm for the vast opportunities of this bold venture... The Paramount Network will benefit substantially from the combination of Paramount's programming expertise with Viacom's outstanding capabilities in the television business." Viacom issued similar statement, but said it would be "premature" to speculate whether it would add its 5 TV stations (3 NBC affiliates, 2 CBS) to new network.

Of Paramount's stations, 4 are affiliated with Fox (although WTXF Philadelphia will lose that status when Fox purchase of WGBS-TV Philadelphia is consummated); Chris-Craft owns ABC affiliate KTVX Salt Lake City and NBC affiliate KMOL-TV San Antonio, rest are independents. Paramount TV Group is major producer of first-run programming, providing 30-1/2 hours weekly to CBS, NBC, ABC and USA Network and currently has 10 prime-time series on air. Chris-Craft Bestg. Pres. Evan Thompson said Paramount Network "represents the most exciting opportunity to provide independent stations with distinctive, original programming..." There was no comment from Fox TV Network. "I'm not surprised," said INTV Pres. James Hedlund.

Digital TV will give U.S. TV stations "real business opportunities they never had before," Advanced TV Systems Committee Chmn. James McKinney said Oct. 26 in keynote at international HDTV workshop in Ottawa. Excess capacity on digital TV signal could be used to distribute such material as purchasing information, stock quotes, sports scores, airline schedules and even rental movies or CD-quality albums that would be recorded in home, McKinney said. As various communications media converge into U.S. digital highway, he said, "the importance of the ability of these thoroughfares to intersect seamlessly cannot be overstated." Organizations such as MPEG (Moving Picture Experts Group), International Telecommunication Union and International Standards Organization become critical in current environment to set international standards that assure that "whatever product you do buy must work universally," McKinney said. Recent U.S. decisions on HDTV (TVD Oct 25 p2) could cause problem, he indicated, because MPEG is leaning toward Musicam system, which is backward compatible with MPEG-1, for HDTV audio, while U.S. experts group selected Dolby. McKinney said Musicam system failed "critical" audio tests, although manufacturer said problem has been solved, and another competitor developed by MIT required much more data than Dolby. MPEG won't test competing audio systems fully until after it approves committee draft of MPEG-2 standard this week, he said: "It is critically important that MPEG consider the results of the U.S. testing of Dolby and Musicam. Perhaps both can be included in MPEG-2."

Evergreen Media signed letter of intent with Fairmont Communications to buy KIOI(FM) San Francisco for \$45 million cash, minus accounts receivable. Agreement expires Nov. 19, subject to extension until Dec. 1.

QUELLO AND BARRETT EXPLAIN FINSYN VOTES: In FCC's final order adopted in Sept. (TVD Sept 27 p5) denying reconsideration of finsyn rules approved in April, Chmn. Quello issued statement of partial dissent, while Comr. Barrett said he was writing separate statement to "emphasize the importance of the sunset approach to phasing out finsyn." New rules call for Commission to review them 2 years after networks' consent decrees with Justice Dept. (DoJ) are rescinded. ABC, NBC, CBS and DoJ have joint request to accomplish that purpose pending in U.S. Dist. Court, L.A.

Quello said he was dissenting in part because some persuasive arguments for reconsideration "were not incorporated into this decision." Citing recent court ruling voiding ban on telcos' owning cable systems in their service areas, emergence of 5th network and recent mergers such as Viacom-Paramount (with QVC fighting to take over Paramount) and Bell Atlantic/TCI, he said: "Given such significant developments, we may not even recognize the media landscape in a matter of months -- not years. Obviously, this would have profound implications for the continuing validity of any finsyn rules."

Bell Atlantic/TCI merger "could fundamentally alter the communications landscape and no doubt will trigger similar alliances," Quello said. Networks are only entities excluded from era in which software producers are combining with companies engaged in program distribution: "This makes less sense with each passing day... Competition [to networks] is developing even more rapidly than anticipated."

Barrett, who was successful in getting sunset provision included in April decision, said it provides "an interim and orderly transition into a deregulated arena from an environment that was closely monitored just 2 years ago." He said he supported sunset "out of an abundance of caution about the resulting impact of finsyn's elimination." Primary concern, he said, is "the continued diversity in independent television outlets."

Appeals of finsyn rules adopted in April are pending in 7th U.S. Appeals Court in Chicago before same 3-judge panel (TVD Oct 25 p5) that year ago declared finsyn rules adopted in 1991 unconstitutional.

FCC staff is continuing to issue fines for rules violations at rapid pace. Last week, 12 broadcast stations were fined \$250-\$20,000 for variety of violations -- Emergency Best. System equipment not installed or not operating, documents missing from public file, improper remote control operation, unlicensed operators, excessive field strength by AM directional stations. Additional 10 fines were levied against nonbroadcast violators. All of fines cited above were issued by FCC field offices. Full Commission Oct. 28 denied reconsideration of \$2,000 fines each for Infinity Bestg. stations WYSP(FM) Philadelphia and WJFK(FM) Manassas, Va., and Sagittarius Bestg.'s WXRK(FM) N.Y.C. for broadcasting "indecent programming at times when children were likely to be listening." Violations occurred in Dec. 1988 during broadcast of Howard Stern's "Christmas Party." Meanwhile, Washington law firm Borsari & Paxton warned clients that FCC has begun fining broadcasters \$5,000 and common carriers \$20,000 for failure to timely file applications and forms.

Great American, which in Dec. 1990 pulled 5 of its 6 TV stations out of NAB, along with all but 2 of its 16 radio stations, has returned. All Great American stations again are NAB members.

SUTTON SELLS SYSTEMS: In deal valued at more than \$450 million, Sutton Capital sold its last cable systems to Cablevision Systems. Sutton Pres. William Ingram told us company is selling for several reasons, including fact that "cable is becoming a big-company business and we never wanted to be big," but he said it's "very possible" Sutton will buy back into cable later. Deal is seen as making Cablevision more attractive to telcos and other potential buyers, since MSO's heavy emphasis on grouping cable systems near major metropolitan areas such as N.Y.C. and Boston has been cited as one of its major attractions to buyers.

Companies refused to divulge terms of deal, which involved 176,500 subscribers in N.J. and Mass., but it's understood to be priced at about 11 times cash flow -- \$2,600-\$2,700 per subscriber. John Waller, chmn. of Waller Capital, which brokered deal, said sale is "further evidence of the very strong market for cable systems. It also confirms the trends of rapid industry consolidation and ADI [area of dominant influence] concentration."

All 3 Sutton systems are near Cablevision systems. Sutton's Monmouth Cablevision has 115,000 subscribers in 31 central N.J. communities and its Riverview Cablevision has 45,000 in Hudson County, N.J. Both are close to Cablevision's Newark, Bayonne and Bergen County systems, and deal gives Cablevision, which also has extensive holdings in N.Y.C. and Long Island, total of 267,550 N.J. subscribers. Sutton has 16,300 subscribers in Framingham, Mass. Its acquisition will give Cablevision 256,000 Mass. subscribers.

Negotiations with Cablevision had been under way for "a long time," Ingram said. Sutton hadn't put systems on market, he said, but was open to offers since it was owned by limited partnerships and some partners wanted liquidity. Sutton had owned some systems more than 15 years, Ingram said, and owners also were facing possibility of additional tax liabilities. Sutton has "no immediate plans" for using proceeds, he said, but it's "certainly conceivable" that it will buy new cable systems: "Cable is a great business."

Hewlett-Packard (HP) made "strategic" equity investment in EON (formerly TV Answer), and interactive TV company is refocusing on open architecture interactive systems, EON Pres. Michael Sheridan said. Neither EON nor HP would disclose size of investment, but Sheridan said it was minority stake. EON, which announced last week it would lay off 87 of its 250 employees as part of overall restructuring, has been courting strategic investors to reduce existing shareholders' stake in business, Sheridan said. HP deal is important, he said, because of money involved and because it closely associates major company with EON. As part of deal, HP retains license to manufacture set-top boxes for EON network and will be allowed to license EON's interactive services for use in its new open architecture set-tops. Sheridan said EON is moving toward open architecture because "the days of single-purpose boxes are not going to work. The industry is driving toward multipurpose units." He told us open architecture also is good for EON because more users will be able to develop interactive applications and EON will be able to connect to more boxes. Layoffs were largely result of new FCC rules allocating interactive spectrum through auctions instead of lotteries, potentially reducing EON's expected spectrum holdings.

Columbia U. Business School will sponsor conference on merger of Bell Atlantic and TCI, as well as other mergers, at 6 p.m. Nov. 8 at school -- 212-854-2747.

CARRIER PROGRAM CONTROL HIT: Telecommunications carriers shouldn't be allowed to control programming, according to set of principles for development of national information infrastructure outlined Oct. 26 by broad coalition of more than 60 public interest and nonprofit organizations. They said they should be included in debate because information infrastructure policy was too important to be left solely to corporate interests.

Telecommunications Policy Roundtable, umbrella covering many groups that haven't taken part in telecommunications issues in past as well as more familiar organizations, held news briefing in Washington to release list of 7 "public interest" principles. Organizers said group wasn't moving in unison on all issues and left room for disagreements. But consistent theme was that corporate voices of large telephone companies and cable operators were only ones being heard consistently by policy-makers.

"Telecommunications carriers should not be permitted to control programming," group said, "and antitrust policies should be vigorously enforced to prevent market dominance by vertically integrated media monopolies." Jeffrey Chester of Center for Media Education, which coordinated group, said that "control" meant ownership of programming, and owners of network shouldn't control content.

Principles group advocates: (1) Universal access, with health, govt. information and news "provided in a user-friendly format, widely available to everyone, including persons with disabilities." Group said information "that is essential in order to fully participate in a democratic society should be provided free." (2) "Freedom to communicate," including right of "every person to communicate easily, affordably and effectively." Group said infrastructure should have 2-way audio and video, protected by First Amendment. (3) "Vital civic sector" would have "public arenas or 'electronic commons.'" (4) "Diverse and competitive marketplace" that would provide "ready access" for individuals, nonprofit groups; for-profit information providers should have lower barriers for entry.

Philips Electronics has made "an investment" in CellularVision, Philips Media CEO Scott Marden disclosed Oct. 26 following presentation at "Smart Media Week" seminar in N.Y. He declined to give details, including dollar value, of Philips involvement, which came to light in questioning on its participation in on-line interactive testing with its CD-Interactive system. Cellularvision officials declined comment on Philips role. Philips apparently becomes 2nd general partner in CellularVision; earlier this year, CellularVision announced that Bell Atlantic had become minority equity partner and would be responsible for buildout, marketing and operation of CellularVision wireless cable system as it begins further rollout in N.Y. area. Service has been operating for more than year in Brighton Beach area of N.Y.C. under FCC license, using 28 GHz through series of low-power transmitters, each with service area of up to 6 miles in diameter.

Moody's Investors Service assigned Baal rating to CBS's proposed offering of senior notes, due in 2023. Rating reflects expectation that "CBS's strengthening competitive position in a gradually improving advertising market should enable it to continue to perform well in the short term," Moody's said. "However, the rating also recognizes CBS's lack of diversification and the volatility inherent in the financial performances of the major television networks." Moody's said it would "likely" view any "material diversification" by CBS as positive development.

WARREN PUBLISHING WINS SUIT AGAINST

USTA: The unauthorized photocopying of a newsletter is a violation of copyright law, according to a decision issued by John Garrett Penn, Chief Judge, U.S. Dist. Court, D.C.

In a ruling dated Oct. 21, Judge Penn held that the U.S. Telephone Assn., the principal trade organization of telephone companies, had violated the copyright of Warren Publishing, Inc., by making numerous unauthorized copies of Communications Daily from Jan. 1981 until Dec. 1985, when Warren filed suit.

Judge Penn did not specify damages, but directed the parties "to meet and confer in an effort to come to terms on a possible settlement" and report back to him by Nov. 19. His decision came on a motion for summary judgment filed by Warren.

Martin McCue, USTA gen. counsel, said the Assn. would have no comment on the decision at this time. Albert Warren, editor & publisher of Warren Publishing (which was known as Television Digest, Inc., when the suit was filed on Dec. 2, 1985), issued the following statement:

"We are, of course, most gratified by the decision of Chief Judge John Garrett Penn upholding the strength of our copyright in Communications Daily. We are also pleased that the newsletter industry finally has a precedential judicial decision fully protecting newsletters against unauthorized copying.

"We are prepared, promptly and cooperatively, to carry out Judge Penn's order 'to discuss [with USTA] a proposal for damages in light of the finding of liability.'

"I think that all of us want to get this dispute behind us and get back to work -- because the entire communications industry is in a climax in its history."

Convergence of telephone and cable is creating "supercarriers," MCI Vp Gary Parsons said in address at Bear Sterns Multimedia Conference in Scottsdale, Ariz. He hinted that his company was close to deal that would enable MCI to become "one of those supercarriers." More alliances and more joint ventures will be announced "in the near future," he said, "as everyone rushes to pair off." MCI is positioning itself to be "a major player" in multimedia arena, Parsons said. Intelligence built into network, mainly through software, is key to delivery of future services. Content providers "will require networks that can offer national reach and national databases... in whatever form and in real time. Package it, track it, bill it and serve it to the customer," he said. MCI spent \$1.7 billion this year on upgrades to its fiber network to handle those tasks, he said.

International Family Entertainment offered \$2 million in working capital to Nostalgia Network to keep it solvent while takeover talks continue. Infusion is subject to signing definitive takeover agreement and IFE oversight of how money would be used. IFE, owner of Family Channel, offered Oct. 8 to buy Nostalgia for \$2 per share, but Concept Communications remains in bidding.

FCC released order Oct. 27 selecting Motorola C-Quam system as AM stereo standard. Commission, acting under congressional mandate, said choice of single standard "is intended to remove any remaining uncertainty among AM broadcasters as to which stereo system to use, and thereby encourage the improvement and expansion of AM broadcast service." It said majority of comments it received "strongly supported" its action year ago proposing C-Quam over competitor Kahn system on ground that Motorola technology had become de facto industry standard. It said selection of C-Quam was conditioned on requirement that Motorola license patents to other parties "under fair and reasonable terms." Commission said stations using "alternative" systems will be given year to switch to C-Quam. It also said stations using Kahn stereo exciters to implement Kahn "power-side" operation mode may continue to do so indefinitely, "provided that the program material fed to both channels of the exciter is identical in content." NAB praised FCC action as "welcome, but long overdue." Broadcasters have been asking Commission to designate standard "for more than a decade," it said. "The growth of AM stereo depends now on both the expansion of stereo transmission by AM broadcasters and quick action by manufacturers to offer the public a wide choice of AM stereo receivers." EIA Consumer Electronics Group Vp Gary Shapiro also welcomed order, reiterating that his group strongly supported legislation to establish standard as long as receiver makers weren't mandated to produce AM stereo radios. AM stereo "remains very much a chicken-and-egg question," Shapiro said, "but the reality is consumers don't go into stores asking for AM stereo." He said it's up to radio broadcasters to protect "significant investment" they have in their stations. Leonard Kahn, head of Kahn Communications, declined comment, saying he hadn't read FCC order. But he said "this matter will not come to an end" as result of FCC action. He suggested there's still great deal of grass-roots support for Kahn system among broadcasters who believe it's technologically superior to Motorola's.

MPAA announced voluntary labeling program Oct. 28 to provide consumer information for all theatrical films altered in any way for TV, cable, home video or airlines. Labeling will begin "immediately," MPAA Pres. Jack Valenti said. "Our goal is to ensure that consumers have accurate information about the product they are viewing." Label will appear at start of all programs on TV screen and will be printed on container for home video. In addition to MPAA's 7 member studios, concept has been adopted by Miramax New Line, Samuel Goldwyn Co. and Turner Bestg. System, which already was labeling its colorized movies. Labeling is partial response to pressures from Congress, where bills are pending in House and Senate to mandate same thing. NAB released statement: "We applaud MPAA's leadership... This program is evidence that the industries involved can address film labeling issues constructively and that film labeling legislation is unnecessary." INTV also praised action, said as result "no reason exists to continue consideration of film labeling legislation." Several members of Congress endorsed MPAA action.

Senate, on 90-10 vote, approved conference report on appropriations bill (HR-2519) containing FY 94 budget for FCC, NTIA, Cuban broadcasting and related matters. In separate action, Senate approved amendments to conference report allowing FCC to collect \$60 million in fees. House already had approved bill including fees, 303-100, on Oct. 19. Also included are measures allowing Commission to take more liberal view of newspaper-radio cross-ownership.

Correction: NBC didn't join "Grand Alliance" developing new U.S. HDTV system (TVD Oct 25 p2).

USIMTA PACKS UP: Controversial association representing wireless cable, interactive TV and PCS applicants closed Washington office without leaving forwarding address or telephone number. It wasn't clear whether U.S. Interactive & Microwave TV Assn. (USIMTA) would continue operating. USIMTA, founded in 1990, claimed membership of more than 3,000 individuals, who paid \$350 per year dues, and companies that paid up to \$2,500.

Ben Crutchfield, listed as USIMTA exec. vp, said he wasn't sure whether Assn. would continue. (He said that his USIMTA title was overstated, that he's "more of a consultant.") Efforts to reach other USIMTA officials were unsuccessful because all telephone numbers had been cut off, with no forwarding number. Same is true of Technosources Inc., firm owned by USIMTA founder and leader Marcus Dalton.

USIMTA moved out of 2300 M St. week ago, according to building manager. One employee said that there was no advance notice of difficulties, and that staff hadn't been paid: "They didn't tell the employees anything. What concerns me is what happens to all those members who paid a lot of money in dues."

Chinn. Lynnea Bylund-Dalton, wife of Marcus Dalton, said majority of members are individual wireless cable applicants, but some corporate members had connections to application firms that were subject of actions initiated by FTC, state govts. or courts (TVD May 25/92 p1). USIMTA later adopted code of ethics and said it had denied membership to some firms on ethical grounds.

There's not "one shred of evidence" that widespread trafficking in licenses has occurred since FCC repealed 3-year holding rule in 1982, as contended by Black Citizens for a Fair Media, NAB told agency last week in opposing reinstitution of rule. Since 1982, station sales increased in some years primarily because changes in investment and tax policies often encouraged sales, NAB said: "Artificially constricting the market for broadcast stations would thus fly in the face of the congressional design for the broadcasting industry... There are few actions which the Commission could take which would be more effective in reducing the attractiveness of broadcast investments than requiring a lengthy holding period." In separate FCC rulemaking, NAB said there's "ample basis" in record (PR Doc. 93-199) for agency to adopt aviation receiver standards. Opposition to proposal based on arguments that it would increase general aviation costs "is without sufficient foundation," NAB said.

Clear Channel Communications announced Oct. 27 that it's acquiring 7 radio stations owned by Metroplex Communications for \$54 million and assumption of debt. Deal could cause problem under FCC rules because Clear Channel already owns 31 radio stations, and adding Metroplex outlets would give it 38 -- 2 over FCC maximum of 18 AMs and 18 FMs. Clear Channel Treas. Randall Mays said company will take whatever action is necessary to comply with rules. Metroplex is owned principally by veteran broadcasters Norman Wain and Robert Weiss.

FCC granted Minn. Public Radio (MPR) rare waiver of noncommercial status to mount 35-hour fund-raiser for St. Paul Chamber Orchestra. Marathon, which began Oct. 29, seeks to raise \$500,000. Such waivers have been granted for public radio stations only twice, MPR said -- once to raise funds for D.C. area's Wolf Trap Performing Arts Center after it was destroyed in fire, and for victims of San Francisco earthquake.

Philips is taking minority stake in CellularVision of N.Y. as part of involvement in multimedia delivery systems, said Patrick Greaney, senior vp, Philips Electronics, N. America. "Philips is interested in broadband and interactivity as an area we want to learn more about," he said, and CellularVision "to the best of my knowledge is technically equivalent to fiber... and has a significant cost advantage to fiber in getting into homes and offices." Greaney declined to say how much Philips is paying for stake. Company's further role will be as potential supplier of software and equipment; Philips manufactures such equipment as cable decoders, CD-I devices, consumer electronics, etc. Greaney said buildout of CellularVision system is "following the schedule outlined" at Aug. news conference, when Bell Atlantic official said he expected additional cells beyond Brighton Beach, Brooklyn, would be operational by end of year. CellularVision spokesman was unable to confirm details of expansion.

Campaign finance reform, which would have major impact on TV-radio and which has been advocated by President Clinton, has been put on hold until next year because House Democrats couldn't agree. Democratic congressional leaders last winter promised there would be legislation this year, but House Speaker Foley (D-Wash.) and Senate Majority Leader Mitchell (D-Me.) have conceded lack of consensus on what should be in bill. In his State of the Union Address in Jan., Clinton urged Congress "to pass a real campaign finance reform bill this year." In June, Senate adopted its version, which included some public funding for congressional campaigns, but House task force has been unable to agree. Several proposals would provide "communications vouchers," for use on TV-radio stations, to candidates who agree to voluntary spending limits.

FCC is expected to decide within few days whether to extend cable rate freeze again, probably until Feb. 15 or March 15, senior Commission officials said. "I don't think there's any doubt that the freeze will be extended," one said. "The only question is how long. That will be up to a majority of the commissioners." Current freeze expires Nov. 15. Chmn. Quello supports extending freeze, he told us: "We need a little more time to let everybody get more acquainted with a very complex act, and we need to get a little more stability in the rates themselves." He said there's still question whether some rate increases are legal, and even whether there are loopholes in rate rules that need to be closed. He earlier promised "widespread inquiry" into cable rates "with investigatory overtones" (TVD Oct 25 p4).

House Telecom Subcommittee Chmn. Markey (D-Mass.) said he agreed with FCC Chmn. Quello's call for investigation of cable rates (TVD Oct 25 p4). In Oct. 26 letter to Quello, Markey said: "We must not leave the American cable consumer at the mercy of arbitrary and unreasonable rate practices by cable operators." Markey provided several examples of types of practices that he said appeared to be violations of law, including: (1) Basic service in one Fla. system jumped 51%, to \$21.05 monthly. (2) Bill in Ind. for basic climbed 48%, to \$20.64. (3) Cal. system is moving channels to "a la carte" status to avoid regulation, with 7 channels that had been part of basic package now offered separately. (4) System in Md. claimed Cable Act didn't allow it to offer discounts to senior citizens, when in fact Act specifically does so.

Private Financial Network (PFN) has begun delivering investment-oriented video programming over First Call network. PFN, investment video service of CNBC, delivers programming directly to PCs of First Call subscribers via satellites, fiber or digital data circuits.

NTIA survey showed that minority ownership of commercial broadcast stations dropped to 2.7% this year from 2.9% in 1991 and 1992, first decrease since agency started keeping track in 1990. Number of stations owned by minorities fell to 300 in 1993 from 310 in 1992, primarily because of Tak Communications' loss through bankruptcy of 3 FM and 6 TV stations. Of 12 other formerly minority-owned stations, 7 went out of business and 5 were sold to non-minorities. During year, minorities acquired 11 stations -- one new grant, 10 others through purchases. Said NTIA Dir. Larry Irving: "I am very concerned about the decrease in minority broadcast ownership because diversity in broadcasting is an important Administration goal."

Southeastern Eye Center dropped \$8-million suit against NBC News and its Dateline program. In suit, filed in U.S. Dist. Court, Greensboro, N.C., Center had charged that its business fell more than 30% after May 4 Dateline segment titled "Cataract Cowboys" that it said falsely accused Center's doctors of performing unnecessary cataract operations. Center Pres. Mark McDaniel said suit was dropped because business had returned to normal. "From the beginning," he said, "we have stressed that our only goal was to have our reputation restored to where it was before Dateline unjustly attacked us. Today, we are pleased to say that has been accomplished." NBC said it had paid Center no money, made no apology, stands by program, didn't accuse doctors of performing unnecessary operations.

Prodigy will launch new cable service this month, allowing cable networks to place their entire program schedules on Prodigy, conduct viewer polls and contests, operate viewer bulletin boards. "Prodigy's listings service is a big asset for cable networks," said Barbara Sanden, Prodigy gen. mgr.-news, sports and information. She said cable networks often don't get full listings in newspapers, but will on Prodigy. First group of cable networks to go on-line with Prodigy includes American Movie Classics, Bravo, Comedy Central, CNBC, Country Music TV, Discovery, E! Entertainment, Encore, Jones Computer Network, Learning Channel, Mind Extension U., Movie Channel, Nashville Network, Showtime, Travel Channel.

Belgian Commerce Court ruled that ban on cable transmission of satellite-delivered Turner Network TV and Cartoon Network was illegal. Local cable distributor Coditel Brabant restarted service Oct. 27 following ruling. Belgian govt. had banned channels in Sept., saying networks had breached European Community (EC) TV directives since their content is mostly American. EC directive says European programming should be used "where practicable." According to Reuters, court order didn't focus on EC directive, but on way it was enforced. Wire service said court ruled against Belgian govt. because it didn't consult State Council before enacting ban.

E.W. Scripps Co. filed SEC registration to offer 4.6 million shares of Class A common. Offering is managed by Merrill Lynch and Donaldson, Lufkin & Jenrette. Proceeds will go to Edward W. Scripps Trust, which is offering shares. Trust owns 68% of common stock of media company, 80% of Class A voting shares. Scripps recently announced plans to launch 24-hour cable channel, Home & Garden TV Network, in fall 1994.

Only 16 of 446 TV stations surveyed in top-100 markets didn't win full cable carriage through retransmission consent or must-carry agreements by Oct. 15, Cable Networks Inc. (CNI) survey showed. Stations include 5 ABC affiliates, 3 CBS, 2 Fox, 6 NBC, no independents. Total of 173 stations refused to participate in survey.

Personals

David Zesiger, ex-adviser to former House Telecom Subcommittee member Rep. Eckart (D-O.), named Subcommittee senior counsel-mass media... **Donald Mitzner**, Group W Satellite Communications, elected vice chmn., Cable TV Ad Bureau, succeeding **Gregory Liptak**, named chmn. earlier this year; **Michael Eckert**, Travel Channel and Weather Channel, succeeds Mitzner as secy... **Susan Holliday** promoted to deputy gen. counsel, West Coast, CBS, **Douglas Jacobs** to deputy gen. counsel, East Coast... **Marla Romash**, communications dir. for Vice President **Gore**, becomes Administration's chief spokesperson for health care.

Fred Miggins, ex-Grey Entertainment & Media, appointed vp-advertising and marketing, WTBS Atlanta... **Rodney Bagley**, ex-TCI Washington office, named chief financial officer, Action Pay Per View... **John Swanson**, ex-partner in Thomas Group, appointed vp-operations, Qualcomm Inc... **Shirley Thornton** promoted to vp-sales and development, Best. Equities... **Jeffrey Jones** advanced to gen. mgr., Jones system, Oxnard, Cal... **Robert Roy** promoted to exec. producer-special projects, ABC News.

Changes at Warren Publishing: **Cindy Spielvogel**, editor and publisher of V.I.P. (Video Info Paper), newsletter devoted to nonentertainment programming, appointed managing editor of Video Week, effective Nov. 1. Spielvogel previously was managing editor and west coast editor of Video Insider. She succeeds **Michael Peck**, who joins Alexander & Assoc. as editor of Interactive Update.

Joseph Cece, ex-News America Publishing exec. vp, joins Cablevision Systems as vp-gen. mgr.-new business opportunities... **Colleen Abdoulah**, ex-Netlink, appointed vp-mktg. and new business development, TCI Cable Management... **Jeffrey McGrath**, pres., Silver King Communications, also named chmn., succeeding **Robert Sutton**, who joins Golf Channel; **Steven Grant**, exec. vp-chief financial officer, becomes vice chmn... Comcast Cable promotions: **Stephen Burch** to regional senior vp, new Mid-Atlantic Div.; **Tyrone Connor** to regional senior vp, Del. Valley Div.; **Bradley Dusto** to senior vp-engineering operations, succeeding **Frank Ragone**, who retires in Dec... Ex-HBO Vp **Betsy Bruce** named pres., Time-Life Video & TV... **James Clark**, Silicon Graphics chmn., will keynote "InterTainment '93" on interactive TV, Nov. 3-5, Loew's Santa Monica Beach Hotel, Cal... Promotions at Arts & Entertainment Network: **Michael Cascio** to vp-documentary programming, **Delia Fine** to vp-film and drama.

Susan Sallet, ex-press secy. to Rep. **Reed** (D-R.I.), named special asst., FCC Public Affairs Office, Schedule C (political) position; **Linda Blair**, attorney in FCC Mass Media Bureau, named asst. chief, Audio Services Div... **Teri Lepovitz**, senior vp-NAB services, joins American Petroleum Institute Nov. 15 as senior mgr.-industry services... **Benjamin McKeel**, vp-TV, Nationwide Communications, also named gen. mgr., Nationwide's WRIC-TV Richmond... **Gene McHugh**, ex-CBS TV Stations Div., appointed vp-gen. mgr., WATL Atlanta.

Promotions at RTNDA: **Leslie Breen** to dir.-programs, **Michele Fitzgerald** to dir.-membership, **Wendy Dressel** to mgr.-meetings and special events... **James Hanning**, ex-WGHP-TV Greensboro, N.C., appointed local sales mgr., KOIN-TV Portland, Ore... **Donald Cromer**, Hughes Space & Communications (HSC) vp, named HSC pres., corporate vp and member of Hughes Aircraft policy board, succeeding as pres. **Steven Dorfman**, appointed to head company's Telecommunications & Space Sector... Chrysler Mktg. Vp

John Damoose appointed senior vp-mktg.-corporate communications, International Family Entertainment.

Bell Atlantic implementation team for merger with TCI: Pres. **James Cullen**, Vp-Gen. Counsel **James Young**, Vp-Special Assignment **James Dickerson**... **Hal Krisbergh**, pres., General Instrument (GI) Communications Div., named to same post, new GI Broadband Communications Div., consolidation of Jerrold Communications and VideoCipher Div.; **James Bunker**, pres., VideoCipher Div., retires at end of year, will remain senior adviser/consultant; **Richard Friedland** advanced to GI pres.-COO; **Felix Rohatyn**, Lazard Frères & Co. senior partner, elected a dir.

George Bodenheimer advanced to senior vp-affiliate sales and mktg, ESPN... **Charlenne Carl** promoted to Weather Channel affiliate mktg. dir... **Neil Kohn**, ex-Communication Strategist Inc., joins Wegener Communications to lead corporate development... **Brian Bracco**, news dir., KMBC-TV Kansas City, elected chmn.-ABC Affiliates News Dirs. Advisory Board... **Libby Gill**, Sony Pictures TV Group vp-publicity, elected chmn., TV Publicity Executives Committee.

MTV Networks promotions: **Sara Levinson** to pres.-business dir., **Judy McGrath** to pres.-creative dir... **David Sheehan** advanced to mktg. mgr., Worldwide TV News... **Peter Hennessey**, ex-WBZ(AM) Boston, appointed gen. sales mgr., WHDH-TV Boston... **Elizabeth White**, ex-20th TV, joins Fox Circle Productions as vp-business and legal affairs... **Gary Meisel** named senior vp-deputy gen. counsel, Warner Bros... Ex-FCC Comr. **Patricia Dennis** replaces **Ignacio Lozano** as public member, NPR board... FCC speakers at CEPT Radio Conference, Madrid, Nov. 3-5: **Thomas Stanley**, chief engineer; **Thomas Walsh**, asst. dir., Office of International Communications... FCC Comr. **Barrett** speaks Nov. 5 on 1992 Cable Act, John Marshall Law School, Chicago, noon... **Ralph Haller**, chief, FCC Private Radio Bureau, and **Brian Fontes**, chief of staff, will be on Industrial Telecommunications Assn. regulatory affairs panel Nov. 5, La Quinta Hotel, La Quinta, Cal., 10 a.m.

OBITUARIES

Roy H. Park, 83, died of cardiac arrest in N.Y.C. Oct. 25. He was founder and chmn.-CEO of Park Communications, broadcast and newspaper conglomerate operating in 24 states. Company was first group to reach FCC's old limit of 7 TVs, 7 AMs, 7 FMs. Park became reporter for AP while student at N.C. State. After heading his own ad agency and as executive at Procter & Gamble involved with Duncan Hines products, he entered broadcasting in 1962 with purchase of WNCT-TV Greenville, N.C., reached 7-7-7 plateau in 1977. Company now owns 8 TV stations and is buying 9th, 22 radio stations and 144 newspapers. Wife, son and daughter survive.

Alfred (Win) Whittaker, 52, partner in Washington office of law firm Kirkland & Ellis, died Oct. 22 of cancer. He joined firm in 1983 after career with AT&T and represented Ameritech and other RHCs. Wife, son, stepson and stepdaughter survive.

DirecTV signed agreement to distribute Physicians TV Network to health care professionals, over planned DBS service. Network said it will buy satellite receiving systems from RCA and provide equipment to 100,000 doctors, 1,000 hospitals.

Financials: **Times Mirror** profit nearly doubled to \$77.7 million in quarter, mainly because of profit on sale of QVC stock and small cable system in Del Rio, Tex. Revenue rose 4.1% to \$924 million... **Tribune Co.** broadcast profit fell 8%, but overall profit rose 13.5% to \$38.6 million. Newspaper profit was up 5%... **Knight-Ridder** profit dipped 0.4% to \$31.3 million in quarter, despite 5% revenue increase to \$593 million... Cost of buying WESH Daytona Beach-Orlando cut **Pulitzer** profit to \$3.3 million in 3rd quarter, from \$4 million year ago. Broadcast revenue jumped 31.4% to \$35.5 million... **Scientific-Atlanta** profit more than tripled to \$7.1 million in quarter ended Oct. 1, from \$2.1 million year ago. Most of growth was from increased sales of cable equipment, although higher sales in broadband group were partly offset by cuts in network systems and digital audio products. Overall revenue dipped to \$170.3 million from \$171.2 million... **N.Y. Times** net loss dropped to \$3 million in 3rd quarter, from \$35 million year ago, as revenue rose 4.6% to \$445.6 million... **A.H. Belo** broadcast operating profit fell to \$12.2 million in quarter from \$12.5 million despite 0.8% broadcast revenue growth to \$49.3 million. Overall profit increased to \$10.2 million from \$7.1 million. **Washington Post** said improvements in broadcast and cable were major factors in \$44.8-million net profit in 3rd quarter, vs. \$27.5 million; cable revenue increased 6%, broadcast 10%. Company said it had \$13.4-million profit on sale of U.K. cable properties... **Jefferson-Pilot** communications profit dipped to \$2.58 million in 3rd quarter from \$2.63 million year ago. Parent company's net profit was \$130.5 million, down from \$146.6 million... **Home Shopping Network** net profit dropped to \$1.1 million in 3rd quarter ended Sept. 30 from \$7 million year ago and net sales to \$260.5 million from \$261.7 million... **Century Communications** net loss increased to \$8.6 million in quarter ended Aug. 31, from \$8.3 million loss year earlier, but operating profit rose 8.8% to \$52.1 million and revenue 7.7% to \$91.1 million... **Gaylord Entertainment** broadcast profit soared 150% to \$6.8 million in 3rd quarter ended Sept. 30, cable networks profit dropped 4.7% to \$10.7 million because of \$1.3-million loss on CMT Europe, and cable system loss dipped 3.1% to \$6.1 million. Overall net profit fell to \$7.7 million from \$11.5 million... **Seagram** spent \$194.4 million on open market to buy 4.6 million shares of **Time Warner**, boosting holding to 6.8% from 5.7%... **Comcast** filed SEC registration to issue up to \$1 billion additional debt and/or equity. It already has registration for up to \$345 million of debt/equity.

Fledgling home shopping operation ValueVision International has purchased 3 TV stations for combined \$14.5 million -- WTKK (Ch. 66) Manassas, Va. (Washington suburb), KRTW (Ch. 57) Baytown, Tex. (Houston suburb), and WTWS (Ch. 26) New London, Conn. ValueVision, which owns several LPTV stations, is based in Minneapolis and was founded in 1991 by former executives of QVC home shopping network.

Local TV spot sales at 304 TV stations reporting to TvB increased 3.4% in first 3 quarters of 1993, but national spot was up only 0.1%, reducing overall gain to 2%. All 3 categories dropped in 3rd quarter -- local 0.9%, national 1.8%, combined total 1.3%. Independents (including Fox TV Network affiliates), with 65 stations reporting, showed increases of 6.3% in local spot for first 9 months, 3.8% for national spot, 5.2% overall.

TCI would get controlling interest in European programmer Flextech, which owns majority of Children's Channel and 39% of U.K.'s Family Channel, in stock swap deal that reportedly is being negotiated. TCI would give Flextech its United Artists European Holdings (part owner of Children's Channel, European Bravo, UK Gold and UK Living) in return for majority of Flextech stock.

House Commerce Committee, on voice vote Oct. 26, passed bill (HR-2639) that would set budget authorization for NTIA for FY 1995 and FY 1996. However, it would reduce funds for public broadcasting 16% and cut back amount for pilot projects for FY 1995. Under new version, money for newly named Public Bestg. Facilities Program (formerly Public Telecommunications Facilities Program) would be cut to \$35 million from \$42 million in each fiscal year. Funds for pilot projects for telecommunications applications would be reduced to \$100 million in FY 1995 from \$150 million in original bill for each fiscal year, returning to \$150 million in FY 1996. Current authorization level is \$26 million, and Committee Republicans said increase was too swift.

Poor school districts are 6 times as likely as wealthy ones to receive Channel One, ad-driven classroom news program, according to study commissioned by Unplug, group opposed to commercials in schools. Study said Whittle Communications channel is used by 60.5% of schools spending less than \$2,599 per student, 10.5% of those spending more than \$6,000. Unplug said 12-min. show's heavy advertising (2 min. per program) exploits poor children, mostly in schools with large numbers of black students. Whittle contends show benefits poor schools by providing equipment and programming. Schools airing show receive free temporary use of TVs, VCRs, satellite dish.

RCN Corp. completed previously announced purchase of control of C-TEC, which owns 76 cable systems with 251,000 subscribers, plus cellular, mobile and long distance telephone assets. Terms weren't disclosed. As announced June, 4 controlling shareholders agreed to sell their 5.7 million C-TEC shares (34% of equity, 57% voting control) to Boston-based RCN, subsidiary of Peter Kiewit Sons Inc. Most of cable systems of C-TEC, which had \$257 million revenue in 1992, are in Mich., with handful in N.J., N.Y., Pa. As result of sale, RCN's David McCourt becomes chmn.-CEO and Richard Jaros, James Crowe and Thomas Stortz replace controlling shareholders on board.

Retransmission consent war continued in Novato, Cal., where Chambers system with 17,283 subscribers hadn't signed carriage deal with KRON-TV (NBC) and KGO-TV San Francisco (ABC). Chambers has received thousands of calls from subscribers, who say hilly terrain makes over-air reception difficult. Stations offered consent in return for cash or extra cable channels, but both suggestions were rejected. Chambers said it doesn't have capacity for new channels, since all its 35 channels are occupied. It said it won't commit to channel expansion unless its franchise, which expires in 1995, is extended.

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Telcos and cable shouldn't "worry about who wins" in convergence of industries because it's "not a zero-sum game," said James Adams, Southwestern Bell (SWB) group pres. responsible for cable and international ventures: "The pie will get much bigger as demand continues to grow." Adams told Washington Cable Club Oct. 27 there's "no magic number" of how many cable subscribers needed by SWB, which is buying Hauser systems in suburban Washington. He said he didn't know whether telco would buy more cable systems, but "everybody is talking to everybody." Many regulatory issues need to be worked out, including end to telco-cable cross-ownership ban, Adams said: "We want to be free to team up with anybody." Regulatory regime is outdated because telcos no longer have monopoly, he said. In Tex. alone, more than 900 companies compete for telecommunications business, most targeting high-volume corporate accounts, he said. "Poor decisions" by regulators, including state agencies, have forced SWB to look overseas for adequate return on investment, he said, with key interest in wireline privatization and cellular.

Center for Digital Imaging & Telecommunications (CDIT) said it will switch focus from HDTV to ways to foster convergence of digital TV, multimedia, high-resolution imaging. CDIT, formed in 1983 as Center for Advanced TV Studies, has among other things helped fund MIT's HDTV research directed by Jae Lim. Members include Ampex, Cap/ABC, Eastman Kodak, General Instrument, Motorola, PBS. Work will focus on developing multimedia architectures, image processing algorithms, digital communications methods, improved knowledge of human visual and auditory systems.

SMATV operator Pacific Cablevision is entering telephone and long distance business, forming Pt. Magu Telephone System Ltd. It will build up to 10 telephone systems in next 12 months, company said, with first to be completed this month. Systems will be contiguous with Pacific's SMATV systems, and Pacific estimated that as many as 50% of its 17,000 SMATV customers also would buy telephony service at rates about 25% below current prices. San Marcos, Cal.-based Pacific will be general partner, with 12.5% holding.

Times Mirror cable system in Laguna Niguel was among hardest hit by Cal. fires last week, but it generally "lucked out," Vp-Gen. Mgr. Leo Brennan said. System lost fiber link to microwave relay serving about 3,000 customers, but was able to restore service quickly through link to nearby Irvine system, he said. Service to houses in immediate fire path was cut, but most of plant is underground in that area, so damage wasn't extensive, he said. Only couple of miles of overhead plant were affected. System has 115,000 subscribers.

U.K. cable systems added more than 54,000 telephone customers in 3rd quarter, Independent TV Commission (ITC) reported. "The figures are a good illustration of the growth of the telecommunications business which, more than anything, is fueling the rapid expansion of the cable industry," ITC Cable & Satellite Dir. Jon Davey said. Cable systems had installed 216,432 residential telephone lines by Oct. 1, up from 167,457 July 1 and 61,158 year ago. Business telephone lines installed grew to 28,514 Oct. 1, from 22,929 July 1 and 11,523 year ago.

Jerrold will supply addressable converters to TeleWest's U.K. cable systems under new agreement. Converters will be used in N. Thames, S. Thames, Cotswolds and North East systems, which will pass total of 859,000 homes.

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With Consumer Electronics

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British Sky Bcstg. (BSkyB) said it won injunction from High Court in London against "pirate card" descrambler manufacturer David Lyons of Satellite Decoder Systems. Injunction -- pending trial -- prevents Lyons from "importing, selling and advertising pirate cards" in U.K., BSkyB said. Court order, which came several days after BSkyB and News Datacom said they had decided to "pursue all hacks" in civil and criminal courts, "reinforces the illegality of card piracy," company said.

National Capital Communications (NCC), which had filed on top of renewal application of WRC-TV Washington, asked FCC to start rulemaking to permit settlement in such cases before initial decision. With reimbursement to dismissing applicant now limited to its "legitimate and prudent expenses," there's no potential for profit in renewal challenge, NCC said. Last May, NCC and WRC-TV licensee NBC filed joint petition to waive rules and dismiss NCC's application, but Commission hasn't acted on request.

BroadBand Technologies (BBT) will set up video dial tone (VDT) systems for Korea Telecommunications (KT) and Bell Canada. KT will use BBT's Fiber Loop Access (FLX) platform for fiber-based telephone network of 82 customers.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	OCT. 9-15	1992 WEEK	% CHANGE	OCT. 2-8	41 WEEKS 1993	41 WEEKS 1992	% CHANGE
TOTAL COLOR....	520,270*	439,851	+18.3	382,684	18,103,573*	16,265,626	+11.3
DIRECT-VIEW..	511,848*	433,028	+18.2	374,614	17,789,421*	15,986,546	+11.3
TV ONLY.....	492,230*	422,916	+16.4	360,246	16,775,055*	15,354,919	+ 9.2
TV/VCR COMBO	19,618*	10,112	+94.0	14,368*	1,014,366#	631,627	+60.6
PROJECTION...	8,422	6,823	+23.4	8,070	314,152*	279,080	+12.6
VCR DECKS.....	260,730	268,789*	- 3.0	128,743	9,097,272*	8,803,471	+ 3.3
CAMCORDERS.....	40,875	54,672*	-25.2	29,968	2,240,456*	2,017,008	+11.1
LASERDISC PLYRS**	2,468	2,540*	- 2.8	1,094	156,721	153,167	+ 2.3

Direct-view TV 5-week average: 1993--629,752#; 1992--555,682 (up 13.3%).

VCR deck 5-week average: 1993--336,059; 1992--298,266 (up 12.7%).

Camcorder 5-week average: 1993--77,791*; 1992--68,064 (up 14.3%).

* Record for period. # Exceeds record for full year.

** Includes combi players, excludes karaoke types.

SONY SEEKS TO BLOCK IMPORTS OF FUNAI VCRs: Sony has sued Funai charging patent infringement and seeking court order to bar company's VCRs and TV/VCRs from U.S. pending outcome of case. Sony (Japan) filed suit in U.S. Dist. Court, San Francisco, alleging that Funai infringed on its basic VHS VCR patents, Sony spokeswoman in U.S. said.

U.S. lawsuit and 2 others filed in Japan stemmed from Sony's decision in June to cancel Funai's license for VHS VCR technology. Agreement was ended after Funai refused to respond to allegations that sales of its VCRs and TV/VCRs were being underreported for royalty purposes, Sony spokesman in Japan said. Funai, whose own and Symphonic brand VCRs and TV/VCRs are low-priced staple of U.S. consumer electronics chains, declined comment in Japan.

In Japan, Sony filed suit seeking 1.7 billion yen (\$15.75 million) in unpaid license fees and demanding that Funai suspend production and sales of VHS VCR products. Funai has become first known company to ship VCRs from mainland China to U.S. in quantity (TVD Oct 4 p14). Some 96,700 VCRs were imported from China in first 8 months of 1993 (TVD Oct 25 p18). Funai's Guangzhou plant, which is claimed to use new proprietary mechanism and production technology, has goal of 300,000 monthly capacity by April 1994, according to Far East press reports. Funai also assembles VCRs in Thailand.

Funai reached agreement with Sony in 1984 and was operating under 5-year pact signed in 1991 at time license was canceled, Sony spokesman said. Sony U.S.A. apparently has no direct part in case, which is being brought by parent company. Sony is one of companies with basic patents on VCRs, including VHS system.

MULTIMEDIA SUPERHIGHWAY -- WHO WILL MAKE THE BOX? That digital 2-way multimedia highway into the home, brought sharply into focus with proposed merger of Bell Atlantic and TCI (TVD Oct 18 p1 et seq), has been treated in great detail by media, but there's been scant mention of home terminal -- except for vague references to "set-top box."

Who makes box or boxes combining computer and TV to supply hundreds or thousands of channels of entertainment and information -- as well as such services as aural and visual telephone, games, shopping, video-on-demand, etc. -- actually is of major importance to wide range of industries, including the one

making today's passive home boxes that show pictures. There's no consensus on what tomorrow's equivalent of today's TV set will contain -- whether it will be complete entity capable of responding to any type of signal entering it or, at opposite extreme, box with picture tube, virtually all electronics being supplied by other industries and rented to viewers by cable or phone company. Familiar set-top converter would, in latter scenario, become multifunctional converger. In former, converger functions would take place within set.

Computer-related companies currently seem to be betting on external boxes -- at least for starters. Witness alliances of such giants as Intel, Microsoft, Digital Equipment, IBM, Lotus, Sun Microsystems, Apple and Hewlett-Packard with cable entities or interactive system promoters.

Forecast of "set-top box" seems to run counter to FCC's determination to rid consumers of burden of rented hardware that sits on top of their TVs (TVD Oct 11 p11). But judging from some published forecasts, there could be boxes on boxes. Philips Labs Pres. Peter Bingham quotes quip by observer that "the main design criterion of the next generation of TV is going to be the strength of the cabinet top."

Comments of authorities we contacted in last 2 weeks run gamut of views -- frequently determined by industries they represent. Unquestionably, however, big changes are in works. At recent conference, Silicon Graphics Chmn. James Clark said consumer electronics (CE) manufacturers "that made most of their money innovating some nice cute little black box are going to have to mutate... into innovation that involves a computing and software component." CE companies that "haven't been known for any software innovation," he said, are now "grappling with the issue of how to make the transition to a programmable digital technology and how they're going to be in control of future destiny."

A Box With a Tube: Hal Krisbergh, pres. of General Instrument's Broadband Communications Div., sees TV set of future as "just a display device," with "most electronics migrating to the set-top box." Cable system of future will offer "calcuverter" -- converger device with port in which personal computer modules can be added -- he said. Home terminal must accommodate both digital and analog platforms, Krisbergh said. When 500 or more channels are available, "you will need a way of navigating," and on-screen electronic program guide requires increased graphics as well as computing power, he said. "You will need a microprocessor, which also will provide a basis for multimedia," which will be installed through cable industry. "The whole idea of a microprocessor platform is that it is scalable -- starting perhaps with the equivalent of a 386 [computer] and moving up to Pentium or its equivalent."

Self-Programming TV: Virtually opposite view is presented by Philips Labs' Bingham: "We believe that the intelligence which would have been in the [set-top] box can be incorporated into the TV easily. The computing power of the TV can be increased dramatically in the next 5 years or so... Even analog processing will be cost-effectively replaced by digital processors. The economics of the [external] box will deteriorate" as result of all-purpose auto-programming set.

"The information provider can download instructions to the set. Whether it's cable, satellite or terrestrial, [transmitted software] can change the functionality [of receiver], supplying its decoding algorithm on the fly." Bingham called that "new meaning for 'open architecture'" -- software providing instructions to "redefinable, reconfigurable TV sets." Set of future not only must be able to decode MPEG, but "whatever comes after MPEG." He scorned "boxes stuck in time," and envisioned TV set industry geared to software. "TV manufacturers of today will be among the system providers tomorrow," he said, "but I'll bet not all of them." Software definable set will provide profit opportunities for industry far beyond today's low-margin hardware business, Bingham said. "Once there is user-friendly software, applications [of combined TV/computer] should mushroom and could be relatively cheap."

Modular Interface: Zenith Chmn.-Pres. Jerry Pearlman cited cable-consumer electronics industry compromise under 1992 Cable Act as, in effect, eliminating set-top box. However, in next few years there will be "parts on the back and things inside that the consumer doesn't see and doesn't have to interface." As recommended by FCC, he said, "clearly an encryption module will be added onto the set. The front end will take any digital input source -- HDTV, standard TV, from satellite, cable and phone line, and decode them all." If MPEG-2 becomes standard, decompressing and decoding will be relatively straightforward process, Pearlman forecast, decoding being done either internally or through smart card add-on. Single MPEG-2 decompression system could be used for virtually all functions, including CD player.

Pearlman joined other respondents in pointing to challenge of consumer interface with set. He envisioned form related to StarSight, of which Zenith is licensee. Such icon and menu-driven on-screen graphical interface could be directed by infrared wireless remote, and same handheld unit could be plugged

into set for games, etc. He suggested home computer could accumulate transmitted information and either display it directly or "port it over the in-house highway directly to the giant TV screen."

"It definitely will be the consumer electronics dealer who sells the bulk of the equipment," Pearlman said, noting that "the phone company already is out of supplying subscribers" with home instruments. Process will involve "huge capital investment" to supply HDTV sets with large screens in big cabinets. As for add-on cards, "the cable company will supply some, the phone company some, the DBS retailer some and software companies may supply some."

Interactive TV Terminal: Joseph Clayton, Thomson Consumer Electronics exec. vp, said: "We believe the smarts will be in the set." He cited example of Japan, where DBS tuners are integrated into sets rather than supplied as add-ons. "We are working on interactive devices today. The TV set will have to change somewhat in nature, but it will remain as the primary viewing device. In the computing business, [as well as] cable and consumer electronics, the byword is interactivity... The technology is moving as fast for consumer electronics as for computers, and -- for sure -- cable. It will force changes on all products -- and digital technology will allow a host of new features for TV."

"We must study how the consumer will utilize the product," Clayton said. "You won't sit down and do a spreadsheet in your den. TVs and computers have different uses." He envisioned "one big receiver in the home, and maybe smaller screens elsewhere." Nevertheless, he said, "the primary purpose of the big screen will continue to be entertainment. Will computer manufacturers dominate this industry? No organizations [comparable with consumer electronics] still exist with that type of distribution capability, market know-how, brand recognition, national advertising" that would be necessary to launch new version of mass-market consumer product industry.

Still Entertainment-Driven: TV industry may have to change its name but it will survive, in opinion of Ronald Marsiglio, Philips color TV senior vp-gen. mgr. Rules of game are changing and industry must adapt, he said, learning how to "convert digital bits to useful human intelligence in the home." He agreed with others that principal challenge is in "user interface -- I don't think a keyboard is friendly enough." He conceded that "there could be new people" in home terminal industry -- "and some will be gone." However, "the industry with the best shot going in is the one which put hardware in homes first -- our industry. We know entertainment best." He said "some things may start as boxes, but will migrate into the TV set [or] end up as modules. It is going to have to be done in a friendly way. More digital bits coming into the home will offer a higher level of entertainment -- but entertainment will still be the driver."

Expediting Quick Progress: CableLabs Pres.-CEO Richard Green said: "Everybody has an idea of what will go into it and everybody would like to build it -- computer manufacturers, consumer electronics manufacturers, traditional cable suppliers." He said CableLabs is working intensely on "3 separate trains of development," which could occur simultaneously and sequentially: (1) Traditional analog signal, which "will be there a long time for the presently installed base and those happy with what we have now." (2) Digital delivery, with very low capacity return path, due next year. (3) Completely bidirectional digital signals providing variety of services and data.

Each stage will require different type of box, with microprocessors becoming increasingly powerful as more complex services develop, Green said. He agreed with others interviewed that "one of the leading drivers will be the multimedia electronic program guide." Like any marketplace, new electronic highway will be "driven by economics, by the needs of customers," he said. "I think a proliferation of boxes is unreal -- consumers won't stand for it."

On other hand, "this is not like consumer electronics," Green said. "It's a different marketplace, because the cable operator buys on behalf of his customers the converter which allows them to take advantage of the latest technology -- the consumer doesn't have to make that investment. This means that services can be introduced much sooner than if the consumer had to buy a box or a new set. The economics of the marketplace indicate that consumers won't throw sets away. Most consumers will keep their present receivers, and the cable companies will provide them with what they need in terms of modules." System must be modular, he said, because everyone won't want or need same box.

One box with all capabilities would be ideal, Green conceded, "but the technology isn't ready for that." He said: "Like any marketplace, it will be driven by the consumer." For long term, he said, inclusion of all circuits in receivers is reasonable, as systems become entrenched, "but the public wants service and doesn't want to make a big investment. Teaming this interest in service with cable economics will bring new technology sooner."

Highly competitive TV set business has resulted in major hardware bargains, Green said. In future superhighway, new technology will be "more important than how to build a low-cost set," he said, forecasting major efforts by such technologically advanced TV makers as Philips, Thomson, Matsushita and Sony teaming with others to bring new technology to TV set, specifically citing Thomson-Hughes alliance for direct satellite system. He predicted that alliance of TV receiver, computer, cable and phone industries could restore U.S. competitiveness on world market. "America is one of the few places which can introduce new technology on this rapid course," he said, noting that in most other countries those industries operate in isolation because govt. owns phone companies or TV stations, and politics or high costs of investment preclude cooperation. "This hardware/software combination is an exportable package -- this box will be different from anything before it."

NEW SONY VIDEOGAME FACES UNCERTAIN PROSPECTS: Is it another Walkman, or another Beta?

Question summarizes early reaction to Sony's announcement last week of "competitively" priced, proprietary 32-bit videogame system to be launched in 1994 in Japan and 1995 elsewhere.

In absence of technical specs and detailed descriptions, industry experts were hesitant to speculate whether Sony was creating potentially vast new profit center, or another proprietary format that would fail to attract following. Although high Sony official in U.S. told us that "it was inevitable that we get into this business," open question is whether Sony can win enough support from software publishers to make its system viable contender in home multimedia.

Statement released in Tokyo (but not in U.S.) announced creation of Sony Computer Entertainment (SCE), 50/50 joint venture of Sony Music Entertainment Japan (SMEJ) and parent Sony Corp., to be established officially Nov. 16 in Tokyo, with capitalization of 480 million yen (\$4.5 million). SCE was formed to "develop and market hardware and software for a new home-use videogame system," and "will also be responsible for licensing the new system to videogame software developers." Sony (Japan) spokesman said that while company had no current plans to enlist support from other hardware makers, it would consider that as option.

Last Thurs. -- day after initial announcement -- 400-500 developers in Japan reportedly attended Sony conference where they were addressed by, among others, Pres. Norio Ohga, who emphasized company's complete support for project. Need to show corporate commitment from hardware and software sides of Sony also was behind decision to place project under umbrella of joint venture involving both aspects of corporate structure. Sony executive indicated to us that company had received commitments from several outside developers to create programming for system even before it was announced publicly. Company plans to hold similar developers' meetings in U.S. and Europe in near future, officials said.

Reaction from U.S. software company officials we canvassed generally was lukewarm, partly because of lack of details. Those who had seen demonstrations in Japan in last few months conceded that graphic performance was impressive, but said that would be merely one more system to consider in allocating their own time and dollars.

In announcing 32-bit system for U.S. market for 1995, Sony appeared to be discounting possibility that 3DO would gain significant foothold in gaming market by end of next year, and was assuming that Sega and Nintendo would stick to previously announced plans not to introduce advanced systems until 1995. Sony apparently would be able to have hardware ready for 1994 launch here (as well as in Japan), but didn't believe software support would be available in time.

Sega of America Pres. Thomas Kalinske raised similar point. "The question is whether they'll get software support," he said, adding that he wasn't surprised by Sony announcement. Asked whether Sony's move might cause Sega to push its own advanced system launch forward, Kalinske said that "the only thing that will affect the plans for our system is making sure we have enough quality software, if the timing is correct and if the price is right." He said Sega would make specifications of its new system available to developers this month, and that limited number of development systems would be available late in month.

Sony has long been working on variety of videogame projects in R&D labs in Tokyo, including abortive effort to bring to market Super Nintendo-compatible Play Station that was sidetracked by messy public squabbling with Nintendo. Indeed, high Nintendo executive last week went out of way to point out to us that last week's Sony announcement "doesn't mean anything about... our agreement on the joint development of Play Station." Sony official we contacted agreed with that statement in principle, but indicated there was little chance that Sony would market such a product.

Sony said its CD-based system would offer "ultrahigh-speed, 3-dimensional graphics previously only available on high-performance workstations... The new game system hardware will draw on Sony's many years of experience in digital signal processing, semiconductor and computer technologies. Software development and licensing for the new system will benefit from the know-how and experience of SMEJ." SCE will be headed by Pres.-Representative Dir. Toshio Ozawa, who also will continue current duties as SMEJ chmn.

System will be built around internally developed 32-bit RISC CPU "and employs advanced parallel processing" by multiple processors that "allows for a dramatic increase in processing speed comparable to a single CPU with over 500 MIPS (Million Instructions Per Second)." Ability to rapidly process vast amount of information would allow system to present "real-time combination of lifelike 3D images [and] multiple 2-dimensional sprites comparable to a high-end arcade game and full-motion video."

Sony said hardware's "ability to create images and sound from a minimum of compressed data dispenses with the need to read huge amounts of data direct from the disc, thus eliminating the delay in response during readout, a crucial issue for conventional CD-ROM-based games. In addition, as the processing of the visual and audio data is performed by dedicated hardware and operating system, software can be developed with greater efficiency and cost-effectiveness."

'FLAT VISION' HERE NEXT YEAR: Matsushita will ship "Flat Vision TV" to U.S. in fall 1994, Panasonic TV Asst. Gen. Mgr. Thomas Edwards said last week. Firm price hasn't been set, he said, but it probably will be around \$3,000 suggested list. Set, with 14" beam matrix display and cabinet only 3.9" deep (TVD Aug 2 p10), will be demonstrated in U.S. for first time this week at Panasonic dealer and press meeting in Phoenix.

Flat panel product at start will target business applications, but will expand into consumer market as distribution widens, Edwards said. "The cost has to come down from where it has to be initially, and once that happens it will become more of a consumer product," he said. Matsushita has said cost of display will be 1.5-2 times that of conventional picture tube in mass production. Flat Vision went on sale in Japan Oct. 1 at <157>288,000 (about \$2,666), but sales figures aren't available yet, Edwards said.

Matsushita has said it can make display up to 25", with models up to 40" possible, but larger sizes pose more problems. Display for personal computers and multimedia devices will "benefit from slim body design and high picture quality," company said.

In 14" version, Flat Vision is made up of 9,680 picture tubes or cells, each with separate electron beam source. In place of CRT's electron gun, it has 44 horizontal line cathodes running width of tube, with 222 vertical control electrodes producing 9,768 spots where cathode and control electrode cross. Each spot, or matrix, controls its own screen area with 20 sets of red, green and blue phosphor dots, 10 sets vertically by 2 horizontally.

Matsushita has 133 domestic patents on Flat Vision technology and is applying for 1,300 more, and had been granted 50 foreign patents with 17 more pending. Flat Vision display demonstrated in July measured 8x10.7", with diagonal of 13.35", is 98mm deep (3.86"). It has resolution of 442x440 pixels (total 194,480). TV set measures 17" wide, 19" high, 10" deep, weighs 35.7 lb., has TV and cable tuning, 4 speakers, consumes 85 w.

New Stores: Best Buy began assault on Atlanta consumer electronics market by opening 5 stores Oct. 29, with 6th expected by Dec. Each is about 45,000 sq. ft... Sun TV and Appliance will enter Dayton by mid-1994 with 3 stores, each 40,000 sq. ft. Sun earlier announced plans to add 2 Syracuse stores. Columbus, O.-based chain operates 35 stores in Ohio, Pa., N.Y., W. Va.

Sharp will invest \$10 million in new national parts and service center at existing facility in Romeoville, Ill., near Chicago. At same time, company announced it will stop providing direct repair services to end users, "and will instead refocus its resources on supporting its dealers, retailers and independent servicers in providing these services." Facility will occupy 250,000 sq. ft. Service & Parts Group restructuring will affect about 125 employees at Mahwah, N.J., hq, about half of whom will be invited to move to Ill. Others may be rehired to fill posts becoming available in Mahwah over next 9-12 months. Five regional service offices will be expanded. U.S. company grew 12% last year, Chmn. Sueyuki Hirooka said, and is "projecting double-digit annual sales growth through the rest of the decade."

ITA Update Seminar Nov. 16 in N.Y. will feature presentation by consultant Almon Clegg on "Packaged or On-Line Media: Collision Course or Peaceful Coexistence in Consumer Electronics." Other speakers: Dan Shea, Toray Plastics; Lee Kennedy, 3M; James Meyer, Thomson Consumer Electronics; Isidore Philisophe, Cinram; Robert Diamond, Hauppauge Mfg.; David Bishop, Live Home Video; Richard Kelly, Cambridge Assoc. -- Charles Van Horn, 212-643-0620.

Kodak is headed for that electronic superhighway, according to new chmn. George Fisher, who was recruited from same post at Motorola. In Wall St. Journal interview, he's quoted as planning to turn Kodak into electronic leader with products that capture information on film, "digitize it and communicate it instantly" by wireless. Article speculated that Fisher would "push Kodak to accelerate development of more powerful and cheaper versions" of such imaging systems as Photo CD.

AM stereo receivers should become more plentiful as result of last week's FCC order formally selecting Motorola C-Quam system as only standard, according to EIA Consumer Electronics Group Vp Gary Shapiro. Details on end of FCC's 12-year experiment in "marketplace" broadcast standard are in Best./Cable Section.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 108 yen = \$1, except where noted.

PHILIPS SHIPS VIDEO CARTRIDGE: Philips last week began shipping Digital Video Cartridge to retailers and lifted wraps on slate of Paramount Home Video feature-length movie titles being sold alongside full-motion video (FMV) adapters available in stores this week.

Most Paramount titles announced were same as those speculated on for some time, including *Top Gun*, *Hunt for Red Oct.*, *Naked Gun 2-1/2*, *Fatal Attraction*, *Star Trek 6*, *Apocalypse Now*, *Patriot Games*, *White Christmas*. Available shortly from Paramount catalog will be *Sliver*, *Indecent Proposal* and *The Firm*, while PolyGram Filmed Entertainment will contribute *Posse*. As we've reported, movies currently being pressed and shipped will be playable only on CD-I players, since no final specs for Video CD format have been approved. Once such approval is obtained, which Philips Media Pres. Scott Marden said is matter of "weeks," pressing will be switched to Video CD format, playable on dedicated Video CD players and on CD-I machines.

Meanwhile, Philips and Capitol Multimedia announced agreement under which Capitol's CD-I version of *Mad Dog McCree* game will be bundled with Digital Video Cartridge when game ships in Jan. Game originally was developed and licensed from American Laser Games. Foreign language versions of game will be bundled with cartridge for shipment overseas.

Paramount Home Video Pres. Eric Doctorow, addressing "CD-I 3" conference in N.Y. last week, said his company believes market "can support a variety of platforms, especially if there's some level of cross-platform standardization for software." Entertainment multimedia software "is going to become an enormous business and I can't think of any class of retailer better positioned to take advantage of this huge opportunity than video stores," he said. "These are retailers whose only focus is promoting titles day in and day out and they've been doing it, in many cases, for over a decade."

Doctorow acknowledged that much has been reported about his company's involvement in CD-I project with Philips since partnership was revealed at Chicago news conference on eve of June Consumer Electronics Show. He said Paramount became involved because "we believe that over time, the videocassette will eventually give way to the optical disc format. We thought it was important to test, to learn, to help move the future along just a little bit." He said "economic realities" of 5" disc also led company to view project in favorable light, saying "it's a lot less expensive to make a 5-inch disc than a half-inch cassette" and "once they're made, they're cheaper to ship, because they weigh less, and are cheaper to inventory, because they take up less space."

In Q&A, Marden, responding to request for comment on CD-I competitors, said that "obviously, with more than just curious interest, we've been studying the development and launch of 3DO." He said "I think we wish that company tremendous success" because "for multimedia and interactive technology to really take hold, we have to have more than one successful player in the marketplace. I don't think any of us understand what the platform scenario looks like going forward. I would argue that in 5 years' time, CD-I won't be what it is and 3DO won't be what it is. You may have 5DO and you may have CD-3, but it won't be what it is today."

Marden described 3DO launch as "a good start," but "they've had a couple of bumps which everyone knows

about." Platform of 3DO system "itself is interesting," he said, quipping that "it looks very much like ours. I attended one of their sales training sessions, and it looked very much like the launch of CD-I. I thought they would have learned from our mistakes."

Fast pace of multimedia platform introductions is in sharp contrast to slow evolution of old music formats such as 78s or 45s, Marden told another questioner. "Each of those platforms lasted for decades," he said. "Black and white TV lasted for a quarter century or more. Today, with microprocessor-based technology having interfered or wound its way into the entertainment business, the platforms are moving in a matter of months and not years. So we are actually in the 4th generation of CD-I hardware."

Asked when CD-I would reach "critical mass" of hardware ownership to represent break-even point for software developers, Marden said that from "the developers' standpoint, you run the simple economics of title investment," saying that "we're probably talking about a critical break point of somewhere around 400,000 units before developers have a chance to make any real money on developing for the consumer market." He indicated later that company expected to reach that milestone by mid-1994. But even at levels below critical point, Marden said, "a developer can show a very attractive return."

* * * * *

In presentation on new Jaguar videogame system at software conference run by Gerard, Klauer Mattison investment firm in N.Y. last week, Atari Corp. Pres. Sam Tramiel said off-handedly that "Paramount and Fox" feature films would be coming out on Video CD format, which Atari expects to adopt. Following formal presentation, Tramiel reiterated his understanding that Fox films would be issued on CD -- contention immediately denied by high-ranking Fox official.

—■—

Nonauto retail sales will be up 2.5% between now and Christmas, with cash sales up 4%, National Retail Federation predicted. Group's "Retail Sales Outlook" contains this forecast for consumer electronics: "While this industry is not growing as fast as it did in the mid-1980s, it is nevertheless experiencing a modest revival. In a product-oriented retail arena, there are finally a couple of hot products available for retailers to hawk. Foremost is the cellular telephone. In addition, many consumer electronics retailers have become very competitive in the computer arena. Nevertheless, there is nothing out there quite like the VCR of the 1980s. Not until the latter part of this decade, with the advent of personal communicator services and HDTV, will there be a significant boom in spending at consumer electronics stores."

Japan reacted angrily to President Clinton's warning that Japan may negotiate own trade deal with Mexico if Congress doesn't ratify NAFTA. "Absolutely ridiculous," said Seiichiro Noboru, Japanese embassy's economics minister, adding that Japan has no plans to "form a free trade zone in any country, let alone Mexico."

Cosmo Communications is new corporate name for former Cores Management Services, headed by Ken Kai. Company has organized new affiliate, Pacific Media/Tech. Both consultant firms now are headquartered at 1 Bridge Plaza, Suite 270, Ft. Lee, N.J. 07024 (201-947-2033).

Mitsubishi is shipping its 45" table top projection TV (TVD May 17 p13) to "retail stores in select markets." Suggested retail price is \$3,299.

JAPAN CE DOLDRUMS CONTINUE: Nonconsolidated (parent-only) financial reports by Japanese companies for first half of fiscal year (through Sept. 30) continue to reflect poor sales of consumer electronics, particularly on domestic market, together with effects of strong yen in relation to dollar. More meaningful consolidated reports (including subsidiaries) are due later this month.

Matsushita reported 6% decline in parent-only sales, with declines of 43% in recurring profit and 36% in net profit. Company attributed poor results to continued slump in Japan and "negative sales conditions" elsewhere, including "weak U.S. recovery," together with sharp appreciation of yen.

Parent company's domestic sales were off 7%, exports 5%. Video equipment sales dropped 11%, but TV/VCR combos continued to increase. Audio sales were off 6%, appliances 17%, communication and industrial equipment 4%, components 5%. Battery and kitchen-related products sales inched up 1%.

Hitachi said sales declined 1.9%, with pretax profit down 20.4%, net profit off 15%. Consumer electronics and information electronics sales were down 6%, export sales 7%.

Toshiba saw parent sales up 1.2%, pretax profits down 4.8% and net profit up 14.6%, largely due to foreign exchange gain of 20 billion yen. Consumer electronics sales fell 12%, information and communications systems and electronic devices 4%.

Mitsubishi sales were down 3%, net profit down 23% but pretax profit up 22%. Consumer Products Div. sales slumped 14%.

Sharp said sales were off 1.4%, pretax profit off 23.2%, net income down 13.2%. Electronic equipment sales were down 4.3%, audio and communication gear down 7%, electrical apparatus off 10.8%, information equipment down 6.1%, but electronic parts up 12.9%, exports up 1.5%.

Sharp sales of nonconsumer electronic products came to 51.5% of total, surpassing consumer sales for first time. While most consumer sales were sluggish, Sharp said new products such as Viewcam gained. Company expects to sell 250,000 Viewcams in Japan, 350,000 overseas, this year. It forecast 37% increase in LCD product sales this fiscal year.

Adray has shuffled management and will open more stores in 1994 as it seeks to expand within Southern Cal. base, CEO Isaac Hakim said. Expansion will be based on 36,000-sq.-ft. store that opened in Encino Oct. 29, placing greater emphasis on consumer electronics. Under new management structure, Mateen family, which founded 8-store chain, will move to investor-director role, with new management assuming more control of daily operations, Hakim said. "We're going to emphasize our strengths and get rid of product categories where we aren't No. 1 or 2 in sales in our market," he said. Among new executives is Edward McKeaney, ex-Silo, who was named vp-mktg. merchandising. Public stock offering also may be considered to fund expansion, Hakim said.

Consumer intentions to buy TV in next 6 months dipped slightly in Oct. from Sept. but still were above those of year earlier, Conference Board survey said. Preliminary figure indicates 6.1% of families surveyed plan to buy TV, down from revised 6.5% in Sept., but still above 5.8% of Oct. 1992.

ATARI SETS JAGUAR LAUNCH: Atari said it will identify this week several major publishers that have signed agreements to create software for 64-bit Jaguar game system. Identity of developers will be disclosed as company holds N.Y. meeting for media and analysts celebrating forthcoming launch of system (TVD July 5 p14) in N.Y. and San Francisco later this month, Paris and London later in year.

Game is being introduced at \$250 retail with only 4 pieces of software available this year (one bundled with system). Atari earlier identified 20 companies licensed to develop games for system, although none were considered as major developers for U.S.

Atari Pres. Sam Tramiel said IBM began mass production of console last week at Charlotte, N.C., and machines should be at stores "within 2 weeks." He said capacity was limited to 40,000-50,000 for Christmas season by availability of custom-developed chips. However, he said product would be available for national rollout in Jan., with sales of 500,000 projected for 1994. Company also plans to launch \$200 CD-ROM peripheral in mid-1994, although Tramiel said Atari probably would bundle base console and CD-ROM at \$399.

Tramiel said advertising for Jaguar (\$3 million is being spent on bicoastal launch) also will include mention of Lynx handheld game system that, despite much favorable critical comment, disappeared from market. He said Atari "didn't have a loud enough voice to compete on Lynx" with massive ad budgets devoted to competing portable systems, but hopes Jaguar launch will give new life to Lynx.

Meanwhile, Atari filed suit against Sega in U.S. Dist. Court, San Francisco, alleging infringement of patent relating to manner in which videogame displays are scrolled. Suit also charged "possible" infringement of 2 other patents. Sega couldn't be reached for comment.

Rent-to-own trade group, Assn. of Progressive Rental Organizations (APRO), has retained Aker Narsavage Partners PR firm "to devise and implement a plan to improve the image of the industry -- in particular, with public policy-makers and consumer protection groups as well as the general public," APRO Govt. Affairs Dir. writes in Progressive Rentals, group's magazine. "As an industry," he said, "we have much less education to do with the general public, which already has a generally positive impression of the industry as evidenced by the more than 3 million annual customers who use rental purchase options..."

StarSight Telecast, suing Gemstar on patent and antitrust charges (TVD Oct 25 p15), also has filed suit against United Video Satellite Group and its Trakker affiliate, which has own interactive program guide, StarSight disclosed last week. United Video announced it had asked Okla. court for declaratory judgment of noninfringement. StarSight said its suit involved "basic patents in the navigation field."

Nintendo Australia has been formed by Nintendo to handle marketing, distribution and administrative services in Australia. Sales function will continue with Mattel Pty Ltd., which has handled Nintendo's Australian business for 7 years.

Recoton earnings for 3rd quarter will be double those of last year's period, CEO Robert Borchardt is quoted in Wall St. Journal. Company this week will report earnings of 35-37¢ per share, vs. 18¢ a year ago, according to interview.

PLUCKHAHN HEADS EIA VIDEO: Jack Pluckhahn was awarded EIA's Distinguished Service Award and was elected chmn. of Consumer Electronics Group (CEG) Video Div. for 1994 at EIA's Fall Conference in Chicago. Chairmanship is latest EIA post held by Pluckhahn, who EIA Chmn. Ronald Barnhart suggested may "hold a record for the number of EIA industry positions held." Pluckhahn, vp, Matsushita Electric Corp. of America (MECA) South, succeeds Joseph Clayton, Thomson Consumer Electronics, in Video Div. post; Clayton continues as vice chmn. of CEG board and its exec. committee.

Other EIA awards: 1992 Engineering Award of Excellence to Ed Mikoski, AMP, for leadership in engineering standards; Clinton Lee Marketing Services Award to James Bruerton, KEMET Electronics, for role in developing industrywide marketing services programs.

EIA parent organization elected Matthew Flanigan, Cognitronics Corp., chmn. for 1994, succeeding Barnhart; Clifford Tuttle, Aerovox, vice chmn.; Veronica (Roni) Haggart, Motorola, treas.

Jerry Kalov, Cobra, was reelected chmn. of CEG exec. committee. Only new name on committee is Stephen Trice, JASCO Products, who also was named chmn. of Accessories Div., replacing Tandy's John Patterson. Other newly elected division and committee chmn.: Dennis Mitchell, IBM, Assistive Devices Div., succeeding AT&T's Clint Gibling; John McDonald, Casio, Home Information Div., replacing Patterson; Roger Heuberger, International Jensen, Mktg. Services Exec. Committee, succeeding TCE's Charles Roederer; Paul Hurst, Goldstar, Product Services Committee, succeeding Kenwood's Terrence (Butch) Miller.

CEG named record number of new members to its board. In addition to 30 continuing into 1994, new members are: Rusty Bennett, Virtual Vision; Howard Elias, AST Research; Steven Frederickson, 3M; Edward Griffin, Geneva Group; Sandy Gross, Definitive Technology; Laura Hendershot, Counterpoint Electronic Systems; James Minarik, Clarion; Dennis Mitchell, IBM; Jack Osborn, Mitsubishi.

* * * * *

EIA will sponsor "NAFTA Day" Nov. 10 on Capitol Hill, when industry leaders will meet with legislators to discuss importance of trade agreement. EIA Pres. Peter McCloskey called passage of NAFTA "critical to the continued growth of U.S. electronics exports."

EIA-backed project, consortium for multichip module (MCM) R&D, has been selected by President Clinton's Technology Reinvestment Program (TRP) for funding. Industry-govt. effort will be aimed at pilot production of high-performance MCMs by consortium of Hughes, Micro Module Systems, IBM, Motorola, nChip, Sandia National Labs, SEMI, Texas Instruments.

Elimination of tariffs worldwide on electronic products and components was urged in joint letter by American Electronics Assn. and EIAJ to U.S. Trade Representative Mickey Kantor. Issue will be addressed in current Uruguay Round of General Agreement on Tariffs & Trade (GATT).

Japan Electronics Show attendance last month totaled 354,440, down 6% from 1991 show, last one previously held in same location, Makuhari Messe (last year's show was in Osaka). Total exhibitor participants fell 17% to 469, Show Assn. reported.

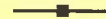
CES WORKSHOP PROGRAM: Workshops at Winter Consumer Electronics Show Jan. 6-9 in Las Vegas will include more than 30 sessions, sponsor EIA Consumer Electronics Group said. First 14 were announced last week.

CEG said workshops have been redesigned into series of "tracks" and "modules" covering range of industry areas, with introductory and overview sessions leading to technology roundtables and finally marketing sessions.

EIA said already announced keynote address by AT&T Exec. Vp Robert Kavner, who's CEO of company's Multimedia Products & Services, "will outline the profound changes and opportunities the integration of voice, video and data communications will bring to the consumer electronics industry."

Among sessions announced: Multimedia -- virtual reality update; software consumer; electronic game hardware and software; transition to interactive age. Audio and video -- DBS and consumer satellite business; female market for high-end audio; high-end dealers; marketing home theater. Small and home office -- wireless trends; personal digital assistants; consumer computer hardware and software. Personal computing and communications -- session on consumer electronics, computers, telephony, cable, publishing, broadcast TV. Personal and desktop video production -- identifying customers. Mobile electronics -- comfort, security, communications; reality in sound.

Non-product-based sessions will include financial roundtable, govt. relations session on product labeling and discussion of independent retailing, 21st Century style.



"Made in Vietnam" could be new label on imported TVs. Country is constructing 2 export processing zones in Ho Chi Minh City (formerly Saigon). One is 70% owned by Taiwanese interests, other is half owned by Hong Kong firm, with rest of shares owned by local interests. Some 23 companies -- 21 from Taiwan -- have signed leases for plants in first zone. Taiwan govt. is discouraging investment in mainland China, which it says "threatens to drain the life out of the island's economic growth," and has begun diversification program of encouraging businesses to invest in Vietnam, Philippines and Indonesia, rather than China.

Duracell, citing manufacturing constraints, postponed U.S. introduction of industry's first nickel-metal hydride rechargeable camcorder battery from next spring to late summer. Now shipping in Europe, batteries developed through joint venture with Toshiba and Varta also are being sold on OEM basis. Company said they created drain on manufacturing capacity in Japan. First version for laptop computers is expected in Jan. Duracell has scrapped 10-year-old toy-based TV ad campaign, replacing it with consumer testimonials.

Funco, Minn. retailer of new and used videogames, reduced net loss for 2nd quarter ended Oct. 3 13% to \$679,000 (-12¢ per share), compared with \$781,000 (-19¢) year earlier. Driven by rapid expansion pace, sales soared 185% to \$8.2 million from \$2.9 million. Company ended quarter with 85 stores (it now has 90), compared with 29 at end of same quarter in preceding year, and it expects to open 20 more by April 3.

Sony 5" color Watchman (TVD Oct 11 p18) has short-neck tube (non-Trinitron), FM/AM radio, headphone jack, AV inputs, AC adaptor, DC input for optional adaptor, weighs 5.5 lb. Suggested list is \$349.

Consumer Electronics Personals

Martin Holleran, former Thomson Consumer Electronics exec. vp and pres. of its sales and marketing company and later pres. of Emerson Radio, named COO, Projectavision, projection TV technology and licensing company... **Harlan May**, former pres., Sony Display Device Pittsburgh Co., and senior vp-gen. mgr., Sony picture tube operations, joins Zenith as pres. of Cathode Ray Tube Div., succeeding **Martin Lerner**, retired.

Management of newly formed Sony Computer Entertainment (see story this issue): **Toshio Ozawa**, pres.-representative dir., continuing as chmn. of Sony Music Entertainment Japan (SMEJ); **Shigeo Maruyama**, continuing as SMEJ vp, and **Teruhisa Tokunaka**, Sony Corp. mgr. of computer entertainment project, will be deputy pres.-representative dirs.; named as dirs.: **Tamotsu Iba**, Sony senior managing dir.; **Yasunari Takaura**, Sony mgr.-Home Video Dept; **Yuji Takahashi**, SMEJ Epic Sony vp; **Akira Sato**, SMEJ Epic Sony New Media Dept.; **Ken Kutaragi**, Sony computer entertainment project... **Isaac Hakim**, Adray gen. mgr.-mdsg., named CEO; **Edward McKeaney**, ex-Silo senior vp, appointed vp-mktg. and mdsg.; **Ted Bean**, ex-Pace Membership Warehouse exec. vp. and chief financial officer (CFO), named vp and CFO; **Diane Hardesty**, ex-Hudson's Grill, becomes vp-administration and human resources... **Mary Lamb** promoted to EIA Govt. Div. dir.-marketing and communications... **Graham Kerry**, ex-Mattel Pty Ltd. and **Susumu Tanaka**, ex-Nintendo U.K., named joint managing dirs., newly formed Nintendo Australia Pty.

Sony America Pres.-CEO **Michael (Mickey) Schulhof** will be keynote speaker at NARM convention March 19-22, San Francisco... Elected to board of Home Theater Industry Assn. (HTIA): **Peter Tribeman**, Atlantic Technology, for Hardware Div.; **Lorri Kelley**, Pa. House, Home Furnishings Div.; **Megan Roberts**, Audio/Video Interiors magazine, Media Div.; **John Kellogg**, Dolby Labs, Licensing Div.; **William Matthies**, Verity Group, Service Div.

Promotions at Pioneer Car Electronics Div.: **James McManus** to vp-corporate training; **Karl Giles** to midwest zone sales vp based in Itasca, Ill., replaced as Fla. regional sales mgr. by **Ross Small**, previously dist. sales mgr. for L.A. and Las Vegas; **Louis Kerti** appointed senior dist. sales mgr. for southern Fla... **Alan Winnikoff**, ex-Spelling Entertainment, and **Loris Kramer**, formerly Columbia TriStar Home Video, join Sony Wonder, family entertainment division of Sony Music, as senior dir., media relations, and dir. of mktg., respectively, reporting to Vp-Mktg. **Wendy Moss**.

U.S. Dist. Court Judge Richard Owen in N.Y. signed order last week blocking Jan Lien, Taiwan manufacturer and importer, from infringing on Recoton patents covering device designed to prevent phone cord from tangling, Recoton said. Recoton filed suit in June against Lien and 6 other manufacturers. Several companies sued have agreed to stop selling products that infringe patents (Oct 11 p18).

Sales of Gao ("Superflat") TVs in countries other than Japan will total million units in fiscal year ending March 1995, up from 850,000 this year, according to report of Matsushita's plans in Dempa Shimbun. Company has sold 2 million in Japan and one million overseas since Gao was introduced in Oct. 1990. New product for this year will be "Gao-V," with built-in VCR.

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 King			
1993-qtr. to Sept. 30	9,410,934	28,404	.01 ^a
1992-qtr. to Sept. 30	7,315,743	(25,819)	--
A. H. Belo			
1993-9 mo. to Sept. 30	399,183,000	37,947,000	1.89 ^b
1992-9 mo. to Sept. 30	376,660,000	26,022,000	1.34 ^b
1993-qtr. to Sept. 30	132,539,000	7,934,000	.39
1992-qtr. to Sept. 30	127,802,000	7,117,000	.36
Clear Channel Communications			
1993-9 mo. to Sept. 30	87,797,705	4,314,176	.36
1992-9 mo. to Sept. 30	62,598,112	2,650,642	.22 ^c
1993-qtr. to Sept. 30	32,227,891	2,038,248	.17
1992-qtr. to Sept. 30	24,485,948	679,601	.06 ^c
General Instrument			
1993-9 mo. to Sept. 30	984,150,000	51,046,000	.84
1992-9 mo. to Sept. 30	776,593,000	(60,162,000)	--- ^a
1993-qtr. to Sept. 30	369,145,000	27,367,000	.45
1992-qtr. to Sept. 30	284,270,000	(21,676,000)	--- ^a
Gray Communications Systems			
1993-qtr. to Sept. 30	6,178,000	470,000	.15
1992-qtr. to Sept. 30	6,337,000	786,000	.25 ^d
3M			
1993-9 mo. to Sept. 30	10,538,000,000	977,000,000	4.49
1992-9 mo. to Sept. 30	10,508,000,000	944,000,000	4.31 ^d
1993-qtr. to Sept. 30	3,481,000,000	316,000,000	1.47
1992-qtr. to Sept. 30	3,551,000,000	324,000,000	1.48 ^d
Washington Post			
1993-39 wk. to Oct. 3	1,102,533,000	122,939,000	10.45 ^b
1992-39 wk. to Sept. 27	1,057,025,000	92,979,000	7.86
1993-13 wk. to Oct. 3	364,122,000	44,843,000	3.82 ^b
1992-13 wk. to Sept. 27	351,021,000	27,547,000	2.33

Notes: ^aAfter special charge. ^bIncludes special credit. ^cAdjusted. ^dRestated.

Zenith brand TV/VCRs in 13" and 19" sizes (TVD Oct 4 p18) are on sale at Sears stores. Different models in same sizes will be in general distribution by 1994 first quarter, Zenith Sales Pres. Gerald McCarthy told us. Retail prices weren't available immediately.

New product category -- AV tuner -- is planned for launch in U.S. next year by Proton. Designed for custom installations and home theater systems, it will feature remote control of all audio and video functions, eliminating many remote controls or limited function remotes.

Mitsubishi plans to end exports of consumer electronic products from Japan, shifting production of those items to overseas plants, Nikkei reported. It also will move 50% of its VCR production in Japan to subsidiaries there, concentrating on high-end products, including S-VHS decks, at its Kyoto Works.

OBITUARIES

Si Linn, 70, exec. vp of Esquire Radio, died Oct. 27, cause of death not available at our deadline. He played major part in growth of Esquire into major OEM supplier in span of more than 30 years. Two sons, 2 daughters survive.

Lisa Bloom, 34, Goldstar microwave oven and appliance marketing mgr., died of kidney disease Oct. 23 at her home in Mahwah, N.J. She joined Goldstar in 1988, was promoted to mktg. mgr. post last year. Mother and brother survive.

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NOVEMBER 8, 1993

VOL. 33, NO. 45

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

YET ANOTHER NETWORK PLANNED: Warner Bros. and Tribune to launch WB network for broadcast and WEB for cable in fall 1994. Five-year rollout planned; 2 hours, 2 nights weekly, at start. (P. 1)

LOCAL COMPETITION BILL ENDORSED by White House for telephony and cable. Administration position paper on technology is broad; passage seen next year. (P. 2)

CAP/ABC PLANS SHARE BUYBACK: Will reacquire 2 million shares, 12% of those outstanding. Buffett group offers one million. Burke to retire as pres.-CEO Feb. 4; Chmn. Murphy to return to CEO post. (P. 4)

NCTA APPEALS RATE RULES but provides few details to Court. First and Fifth Amendments cited. Assn. asks FCC not to raise population limit for rural telco exemption. (P. 4)

PARAMOUNT MOVES CONTINUE: Much maneuvering in form of newspaper leaks, including possibility that Liberty would sell QVC stake to BellSouth. (P. 5)

TELCOS ATTACK BAN on ownership of cable. Ameritech and U S West file suits in Chicago, Detroit and Seattle, saying curb violates First Amendment, cite winning Bell Atlantic suit. (P. 5)

SATELLITE RUSH: Anger about cable rates said to help boost dish sales to early 1980s levels. Manufacturers, dealers can't keep up with demand. (P. 6)

WARNER AND TRIBUNE PLAN TV NETWORK, SIGN 11 STATION GROUPS: Saying that Warner Bros. (WB) is "bullish about the future of broadcast television," Chmn.-CEO Robert Daly and Tribune Co. announced Nov. 2 that they would launch another over-air TV network in fall 1994 covering 85% of TV households (10% via new cable network WEB) at start. Announcement came just week after Paramount and Chris-Craft disclosed they planned to launch new network in early 1995 (TVD Nov 1 p4). Groups have similar ideas -- both planning to start with 2 nights per week of original programming, expand from there.

WB Network said it planned expansion over 5 years to 7 nights of programming. It said 11 station groups already had joined: Act III, Gannett, Gaylord, Koplar, Lambert, Meredith, Pacific FM, Pappas, Press TV, Renaissance, Tribune. Renaissance has several Fox affiliates and there was no word whether they would switch to WB Network. Tribune will contribute its stations in N.Y., L.A., Philadelphia, Atlanta, Denver and New Orleans and said decision would be made "in the near future" about WGN-TV Chicago.

Day after WB Network was announced, Tribune said it's buying WLVI-TV (Ch. 56 independent) Cambridge-Boston from Gannett for \$25 million. WLVI-TV will become affiliate of planned network, it said. WLVI-TV expects revenues of about \$28 million this year. Purchase will give Tribune 8 TV stations, all independents, leave Gannett with 9, all affiliates of Big 3 networks.

Consumer Electronics

NAFTA LEGISLATION is expected to include provision to give Administration responsibility to penalize 'dumped' tubes via Mexico, reversing earlier ruling. (P. 8)

PHILIPS TURNED PROFIT of \$70 million in 3rd quarter, after \$73-million loss in same 1972 period. Consumer electronics 9-month loss reduced. (P. 8)

RETAILERS ARE SCRAMBLING as 25" TV supply dwindles during all-important holiday buying season. Average prices could go up as result of shortages. (P. 9)

CAMCORDER'S FUTURE still a question, Panasonic officials say as they ponder ways to make it more versatile, appealing, easier to use. (P. 10)

CAMCORDERS UP in 9-month exports from Japan to U.S. but all other major products show decline. However, Sept. saw increases in all products except VCRs. (P. 11)

SONY CLAIMS FUNAI DESTROYED DOCUMENTS that could support allegations that it underreported products manufactured and sold under Sony license. (P. 12)

WHAT'S IN A LUX? EIA Engineering Committee to develop measurement methods to assure uniformity of light sensitivity ratings of camcorders. (P. 12)

OCT. RETAIL SALES VOLUME STRONG, as Best Buy again leads pack with 26% comparable-store gain. (P. 13)

WB Network announced no specific programs, saying that at start it would operate 8-10 p.m. 2 nights weekly. Premiere nights haven't been decided. In 2nd year, it expects to add 2 more nights, 5 hours of Mon.-Fri. daytime, 4 hours Sat. mornings. Fifth prime-time night and additional 1-1/2 hours daytime are scheduled for 3rd year, with 6th and 7th prime-time nights to be added in each of next 2 years. In unusual twist, WB Network plans to charge its affiliates rather than compensate them. That's necessary, proposed network said, because WB doesn't own any TV stations to provide outside source of revenue.

Announcement of WB Network had been expected since Jamie Kellner was hired last summer to sell plans to advertisers and agencies. Kellner was pres. of Fox TV Network when it launched in 1986, held position 7 years. He will be managing general partner of WB Network, with undisclosed equity position. Said Kellner, in apparent reference to Paramount plans: "There's room for one more broadcast network, but only one. This is it." Analysts agreed, saying that only one of planned ventures has chance of succeeding.

Paramount and Warner Bros. are 2 largest producers of prime-time programming now on 4 networks, and speculation is that they're moving toward networking to protect markets for their programs. ABC, CBS and NBC are fighting in federal courts in L.A. and Chicago to get out from under finsyn restrictions placed on them by FCC and Justice Dept. Justice has joined with networks in L.A. federal court to ask for end of consent decrees, and decision is expected soon. In relaxing finsyn rules last April, FCC established sunset for their total repeal for 2 years after consent decrees are removed. When that happens, networks will be free to produce as much of their own programming as they want -- move that Paramount, Warner and other studios have fought vigorously.

Unique element of WB Network is plan to form WEB cable network to serve "white areas" where it won't have affiliates. WEB will offer 19 hours of programming daily, including simulcasting WB Network schedule. Other programming to be carried by WEB wasn't specified. WB Exec. Vp Barry Meyer said company won't alter "how we conduct our current television business [but] we are confident that we can create a profitable business based on the original broadcast of programs." Said Kellner: "If you make the right programs and market them so they can be found, the audience will come and so will the advertising dollars."

ADMINISTRATION BACKS IDEA OF LOCAL COMPETITION BILL: Clinton Administration last week set goal of passing by end of next year legislation to increase competition in telecommunications to cable and telephone monopolies. However, it provided no details as to what should be contained in bill.

Legislative goal came in new Administration policy paper, Technology for Growth: President's Progress Report, that also outlined 9 major areas that Information Infrastructure Task Force (IITF) will consider in next couple of years. While some had been mentioned earlier, policy paper puts IITF in context with rest of Administration's technology policy. Document was issued as follow-up to technology policy Administration made public Feb. 22.

Among topics that IITF is considering is "promoting private sector investment" through changes in tax and regulatory policy. Paper said: "The Administration is working with Congress to pass legislation by the end of 1994 that will increase competition and ensure universal access in communications markets -- particularly those, such as the cable television and local telephone markets, that have been dominated by monopolies. Such legislation will explicitly promote private-sector infrastructure investment -- both by companies already in the market and those seeking entry."

Bill meeting that description has been introduced in Senate (S-1086) by Communications Subcommittee Chmn. Inouye (D-Hawaii) and Sen. Danforth (R-Mo.). Administration has yet to testify; NTIA Dir. Larry Irving said he planned to work with Congress on measure. Also under heading of promoting investment, report noted that President Clinton had signed tax incentives for R&D and new business formation to help spur National Information Infrastructure (NII) investment.

Also on list of 9 subject areas is "extending the 'universal service' concept" to make certain that information resources "are available to all at affordable prices." Report said that NTIA will hold hearings starting in Dec., and that IITF will work with advisory group, yet to be named, and with state regulators to determine how to apply universal service concepts. For 3rd goal, promoting "interactive, user-driven operation" of NII, Administration said it would be govt. role to "ensure that users can transfer information across networks easily and efficiently." Report said govt. would help achieve that by setting standards, and National Institute for Standards and Technology (NIST) has named interagency panel to review open systems network requirements and recommend policies on networking standards. Panel will consider issues related to Internet protocols as well as proprietary protocols, report said.

Other goals listed: (1) Promoting technological innovation, primarily through financing High-Performance Computing and Communications program for hardware and applications, and for NII demonstration projects. (2) Ensuring information security and network reliability. Administration is completing review directed by Clinton of encryption technology policy, while National Communications Systems (NCS) is bringing together agencies and industry to work on reducing vulnerabilities of telecommunications systems. (3) Improving management of radio spectrum by signing legislation authorizing transfer of spectrum and support for auctions. (4) Protecting intellectual property rights. (5) Coordinating with other levels of govt. (6) Providing access to govt. information by electronic means.

There were 4 telecommunications-related items in 37-item rundown of major accomplishments of Administration in variety of sectors, including telecommunications, worker training, technology transfer, NII. Four items were listed under section titled "Mobilize federal resources and policies to support the National Information Infrastructure": (1) Setting ambitious action agenda that would clarify private and public sector responsibilities while making "clear the fundamental requirements for universal citizen access and commercial-sector benefits." (2) Organizing task force among govt. agencies to coordinate NII activities and to work closely with industry. (3) Clinton's signing of legislation to transfer 200 MHz of spectrum to federal agencies and to allow auctions. White House paper didn't note that both were in massive budget act. (4) Starting grants program to make certain that "all Americans have access" to NII, and winning approval from Hill for \$26 million to begin program.

Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) said he wants stronger assurances that TCI cable operations in Bell Atlantic territory will be spun off totally before he would support merger. In Nov. 1 Congressional Record, Inouye said that he wasn't reassured by Oct. 26 letter from Bell Atlantic Chmn. Raymond Smith promising to "spin off or sell all TCI and Liberty cable systems in the Bell Atlantic region," and that there would be no common officers, directors or employees of new Bell Atlantic or owners of in-region cable company (TVD Nov 1 p1). Bell Atlantic spokesman Eric Rabe said that company plans to make certain that cable systems owned by TCI would be sold to separate organization, and that there would be "no common anything" between BA and new cable firm. He acknowledged possibility that Bell Atlantic stockholders could receive shares in new cable entity much as AT&T shareholders received stock in RHCs at divestiture. However, he said stock ownership would change as markets developed.

Cable tests of Zenith's high-data-rate compression on Videoway system in Montreal showed error-free operation with good margin at each of more than 20 test sites and in lab over 3 weeks of trial earlier this year, Videoway said. Zenith expects to begin delivering 16-level vestigial sideband (16-VSB) compression equipment to cable operators next year. System uses higher signal-to-noise ratio available in cable to double amount of digital data carried on single 6-MHz channel, compared to 4-VSB system that must be used for broadcast. Higher data-rate system allows cable channel to carry 43 Mbps, enough data for each 6-MHz cable channel to carry 23 movie programs at 1.5 Mbps, 9 live video programs at 4 Mbps, or 2 HDTV channels. Zenith said cost premium of 16-VSB vs. 4-VSB is "trivial."

Sen. Simon (D-Ill.) is starting to receive feedback from broadcasters and cable system operators he asked to run public service announcements on dangers of violence on TV. In Oct. 15 letter, he told station managers they were "crucial part of the solution" and recommended they broadcast several "simple messages," including: (1) "Warning: Watching too much television violence may be harmful." (2) "Research has determined that watching television violence has a negative impact on children and youth." (3) "Research has shown a link between television violence and real violence." Simon said he would put in Congressional Record call letters of stations and names of cable systems that run announcements.

Westwood One and Infinity Bcstg. are combining in deal in which Westwood will pay \$101.3 million to Infinity for Unistar Radio Networks. Infinity-Unistar CEO Mel Karmazin also will become CEO of Westwood, and Infinity's Farid Suleman will be chief financial officer. Westwood One Chmn.-CEO Norman Pattiz will be chmn. of combined companies. Unistar provides long-form music programming, news, CNN Radio and CNBC Business Radio to stations. Infinity owns 22 radio stations in 13 cities, including top 10, is buying 3 more. Westwood is producer of programs for radio stations, owns Mutual Bcstg. System, NBC Radio Network, Talknet and Westwood One Radio Networks. In separate transaction, Westwood is selling Radio & Records magazine to Westinghouse Credit Corp. for about \$20 million.

FCC is expected to begin rulemaking on compatibility between cable systems and consumer electronics equipment at meeting Nov. 10, 9:30 a.m., FCC hq. Rulemaking will solicit comments on compatibility, based on report to Congress (TVD Oct 11 p11). FCC recommended prohibiting scrambling on basic tier, giving customers option of having signal passed directly through to cable-ready sets, setting new definition of "cable ready," requiring systems to provide digital compression equipment at no cost. Commission also wants industry to develop decoder interface that includes descrambling and ability to use all features of high-end sets. For first time in recent memory, there are no Mass Media Bureau items on agenda for FCC meeting.

FCC disregarded plain meaning of statutory language in decision that telco video dial tone (VDT) systems don't need local franchise, NCTA said in brief to U.S. Appeals Court, D.C. Group is appealing FCC decision, saying that anyone who provides video services over wire needs franchise: NCTA said that claiming that VDTs don't need franchise "undermines the purposes of the Act's franchise requirements," since VDTs use rights of way and franchises are intended to give local govts. ability to protect public. NCTA said franchised cable operators would face unfair competition. Oral argument is March 11.

NBC News announced Nov. 5 that it "will launch a major effort to examine the growing problem of violence in America" early next year. NBC News Pres. Andrew Lack said division will "devote extensive time and resources to an in-depth look." All of network's news programs will be involved, he said, and network will work closely with affiliates.

CAP/ABC TO BUY BACK 2 MILLION SHARES: Saying that it had "substantial excess cash" available with "substantial borrowing capacity," Cap/ABC announced Nov. 1 that it plans to use some of both to buy back up to 2 million (12%) of its outstanding shares in tender offer. Company's largest shareholder, Berkshire Hathaway (headed by Warren Buffett) which owns 18% (3 million shares) of Cap/ABC, said it would offer one million, conditioned on all of them being purchased.

Cap/ABC also confirmed that Pres.-CEO Daniel Burke will retire on or about Feb. 4 (his 65th birthday) and that Chmn. Thomas Murphy will return as CEO. Murphy gave up CEO title to Burke in June 1990, remained chmn.

Company said it has spent \$500 million of its cash balance this year to repay all long-term indebtedness that it had option to repay early. Repurchase of shares "would result in attractive returns for its shareholders," it said. Cap/ABC said that it would retain sufficient capital to "pursue attractive investment opportunities that might arise," and that it has considered "potential acquisitions" (unidentified) but price hasn't been right.

Under tender offer, holders can specify price they want, but not more than \$630 or less than \$590. Offer isn't conditioned on any minimum number of shares' being tendered, and Cap/ABC will pay same price for all. Offer could cost company up to \$1.26 billion. Shares closed Oct. 29 at \$609.63, jumped 6-3/8 Nov. 1 to \$616 after offer was made public.

Day after stock buyback announcement, Moody's Investors Service reaffirmed its A1 senior unsecured rating for Cap/ABC debt. Moody's said it expected that share buyback would be "conservatively financed" with cash on hand and available debt and that company would maintain "adequate financial flexibility."

In making Murphy CEO again, Cap/ABC is buying time before picking new person to head company. Observers expect that person to come from within company, with Robert Iger, Cap/ABC exec. vp and pres. of ABC TV Network, believed to be front-runner. Upon his retirement, Burke plans to spend more time running minor league baseball team he owns -- Portland (Me.) Sea Dogs.

General Instrument (GI) and Scientific-Atlanta (S-A) said they have settled long-running patent infringement suits involving cable and satellite scrambling technology. GI was seeking at least \$50 million from S-A in suit filed in U.S. Dist. Court, Newark, N.J., in 1989, lawyers said. S-A, in annual report, said it was seeking at least same amount from GI. S-A filed suits in U.S. Dist. Court, San Diego, in 1991, and in U.S. Dist. Court, Baltimore, in 1992. Officials would provide few details about patents, but indicated they were for scrambling of cable and satellite TV and impulse pay-per-view. S-A developed B-MAC encoding technology, used mainly for business TV and similar purposes, and GI's VideoCipher is de facto standard for TV programming to satellite home dishes and cable headends.

Persistence of Peter Irons, political science prof. at U. of Cal.-San Diego, has paid off. U.S. Supreme Court last week made tapes of Court arguments available to public for first time "on a generally unrestricted basis." Previously, tapes were available only for "scholarly and legal research." Court has taped arguments since 1955, but hasn't allowed them to be published or broadcast. Irons challenged restrictions last summer when he published book, *May It Please the Court*, which contained transcripts of tapes.

NCTA APPEALS RATE RULES: NCTA filed expected appeal of FCC cable rate rules with U.S. Appeals Court, D.C., Nov. 1, but provided few details in filing that's considered procedural "placeholder" to assure that more detailed complaint can be submitted later. At same time, Assn. said FCC shouldn't increase population limit for rural telco exemption to 10,000 from 2,500 without another round of comments. Commission reportedly is balloting on proposal on circulation.

FCC's rate rules violate First and Fifth Amendments, NCTA said in petition for court review (TVD Aug 30 p4). It said cable owners are "aggrieved and injured" by rate rules that "exceed the statutory jurisdiction of the Commission."

Failure to "refresh the record" on rural telco exemption, which allows telcos to own cable systems in smaller communities, "raises serious procedural questions," NCTA acting Pres. Decker Anstrom said in letter same day to FCC Chmn. Quello. NCTA said at least one FCC commissioner has voted on circulation to raise exemption to include cities up to 10,000 (one more yes vote is needed to adopt rule).

Last round of comments in proceeding was filed more than year ago and situation has changed significantly since, Anstrom said. Among other things, he said, "advances in technology demonstrate that head-to-head competition between cable and telephone companies for a variety of services is possible. A narrow, piecemeal approach which allows telcos to compete with cable, but does nothing to eliminate state and local barriers that prevent cable companies and others from competing with telcos, severely undermines this opportunity." Expanding exemption would be favoring telcos over cable, Anstrom said.

Wider telco exemption also would burden small systems, which already are having trouble complying with FCC rate rules, Anstrom said: "Allowing telco entry... while doing nothing to undo the substantial restrictions that prevent cable companies and others from competing with telcos, would further restrict these cable companies' access to capital. Some may not survive."

Campaign reform bill may be marked up by House Administration Committee this week, including plans for "Voter Communications Vouchers" that would be redeemable by candidates for ads on TV, radio and newspapers, or to cover postage expenses or other "voter contact activities." Candidates would be eligible for as much as \$200,000 in vouchers after raising \$65,000 from individual donors and after certifying that any TV spots would contain or permit closed-captioning. Bill being considered also would codify lowest unit rule at nonpreemptible rates, to be applied 30 days before primary and 45 days before general elections. Proposal would require sponsor of ad to take responsibility for content, require candidate's picture and voice to appear for at least 4 sec. on TV, and voice to be heard on radio.

FCC Chmn. James Quello will be luncheon speaker at Nov. 13-15 convention of Community Bcstrs. Assn., Washington Court Hotel. Sessions will feature panels of Hill staffers, FCC Cable TV Div. and LPTV Branch of Mass Media Bureau. Final day will be devoted to lobbying Congress and FCC -- 202-833-1193.

Nielsen Media Research said Nov. 4 it will begin metered-market service in Cleveland and Detroit next year and is discussing with Pittsburgh TV stations adding service to that market. Addition of Cleveland and Detroit will increase to 32 number of markets metered by Nielsen.

PARAMOUNT MANEUVERS CONTINUE: QVC and Viacom continued to spar last week in battle for Paramount, even as both companies' tender offers continued. Much of maneuvering was in form of leaks to newspapers, including claims that Liberty Media would sell its QVC stake to BellSouth, making it more likely that QVC offer would, like Viacom's, get quick antitrust approval. QVC, meanwhile, said its merger with Home Shopping Network (HSN) is off. Also, Del. Chancery Court agreed to hear argument Nov. 16 on QVC suit to block Paramount-Viacom merger. Vice Chancellor John Jacobs then will decide whether to grant preliminary injunction before Nov. 22, when Viacom's tender offer expires. Formal trial would be held later.

In what some thought was bid to slow Viacom takeover of Paramount, QVC filed 2 applications with FCC. One seeks okay to transfer control of Paramount to QVC, other asks FCC approval to transfer Paramount shares to voting trustee, former Federal Reserve Chmn. William Miller. Viacom, in turn, lined up former FCC Comr. Glen Robinson as trustee for Paramount TV stations during Paramount-Viacom merger, it said in documents filed at FCC. Robinson, who was on FCC 1974-1976, is law prof. at U. of Va. He would oversee stations while Commission considers whether to approve transfers after merger.

Viacom said it has commitments for all \$4.5 billion cash it needs for Paramount acquisition. Commitments include \$3.5 billion unsecured revolving credit facility, plus \$1 billion bridge loan in case regulatory issues delay Nynex's \$1.2 billion investment in Viacom.

QVC/HSN merger died nearly 4 months after \$1.2-billion deal was announced (TVD July 19 p5). QVC delayed negotiations after it bid for Paramount, and after concerns were raised about transactions involving HSN and Chmn. Roy Speer. QVC and HSN, in statement Nov. 5, cited timing and other uncertainties created by QVC bid for Paramount, said decision to end merger "was amicable."

Rumors du jour: (1) N.Y. Times and Wall St. Journal predicted that BellSouth would buy Liberty Media's 22% of QVC for about \$1 billion by Thanksgiving, and would pump additional \$1 billion into QVC to sweeten bid for Paramount. Officials of both companies refused to comment. (2) Cox-owned Atlanta Journal-Constitution said Southwestern Bell would invest more than \$1 billion in Cox Enterprises, with cable assets to be spun off into publicly held enterprise. Cox spokesman said no deal had been reached.

Senate Commerce Committee Chmn. Hollings (D-S.C.) is trying to pry nomination of Reed Hundt loose by threatening to hold off on hearings for bill (S-1086) on telecommunications infrastructure issues until there's Democratic FCC chmn. to testify, sources said. One hearing, tentatively set for Nov. 10, has been canceled. Bill is dear to sponsor Sen. Danforth (R-Mo.), who would like to pass it before leaving Senate next year. Unspoken theory is that Danforth would try to persuade Republican colleagues to lift their hold on Hundt so that Danforth's bill could proceed.

New FCC Cable Reference Center opens Nov. 8 at 2033 M St. NW, Washington, Rm. 207. Center will contain filings required by Cable Act, open 9 a.m.-5 p.m. -- 202-416-0918.

Cap/ABC will move Washington govt. affairs office Nov. 15 to 21 Dupont Circle NW, 20036. Phone remains 202-887-7744.

TELCOS ATTACK BAN: Ameritech and U S West filed expected suits last week attacking telco-cable cross-ownership ban. Suits follow essentially same arguments as Bell Atlantic's (BA) successful attack on ban in U.S. Dist. Court, Alexandria, Va. (TVD Oct 4 p3), which is being appealed. Several other RHCs have indicated they will file similar suits after Alexandria court refused to extend decision to other areas. Both RHCs said they plan to launch video dial tone in their regions if ban is overturned.

Ameritech filed in U.S. Dist. Courts in Chicago and Detroit Nov. 1. It raised essentially same argument as BA case -- that ban violated First Amendment. Chmn. William Weiss also said it's "denying consumers choices and the economic benefits of competition." Successful suits would allow telco to provide video in 5 states under court's jurisdiction, Ill., Ind., Mich., Ohio, Wis. Ameritech said it plans to begin video dial tone in Ill. and Mich., with affiliate providing traditional cable plus video-on-demand, entertainment, education, shopping, medical information, home security.

U S West filed Nov. 3 in U.S. Dist. Court, Seattle. It said Seattle was selected because that's market where it expects significant competition, "making it a prime example of the unfairness of restrictions that apply to only one competitor -- U S West." Suit cited First Amendment, noted that FCC said in 1988 that ban "no longer serves the public interest." It also cited 1992 FCC report predicting that cable rates would fall 20% in face of competition. Ban is "an explicit and straightforward ban on certain constitutionally protected expression by certain speakers," complaint said, and "necessarily involves the government in an investigation of content." U S West indicated it would start video dial tone in Seattle if allowed, including video-on-demand and network capacity for other programmers. Telco said even FCC's waiver authority is violation of First Amendment because it includes no standards for granting waivers and Congress warned that "waiver authority should be narrowly construed."

Owner of KBLCom confirmed it's looking for telco or other "strategic partner." Owner Houston Industries asked First Boston to shop 50% of 22nd largest MSO, which has 561,069 subscribers (more than one million counting 50% interest in Paragon). "Like many others, we're looking for a strategic alliance," spokeswoman said. "But there's no deal ready to announce." MSO has systems in Orange County, Cal., Minneapolis, Portland, Ore., and Laredo and San Antonio, Tex.; Paragon has 539,000 in Ariz., Cal., Fla., Me., N.H., N.M., N.Y., Tex.

NAB Radio Chmn. Robert Fox's \$1 million-plus Malibu home was destroyed in last week's fires. "We left the house with nothing," he told us. "I have one pair of pants." Fox and wife Valerie watched home burn on live TV from friend's house, where they're staying. Also burned were Fox's 2 Jaguar cars. Fox owns KVEN(AM)-KHAY(FM) Ventura, Cal. ABC correspondent Gary Shepard was reporting on fires from different location while his own home burned. Also losing his home was Steve Gigliotti, vp-gen. mgr. of KCBS-TV L.A.

LuxCel Group formed joint venture with Russian firm, Puls Ltd., to operate 8-channel cable system in Rostov Don area of Russia passing 50,000 homes. Venture is through LuxCel subsidiary Mariga Communications, which operates FM station in area with Puls. Mariga said it also plans to launch 3 more FM stations in Yalta, Izevsk and Yoshkar Ola by end of year.

SATELLITE DISHES GET RUSH: Anger about cable service and rates is helping spur sudden, rapid rise in satellite dish sales, dealers and satellite programmers told us. Other factors include upgraded security system that has forced some former pirates to buy legitimate descramblers, increased dish marketing efforts, lower interest rates. Satellite dish and programming distributors say sudden peak in demand, along with manufacturing delays, is making it impossible to meet demand.

Satellite dish sales are up 35-40% since summer, said Gary McClendon, exec. vp, Unimesh, manufacturer of satellite TV equipment: "Every month we set a record." Program distributor Satellite Sports Network (SSN) has had "phenomenal surge" in new business, said Buzz Priestly, dir.-mktg. and sales, with orders up 600-650% this year. He called 1993 "best times in satellite TV business since the early 1980s." He said "cable quagmire" has been factor in increased business: "It's fair to say cable has done quite a job of alienating their client base."

Tremendous growth in satellite TV business has been tempered by inability of manufacturers to obtain enough descrambler modules from General Instrument (GI) and Channel Master, said equipment manufacturers and programmers. GI spokeswoman said shortage was caused by programmers -- including Cinemax, HBO, Playboy and Spice -- which upgraded to VideoCipher Plus security system, making piracy of those signals much more complicated and driving up demand for descramblers. McClendon attributed increased business to: (1) Consumer dissatisfaction with cable "in most markets." (2) Improved direct marketing campaign. (3) Easier access to financing under better terms. He said company hadn't predicted demand and had run out of descramblers. Shortage problem was exacerbated last month when bad batch of chips was sent to GI's assembly plant.

Satellite TV no longer is considered "alternative" to cable, but can be seen as "additional" service to some consumers, Superstar Telemarketing Mgr. Katherine Nickels said. She said program packager has seen "very, very, very substantial" growth recently but wouldn't provide details because company is "going public" soon. Consumers are looking at satellite TV differently because industry is becoming "more sophisticated," equipment is getting smaller and "people are getting sick of cable," she said.

Program Notes: Turner Bestg.'s 5 cable networks will join group using Prodigy to promote cable nets. Turner networks are CNN, Cartoon Network, Headline News, TNT, WTBS Atlanta... SportsChannel Philadelphia expanded to 24-hour programming Nov. 1 after affiliating with Prime Network... TCI systems in L.A. will begin carrying GEMS TV Spanish-language network Dec. 1.

Radio revenue growth of 9% for 3rd quarter 1993 outpaced that of TV, newspapers and magazines, according to RAB measurement of more than 100 markets. Local spot, which accounts for nearly 80% of radio revenue, was up 9% in 3rd quarter over same period 1992, national spot was up 7%, network revenue 6.7%. All regions of country showed growth in local and national spot.

Group of franchising authorities asked FCC to extend indefinitely rate freeze for cable systems with fewer than 1,000 subscribers. In petition, group said freeze should be kept at least until local authorities are allowed to regulate small-system rates, since larger systems are subject to local control but smaller ones aren't.

"Fundamental restructuring" of public TV (PTV) has been urged by PBS National Program Policy Committee to free more resources for national programming. In statement adopted by panel at meeting last month, it said "consolidation" of PTV's broadcast infrastructure is one way to create additional money for national shows. PBS Senior Vp Peter Downey told Exec. Committee that PTV could reach almost entire U.S. population with only about 200 of 350 broadcast transmitters now in place. Report prepared for PBS by consultant Thomas Clough said that for PTV system "as a whole [it's] better to lose some stations than to erode the quality of programming. As long as programming is good, communities can fight for government support of local stations. If programming quality declines, government support for the entire system (including small stations) is threatened." Idea didn't sit well with PBS Exec. Committee member Noel Smith, former head of Small Station Assn., who told that panel and Finance Committee in memo that "the proposal to solve the financial problems of the system by 'losing a few stations' is naive."

National Hispanic Media Coalition asked FCC to order hearing on renewal of Disney Co.'s KCAL (Ch. 9 independent) L.A., charging employment of Hispanics is below standard and that licensee hasn't attempted to recruit minorities during 5-year license term. Said Coalition: "Disney consciously, knowingly and intentionally has discriminated for the past 5 years." Coalition said no other L.A. station "is as indifferent and unresponsive as Disney." Meanwhile, NAACP and League of United Latin American Citizens filed renewal protests against 12 Cal. TV stations, alleging violations of FCC's EEO rules, and asked for hearings. Stations involved: KGET Bakersfield, KHSL-TV Chico, KTXL Sacramento-Stockton, KSBW Salinas-Monterey, KTVN-TV Santa Ana, KCOY-TV Santa Maria, KFTY Santa Rosa, KSCH-TV Stockton-Sacramento, KMPH Visalia-Fresno, and public TV stations KVPT Fresno, KOCE-TV Huntington Beach, KTEH San Jose.

FCC approved transfer of control of Video Jukebox Network (VJN) LPTV stations to joint venture of Communications Equity Assoc. (CEA) and Lenfest, VJN Chmn. Patrick Michaels of CEA told stockholder meeting Nov. 1 in Miami. FCC approval clears way for joint venture to complete takeover of VJN. Also at meeting, stockholders approved doubling number of VJN shares to 40 million. Michaels said company cut net loss for first 9 months to \$1.7 million from \$3.6 million year earlier, mainly by reducing operating cost to \$10 million from \$13 million.

Adam & Eve Channel -- adult pay movie service -- said it contracted with AT&T to carry signal on Telstar 303 beginning in Feb. IDB Communications will serve as uplink. In addition to movies, network will program home shopping for "dazzling array of high-quality, couples-oriented, life-style products" promoted by "seductive infomercials" hosted by stars of network's movies.

NAB convention in Las Vegas March 20-24 will feature 12 "standalone" conferences and more than 800 exhibitors. Conferences include LHDTV World Production, SMPTE, digital transmission tutorial, IEEE, MultiMedia World, TvB, Bcstrs. Law and Regulation, Best. Engineers Day, RAB, BEA -- Richard Dobson, 202-294-5335.

Retransmission consent fight in Novato, Cal., ended with agreement between Chronicle Bestg. and Chambers Communications. Deal returns KRON-TV San Francisco (NBC) to 17,400-subscriber cable system. Neither party would discuss terms, but Chambers said cable rates wouldn't be affected.

Personals

Steven Bornstein, ESPN pres.-CEO, also named corporate vp, parent Cap/ABC; **George Bodenheimer** advanced to senior vp-affiliate sales and mktg., ESPN... **Daniel O'Brien**, ex-Time Warner Cable, appointed pres.-TW Programming... **Rafael Pastor**, ex-Fox International, joins USA Networks International as exec. vp-managing dir... **Sheldon Cooper**, 40-year Tribune Co. veteran and current chmn. of Tribune Entertainment, said he will leave at end of year to form Cooper Entertainment to develop and consult on TV programming... **Donald Van de Mark**, CNBC Washington correspondent, resigns to become dir.-communications, QVC... **Suzanne Young**, ex-Edgar Scherick Assoc., appointed HBO west coast dir.-business affairs.

Larry Jones, pres.-Fox Basic Cable, moves to Fox Inc. as senior vp... **Terry Crofoot**, ex-pres.-gen. mgr., KABC-TV L.A., appointed vp-news, Fox TV Stations... Appointments at Fox TV's FX cable network: **Louise Henry**, ex-Courtroom TV, as senior vp-affiliate sales and mktg.; **Lucy Hood**, former 20th TV, as vp-affiliate mktg. and strategic development; **Richard Ross**, ex-Nickelodeon, as vp-program enterprises.

Chris Wolf, ex-WOFL Orlando, appointed dir.-programming and promotion, KDAF Dallas... **Karen Fritz**, former Ga. Public TV, joins WETA-TV Washington as dir.-bestg., succeeding **Michael Dingley**, who has joined Learning Channel... **Tanja Kuhar** advanced to promotions dir., KSDK St. Louis... **David Bolender** advanced to exec. dir., Ia. Public TV... Promotions at WRC-TV Washington: **Angela Owens** to dir.-station information, **Julia Mitchell** to mgr.-community communications... **Steve Leyland**, dir.-business affairs, Prairie (N.D.) Public Bestg., named acting gen. mgr., succeeding **Dennis Falk**, who remains pres... **Nick McMahon**, ex-Village Roadshow Pictures, appointed Pacific Rim representative, NATPE International, with hq in Australia.

Appointments at Multimedia: **Robert Hamby**, treas.-chief financial officer, also elected senior vp-finance and administration; **Thomas Magaha**, controller, also elected vp-finance and development; **Alan Austin** promoted to treas.; **Clyde Baucom** advanced to vp-personnel and benefits; **Claudia Price** promoted to vp-taxes; **Markeeta McNatt**, ex-Southland Corp., named vp-investor relations and corporate communications, succeeding **Elizabeth Mills** who retires at end of year... **Randy Komisar**, ex-Go Corp., appointed pres.-CEO, Lucasarts Entertainment... **Jody Shapiro**, ex-RHI Entertainment, named pres.-COO, CST Entertainment Imaging... **James Potter**, ex-Tri-Star Pictures, appointed senior vp-systems implementation, Cyphertech Systems.

FCC events: Chmn. **Quello**, Comrs. **Barrett** and **Duggan** participate in Bestg. & Cable Interface VII, Nov. 9, Omni Shoreham Hotel, Washington... Mass Media Bureau Chief **Roy Stewart** keynotes luncheon at Ariz. Bestrs. Assn. convention, Nov. 11, Radisson Mission Palms Resort, Tempe... **Kenneth Kaufman**, ex-gen. counsel, Kennedy Center, joins Roberts & Eckard, Washington law firm.

Betsy Bruce, HBO cable unit, promoted to pres., Time-Life Video & TV, succeeding **Candice Carpenter**, resigned... **Gordon Cooke**, Bloomingdale's By Mail CEO, appointed pres., Time Warner (TW) Interactive Mdsgr., new div. of TW Entertainment... **Barry Thurston**, Columbia Pictures TV Distribution pres., elected to TvB board... Promotions at CNBC and upcoming America's Talking

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channel: CNBC Gen. Counsel **David Zaslav** to additional post of senior vp-affiliate mktg. and shares, **David Zaslav** to senior vp-affiliate mktg. and sales, **Susan Packard** to vp-affiliate relations and national accounts, **Bruce Ballard** to vp-affiliate relations and technology... **Burton Staniar**, Group W Bestg. chmn., becomes chmn., Knoll Group, office furniture manufacturer... **Ann Hawkins** resigns early next year as chief counsel, Senate Judiciary, Technology & Law Subcommittee, to join Podesta Assoc. as senior vp... **Megan O'Donnell**, ex-CBS News, joins Baseball Network as controller.

Wayne Wicks, ex-CBS, named exec. vp-operations, Madison Group Assoc., new post... NBC Mktg. Dept. promotions: **Nancy Severance** to dir.-mktg. and media analysis, **Kelly Coogan-Swanson** to dir.-entertainment and affiliate mktg., **Greg Castronuovo** to mktg. mgr.-sports and news... **Stephen Blum** promoted to mktg. dir., Conus Communications; **Deborah Syverson**, ex-3M, named mktg. asst... **William Marsh** promoted to pres., Radio Free Europe/Radio Liberty, succeeding **Gene Pell**, who resigned last month after 8 years in post... **Robert Relyea**, ex-Paramount Pictures, joins MGM as exec. vp-production.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	OCT. 16-22	1992 WEEK	% CHANGE	OCT. 9-15	42 WEEKS 1993	42 WEEKS 1992	% CHANGE
TOTAL COLOR....	665,386	672,716*	- 1.1	520,270*	18,768,959*	16,938,342	+10.8
DIRECT-VIEW..	653,224	656,128*	- 0.4	511,848*	18,442,645*	16,642,674	+10.8
TV ONLY.....	587,993	632,911*	- 7.1	492,230*	17,363,048*	15,987,830	+ 8.6
TV/VCR COMBO	65,231*	23,217	+181.0	19,618*	1,079,597#	654,844	+64.9
PROJECTION...	12,162	16,588*	-26.7	8,422	326,314*	295,668	+10.4
VCR DECKS.....	301,439	477,652*	-36.9	260,730	9,398,711*	9,281,123	+ 1.3
CAMCORDERS.....	60,555	84,348	-28.2	40,875	2,301,011*	2,101,356	+ 9.5
LASERDISC PLYRS**	6,002	8,183*	-38.9	2,468	161,723	161,350	+ 0.2

Direct-view TV 5-week average: 1993--651,138#; 1992--571,570 (up 13.9%).

VCR deck 5-week average: 1993--348,317*; 1992--335,308 (up 3.9%).

Camcorder 5-week average: 1993--80,505*; 1992--74,310 (up 8.3%).

* Record for period. # Exceeds record for full year. ** Includes combi players, excludes karaoke types.

NAFTA BILL WOULD STOP TUBE 'DUMPING' VIA MEXICO: Administration bill sweetening terms of proposed North American Free Trade Agreement (NAFTA) for some domestic industries, scheduled for introduction early this week, will include section designed to prevent "diversionary dumping" of picture tubes through Mexico, we have learned. Provision would reverse ruling by Commerce Dept. that manufacturers aren't using their TV assembly plants in Mexico to circumvent antidumping penalties on picture tubes (TVD Dec 17 p12).

As already reported here, NAFTA draft agreement specifies that TV sets with screen sizes larger than 13" must have N. American picture tubes in order to qualify for duty-free treatment (TVD July 27/92 p10). No TV tubes 13" or smaller are made in U.S. Under draft, N. American tubes may be taken into Mexico duty-free if they're to be built into TV sets there; foreign content of sets is dutied at 5% when brought into U.S., but value of tube wouldn't count since it's part of N. American content. However, if tube isn't from N. America, Mexican duty of 15% (same as U.S. duty on tubes) would be levied, as well as U.S. duty of 5% on set.

While that provision is spelled out in legislation, another is added -- to close "loophole," according to Corning Public Policy Vp Tim Regan. That gives U.S. Customs Service responsibility for monitoring imports of TV sets without N. American tubes to inspect and verify value of set. U.S. Trade Representative would be responsible for taking "all appropriate action" against sets brought in at below fair value and, as one lobbyist put it, "it obligates the President to enforce provisions of the antidumping laws."

Administration-backed provision is said to have backing of both parties in Congress. Prime movers in getting antidumping language into bill are believed to be labor unions in tube industry plus Corning and Zenith, which brought unsuccessful 1990 diversionary dumping case. Zenith Chmn.-Pres. Jerry Pearlman was a leading industry supporter of Clinton in Presidential campaign.

Antidumping ruling in 1988 found Canada, Japan, Korea and Singapore to be shipping tubes into U.S. at below fair value and levied punitive duties. However, in 1990 diversionary case, Commerce ruled that antidumping rules don't apply when tube is transformed by building it into TV set.

PHILIPS TURNED PROFIT IN 3rd QUARTER: Philips moved to \$70-million profit in 3rd quarter from \$73.1 million loss in same 1992 period (based on guilder's current value), company reported last week.

Improvement was due largely to reduction in interest and taxes. For first 9 months, consumer electronics (CE) operation still was in red and CE sales were down 2.5%, but loss was cut by 21.4%.

While company skipped dividend, warned that its markets still were depressed and declined to forecast full-year earnings, results generally were better than analysts predicted. Operating profits rose for first time in 6 quarters, to \$294.4 million from \$181.4 million; net sales in quarter were up 3.6%, while 9-month sales were about same as last year. Profits for 9 months included gain of \$578 million from sale of Philips' interest in Matsushita Electronics Co. (see financial table). Increase of \$210 million from PolyGram stock issue has been set aside to cover losses on future divestments, which company called "inevitable."

Net CE sales in 9-month period totaled equivalent of \$7.76 billion, down from \$7.96 billion in same 1992 period, while loss from CE dropped to \$135.1 million from \$171.9 million. Once again, European CE recession was major factor in sales decline, although Philips said its market share there "increased slightly." Report said CE "sales performance outside Europe continued to develop favorably," as reflected by Finance Vp Dudley Eustace, who told Eindhoven news conference: "I am rather glad that the spread of our operations is worldwide. If we were totally dependent on Europe, it would be a disaster." Improvement in CE, report said, was "largely offset by higher losses in Grundig."

All operations other than CE were in black for 9 months, company reporting PolyGram contributed to 7% sales growth in "other consumer products," as operating income in that sector rose to \$318.1 million from \$275.5 million "in spite of higher expenses... for the development of CD-I software."

At end of 3rd quarter, Philips' worldwide employment stood at 250,100, down 7,900 from Jan. 1. Company predicted that 4th-quarter sales would be about on par with last year's period.

RETAILERS SCRAMBLING AS 25" SUPPLY TIGHTENS: Record 25" TV sales have cut sharply into inventories, sending many retailers scrambling to find alternative to this year's low-price leader. EIA figures show sales to dealers of 25" sets up 41% in year's first 9 months and onslaught has shown little sign of slowing up, constrained only by dwindling supply.

While 25" inventories have been tight all fall, retailers faced further problems with onset of holiday buying season. Tight supply forced some dealers to shift focus from 25" mono to 25" stereo and low-end 27" for high-volume sales. Caught in shuffle is 26", low-priced leader in 1992, which has seen sales to dealers drop 31% this year as 25" Sanyo sets sold for as low as \$279 in Wal-Mart, forcing competitors below \$300 for first time. Even 25" stereo has hit low of \$339 at some retailers. TV margins have dropped "a couple of points" this year as result of lower prices, retail source said.

"If you did the right planning and twisted enough arms you got the goods," said video buyer at midwest retailer. "If you did the right planning but didn't scream and holler early enough, you're going to be hurting. If you decided at the last minute that your business is good and you want to buy stuff, you're going to be in trouble."

James (Red) Niskanen, dir. of video mdsg. at SoundTrack in Wheat Ridge, Colo., said 25" shortage forced him to rearrange ad plans. "It makes it tough when you're told not to expect [25" mono] shipments that you were planning to advertise later this month. Sometimes you just have to use 25" stereo or low-end 27," he said.

But larger retailers appear unscathed by shortfall. Sears consumer electronics executive said chain witnessed some "blips and bleeps" in supply, but remained in good position. "I think manufacturers are doing a little more focusing and they're picking and choosing who they want to put more product through," Sears executive said.

Yet shortages appear to be helping stabilize market. Aside from 25," retailers said 27" sets have hit \$399; 19" recently was advertised at \$186, and some 20" have dipped to \$200-\$220. "The pricing has brought 25-inch into the price range of some highly featured 20-inch sets, but most manufacturers have reasonable and responsible business plans and I don't think you'll see any radical changes either later this year or in the first quarter," Sony Senior Vp James Palumbo said. Philips Vp Mark Stevenson said retail prices have reached "natural equilibrium" in \$100 increments and "put a stake in the ground."

Retailers said downturn in pricing hasn't always translated into lower average selling prices. "What we are seeing is that people who were buying better 27s are buying 30- and 31-inch," said Sound Advice Exec.

Vp. Michael Blumberg. "The price point per unit has gone down, but the screen size you're getting for the price is going up."

Further blocking slide in pricing has been increased production cost, industry officials said. Goldstar TV/VCR Dir. Philip Petescia said glass prices have risen 3-4%, triggering 10-12% increase in tube prices and adding average of \$5-\$7 to overall TV cost, slowing or halting move to lower retails. Glass manufacturers say they'll seek another 4-6% price increase in 1994, noting that industry is "moving to new and larger sizes" resulting in added costs and "a chewing-up of some existing capacity," as one glass company executive put it. Glass prices have risen in each of last 3 years.

In 30-35" direct-view and projection TVs, shortages are virtually nonexistent and pricing appears stable, industry officials and retailers said. Sony (32") and Thomson (35") made downward price moves earlier in year at \$1,499 and \$1,100, and action seems to have slowed. Industry has projected sales of million units in 30-35" while projection was expected to rise 10% to 440,000 this year. "I think people have established where they want to be at retail," said Kevin Procter, Samsung gen. mgr.-product development.

In projection, increased sales of 55" and larger models have forced down prices in 40-50" category -- Sony says its 40" model has become niche product. In 45-46" area, prices seem to have settled at \$2,000, and added features such as enhanced audio and storage appear to be keeping them from going lower, industry sources said. Zenith Sales Pres. Gerald McCarthy said 50"-and-up will continue cutting into 40-49" sales into next year, although latter category still could show "modest improvement."

Increased sales of big-screen sets also have forced vendors to keep tighter reign on inventory, said Thomson TV Product Management Vp James Gatman. While vendors may ignore inventory pileup in smaller sets such as 13", 19" and 20," it's more expensive to keep a large assortment of big-screen TVs, he said. "It's generally stabilized as a function of supply and demand."

PANASONIC--CAMCORDER'S FUTURE STILL A QUESTION: Even as 1993 camcorder sales run nearly 10% ahead of last year's -- which would send them past 3 million for first time -- industry's chance of significantly expanding market depends on making them accessible for wider range of events and family members. That was feeling expressed by Panasonic's top video executives during company's audio/video "preview" meeting last week in Ariz.

National Camcorder Mktg. Mgr. William Mannion said research shows camcorder rarely is used (except for taping events such as birthdays, graduations, etc.) after bloom wears off, and that in most cases only one member of family -- usually male -- operates it. Panasonic, he said, is concentrating on improving ease of use and number of automatic functions to remove intimidation factor and increase usage, which would let consumers justify relatively hefty price.

Stan Hametz, vp-gen. mgr. of Consumer Video Group, conceded that consumers have trouble rationalizing cost of even inexpensive models because they're rarely used, and because low-end camcorder still is significantly more expensive than other consumer electronics products. "Take VCR decks. Right now decks are flying. We haven't had as good a year in decks in 5 years as we're having now. Our decks are not the lowest priced on the market, but a person will spend \$200 or \$300 [on VCR]. But you talk about a camcorder, they say, 'I can wait.'"

Mannion said Panasonic's U.S. marketers studied bare-bones record-only model marketed in Japan last year, but dealers said "it would have to be \$399 to \$499" to be merchandised effectively, "which is out of the question for what we'd be able to produce it for." Asked about Panasonic's view of such products as Sharp's Viewcam and Sony Handcam Snap, with LCD panels in place of electronic viewfinders, Mannion said Panasonic is trying to develop fresh concepts "rather than being a me-too."

Executives said VHS formats are continuing to eat into 8mm market share, although Hametz said "we don't think we've taken it out of Sony," but out of other brands. As for current shape of industry sales, they said, "best guess" is that VHS-C is holding 36-37% share, 8mm 40-45%, rest devoted to full-size. Overall, Hametz said, "we see VHS growing significantly. We think it's well over 55% of the market." He also questioned accuracy of some sales reports, saying 8mm statistics always exceed 8mm import figures by 5-10 points. "Now, I can see that in any one given year because of a buildup in inventory, but over 7 or 8 years, you can't be selling more than you're importing. Some of those numbers are very suspect."

Hametz said Panasonic's VCR business is "on a pace" that would put company "just short of" 1987 record, increasing its market share by 3-4 points. He attributed that to fact that Panasonic is more

completely "addressing the more core price points," benefiting from steadiness of its brand positioning and from "selective" expansion of distribution into middle America.

During presentation to dealers, Hametz made direct attack on what he called widespread assumption that other brands' complete VCR lines were coming from Matsushita plants. He cautioned dealers "not to assume automatically" that specified brand is coming from Matsushita factory because "there are a number of brands that are coasting on perceptions that they're Matsushita-sourced," when actually different models are made by other manufacturers. He said Panasonic wants to make sure dealers, floor salespeople and consumers understand reality of situation, and that "we'll make sure that if they [other companies that source from several manufacturers] don't tell you... we will."

FROM JAPAN -- CAMCORDERS UP, EVERYTHING ELSE DOWN: Camcorders were only bright spot in Japanese exports to U.S. in year's first 9 months, according to Finance Ministry figures released last week. Shipments were up 10.6% for 9-month period, while VCR decks were down 30.9%, videodisc players down 8.3%, CD players down 6.1%, color TV down 12.8%.

Japan remains only significant source of camcorders, still representing about 95% of supply, although Korea is growing as source, and there are first stirrings of production for export in Singapore and possibly China. Japan is dropping rapidly as VCR source, accounting for only 24% of U.S. VCR imports in Aug. (TVD Oct 25 p14). Japan still is major source of CDs, but supply is declining, and it's insignificant factor in color TV.

In Sept., however, CD players and videodisc players made comeback. CD equipment was up 6.7% over Sept. 1992, while videodisc player shipments jumped 48% to 55,771, which may be record for any single month.

Japan obviously is struggling to keep camcorder prices as low as possible to help offset strength of yen. Average yen price in Sept. was 56,280, down 13% from year earlier and just 150 yen above all-time low set in June. But in dollar value (at 106-yen-to-dollar average in Sept.), no new records were set; average came out to \$530.94, some \$5 above figure of Sept. 1992. All-time low in dollar equivalent was in July 1992 at \$512.03, which was 3.6% below Sept. 1993 price, although in yen average price of 64,516 that month was 14.6% higher than in Sept. 1993. Difference was that there were 126 yen to dollar in July 1992 vs. 106 in Sept. 1993.

Average price of VCR deck from Japan was 29,496 yen in Sept., about same as year earlier. In dollar equivalent, however, it was up 15.2% to \$278.26. In Sept. 1992, dollar would buy 123 yen, vs. 106 year later.

Japanese exports to Canada in Sept. (year's first 3 quarters in parentheses): Color TV 265 sets, down 77.9% (1,374, down 70.4%); VCRs 27,253, down 53% (186,483, down 47.5%); camcorders 31,544, up 2% (156,540, down 8.1%); videodisc players 1,984, down 33.8% (14,918, up 0.2%); CD players 36,142, down 23.4% (350,304, down 11.4%). Japan Finance Ministry figures on exports to U.S.:

Product	Sept. '93	Sept. '92	% Chg.	6 Mo. '93	6 Mo. '92	% Chg.
Color TV.....	10,796	8,994	+20.0	76,536	87,776	-12.8
VCR decks.....	401,013	610,795	-34.3	3,127,269	4,525,901	-30.9
Camcorders.....	396,871	351,377	+12.9	2,345,053	1,944,607	+20.6
Videodisc players	55,771	37,683	+48.0	238,153	253,530	- 8.3
CD players.....	628,427	589,064	+ 6.7	4,699,877	5,127,914	- 6.1

Sanyo is reorganizing labs dedicated to fundamental research, reducing number to 5 from 8 as part of effort to speed development of products, including multimedia, Japanese press reported. Company has designated about 400 engineers to products to be developed for near-term markets, another 1,800 for projects expected in 5-10 years. Force devoted to short term will be doubled in about 3 years. Company will set up "Hypermedia Lab" to integrate audiovideo lab and communications and information development. Semiconductor and VLSI labs are being integrated into single Microelectronics Lab, and labs devoted to production technology and control systems are being joined to create "Mechatronics Lab."

Surge in satellite dish sales in last few months has resulted in shortage of descrambler modules. Retailers attributed sales growth to disgruntled cable customers, said to be flocking to dealers. Descrambler demand also was attributed to programmers' moves to make piracy more difficult. (Details are in Best./Cable section.)

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 108 yen = \$1, except where noted.

FUNAI DESTROYED DOCUMENTS--SONY: Sony is charging Funai destroyed documents that could support allegations Funai underreported number of products manufactured and sold under Sony VCR patent license.

In patent infringement suit filed in U.S. Dist. Court, San Francisco (TVD Nov 1 p12), Sony (Japan) said it received anonymous letter from former Funai employees last Nov. charging company intentionally underreported figures. Letter also alleged that Funai stalled JVC's 1988 audit request for 6 months "to conceal its failure to pay the full amount of royalties due." (JVC spokesman in Japan told us it had received "formal reply" from Funai and had settled case.)

Sony said in court papers that Funai reported in Feb. that 1984-1988 manufacturing and sales records had been destroyed and refused to provide purchase orders or inventory figures. Computer printouts and ledgers covering 1989-1992 were "not sufficient to provide the basis for a proper audit," suit said. According to filing, Funai later told Sony that reports "inadvertently" omitted portions of total production subject to royalties in "10,000-unit groups," suit said.

Robert King, Funai attorney, declined comment on allegations, but said company would reply through documents expected to be filed later this month. Funai officials in Japan also declined comment.

Suit in U.S. followed 2 filed in Japan in June alleging patent infringement and seeking 1.84 billion yen (\$17 million at current exchange rate) in unpaid license fees. Sony canceled Funai's license agreement in June and has accused company of infringing 6 patents covering basic elements of video recording and playback technology. Sony used technology to develop high-density recording of video signals that helped give birth to Betamax VCR in 1975. It also is seeking preliminary injunction to bar Funai from marketing and selling VCRs, TV/VCRs, VTRs and VHS camcorders in U.S. Hearing on request is scheduled Dec. 14 in San Francisco.

Funai signed licensing agreement for VCRs in 1984, expanded it to cover TV/VCRs in 1985 and VHS camcorders in 1988. First pact ran 1984-1989 and was extended later through Dec. 31, 1993, according to Sony. Agreement required Funai to make quarterly reports on products manufactured and sold with license, suit said, with records to be kept for length of agreement and 2 years after it expired. Japan Commercial Code requires corporate records be maintained for 10 years, suit said.

Sony-Funai relationship began to sour in Nov. 1992 after Sony received letter from former Funai employees, but was further strained in Jan. when Funai refused to permit Sony officials and accountants to audit its records, suit said. Funai said audit couldn't be conducted because records covering June 16, 1992-Dec. 15, 1992 hadn't been settled. After 6-hour meeting, Funai released "incomplete" July 1992 ledger that "omitted" numerous sales from royalty report, complaint said.

Funai "has not controverted the essential accuracy of Sony's [unpaid royalty] figures," and instead has "nit-picked" calculations, filing said.

Tokyo Video Festival received 1,615 entries from 33 countries, sponsor JVC announced. Most entries, 785, were from Japan, followed by Germany with 204, U.S. with 128.

WHAT'S IN A LUX? Plenty, according to major brand camcorder marketers, who have organized major EIA effort to establish standards for light sensitivity ratings of camcorders. Camcorder light ratings generally are given in lux, metric measurement similar (but not equivalent) to foot candle.

But there's no standard for measuring light sensitivity in terms of what makes acceptable picture. In fact, said Bill Mannion, national mktg. mgr. for Panasonic camcorders, some products sold with rating of 8 lux in Japan are marketed as 1 lux when shipped here as OEM products for different brand name.

EIA Engineering Committee headed by Thomson's John Stevens is working to develop specific series of parameters for use in measuring light sensitivity so consumer has standard for comparison of different makes and models. Eventual standard will specify "realistic threshold" of minimally acceptable picture and prescribe series of 5 or 6 measurements that should be made to arrive at figure for sensitivity, said EIA spokesman.

Committee, which includes representation of all major camcorder marketers, expects draft of standard by year-end. "We are finding that many different brands were applying different standards," Panasonic Consumer Video Group Vp-Gen. Mgr. Stanley Hametz said at company's preview sales meeting last week. Idea of standardization committee was pursued by MECA Vp Jack Pluckhahn, chmn.-elect of EIA's Consumer Electronics Group (CEG).

Mannion stressed at roundtable discussion with reporters at Panasonic sales meeting that issue is what constitutes acceptable picture at given light level, not merely how much light is needed. Questions involved are sharpness and cleanness of picture, signal to noise, brightness, resolution, etc. "Those are the types of things that the companies on the committee are hashing out," he said.

Atari, as promised, signed agreements with software companies that it said will develop software for 64-bit Jaguar videogame system to be launched in N.Y. and San Francisco this month, Paris and London later in year (TVD Nov 1 p18). At launch party in N.Y. last week, Pres. Sam Tramiel said list of newly signed developers includes Virgin Interactive Entertainment, Interplay, Microprose, IT Software, Accolade. Accolade spokeswoman offered clarification, saying company had sublicensed several of its properties for Atari to develop and market versions for Jaguar, but that Accolade's primary involvement would be to release code on original versions of those games. Properties involved include Bubsy Bobcat, Jack Nicklaus Golf, Brett Hull Hockey.

FCC is expected to begin rulemaking on compatibility between cable and consumer electronic equipment at meeting Wed., 9:30 a.m. Rulemaking will solicit comments on FCC recommendations on compatibility, based on its report to Congress (TVD Oct 11 p11). Those included prohibiting scrambling on basic tier, requiring use of standard channel numbering and frequencies, giving consumers option to have unscrambled signals delivered directly to TVs or VCRs, developing decoder interface and new definition of "cable ready."

Ricoh introduces palm-sized 8mm camcorder with 10x zoom, remote control, color viewfinder and prism type optical image stabilizer. It's variation of Sony model, lists at \$1,499.

RETAIL SALES GAINS STRONG: Major retailers reported strong increases in total and comparable-store revenues for Oct.

Best Buy continued to show explosive growth, chalking up 26% increase in comparable-store sales for 4 weeks ended Oct. 30. Rapidly expanding company considered just over half its stores (74 of 142) in computing comparable-store performance, which covers units open more than year. Best Buy's total Oct. sales jumped 67% to \$217 million. Company opened 15 stores last month, including entry into Phoenix and Atlanta with 5 stores each. For first 35 weeks of fiscal year, Best Buy's comparable-store sales soared 82% to \$1.49 billion, with comparable-store revenues up 22%.

News release announcing Oct. results included cautionary note alerting investors of imminent slowdown in growth rate of comparable-store revenues, noting that company "expects the November comparable-store sales increase to be lower due to comparisons against a 36% increase last Nov." It also said Nov. figures will include comparable-store performance of first 8 Chicago stores, which held highly promoted grand openings year ago. Best Buy last month opened its 20th store in metropolitan Chicago.

Circuit City reported 6% increase in comparable-store sales that helped boost overall revenues 29% to \$306.9 million. Pres.-CEO Richard Sharp said comparable-store sales results "reflect more difficult comparisons against last year's results and an extremely competitive retail environment." Last Oct., Circuit City had 9% comparable-store gain, aided by presence of 5th Sat. in month. In just-completed month, Circuit City opened 12th store in Boston area and added 2 in Chicago market, raising total there to 9. Company has 237 superstores, 7 electronics-only stores, 38 mall-based Impulse stores.

Rex Stores said Oct. sales rose 28% to \$20.8 million, raising revenues for 3rd quarter ended Oct. 31 to \$59.6 million, up 28%. Comparable-store sales were up 9% in Oct., 10% in quarter. For first 9 months of fiscal year, 10% comparable-store sales increase helped Rex post 27% overall sales gain. It had 117 stores at end of month, vs. 98 year earlier.

Tandy said sales in U.S. retail operations increased 18% to \$317.1 million last month, with comparable-store sales up 8%. Spokesman said comparable-store sales were running ahead in "the mid-single digits" for Radio Shack and Tandy Name Brand Retail Group but were "better than 30% ahead" for Computer City and Incredible Universe. Oct. was first month in which Incredible Universe is included in computing comparable-store gains, since first store in chain opened last year in mid-Sept. (TVD Sept 21 p16), followed closely by 2nd unit in early Oct. Tandy Stores closed earlier in year as part of restructuring weren't included in overall sales comparisons.

Audio King, 9-store Minn.-based retailer, said Oct. sales jumped 32% to \$3.4 million, Pres.-CEO Gary Thorne crediting "success of our marketing strategy," which included expanded assortments in larger stores and more intense ad campaign.

Activision has begun trading on Nasdaq Small Capitalization market under symbol ATVID. Chmn.-CEO Robert Kotick said new listing and recent stock split give Activision "better visibility within the investment community."

3DO SLATES NEW STOCK OFFER: Only 6 months after it raised more than \$40 million in initial public offering (IPO) of 2.9 million shares, 3DO says it plans this week to file with SEC for new offering of approximately million shares.

Offering was announced Nov. 5 in statement accompanying release of earnings for 2nd quarter ended Sept. 30 that showed company losing slightly more than \$7 million, compared with \$2.1 million in year-earlier period (see financial table). Most of \$2.62 million in revenues was generated by sales of software development systems to licensees, spokeswoman said.

Investment community's immediate reaction to earnings report and announcement of offering wasn't very positive, with 3DO stock closing Fri. at 37-1/4, off 3 from Thurs. closing. Price of 3DO shares had climbed steadily since they were offered at \$15 in IPO. In prospectus for May IPO, 3DO cautioned investors that it might need to raise funds by offering new stock, but also said it expected net proceeds of that offering would be "adequate to satisfy its capital requirements for at least the next 12 months." Company said it expected to lose more than \$35 million (in addition to \$21.3 million from purchase of company that created its basic technology) over next 2 fiscal years.

"The question is, are they doing it because they can, or are they doing it because they have to," said Liz Buyer, analyst for T. Rowe Price, Baltimore. 3DO simply may be taking advantage of fact that market is "feeling warm and friendly toward interactive media deals" and that 3DO "has done what they said they would do" so far, she said. She added that market's first reaction to announcement is understandable since "dilution is never something people like." Officials of 3DO declined comment at our deadline.

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Preliminary sales of Panasonic 3DO multiplayer generally have met prelaunch expectations, Gene Kelsey, asst. gen. mgr., Panasonic Interactive Media Div., told us at company's audio/video "preview" meeting last week in Litchfield Park, Ariz. But Kelsey refused to divulge sales figures or comment on other specifics of launch, except to say that multiplayer has won widespread praise among subscribers to Compuserve and Prodigy on-line services on which company has sponsored 3DO user forums. He said 6 3DO software titles already were available in stores last week, with 2-4 more expected in few days. Company expects 24-30 titles to be available by Christmas, Kelsey said.

Voice Powered Technology reported \$3.1-million net loss (including \$2 million reserve for restructuring) on \$2.19 million in revenues for 3rd quarter ended Sept. 30 (see financial table). Company, which during quarter switched from telemarketing VCR Voice Programmer to having it sold through Philips retail distribution, said lower unit cost it's now getting from Philips is more than offset by reduction in marketing expense. Operating loss for quarter was \$632,000, down 72% from 2nd quarter and 51% from last year's 3rd quarter. Pres.-CEO Edward Krakauer said goal "continues to be profitability during the 4th quarter of 1993 and in 1994" from sales of voice programmer and new Voice Organizer (TVD Oct 18 p15).

Blockbuster continues expansion into virtually all areas of entertainment, entering joint venture with Sony Music Entertainment and PACE Entertainment Corp. to develop and operate concert amphitheaters in N. America, Europe, other markets. Participants will contribute existing amphitheaters and those under development. PACE will manage venture.

EIA CO-SPONSORS MOBILE SHOW: EIA last week announced 5-year "strategic alliance" with Bobit Publishing, Redondo Beach, Cal., publisher of Installation News magazine, to produce annual Mobile Electronics Show, 3-year-old trade event whose 1994 run is scheduled for April 29-May 1 at Atlanta Ga. World Congress Center.

EIA said it will endorse, co-sponsor and promote 1994 show, taking over production, management and operation of 1995 event at site to be determined. Bobit's role starting with 1995 show will be to create workshops and awards programs in addition to providing "show and industry expertise," EIA said. Terms weren't disclosed.

EIA Consumer Electronics Group (CEG) Vp Gary Shapiro said Mobile Electronics Show was country's fastest-growing trade event in 2nd quarter of 1993. It reportedly drew 6,000 visitors and 160 exhibitors this year. Shapiro said annual June Consumer Electronics Show (CES) in Chicago "has not been big on mobile electronics in the last few years" because event coincides with peak autosound selling season and "the last thing" merchants and vendors want to do is attend out-of-town trade show. He told news conference that EIA-Bobit alliance recognizes "need for 2 strong shows a year" for mobile electronics contingent -- reference to annual Winter CES in Las Vegas and Mobile Electronics Show.

Winter show for 1994, Jan. 6-9, already is sellout and will be "largest CES ever," Staff Vp Sam Lippman told N.Y. news conference, with more than 1,600 exhibitors covering 950,000 net sq. ft. and with 79,000 attendees expected. Largest areas of growth are multimedia (space up 603% from year earlier), cellular (up 76%), home theater and custom installation (up 29%), home office and computers (up 20%), videogames (up 18%).

In multimedia and computing field, Microsoft, Intel, Corel and Mediavision were listed as first-time exhibitors. New feature for WCES is Hall of Technology, featuring high-tech exhibitors and winners of Innovations '93 awards at last summer's CES.

CEG released full schedule of workshops for WCES, adding following sessions to those reported here last week (TVD Nov 1 p19):

Multimedia -- impact of digital technology, children's market, interactive TV, computer-based systems. Home theater -- retailer profits, beyond surround sound. Audio-video -- HDTV, industry transition. Govt. relations -- military technology transition, green marketing. International -- what's hot in U.S., global marketing. Personal communications and computing -- digital highway, new jargon, wireless trends, mobile computing. Only video software session will be on retailing adult video.

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CEG plans to promote Radio Best. Data System (RBDS) "heavily" in 1994 in about 10 major U.S. markets in bid to get more broadcasters on line "without risk to them," Shapiro told news conference. Spokesman said specifics on promotional activities will be announced later, but he said Assn. doesn't plan to purchase RBDS encoders for radio stations as it had done for promotional purposes at Jan. 1993 Las Vegas show.

Philips will change ownership structure of Grundig, buying holdings in affiliates of German company from 3 banks, reportedly for less than \$525,000. Philips said move won't affect its relations with Grundig or amount of its ownership, which will continue at 31.6%.

2 CHAINS PLAN EXPANSIONS: Roberds and Ultimate Electronics announced plans last week to expand their operations. Roberds said it plans to open two 60,000-90,000-sq.-ft. stores in 1994 and in 1995 and will place more emphasis on home theater systems as it seeks to expand, according to prospectus accompanying 2.7-million-share offering. New stores are planned for existing locations in Atlanta, Dayton and Tampa, with expansion to at least one new market possible by 1995 with 100,000-sq.-ft. outlet.

Existing base of 15 stores generated \$12.8 million in sales per location -- \$225 per sq. ft. -- in 1992, according to prospectus. Dayton-based retailer reported 8.8% increase in net sales to \$96.1 million for 6 months to June 30, with furniture accounting for 37%, major appliances 30%, consumer electronics 21%, bedding 13%. Sales rose 5% in Dayton market, 12% in Atlanta, 13% in Tampa. Comparable-store sales were up 8.8%.

For year ended Dec. 31, sales rose to \$191.7 million from \$173.6 million on 10.2% comparable-stores sales gain. Dayton area increased 14% and Atlanta 12% while Tampa was flat, due largely to decision to pull newspaper ads in mid-1992 after failure to reach agreement on rates.

No vendor accounts for more than 10% of Roberds sales although loss of "key vendor" such as GE or Broyhill could have "adverse impact" on 22-year-old chain, according to prospectus.

In home theater, Roberds plans to combine recliners, sectional and motion furniture with consumer electronics to create packages that it plans to promote "aggressively." Stores typically carry 8,000 furniture, bedding, major appliance and consumer electronics items.

Ultimate Electronics, poised to open its first stores in Utah this month, also is targeting midwest and southwest areas as it seeks to add 3 or more stores in each of next 3 years, it said in prospectus accompanying 2-million-share offering. Company, which operates 9 stores under SoundTrack name in Denver area, plans to use 30,000-sq.-ft. format for future expansion. Existing stores range up to 20,000 sq. ft. New format includes more space for home theater demonstrations, specialized audio-video software products, personal computer products.

Cost per store for Utah expansion is expected to run \$950,000 for capital expenses and \$2 million in inventory, prospectus said. Ten largest suppliers account for 75% of merchandise, with Mitsubishi, Panasonic and Sony each having 10% or more.

For 6 months ended July 31, company reported 17.2% net sales gain to \$30.8 million on 18.2% rise in comparable-store sales. Net income for 6 months rose to \$704,000 from \$505,000. For fiscal year ended Jan. 31, Ultimate Electronics reported 16.5% net sales increase to \$62.6 million on 18.2% comparable-store gain. Net income doubled to \$2 million from \$1 million.

Full-featured TV/VCR combo has been introduced in Japan by Toshiba with built-in VCR Plus programming system and 2 tuners, capable of recording program while another is being viewed. Set, with 23" tube, carries list price of \$1,650. Toshiba already has 13" and 20" combos in its line in Japan and forecasts domestic demand for 600,000-800,000 combos in current fiscal year (ending March 31), about 8-10% of total TV market.

AUG. AUDIO SALES UP: Modest overall gains were rule in factory audio dollar sales for Aug. and first 8 months of year, EIA Mktg. Services Dept. reported.

EIA Consumer Electronics Group said CD changer sales jumped 37% in Aug. to \$32 million, with both carousel and magazine types showing double-digit gains. Tape deck sales gained 21% to \$18 million. In portable category, dollar sales of CD boomboxes rose 22% to \$78 million, with portable CD players up 14% to \$38 million. Although autosound category as whole was down, amplifiers and equalizers were up 10% to \$15 million, sparked by 31% gain in sales of multichannel amplifiers, while passive equalizers soared 56% to \$2.4 million.

Overall audio factory dollar volume climbed 3.5% in Aug. to \$621.27 million from \$600.06 million year earlier, EIA said. Aftermarket autosound appeared to finish summer in relative doldrums, as car stereo category was lone classification to log slight decline. Car audio shipments fell 1.6%, but that minor setback didn't keep aftermarket shipments from recording 6.9% gain in first 8 months of year.

Component category showed biggest gains for Aug. and first 8 months. Aug. systems shipments rose 9.6%, sparked by 30% gain in mini models, while gain in Jan.-Aug. period was 7.3%. Separate components were another bright spot in month, rising 6.7%, but gain through year's first 8 months was relatively modest 2.2% because category has been late to recover fully from earlier months-long string of declines.

Meanwhile, recently vibrant portable audio segment managed to eke out tiny advances in Aug. and year-to-date figures. Aug. shipments inched up mere 1.2% and factory sales in first 8 months only 0.3%. Here's EIA breakdown of audio factory dollar sales for Aug. and first 8 months of year:

FACTORY SALES OF AUDIO EQUIPMENT
(add 000)

Product	Aug. 1993	Aug. 1992	% Chg.
Portable audio*.....	\$218,928	\$226,339	+ 1.2
Components.....	138,674	130,013	+ 6.7
Systems.....	136,756	124,782	+ 9.6
Autosound (aftermarket)	126,908	128,923	- 1.6
TOTAL.....	\$621,265	\$600,056	+ 3.5
	8 Mo. '93	8 Mo. '92	% Chg.
Portable audio*.....	\$1,399,034	\$1,394,590	+ 0.3
Components.....	962,023	941,362	+ 2.2
Systems.....	818,859	763,333	+ 7.3
Autosound (aftermarket)	1,929,701	988,599	+ 6.9
TOTAL.....	\$4,236,526	\$4,087,884	+ 3.6

* Includes home radio.

Sony's new videogame system (TVD Nov 1 pl5) is meant to be just that -- videogame -- not precursor of multi-use multimedia system. That was message conveyed by executives of new Sony Computer Entertainment (SCE) joint venture in interview with Nikkei newspapers last week. SCE Dir. Ken Kuturagai said system will be priced competitively with other game systems. He rejected reporter's suggestion that target price is 50,000 yen (about \$460), saying that would be well over rest of market.

Opening ceremony for Sony Plaza retail showcase in N.Y. (TVD Sept 27 pl3) is scheduled for 10 a.m. Nov. 10.

U.S. OUTPUT INCHES UP: Shipments of U.S.-produced consumer electronic products were up marginally -- 1.4% in factory dollars -- in year's first 3 quarters as compared with 1992 period, EIA reported in preliminary compilation of Commerce Dept. data. Industry produced \$6.7 billion worth of consumer products, up from \$6.6 billion.

Other electronics categories fared better, entire field moving up 5.7% to \$226.76 billion. Biggest percentage advance was scored by components (15.7%), followed by computers and peripherals (15.3%). Only category to show decline was military electronics, down 3.8%. Here are figures on dimensions of domestic industry:

U.S. FACTORY ELECTRONICS SALES
(First 3 quarters of 1993 vs. 1992
in millions of dollars)

Sector	1993	1992	% Change
Electronic components..	54,466	47,075	+15.7
Consumer electronics...	6,712	6,619	+ 1.4
Telecommunications.....	29,264	26,388	+10.9
Defense communications.	22,188	23,064	- 3.8
Computers & peripherals	46,894	40,671	+15.3
Industrial electronics.	20,157	19,400	+ 3.9
Electromedical equip...	5,869	5,863	+ 0.1
Other related.....	41,209	40,720	+ 1.2
TOTAL.....	\$226,759	\$209,800	+ 5.7

Compression Labs (CLI) received \$10.8-million contract amendment to supply Thomson Consumer Electronics (TCE) with Compressed Digital Video (CDV) encoding systems. CLI originally was awarded contract for up to \$5 million worth of encoding systems for DirecTV and U.S. Satellite Bestg. (USSB) (TVD April 13/92 pl5), which will supply programming for Digital Satellite System (DSS). Thomson won original contract from Hughes for encoding and decoding systems, and was developer of compression system used in DSS. TCE also will be exclusive marketer for DSS receiving hardware for first 18 months after system is launched or until it sells first million systems. Sony will become 2nd DSS hardware marketer when TCE's exclusive runs out.

JVC reduced loss on nonconsolidated (parent-only) basis for first half through Sept. Total sales declined 1% to equivalent of \$2.33 billion and net loss 33.3% to \$98.4 million. On parent-only basis, video sales were up 1% and entertainment software up 27%, while audio sales dipped 3%, TVs 5%. JVC "regretfully" suspended interim dividend "due to unfavorable business results" and warned it "expects to face even more difficult circumstances" in 2nd half, "including the continuing strong yen, sluggish demand and severe competition in the audiovisual industry."

Supreme Court agreed last week to review constitutionality of Cal. unitary tax system that taxes multinational companies in state on basis of their worldwide sales. Consumer electronics companies with facilities there have objected to law. Federal govt. has opposed system in past, but Clinton Administration pledged neutrality on issue. Court will review lower court rulings upholding tax in cases involving Barclay's Bank and Colgate-Palmolive. Arguments are expected in March, decision by end of June.

Sony Trans Com, producer of in-flight entertainment systems, announced compact 8mm video player for airline seat-arm installations. Player gives passenger full control, using on-board library.

Consumer Electronics Personals

Alan Czelzler resigns as Canon Video Div. sales dir. to join Lonestar Technologies as sales dir... **Raymond Deming**, ex-Sanyo Fisher and Sansui, joins Onkyo USA as national credit mgr., replacing **Naomi Reinstein**, who has accepted similar post at Panasonic... Latest moves in Mitsubishi sales restructuring (TVD Sept 27 p14): **Max Wasinger**, southwest regional vp, to vp for western U.S.; **Howard Borsa**, account exec. in southeast, to vp for eastern U.S.; **John Harris**, midwest regional vp, to mktg. vp; regional vps **William Jennings**, **Rick Halstad** and **Bob Reichmuth** have left company following elimination of their positions.

Mark Von Keszycski, associate photography buyer, named buyer for videogames and multimedia at The Good Guys; Mdse. Mgr. **Scott Bauhoffer**, who had handled category, concentrates on chain's new computer business... **Seiko Kabumoto** named pres., Matsushita Battery Industrial Corp. of America, new Columbus, Ga.-based subsidiary to coordinate battery manufacturing in N. America... **Joe Lee**, ex-TRW Space & Technology Group, joins L.A. Sound car stereo supplier in unspecified engineering role... **Steve Williams** promoted to vp-sales, Warrantech Consumer Product Services, succeeding **Steven Thomas**, resigned "for personal reasons."

Cindy Spielvogel, editor and publisher of V.I.P. (Video Info Paper) and former managing editor and West Coast editor of Video Insider, has been named managing editor of Warren Publishing's Video Week, which now incorporates features of V.I.P.

Absolute Entertainment stockholders have sued company, charging violation of federal securities laws. Suit, filed in U.S. Dist. Court, N.Y., amends document filed in July and contends stock registration contained "material misstatements." While Absolute had projected company's "best year ever" for 1993, losses were recorded in 2nd and 3rd quarters, suit said. Company said in May that 1992 sales of its Nintendo and Sega videogames would more than triple to \$9.6 million. But by late June, suit said, Absolute officials told analysts they wouldn't meet projections and blamed losses in 2nd and 3rd quarters on \$367,000 shortfall in sales of videogame based on Toys movie. Shareholders owning 1,400 shares bought stock shortly after Absolute went public in April. Four Absolute executives who combined own more than 80% of company sold 200,000 shares through 1.2-million-share offering that generated \$14 million, suit said. Absolute spokeswoman said company intends to "defend all allegations aggressively" and expressed confidence "the whole thing will rectify itself." Suit also named stock offering's underwriters Needham & Co. and Pacific Growth Equities.

Nokia Consumer Electronics contributed to Finnish parent company's 28% increase in net sales for first 9 months of 1993. It reported net profit of \$46.8 million, vs. \$71 million loss in same period last year. In separate action, Nokia said it's entering U.S. computer monitor market with own Multigraph line after having sold monitors to other manufacturers here since 1982 on OEM basis.

Malaysia's exports are dominated by electronics, according to Finance Ministry figures reported in Financial Times. Electrical and electronic products will represent 41.7% of country's exports in 1993, up from 27.4% in 1988. Total value of exports this year will be more than double those of 1988.

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
Ackerley Communications			
1993-9 mo. to Sept. 30	138,600,000	2,200,000	.15 ^a
1992-9 mo. to Sept. 30	135,200,000	(700,000)	---
1993-qtr. to Sept. 30	39,000,000	---	--- ^a
1992-qtr. to Sept. 30	39,600,000	(600,000)	---
Avnet			
1993-qtr. to Oct. 1	878,000,000	7,300,000	.18 ^a
1992-qtr. to Oct. 2	533,200,000	16,900,000	.47
Comcast			
1993-9 mo. to Sept. 30	1,000,713,000	(819,374,000)	--- ^a
1992-9 mo. to Sept. 30	639,106,000	(129,307,000)	---
1993-qtr. to Sept. 30	335,405,000	(35,655,000)	---
1992-qtr. to Sept. 30	221,248,000	(52,338,000)	---
Gaylord Entertainment			
1993-9 mo. to Sept. 30	529,457,000	12,765,000	.15 ^a
1992-9 mo. to Sept. 30	483,171,000	20,610,000	.24 ^b
1993-qtr. to Sept. 30	195,952,000	7,654,000	.09
1992-qtr. to Sept. 30	180,461,000	11,511,000	.14 ^b
Granite Broadcasting			
1993-9 mo. to Sept. 30	27,141,000	(3,317,000)	---
1992-9 mo. to Sept. 30	26,449,000	(9,645,000)	--- ^c
1993-qtr. to Sept. 30	8,679,000	(1,343,000)	---
1992-qtr. to Sept. 30	8,602,000	(6,672,000)	--- ^c
Image Entertainment			
1993-6 mo. to Sept. 30	35,908,900	1,889,173	.13 ^a
1992-6 mo. to Sept. 30	26,737,096	(2,297,549)	---
1993-qtr. to Sept. 30	18,871,646	1,116,493	.08 ^a
1992-qtr. to Sept. 30	16,935,961	(622,884)	---
LIN Broadcasting			
1993-9 mo. to Sept. 30	497,576,000	(57,689,000)	---
1992-9 mo. to Sept. 30	412,511,000	(60,040,000)	--- ^c
1993-qtr. to Sept. 30	175,145,000	(26,483,000)	---
1992-qtr. to Sept. 30	145,699,000	(16,674,000)	--- ^c
Outlet Communications			
1993-9 mo. to Sept. 30	33,531,000	1,955,000	.30 ^a
1992-9 mo. to Sept. 30	32,529,000	(1,719,000)	---
1993-qtr. to Sept. 30	10,674,000	(1,874,000)	--- ^a
1992-qtr. to Sept. 30	11,515,000	671,000	.10
Philips Electronics^d			
1993-9 mo. to Sept. 30	21,752,000,000	764,933,000	.58 ^e
1992-9 mo. to Sept. 30	21,744,000,000	53,628,000	.17
1993-qtr. to Sept. 30	7,430,000,000	69,926,000	.22
1992-qtr. to Sept. 30	7,168,000,000	(73,081,000)	---
Recoton			
1993-9 mo. to Sept. 30	80,649,000	4,233,000	.75
1992-9 mo. to Sept. 30	47,854,000	2,199,000	.55 ^b
1993-qtr. to Sept. 30	33,536,000	2,085,000	.37
1992-qtr. to Sept. 30	18,298,000	855,000	.21 ^b
Republic Pictures			
1993-9 mo. to Sept. 30	61,488,000	1,124,000	.19
1992-9 mo. to Sept. 30	55,702,000	(841,000)	--- ^a
1993-3 mo. to Sept. 30	24,140,000	713,000	.10
1992-3 mo. to Sept. 30	19,651,000	160,000	.04
Scientific-Atlanta			
1993-13 wk. to Oct. 1	170,300,000	7,200,000	.19
1992-13 wk. to Sept. 25	171,200,000	2,100,000	.06 ^b
3DO Co.^f			
1993-6 mo. to Sept. 30	2,616,000	(36,927,000)	---
1993-3 mo. to Sept. 30	2,616,000	(7,048,000)	---
Voice Powered Technology International			
1993-9 mo. to Sept. 30	11,453,000	(10,803,000)	---
1992-9 mo. to Sept. 30	237,000	(3,173,000)	---
1993-qtr. to Sept. 30	2,190,000	(3,149,000)	---
1992-qtr. to Sept. 30	237,000	(1,251,000)	---
Wells-Gardner			
1993-9 mo. to Sept. 30	26,749,000	(1,330,000)	---
1992-9 mo. to Sept. 30	37,847,000	1,465,000	.38 ^e
1993-qtr. to Sept. 30	6,801,000	(745,000)	---
1992-qtr. to Sept. 30	12,772,000	421,000	.11 ^e

Notes: ^aAfter special charge. ^bAdjusted. ^cRestated. ^dAt rate of 1.902 guilders = \$1. ^eIncludes special credit. ^fComparable results unavailable.

TELEVISION DIGEST®

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

COMMUNICATIONS ACT OVERHAUL: Administration working on complete revise, wants legislation next year. Details sketchy, to be released soon. Markey says 2 wires into home are necessary. (P. 1)

BELLSOUTH REPLACES LIBERTY in QVC bid for Paramount. FTC opposition cited. Higher bid possible. NAACP charges EEO violations by TCI. (P. 3)

CABLE FREEZE EXTENDED by FCC over Barrett dissent, to end Feb. 15. Filing deadline still Nov. 15; TCI seeks delay. Few cities filing. (P. 5)

TV VIOLENCE ON FRONT BURNER: Valenti and Selleck discuss problem on ABC. Canadians adopt code. EIC paper due early next year. (P. 5)

HDTV PLANS ENDORSED: Move to 1,080 lines to aid compatibility. Europe and Japan seen following. Other alliance plans backed. (P. 6)

CABLE ATTACKS MUST-CARRY in Supreme Court brief. NCTA, Turner say it's unconstitutional. NAB blasts telco attack on rule, warns of monopolies. (P. 6)

3 SEEK NAB TV REELECTION: Twelve candidates in race for 6 seats on TV board. One radio seat attracts 4. (P. 7)

SCRAMBLING DISCOURAGED by proposed FCC cable compatibility rules. (P. 7)

ADMINISTRATION PLANNING OVERHAUL OF COMMUNICATIONS ACT: Clinton Administration wants Congress to pass complete revision of 1934 Communications Act in this Congress, NTIA Dir. Larry Irving said. Effort, which includes work of Information Infrastructure Task Force (TVD Nov 8 p2), is spearheaded by Vice President Gore, and Administration expects to begin rolling out policy initiatives in series of speeches beginning in month or 2, we're told. After Irving outlined plan at Bestg./Cable conference last week, lawyers predicted move could be boon for them even bigger than 1992 Cable Act.

Details are being worked out, Irving said, and he promised that Administration would work with Congress to be sure issues are "addressed in a nonpartisan way. We understand the need and understand the difficulty." Irving didn't detail what Administration believes needs revising, but one official said "everything is on the table." Note: Ex-House Telecom Chmn. Van Deerlin (D-Cal.) conducted unsuccessful 3-year campaign in late-1970s to rewrite Communications Act.

Policy paper said changes are needed to increase competition and ensure universal access in communications at reasonable prices, particularly in cable and telephony. Task force said Administration

Consumer Electronics

SUMMER CES 1995: Will it be in Orlando, New Orleans, Dallas -- or Chicago again? Move from Chicago seen sure in 1996. (P. 11)

TV SALES BOOMED IN OCT., best 4-week month ever, climaxed by biggest week in history, EIA figures show. But VCR deck sales were down from 1992. (P. 11)

BLOCKBUSTER'S MULTIMEDIA PROGRAM of software and hardware sales and rentals could go long way toward demystifying and popularizing technology. (P. 12)

25" AND BIG-SCREEN SALES up in year's first 9 months, while 20" sets show decline for first time; 27" and larger sets up 27.5% from 1992. (P. 13)

1-2 MILLION HDTV SETS will be sold in 1996, first year of availability, Zenith's Pearlman says, with 10% household penetration in 4-5 years. (P. 15)

CIRCUIT CITY-BEST BUY WAR: Circuit announces it will cut prices in markets where they compete. (P. 15)

COMPTON'S CLAIMS BASIC PATENT for multimedia software search engine that potentially affects huge number of programs and delivery mechanisms. (P. 16)

YASHICA EXITS CAMCORDERS in United States, and Canon is seen studying departure from mainstream consumer market. (P. 16)

should promote private investment in infrastructure and discourage monopolies. Promoting infrastructure is "high priority," Irving said, stating that telecommunications and mass media account for as much of U.S. economy as health care. He said: "We won't have information haves and have-nots." Administration also must assure that no one can create information bottleneck or control content, Irving said. Policy won't commit to using fiber, he said: "This is not a high-fiber Administration."

Major concern in information superhighway is maintaining competition, including providing 2 competing wires into homes, said House Telecom Subcommittee Chmn. Markey (D-Mass.). FCC Chmn. Quello said key issues are competitive service and "reasonable safeguards against cross-subsidy." "It's a very fast-changing world" with "leaps toward synergy," Markey said. He said proposed Bell Atlantic-TCI merger could be "springboard" on which electronic superhighways would be built... My job is to keep stoking the fires of competition." There's "much precedent" for govt. regulation in telecommunications, Markey said, and without deregulation of cable in 1984, telephone companies could have taken over cable industry by now.

Turning to what he called "rising epidemic of violence," Markey said recent studies connecting violence with crime "have brought a sense of urgency" in Congress. "Young children cannot distinguish between fantasy and reality," he said, again calling for chip to be included in all TV sets to permit blockage of certain channels.

In answer to question from NBC Pres. Robert Wright, Markey said legislation could pass Congress next year removing ban against telcos' owning cable in their areas, as well as permitting cable companies to own telcos. He said such legislation "is possible." As for predictions of 500-channel universe, Markey warned that such mass of channels could "vulgarize our society."

Quello filled spot reserved for Chmn.-designate Reed Hundt (who still hasn't been confirmed by Senate), with current chmn. joking: "You expected Reed Hundt. Sorry, you got me -- again. I want you to know that both you and I are disappointed. Reed has been held on the sidelines too long." At following session, which was to have panel of Comrs. Duggan and Barrett (latter phoned in sick), Duggan said: "Reed Hundt needs to be taken out of solitary confinement."

Quello said that mergers and acquisitions under way or proposed "have the positive potential of acting to expedite the initiation of competitive superelectronic highways... with multichannel, multifaceted service." But, he said, "the government and the public cannot tolerate a supermarketplace monopoly, a sole provider of phone, video, paging, interactive data processing and a dazzling array of other services..." Of Bell Atlantic-TCI merger, he said: "In my personal opinion, the plus of this merger outweighs the minus as long as there is viable competition in each market." If merger is consummated, Quello said, he hopes cable systems to be spun off in Bell Atlantic area will be sold to minorities. He called allocation of spectrum for PCS "the most momentous FCC decision in recent history."

Duggan said he's in "substantial agreement" with Markey and Quello. As for superhighway, he said danger is that govt. will be "timid and asleep at the switch" in its development. And, he said, with abundance of programming said to be coming, he expressed fear that quantity would replace quality and that "there's a danger that the vast wasteland could become vaster." As for future of free TV, Duggan said: "It has been my observation that delivery systems never die." But, he said, FCC should relax its regulations to permit single-channel delivery systems (networks and stations) to acquire new revenue streams and he favors "a carefully calibrated release of shackles" on networks. It now makes "less and less sense" to maintain fetters on broadcasting, Duggan said, and he will make such recommendation to Hundt.

Much of discussion during industry leaders roundtable involved planned 5th and 6th TV networks. Fox Bestg. Chmn. Lucie Salhany said market exists for additional networks, but they can reach only about 70% of country with existing commercial stations, so cable will play bigger role. Warner Bros. plan for new network could shake some programming plans, since it's biggest supplier of programs to existing networks, Warner Exec. Vp Barry Meyer acknowledged, but he said company hopes to keep supplying programming to competitors "as long as they will buy it." He said Warner decided to launch own network because it believes existing networks will produce more of their own programming in future, limiting Warner's opportunities: "We want to assure there's a place to put our programming, but we intend to buy from everybody and to continue to supply everybody."

Panelists in economic forecast session agreed that future of over-air TV looks good. Industry is "not nearly in the sad position that people like to paint it," said Donald Russell, pres. of Communications Equity Assoc. "I'm a very real believer in the long term" of free TV. He said that over-air TV still is best way for advertisers to reach mass audiences. David Londoner, managing dir. of Wertheim Schroder, said that when

and if 500-channel universe becomes reality, it will be free TV's cable competitors that will suffer major fragmentation of their audiences: "The outlook for broadcasting still looks pretty good."

Analyst John Reidy of Smith Barney Shearson predicted that ownership and programming restrictions on networks would be repealed, providing opportunity for growth in several areas. By 1995-1996, big 3 networks will become major players in program production, he said. Dennis Leibowitz, of Donaldson, Lufkin & Jenrette, said he agreed that networks would become part of large conglomerates. Panelists said dominant players 10 years from now would be Bell Atlantic/TCI, Viacom/Paramount, News Corp., Time Warner, AT&T. Conference was co-sponsored by FCBA and Bestg. & Cable magazine.

BELLSOUTH REPLACES LIBERTY IN QVC BID FOR PARAMOUNT: Faced with likelihood that FTC wouldn't approve QVC takeover of Paramount if Liberty Media remained partner, Liberty agreed to sell its QVC stock if Paramount deal is consummated. At same time, BellSouth agreed to essentially replace Liberty as QVC's biggest stockholder in \$1.5-billion deal, buying 14% of company with option for about 7% more. Meanwhile, NAACP filed EEO charges against Liberty affiliate TCI, and said FCC should continue to prosecute those charges even if TCI and Liberty pull out of QVC and Paramount deal.

Agreement for Liberty to leave QVC resulted from weeks of negotiations with FTC staff. Deal, which includes consent decree, still is subject to approval of FTC commissioners. If they do okay it, QVC immediately would be cleared on antitrust basis to acquire Paramount. Viacom already has such approval. FTC agreement calls for Liberty to sell all QVC stock within 18 months if Paramount deal is completed. It would sell 1.6 million shares each to current QVC stockholders Comcast and Arrow Investments (QVC Chmn. Barry Diller's firm), with rest to be sold on open market if price exceeds \$60. QVC itself will buy back any that can't be sold for at least \$60.

BellSouth, in turn, would buy 16.7 million shares of QVC for \$1 billion (\$60 per share) if QVC wins Paramount. Telco also would get \$500 million of QVC convertible preferred stock, which could be converted into 7.6 million shares of QVC common. Deal would make BellSouth QVC's largest shareholder and allow it to name 3 members to QVC board. Telco also agreed to vote its interests as group with Comcast and Arrow. Deal would allow each of 3 to buy even more QVC shares, and BellSouth would get 6-month option to acquire \$500 million of QVC common at \$60 per share even if Paramount deal falls through.

Plan calls for QVC and BellSouth to form 50-50 joint venture to create and distribute interactive TV services worldwide. Deal is "beginning of a long-term partnership with QVC," BellSouth Chmn. John Clendenin said. "This alliance provides us with a valuable foundation to pursue other interactive entertainment opportunities."

Analysts predicted deal would provide QVC with means to increase its current \$80-per-share bid for Paramount, which falls short of \$85 offered by Viacom in sweetened bid (TVD Nov 8 p5). QVC is believed to need to exceed Viacom bid in order to bolster its court argument that Paramount board is treating it unfairly.

Del. Chancery Court is "key" to QVC's chances of buying Paramount, Diller said at Bestg./Cable conference in Washington last week: "We have got to get a favorable decision because unless they give us a level playing field it's impossible for 2 to compete." He refused to speculate whether QVC would increase its bid to match Viacom. Viacom, meanwhile, added Comcast to those named as targets in its antitrust suit against TCI (TVD Oct 4 p6). Viacom also added to its list of alleged anticompetitive actions fact that efforts by TCI and other QVC owners forced it to increase its bid by \$2 billion; it also added planned TCI/Bell Atlantic merger to its list. Viacom filed at FCC in opposition to QVC bid to assign Paramount stations to trustee. It said QVC isn't qualified to complete tender offer because 2 equity investors, Advance Publications and Cox Enterprises, hadn't even made Hart-Scott-Rodino antitrust filings. Viacom said William Miller isn't qualified trustee because he has conflict of interest as director of company negotiating with Paramount subsidiary and because he has represented aliens. Filing also claimed that QVC isn't qualified to control stations.

Viacom used "flagrant distortions" of law, "false statements of fact and erroneous factual assumptions" in its opposition to QVC bid for special temporary authority for Paramount stations as part of its Paramount bid, QVC said in reply comments to FCC. QVC filing claims: (1) Viacom misstated FCC standards about bank financing and premerger antitrust clearance requirements. (2) "Unprincipled and contrived attack" on qualifications of William Miller to be trustee required "Byzantine sequence of events" to justify conflict-of-interest claim. QVC said same sequence would apply to Viacom's proposed trustee. (3) Viacom used "novel reading of the Communications Act" to claim that Miller's foreign interests disqualify him. QVC

also attacked NAACP claims that TCI's alleged EEO violations disqualify QVC. QVC said TCI isn't party, and even if it were, violations couldn't be considered until 2nd step of 2-step process. It also said "recent events," including Liberty withdrawal from QVC, made NAACP claims moot.

Meanwhile, TCI is "the worst discriminator in the telecommunications business," said NAACP and League of United Latin American Citizens in petition asking FCC to deny grant of special temporary authority (STA) to allow QVC trustee to take over licenses of Paramount TV stations. Group said that there's widespread pattern of TCI violations of FCC's EEO rules, that TCI perpetrated "a massive fraud on the public" by lying about EEO compliance and that TCI's minority hiring rate is so low that it's mathematically impossible for MSO ever to achieve hiring parity at present rate.

Commission should take EEO action against TCI even if QVC drops its bid for Paramount or TCI drops out of QVC, NAACP said in petition. Group suggested that violations were so bad that FCC should require immediate renewal review of all TCI community antenna relay service (CARS) licenses, which are regulated by Commission and are used to relay programming to cable systems, and designate each license for hearing. Early renewals would allow Commission to review EEO records of individual TCI systems immediately. Merely denying QVC bid isn't enough, NAACP said, because that would allow TCI to "continue to operate its cable properties unlawfully."

Aggressive EEO action is warranted because QVC bid is special case, NAACP said in its petition (44 pages plus 352 pages of exhibits): "QVC's effort to seize control of Paramount represents simply the latest effort in an ongoing campaign by TCI and its cable MSO allies to dominate a business that otherwise would be highly competitive... These circumstances mandate careful scrutiny of a wide range of issues that would not ordinarily be implicated in short-form STA proceedings." NAACP said only FCC can "stop John Malone, TCI and their cable MSO allies from becoming America's cable television Big Brother. Malone is not a suitable sibling, for TCI does not treat all members of the American family equally."

Petition charged that: (1) 1/3 of TCI EEO reporting units, including main hq in Denver, are below EEO guidelines for minority employment. (2) TCI at current minority hiring rate never will achieve work force parity. (3) TCI's minority hiring rate has declined since 1989. (4) At least 63% of TCI systems lied about efforts to hire minorities and women. NAACP said MSO can't blame false reports on system managers because those reports were prepared at hq. TCI hadn't returned our calls by our deadline.

In warning shot for stations whose interim deals on retransmission consent begin expiring in next few weeks, Time Warner (TW) cable system in Portland, Me., is receiving compensation payments from TV station in return for agreeing to carry it. NBC affiliate WCSH-TV Portland agreed to provide Time Warner's Portland system (56,000 subscribers) with \$140,000 of free ad time at equivalent of prime rates in time periods of system's choosing over 4 years. Station also gave up syndicated exclusivity and agreed to help system get network and other approvals to carry on local origination channel any NBC programming that station preempts. System can sell local ads on programs, generally sports. WCSH-TV pulled programming from system Oct. 6, signed deal Nov. 4 allowing programming to get back on system during sweeps. "Their ad revenue was hemorrhaging," TW spokesman said. "Viewers were quite content with having 2 of the 3 networks. This demonstrates the value to broadcasters of being on cable." Spokesman said system had gained "substantial" new ad revenue from advertisers who moved from WCSH-TV to cable during blackout: "By signing this deal, we were forgoing that, so we deserved to be compensated." Many retransmission consent fights were avoided by stations' signing interim 30-, 45- or 90-day deals just before Oct. 6 deadline, and systems and broadcasters now are trying to negotiate long-term deals.

Scientific-Atlanta joined European Launching Group (ELG), which is developing Europewide digital TV standard based on MPEG-2. ELG also will standardize other digital transmission aspects not covered by MPEG, including data rates, satellite and cable modulation, conditional access, encryption.

CATA changed name to Cable Telecommunications Assn., from largely unused moniker Community Antenna TV Assn. in board vote Nov. 10. CATA acronym will remain. "This name change demonstrates our board's desire to position CATA for the future as a trade association for all of the companies that are now, or soon will be, providing cable television service," CATA Pres. Stephen Effros said. CATA also approved new "legislative policy on convergence" saying that competition between cable and telcos would succeed only if rules "are designed to allow for capital formation by competitors, and protection from the inherent ability of the local exchange companies to cross-subsidize." CATA said local rules must be changed so cable can enter local exchange business. Other recommendations: (1) Staged entry of telcos into video over 7 years. (2) Removal of state and local barriers to cable telephony. (3) Regulatory flexibility to help cable enter telco business. (4) Consumer safeguards against telco anticompetitive practices and cross-subsidies. (5) Increased antitrust enforcement of joint ventures and mergers. (6) Extension of equitable universal service requirement to all local telecommunications providers.

National Council of Churches (NCC) said it may call for national boycott against TV violence, following meeting of 200 delegates last week in Baltimore. NCC said it wasn't calling for censorship but looked favorably on govt. regulation. Some ministers said they plan to take antiviolence message to pulpit in sermons. NCC adopted statement: "Violence cannot be reduced to one cause. It is clear, however, that films and television play a role not only in reflecting but also contributing to a violent and mean world." NCC represents 140,000 congregations.

RATE FREEZE EXTENDED: FCC extended cable rate freeze 3 more months, to Feb. 15, despite dissent by Comr. Barrett. He said it should end Jan. 15 and cable operators should at least be able to boost rates by amount of inflation to account for increased operating costs and costs of regulation. He also attacked what he called "a flawed regulatory regime" that he said caused "fundamentally inequitable situation" for cable operators and could increase burdens on FCC and local regulators. Rate freeze, which originally took effect April 5, was scheduled to end June 21, was extended later to Nov. 15.

TCI is seeking FCC delay of date by which it must respond to rate complaints and requests for Commission rate regulation certification. TCI met with FCC officials Nov. 12, arguing that Nov. 15 response date is premature since benchmarks are subject to review and cost-of-service rules aren't final. In its order extending freeze, FCC refused to extend Nov. 15 response date, although Chmn. Quello said he was "sympathetic" to MSO concerns.

Moving response date "would not resolve these concerns," Quello said in statement on freeze. He said that even if rate rules change, "the showing cable operators are required to make for the current period of regulation will not change... To delay the response date... would merely put off the inevitable." However, Comr. Duggan in his statement said he has "serious misgivings" about Nov. 15 date, saying it "falls heavily on cable operators who are required to defend their rates through cost-of-service showings with only the briefest sketch of the FCC's requirements for such showings."

In order implementing freeze extension, Commission said expiration Nov. 15 "could undermine the statutory purpose that rates for regulated cable service be reasonable by permitting rates to rise before rate regulation has begun in earnest." FCC said it had received certification requests from only 5,050 of 33,000 communities and "no more than approximately 836 properly completed subscriber complaints." In separate notice, agency said it was returning improperly completed complaints, which would trigger FCC regulation of expanded basic tier, to cable companies involved. Commission said it received about 3,650 individual complaints involving 800 cable companies.

Local regulators applauded FCC decision. National Assn. of Telecommunications Officers & Advisers (NATOA) said extension would help consumers by giving local regulators more time to get certification and "by giving the FCC more time to sort out the rate regulation concerns -- some unexpected -- that have already materialized."

Duggan warned that FCC won't shoulder regulatory burden that should be carried by local govts. NATOA said it "strongly" urged local govts. to seek FCC certification, but rejected claims that those govts. were shirking responsibility. Despite small number, "significant percentage" of cable customers will be protected because most large cities have applied and more will do so in next few months, NATOA said.

Barrett said that rate freeze extension order should include "procedural steps that could have mitigated the tremendous confusion that already surrounds the implementation of our current cable rate regulations. By requiring rate adjudications to commence as of Nov. 15, rate and cost-of-service cases will be adjudicated prior to the final revision of rate rules or the implementation of any cost-of-service guidelines." He said indexing rates to inflation could help, although "an allowance for inflation may not fully address cost increases over the relevant period."

VIOLENCE FRONT-BURNER ISSUE: There has been no slowdown in debate on impact of televised violence on Americans and there isn't likely to be soon. Sen. Simon (D-Ill.) continues to press issue, as do as other members of Congress, Attorney Gen. Janet Reno, other govt. officials, academicians, researchers. In Canada, Radio-TV Telecommunications Commission (CRTC) and Canadian Assn. of Bcstrs. (CBC) have adopted code, which becomes effective Jan. 1. In Hollywood, Entertainment Industries Council (EIC) is prepared to argue that movie and TV industries should be allowed to regulate themselves.

Appearing on ABC's This Week with David Brinkley Nov. 7, MPAA Pres. Jack Valenti and actor-producer Tom Selleck made same argument. "Many of the people criticizing television today never watch television," said Valenti. "The entire film and broadcast industry is working right now... to exile gratuitous violence wherever it exists. The creative community is ready to assume its responsibility." He said he was "befogged by all the research" about televised violence and its impact on real life.

Selleck agreed that movie and TV industries bear some responsibility, but added: "I'm not sure Senator Simon or Janet Reno would be better arbitrators than the public in what we should see... I'm not in favor of censorship, but I am in favor of people standing up and accepting the responsibility for the product they produce." However, actor said it's "scapegoating to point to Hollywood or the news media or anybody else when really it rests with the individual and the individual's own sense of value and ethics."

EIC, which includes top Hollywood executives, producers and actors on its board, said it's preparing "encyclopedia" on violence and resolution of conflicts. EIC Pres. Brian Dyak pointed to many worthwhile projects by TV industry -- such as stressing dangers of drug and alcohol abuse, fight against AIDS, use of seat belts -- arguing that industry can be major part of solution in violence issue. Nonprofit organization, with offices in Burbank, Cal., and Reston, Va., has budget of \$2 million, paid staff of 18, hundreds of volunteers. Dyak said EIC wants to forestall interference from govt.

In Canada, CRTC issued voluntary televised violence regulations banning any depiction of "gratuitous violence." Code was developed in conjunction with CAB in response to pressure from CRTC. Gratuitous violence is defined as any action that doesn't play "an integral role in developing the plot, character or theme of the material as a whole." Any ad or promotion that contains violence can be aired only 9 p.m.-6 a.m.

For children's programs, Canadian code prohibits stations from encouraging violence or inviting imitations of what is shown on screen. Other provisions: Avoidance of depicting violence as way to solve problems, commitment to show consequences of violence, no violence in animated programming. Chmn. Keith Spicer said CRTC will monitor "very closely" compliance by Canadian stations and "press for further improvements" if stations don't comply.

Cable industry in U.S., meanwhile, has committee headed by Winston Cox, chmn. of Showtime Networks, struggling with issue. Major goal is to head off legislation, spokesman said, and number of proposals was discussed at recent meeting. Group, which includes executives of MSOs and cable networks, plans follow-up meeting soon.

HDTV PLANS ENDORSED: FCC's Advanced TV Advisory Committee endorsed HDTV system that includes 1,080 active lines, which will provide greater compatibility with computers and increase likelihood that Europe and Japan eventually will settle on HDTV systems more compatible with U.S. Advisory Committee also approved use of MPEG-2 compression, Dolby sound and, after some discussion, mix of interlaced and progressive scanning that will add 2-5% to cost of HDTV sets, as proposed by experts' group (TVD Oct 25 p2).

Move to 1,080 active lines will cause another delay in testing of alliance HDTV system, said Joseph Flaherty of CBS, co-chmn. of experts' group, because equipment makers will have to "restart" designing equipment, causing 4-5-month delay. Flaherty said that would mean that testing at Advanced TV Test Center (ATTC) probably could start next Oct., instead of June.

FCC Chmn. Quello, meanwhile, pressed for quick decision on final HDTV system by advisory group. He said he wants Committee to "wrap up" its work in 12-18 months. That, he said, would allow 1996 Atlanta Olympics to be broadcast in HDTV.

Benefits of increasing to 1,080 lines from 960 are "great and long-running," said Advisory Committee Chmn. Richard Wiley: "It could mean some delay, but it's worth it." Main advantage is that 1,080 horizontal lines by 1,920 vertical will allow square pixels, which are needed for compatibility with computers. Decision will have "enormous international impact," Flaherty said. Japan's NHK already has said that if U.S. approves 1,080-line format, NHK will switch its HDTV system to that from 1,035, and Flaherty said Europeans will seriously consider dropping theirs to 1,080 from 1,125. Change would mean more commonality at component and chip level, allowing volume production to reduce costs for all, Flaherty said.

Multiple scanning formats will raise costs slightly, Advisory Committee members said, but Wiley said there's "no public record" to justify dropping either progressive or interlaced: "This could ultimately be a policy determination that the Commission may have to make." Experts' group member Robert Hopkins of NAB Advanced TV Systems Committee said it's not technically possible now to carry good-quality 1,080-line progressive scan in 6-MHz channel: "It's not going to happen in the next few years." General Instrument Vp Robert Rast said it "might be appropriate" to switch to all-progressive in 15 years, when FCC will recapture NTSC spectrum.

Some computer groups are pressing to eliminate interlaced interim step, saying that it's not computer-friendly, but broadcast groups sent letter to Quello saying that retention of interlace option would further goal of universal service and "the continued competitive vitality of television broadcasting." Group (including APTS, Cap/ABC, Fox, INTV, MSTV, NAB, NBC, PBS and Tribune) said progressive-only could increase costs: "The transition to digital television -- which will benefit the computer industry as well as the public -- is destined for failure if the cost of receivers for consumers is too high."

TelecomAsia said it's going public and will launch telco-based cable service in Thailand. Company said Nov. 12 that initial public offering of 223 million shares at \$2.20 will be on Thai Exchange. It's owned by Charoen Pokhand Group and Nynex. First Thai cable service will use fiber, offer 5 channels at start.

CABLE ATTACKS MUST-CARRY: Even if Congress believes local TV news and other local programming is important, "it may not advance that speech by insisting that cable operators relegate other programmers to second-class status," NCTA said in brief asking U.S. Supreme Court to overturn must-carry. Turner Bestg. and other cable programmers, in separate joint brief, called must-carry "blatantly protectionist, special-interest measure" that reduces video competition and programming alternatives. Court is expected to hear oral argument in mid-Jan.

Disputing 2-1 decision by U.S. Dist. Court, D.C. (TVD April 12 p1), NCTA called must-carry "a direct regulation of the content of fully protected speech." NCTA said cable doesn't have same spectrum limits as broadcasters, so regulation isn't warranted. Cable uses public rights of way, it acknowledged, but "that usage by itself does not permit government to dictate the content of speech... any more than licensing laws allow government to control the content of newspapers sold in newsboxes on public streets." Even if Congress wants to assure video diversity, NCTA said, that's "not sufficient, by itself, to justify the means of telling private speakers that they must carry the speech." Assn. said it's "absolutely clear" that voluntary carriage of broadcast stations is adequate to assure that broadcasting is "in no immediate danger."

Govt. may not silence speech of cable programmers to further local broadcasters, Turner said, saying that channel capacity limits mean that adding must-carry stations means bumping cable networks: "Neither the present economic or technological characteristics of cable television, nor any purported government benefits cable operators have received justify branding the cable medium as a whole with an inferior constitutional status."

NAB said it's "deeply disturbed" that telcos opposed must-carry in their court filing. "The extreme positions taken by the telcos indicate they want to expand their monopoly control to include all video programming and do so in the absence of any regulation," said NAB Pres. Edward Fritts. "It's time for Congress and the American people to recognize the critical need for legislation that provides safeguards against telcos' gaining a monopoly stranglehold over the video programming market." USTA, 6 RHCs and GTE agreed with cable claims that must-carry violates First Amendment. In other filings in must-carry case: (1) Cal. Cable TV Assn. said case raises "fundamental question" whether govt. can limit speech of cable operators just because of "a congressional perception that the broadcast industry is in economic decline." (2) Citizens for a Sound Economy Foundation filed amicus brief saying that cable has same speech rights as newspapers.

FCC will hold informational cable seminars in at least 6 cities, Chmn. Quello announced last week. He said seminars will be held in Atlanta, Boston, Chicago, Kansas City, San Francisco and Seattle, with others to be added if warranted. First day of seminars -- to be conducted by FCC Cable Div. and field offices -- will be for local and state franchising authorities and congressional and state legislative staffs. On 2nd day, Commission will host cable operators and broadcasters. "The exchange of information at these cable seminars will be useful in identifying problems and in offering practical solutions, based on cable legislation and regulation," said Quello.

FCC will hold 3rd brown-bag lunch Nov. 18 on Gettysburg, Pa., applications processing: Noon, Rm. 856, 1919 M St. NW, Washington.

3 SEEK 2nd TERMS ON NAB TV BOARD: Twelve candidates are seeking 6 seats on NAB TV board, including incumbents Amy McCombs, Chronicle Bestg.; Ralph Gabbard, Bluegrass Bestg.; Kenneth Hatch, KIRO-TV Seattle. Other candidates: James Babb, Outlet Bestg.; Martin Brantley, KPTV Portland, Ore.; John Conomikes, Hearst Corp.; Harold Edwards, WAGT Augusta, Ga.; Dennis FitzSimmons, Tribune Bestg.; Howard Meagle, KFVS-TV Cape Girardeau, Mo.; Preston Padden, Fox Bestg. and ex-INTV pres.; J.A. Simms, WEVV Evansville, Ind.; Daniel Sullivan, Clear Channel TV. Ballots will be mailed Dec. 10.

Most interesting race on radio side is for Dist. 2 seat (N.Y.-N.J.), which attracted 4 candidates. Two years ago, John Quinn, WJDM(AM) Elizabeth, N.J., defeated William O'Shaughnessy WVOX(AM)-WRTN(FM) New Rochelle, N.Y., (who has served 4 two-year terms on board), in close race. Both are running again, along with David Gingold, WHLI(AM)-WKJY(FM) Garden City, N.Y., and James Thompson, WGBB(AM)-WBAB(FM) Babylon, N.Y. Incumbents Carl Venters (Dist. 6), Voyager Group, and Ray Lockhart (Dist. 16), KOGA-AM-FM Ogallala, Neb., didn't draw opponents, are automatically reelected for 2nd 2-year terms.

Other radio board candidates: Dist. 4 -- incumbent David Luther, WBTM(AM)-WAKG(FM) Danville, Va., and Lloyd Gochenour, WRIS(AM)-WJLM(FM) Roanoke, Va. Dist. 8 -- incumbent Ray Saadi, KHOM(AM)-KTIB(FM) Houma, La., and Judy Karst, KRRV(AM) Alexandria, La. Dist. 10 -- Paula Phillips, WMGI(AM) Terre Haute, Ind., and Kenneth Coe, WLOI(AM)-WCOE(FM) La Porte, Ind. Dist. 12 -- Curt Brown, KTTS-AM-FM Springfield, Mo.; Rod Orr, KOMC(AM)-KRZK(FM) Branson, Mo.; Chet Tart, KRBB(AM) Wichita.

Also, Dist. 14 -- Patti Kuczen, WZXA(AM) Racine, Wis., and Don Seehafer, Seehafer Bestg., Manitowoc, Wis. Dist. 18 -- Jose Silva, KINT(AM)-KSVE(FM) El Paso; John Barger, KRIO(AM) San Antonio; James Gustafson, KLBj-AM-FM Austin. Dist. 20 -- James Fox, KSIK(AM)-KPKY(FM) Pocatello, Ida.; Larry Roberts, KDXT(AM) Missoula, Mont.; Charles Wilson, KBOI(AM)-KQFC(FM) Boise, Ida. Dist. 22 -- incumbent James Taszarek, KTAR(AM)-KKLT(FM) Phoenix; Jeff Lyon, KSNM(AM) Las Cruces, N.M. Dist. 24 -- Howard Anderson, KIIWY(AM) L.A.; John Leonard, KPUA(AM)-KWXX(FM) Hilo, Hawaii; Donald Shore, KSTT(AM) San Luis Obispo, Cal.; Karly Winston, KBIG(AM) L.A.

Five Republican women still are under consideration for vacancy at FCC, reliable source told us Nov. 12: (1) Regina Keeney, minority counsel to Senate Commerce Committee. (2) Rachelle Chong, head of regulatory dept. at San Francisco law firm Graham & James. She represents cellular carriers, such as Bay Area Cellular Telephone venture of McCaw and Pacific Telesis, while firm generally has clients in pay telephone business, competitive access and, in past, cable. She has backing of Sen. Boxer (D-Cal.). (3) Gloria Gaylord, ex-Ohio PUC commissioner who reportedly has support of Sen. Glenn (D-O.). (4) Hope Green, pres. of Vt. ETV Inc. (licensee of 4 public TV stations), has support of Sen. Jeffords (R-Vt.). (5) Joan Smith, Ore. PUC chmn. White House hasn't indicated when appointment will be made. Senate Republicans are withholding confirmation of Democrat Reed Hundt as FCC chmn. until White House names Republican commissioners to FCC and other agencies. Hold on Hundt also has had impact on IRTS, which has postponed its monthly lunch until Nov. 29, hoping to get Hundt as speaker.

SCRAMBLING DISCOURAGED: FCC proposed to prohibit scrambling on basic cable tier and said "most desirable solution" to cable-consumer electronics compatibility is for cable operators to provide all authorized signals "in the clear." Rulemaking launched Nov. 10, almost without comment by commissioners, is to implement provisions of Cable Act that require changes to allow cable customers to use advanced features, such as picture-in-picture and watch-while-record.

Rulemaking is based on findings of FCC report to Congress on compatibility (TVD Oct 11 p11). Report endorsed many of agreements reached between cable and consumer electronics industries, but also proposed some tougher standards than those agreed to by industries. Comr. Barrett said he hoped rulemaking would encourage industries to "work together" to improve compatibility. FCC also said it intends to standardize technology in digital cable transmission.

Among proposed rules on which Commission is seeking comment: (1) Prohibiting scrambling of basic tier. (2) Requiring cable systems to conduct consumer education programs on compatibility. (3) Requiring systems to provide equipment, such as converters with multiple descramblers, to allow use of extended features of TV sets and VCRs. (4) Requiring systems to give customers option of receiving in clear all signals that don't require converter. (5) Requiring systems to use EIA/ANSI IS-6 channel plan. (6) Setting standards for what sets can be marketed as "cable-ready," including requiring them to have decoder interface connector, ability to tune all channels in IS-6 standard, have improved tuner performance and shielding. (7) Requiring systems that use scrambling to provide component descramblers to subscribers whose TVs and VCRs have decoder interface connectors.

Measure that would eliminate current funding of Public Telecommunications Facilities Program (PTFP) and reduce federal funding of CPB 2% for each of next 5 years is expected to be voted on by full House before Thanksgiving recess. There's no Senate counterpart yet, although group of senators is believed to be developing rescission package that could rival multibillion-dollar House plan. APTS and NPR are urging their member stations to marshal opposition to House initiative, which is named for co-sponsors Reps. Penny (D-Minn.) and Kasich (R-O.) and would pare funding 2% over each of next 5 years for National Endowments for Arts and Humanities. Measure asserts that since public broadcasting now reaches more than 90% of population, PTFP no longer meets its "original mission" and instead is "being used as an operating subsidy." Rationale for CPB cuts is that public stations now receive "the bulk of their funding from private contributions" and access to cable has "greatly expanded." Interesting wrinkle is that CPB already has received its current (FY 1994) appropriation and presumably would be requested to return 2% if Congress adopts House plan. Bill primarily is work of House freshmen and is being taken seriously by Democratic leadership, although passage appears doubtful because of several factors, including that it would reduce spending on programs not yet appropriated.

Paramount Network, in partnership with Chris-Craft, has signed 3 affiliates in its race against Warner Bros. and Tribune Co. to launch 5th TV network. Newly signed are WUAB Lorain-Cleveland, WXMT Nashville, WPWR-TV Chicago-Gary. Core of network will be Paramount, United and Chris-Craft stations and addition of 3 more raises total to 13 affiliates covering 33% of U.S. TV households, Paramount said.

FCC HITS CERRITOS: In decision that could force GTE to sell Cerritos, Cal., fiber testbed or convert it to video dial tone (VDT) system, FCC rescinded its waiver of telco-cable cross-ownership ban for project. Action gave GTE 120 days to comply with cross-ownership restriction, and 30 days to tell FCC how it will do so. Action followed U.S. Appeals Court, D.C., remand of earlier FCC waiver grant.

In latest order, FCC agreed with court that using affiliate of cable operator, Robak, to build Cerritos system wasn't "necessary" or "essential" to success of Cerritos experiment: "Firms other than Robak have expertise and experience in this area and, unlike Robak, such firms could have participated without raising the cross-ownership concerns." Commission granted original waiver in 1989, testbed began video service in 1990 and construction of system was completed in 1992.

GTE said FCC decision had "long been expected," but that it was "still disappointed" by Commission's move. Company said it was "especially concerned" that FCC had rescinded its Sec. 214 authority: "We are studying the order to determine what our next steps will be."

Officials familiar with case said GTE's options could include (1) selling system to Apollo, firm that currently provides video service; (2) selling to 3rd party; (3) converting Cerritos to true VDT system on which anyone could lease channels; (4) leasing transmission capacity to Apollo, which would require tariff filing.

Financials: Fox network profits dropped in quarter ended Sept. 30 due to expansion to 7 nights and increased promotion costs, but still were "in line with budget," parent News Corp. said. Results at 7 of 8 Fox TV stations exceeded expectations, News Corp. said, with L.A. station down because of weak economic conditions. News Corp.'s BSkyB satellite operation continued to post record profit, and filmed entertainment operating profit soared 150%. Parent's net profit grew to \$165 million from \$130 million, and revenue rose to \$1.87 billion from \$1.74 billion... **Turner Bcstg.** net profit for 3rd quarter ended Sept. 30 fell to \$1 million from \$12.5 million, despite 10% revenue growth to \$501 million, dropped because of \$6-million write-off for early retirement of debt. News segment operating profit increased 22% to \$44.6 million. Entertainment segment (WTBS Atlanta, TNT, Cartoon Network) operating profit was up 6% to \$46.3 million. Syndication and licensing operating loss increased \$6 million... **Disney** net profit dropped to \$300 million in quarter ended Sept. 30, from \$816.7 million year ago. Revenue inched up to \$2.2 billion from \$2.1 billion. Most of profit decline was attributed to accounting changes... **Cablevision Systems** net loss grew to \$55.4 million in 3rd quarter ended Sept. 30, from \$46 million year ago. Operating cash flow rose 8% to \$68.7 million, and revenue 12% to \$169.6 million. Company said increase in subscribers accounted for 11% revenue growth and rate boosts for 1%. It said reregulation cut revenue \$2.9 million and cash flow \$2.6 million in quarter.

It cost major TV stations in L.A. more than \$1 million each to cover area fires, according to L.A. Times. Independent KCOP stayed with regular programming, except for frequent fire updates, saying there was no other channel for homes in area without cable to go to for entertainment.

U.S. Satellite Bcstg. (USSB) has chosen Minneapolis-based Bozell Worldwide as marketing partner for DBS. USSB said Bozell will develop ad and promotion campaign introducing concept of "consumer friendly" service.

Budget that would increase PBS member station fees only 1.4% for national programming and not at all for general (nonprogramming) support was approved for discussion by Exec. Committee. Total station assessment -- 68% of projected PBS FY 1995 spending of \$161.94 million -- would rise 1.4% to \$111.3 million under plan, which would represent lowest such hike in at least 7 years. Committee members stressed need for more money, particularly for national programming, but also realization that greater station support is unrealistic in currently strapped funding climate. Budget, to be discussed with stations at planning meeting this week, includes: (1) \$11.85 million for new program development -- sum that PBS said is inadequate to support new weekly shows, which it said cost \$5 million or more. (2) \$879,000 increase for continuing general audience and children's shows, which PBS said have seen "sharply reduced" corporate funding. (3) 2.8% increase (\$525,000) to \$19.28 million in PBS salaries/benefits and 18.2% gain (\$420,000) to nearly \$2.73 million in personnel spending.

Administration plan to create National Information Infrastructure (NII) is "critical for the United States to maintain its status as an economic superpower" as country enters 21st century, Recording Industry Assn. of America (RIAA) said in written comments to intellectual property working group of NII Task Force. RIAA said various types of digital delivery services envisioned for NII -- including over-air and cable-delivered digital audio transmissions, "audio-on-demand" technologies and others -- would give "no financial return" to record companies, artists and others involved in creation of recordings if allowed to operate "under current law." RIAA urged working group to support legislation (HR-2576/S-1421) to establish performance right on sound recordings. Group suggested that industry revenues already being threatened by cable digital audio services and emerging over-air digital audio broadcasts would be exacerbated by NII without additional protections in copyright law.

Bill Cosby has dropped effort to purchase NBC from GE. In statement Nov. 8, he said: "While I did have interest, at the present time it's over." On recent appearance on Arsenio Hall Show, Cosby said he would drop effort because he and partners had fallen \$600 million short of estimated \$4 billion needed to buy network. Cosby and partners, including Robert Wussler, former CBS, Comsat and Turner Bcstg. executive, announced plans last spring to try to raise money. GE Chmn. Jack Welch said NBC isn't for sale and Cosby never approached GE about NBC.

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FCC granted orbital assignments and channels to proposed DBS provider Direct Bestg. Satellite Corp. (DBSC) after company satisfied Commission's due diligence requirements. DBSC is authorized to use 11 channels (even-numbered channels 2-22) for Eastern half-continental U.S. or full-continental U.S. from orbital position 61.5° W; 11 channels (even-numbered channels 2-22) for Western half-continental U.S. at 175° W. Robert Johnson, pres. of DBS permittee Dominion Satellite, told us DBSC is "stalking horse for TCI/Tempo" and was likely to sell authorizations to entity controlled by cable giant. FCC hasn't awarded Dominion its requested 8 channels at 119° W since application was contested on due diligence grounds. Johnson said Dominion has contracts for launches and satellites, but is being "obstructed" by FCC Mass Media Video Services Div. "We've been in a go situation for a long time, but we can't get the FCC to do what it's supposed to do. They're obstructing us."

Public TV stations, which saw their private support rise 10.6% on average, last year recorded "the largest increases" in such funding of any nonprofit groups, Chronicle of Philanthropy said in annual "Philanthropy 400" survey. NPR didn't make list. Overall donations to charities on list rose 4% in 1992, publication said, slightly above inflation rate. PBS, 14th largest private fund raiser on overall list, led public broadcasters with \$205.2 million in such support. Other PTV stations and their position on overall list: WNET N.Y.-Newark, \$56.45 million (95th place); WGBH-TV-FM Boston, \$29.5 million (198); KCET L.A., \$28.03 million (209); WTTW Chicago, \$27.17 million (217); WETA-TV-FM Washington, \$23.82 million (246); KQED-TV-FM San Francisco, \$14.33 million (376); KCTS-TV Seattle, \$13.37 million (396).

British govt. warned foreign satellite broadcasters against beaming pornographic programming into country following rumors that station for transvestites, including live sex shows, would be launched from Thailand. Cultural Minister Peter Brooks said that he was aware of reports that channel was being planned but that he didn't know when or whether it would begin. Reports said channel would operate via Astra satellite, which also carries British Sky Bestg. He said broadcasters should avoid "overstepping" govt. limits on program acceptability. Earlier this year, Britain banned sale of decoders for Dutch-based Red Hot TV, which features late-night X-rated movies.

Documentary TV series based on U.S. Supreme Court oral arguments in pathbreaking cases will be produced by Alvin Perlmutter's Independent Production Fund, it announced Nov. 9. Series will be based on book and collection of audio tapes of oral arguments that Court agreed only week ago to make broadly available to public for first time (TVD Nov 8 p4). Key aspects of project, such as distribution vehicle, hinge on funding and other considerations -- Christopher Lucas, 212-221-6310.

General Instrument will work with DSC Communications to create new video/telephony system for interactive multimedia, companies said. System, including hybrid fiber/coaxial cable and use of GI's DigiCipher and DSC's SONET, is to be presented at Western Cable Show Dec. 1-3 in Anaheim.

Technical Notes: Century Communications ordered 300,000 DigiCipher digital converters plus transmission and headend equipment from **General Instrument** for delivery beginning in 1994... Digital Equipment Corp. picked **Scientific-Atlanta** to provide MPEG-based digital ad insertion equipment.

Of foods advertised on Sat. morning TV, 41% are "high-fat," with 30% or more of calories coming from fat, sharp increase in recent years, according to study by group of N.Y. researchers. Companies singled out include Pizza Hut, McDonald's, Burger King, Wendy's. One researcher said that even though fast-food restaurants have low-fat, healthier foods on menu, they're rarely advertised to children. Dr. Thomas Starc, pediatric cardiologist at Columbia Presbyterian Medical Center, said researchers counted commercials April 24 on 3 network affiliates in N.Y. In 15 hours, there were 423 commercials, of which 47% were for food. Of food commercials, 38% were for cereals considered to be low-fat and 38% for fast-food chains and prepackaged meals, almost all high-fat foods. Of snacks advertised, 40% were high-fat.

For 2nd time in 2 weeks, Cablevision Systems is buying cable systems. Latest purchase is 3 systems with 34,500 subscribers in 14 Boston suburbs from Nashoba Communications. MSO paid \$90 million (\$2,608 per subscriber) for systems close to others it owns in Boston. Systems are relatively new, have more than 60 channels. Deal will give MSO 290,000 Mass. subscribers. Like earlier \$450-million deal with Sutton Capital (TVD Nov 1 p5), latest purchase increases Cablevision's clustering, which is expected to make MSO more attractive to telcos or other potential buyers.

Wireless Cable Assn. (WCA) produced guidelines for people solicited for wireless cable investment. WCA Pres. Robert Schmidt said some pitches are "scams" aimed at "unsophisticated, small investors... The results are potential financial disasters that will hurt legitimate operators. "WCA said potential investors should seek professional advice and ask questions, including: (1) How much to promoters, vs. amount actually spent on plant? (2) Does operator have at least 20 of 32 channels? (3) Is operator experienced? (4) Does investor have enough knowledge to make informed decision?

House Administration Committee in 12-7 vote last week adopted new campaign reform package to mandate use of "communications vouchers" for candidates but wouldn't require that broadcasters provide free time. Bill would shorten period when lowest unit rate rule applies and would impose ad identification requirements on candidate, not on broadcaster. NAB Pres. Edward Fritts said bill is "huge step forward as compared to the Senate bill," which contains free-time provisions.

Marcus Cable agreed to buy cable systems with 68,900 subscribers from Star Cablevision Group and Star Mid America for \$149 million cash. Systems pass 107,000 homes in Wis. cities of Fond du Lac, Sheboygan and W. Bend, and Minn. towns of Apple Valley, Lakeville, Rosemount, Red Wing, Northfield. Marcus has systems adjoining newly acquired systems. Deal is expected to close in first quarter 1994.

WTTW (PBS) Chicago is likely to pursue its high-toned home shopping service on national level. Senior Vp Bruce Marcus said station has been approached by "a number" of retail and commercial TV companies that want to join project -- merchandise sold by cultural institutions and other nonprofits -- on national basis. Interest follows 2-week local test that saw sales increase each day, Marcus said.

New FCC user fees will be subject of brown-bag lunch hosted by Public Service Div., Nov. 16, noon, Rm. 856 -- Michelle Mitchell, 202-632-0244.

Personals

John Healy, Cap/ABC Video Enterprises International pres., promoted to pres., ABC International Operations, and exec. vp, ABC Cable & International Best. Group... **Alan Braverman**, ex-Wilmer, Cutler & Pickering, Washington law firm, named vp-deputy gen. counsel, Cap/ABC... **Alan Nesbitt**, former pres.-gen. mgr., WPVI-TV Philadelphia, named to same position, KABC-TV L.A.... **Donald McClellan**, telecommunications adviser to Sen. Burns (R-Mont.), will join Intel Corp. Nov. 29 as telecommunications policy mgr.-attorney.

Leslie Tobin promoted to senior vp-sales and acquisitions, Columbia Pictures TV... Appointments at Fox Bestg. Sales Div.: **Jean Rossi**, vp-national sales, also will oversee prime-time and regional sales; **Hank Close** promoted to vp-eastern sales; **Neil Mulcahy** advanced to vp-sales development... **Mark Palchick**, partner in Baraff, Koerner, Olender & Hochberg, Washington law firm, also becomes adjunct faculty member, Dickenson Law School... **Gerry Rich**, ex-Miramax Films, named exec. vp-mktg., MGM/UA Distribution... **Heidi Schulman**, former NBC reporter, appointed USIA programming consultant.

Screen Actors Guild Pres. **Barry Gordon** reelected for 3rd term, getting 42% of vote against 4 opponents; **F.J. O'Neill** elected treas. over 2 opponents... **Tom Fennel**, Action Pay Per View southeast region vp-affiliate sales, assumes expanded responsibilities for East Coast... **Debra Huttenburg** promoted to mgr., Andrew Best. Systems Business Unit.

Promotions at Courtroom TV Network affiliate relations: **Bob Rose** to senior vp-affiliate relations, **Robert Golden** to senior vp-sales planning and support, **David Dekadt** to vp-western region affiliate relations, **Rori Peters** to vp-eastern region affiliate sales, **Geoffrey Figgis** to dir.-central region, **Bill McCall** to dir.-national accounts... **Roy Simpson** resigns as vp-gen. mgr., Jones Satellite Network, to pursue other business opportunities... Promotions at Multimedia: **Robert Hamby** to senior vp-finance and administration-chief financial officer, **Thomas Magaha** to vp-finance and development-controller, **Clyde Baucmo** to vp-personnel and benefits, **Claudia Price** to vp-taxes... **Christine McHale**, ex-NBC, named Fox senior publicist.

Sarah Timberman, ex-Lewis Chesler Productions, appointed dir.-drama development, Columbia Pictures TV... **Thomas Erdmann** promoted to vp-gen. mgr., Harris Corp. Dracon Div... Best. Pioneers Educational Fund (Pioneers Library) elects: **Arthur Carlson**, Susquehanna Radio, pres.; **Catharine Heinz**, Library dir., vp-secy.; **Millard Younts**, Media Services, treas.; **Ramsey Woodworth**, Wilkes, Artis, Hedrick & Lane, gen. counsel.

Edward Huguez promoted to dir.-programming acquisition, DirecTV... **Andrew Trentacosta**, ex-Playboy TV, named Adam & Eve Channel senior vp-gen. mgr... L.A. attorney **Marisa Fermin** joins 20th Domestic TV as dir.-business and legal affairs... **John McNally** promoted to national sales mgr., WLYH-TV Lebanon, Pa... **Dennis Grandcolas**, ex-KRLD(AM) Dallas, appointed sales exec.-Southwest, MCA TV... **Stewart Chelfet** resigns Nov. 30 as pres.-gen. mgr., noncommercial WITF-TV Harrisburg, Pa., to form interactive programming production company... **Ed Fishel**, managing editor, WRC-TV, Washington, named to same position WBAL-TV, Baltimore.

FCC calendar: Nov. 15 -- Chmn. **Quello** is luncheon speaker, Community Bestrs. Assn. convention, Washington

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Court Hotel, Washington. Nov. 16 -- **Quello** chairs and Comrs. **Barrett** and **Duggan** participate in Federal-State Joint Board meeting, Marriott Marquis Hotel, N.Y.C., 11:30 a.m.; **Barrett** keynotes NARUC meeting, 2-2:30 p.m.; **Duggan** speaks at Telecommunications Industry Assn. Annual Fall Conference, Vista Hotel, Washington, 6 p.m.; **Walker Feaster**, assoc. managing dir.-program analysis, and **Tom Holleran**, deputy assoc. managing dir.-operations, speak on user fees at brown-bag luncheon, Rm. 855, FCC hq.

TV programmer Clear Channel Productions has been formed by Clear Channel Communications (CC) to provide programming for its 8 independent TV stations. First project will be half-hour **Jake's Attic**, which also will air as Thanksgiving special in 141 markets with 95% clearance of U.S. TV households, CC said. **John Binkley**, former pres. of B&G Communications, was named pres. of Clear Channel Productions.

Paramount Publishing announced Nov. 10 that it's acquiring Macmillan Publishing for \$552.75 million. Macmillan, in Chapter 11 bankruptcy, is owned principally by estate of Robert Maxwell. Other bids were kept secret under bankruptcy proceeding.

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 Oct. and year to date:

	OCT. 23-29	1992 WEEK	% CHANGE	OCT. 16-22	10 MONTHS 1993	10 MONTHS 1992	% CHANGE
TOTAL COLOR....	1,157,117#	738,769	+56.6	665,386	19,926,076*	17,677,111	+12.7
DIRECT-VIEW..	1,132,459#	720,944	+57.1	653,224	19,575,104*	17,363,618	+12.7
TV ONLY.....	1,028,081#	655,922	+56.7	587,993	18,391,129*	16,643,752	+10.5
TV/VCR COMBO	104,378#	65,022	+60.5	65,231*	1,183,975##	719,866	+64.5
PROJECTION...	24,658*	17,825	+38.3	12,162	350,972*	313,493	+12.0
VCR DECKS.....	613,052*	565,585	+ 8.4	301,439	9,954,181*	10,011,763	+ 1.7
CAMCORDERS.....	201,585*	143,918	+40.1	60,555	2,502,596*	2,245,274	+11.5
LASERDISC PLYRS**	12,139	8,943	+35.7	6,002	173,862	170,293	+ 2.1

Direct-view TV 5-week average: 1993--750,662#; 1992--572,809 (up 31.0%).

VCR deck 5-week average: 1993--401,922#; 1992--377,357 (up 6.5%).

Camcorder 5-week average: 1993--107,490#; 1992--84,536 (up 27.2%).

* Record for period. # All-time record week. ## Exceeds full year 1992.

** Includes combi players, excludes karaoke types.

SUMMER CES--ORLANDO, NEW ORLEANS, DALLAS? Or possibly Chicago. Those are top locations being considered for 1995 Summer Consumer Electronics Show, we have learned, with final proposal expected to be nailed down by EIA Consumer Electronics Group board meetings scheduled around time of Winter CES in Las Vegas.

Asked for comment, CEG Staff Vp Gary Shapiro said there are "no plans to announce" and as of now 1995 show can be assumed to be planned for Chicago. Sources we canvassed said EIA management needs board approval of location so it can proceed with negotiations to lock in 1995 show dates. At issue, sources said, is where to mount Summer show that has declined in total exhibit space to 450,000 sq. ft. from high of 800,000, and no longer is big enough to fill entire McCormick Place complex in Chicago. If show does stay in Chicago in 1995, it seems highly likely it will be moved to new venue in 1996.

Orlando apparently is favored by many CEG insiders, but city isn't expected to have sufficient exhibit space until 1996. Those favoring Orlando cite status as family resort and availability of hotels and low-cost air fares, but other cities on table reportedly include Dallas and New Orleans.

Chicago's McCormick North is strong possibility for 1995, but we were told sentiment for moving show, at least in 1996, is strong. Favoring Chicago is fact that it's first choice of largest exhibitor -- Nintendo -- but some exhibitors cite union problems. Dallas boasts ample hotel space and suitably sized convention area in Infomart, but "cons" include high air fare from East Coast and proximity to Las Vegas, which will remain site of Winter CES. New Orleans is considered attractive resort city that recently legalized gambling, but critics point to its isolated location and brutal summer heat.

Summer CES for 1994, of course, remains scheduled for Chicago as first 3-day show, June 23-25, latest dates ever for a Summer show.

TV BOOMED IN OCT., BUT VCRs FALTERED: Color TV in all its forms set new Oct. records in sales to dealers, climaxed by biggest TV set week in history -- smashing 4-week-old record set just month ago (TVD Oct 18 p10). Only VCR decks faltered from recent strong pace, running 12.9% behind record Oct. sales of 1992 (TVD Nov 16/92 p9), but closing month with record week and still at record for year's first 10 months.

In color TV, Oct. 1993 was best 4-week month in history, actually beating out all-time record Sept. in terms of average sales per week. As we reported, in final week of Sept., total direct-view TV sales exceeded million units for first time -- but in smash Oct. finale, even excluding TV/VCR combos, direct-view sales broke through million barrier for first time. For year's first 10 months, direct-view color TV sales now are more than 2 million units above last year's record rate for same period. TV-VCR combos showed best monthly advance of year, beating Oct. 1992's record by 87.6%. During Oct., TV/VCRs passed million mark for year, already are 21.4% above 975,644 sold in all of 1992.

Camcorders barely pulled ahead of Oct. 1992 by just 1.7%, but still set record for any Oct., and were running big 11.5% ahead of last year for first 10 months. It was 9th month out of 10 this year in which camcorders topped last year's month, and 5th in which they set record for month. Decline in VCR decks from year earlier doesn't mean they had bad month -- Oct. 1992 figure was their best month in history. For year's first 10 months, they're still running 1.7% ahead of record 1992. In terms of monthly performance vs. 1992, decks are evenly split -- 5 up months, 5 down.

Like other color categories, projection TV set record for Oct. -- 8th record month this year and 9th in which sales exceeded 1992 month. Oct. is believed to be best 4-week month in history for projection, just one month after best all-time (5-week) month. Laserdisc players continued to ride seesaw, declining in Oct. after gains in July-Sept., but presumably remaining in record column (at least since EIA started releasing sales data) for year's first 10 months, up 2.1% from last year.

In terms of seasonally adjusted average, all major products appeared headed for records in 1993. Direct-view color's sales pace in Oct. was by far best of year -- phenomenal annual rate of 28.5 million, highest this year, up from 24,650,000 in Sept. Cumulative 10-month annual rate was 24.5 million. Projection TV's annualized rate in Oct. jumped to 506,000, while annualized rate for 10 months was 469,000. Camcorders sold at 3.4 million annual rate in Oct. and 3.3 million in 10-month period. Despite decline for month, VCRs' seasonally adjusted annual rate in Oct. was at record 12.6 million units, while 10-month rate came out to 12.9 million. Five-week moving average sales rates for color, VCR and camcorders all were at all-time highs (see State of the Industry).

Here's summary of EIA data for record Oct. 1993, with 1992 and 1991 comparisons:

Product	Oct. 1993	Oct. 1992	% Change	Oct. 1991
Total color.....	2,725,457*	2,279,894	+19.5	1,865,070
Direct-view...	2,672,145*	2,232,253	+19.7	1,475,135
TV only.....	2,468,550*	2,123,743	+16.2	1,775,356
TV/VCR combo.	203,595*	108,510	+87.6	51,864
Projection....	53,212*	47,641	+11.9	37,850
VCR decks.....	1,303,964	1,497,908	-12.9	1,007,386
Camcorders.....	332,983*	327,290	+ 1.7	192,568
Laserdisc players	20,703	21,900*	- 5.5	12,319

* Record for any Oct.

BLOCKBUSTER TESTS CD-ROM HARDWARE/SOFTWARE RENTAL: Blockbuster Entertainment's entry into CD-ROM rental and sales -- including hardware and software -- will go long way toward demystifying multimedia and hasten consumer acceptance, vendors involved in test told us last week. Company last week began pilot program in 52 company-owned stores in San Francisco that is planned for rollout to all its owned stores following 4-1/2-month evaluation. Program also was inserted into 5 Blockbuster-owned music stores in San Francisco.

San Francisco area franchisees will be offered chance to participate following March 31 -- end of evaluation period -- and those in other areas will be invited to join program as it spreads. City was chosen for pilot because of residents' higher orientation to advanced technology and because 52 of 55 Blockbuster stores there are company-owned.

Effort encompasses in-store demonstrations, hardware and software sales and rentals, in 280-450 sq. ft. of selling space, depending on store configuration. Hardware and software suppliers said they're excited

about combination of Blockbuster's vast marketing power and chance company is affording consumers to "test drive" systems and software in store or at home. "The notion of having a very friendly and accessible hands-on demonstration of multimedia is going to play a huge role in accelerating the growth of the industry," Sega's Douglas Glen said. He cited Sega surveys showing that 42% of consumers say they would always rent to test product if given chance, and that 75% of its customers "routinely" rent or borrow cartridge before making purchase decision.

Stores will have at least 250 software titles for rental and sale, spread across 5 hardware formats -- IBM PC, Macintosh, 3DO, CD-I, Sega CD. For-sale programs will be live on shelf and rental programs will be represented on shelf by empty carton -- with consumer carrying plastic case to counter to get discs and instructions. Sample of each hardware system will be housed in Blockbuster-developed demonstration kiosk, and each of set-top systems will be available for rental at \$14.95 for 3 evenings (they also will be available for sale). CD-I rental hardware includes preinserted Digital Video cartridge; Sega systems consist of Genesis console and Sega CD peripheral.

Consumers are charged \$4 for 3-evening software rental, also get \$5 credit toward future program purchase with each rental. Blockbuster also offers \$19.95 package that includes hardware and 3 compatible software packages. Stores won't rent computer hardware or peripherals. Mike van der Kieft, dir.-New Business Development and mgr.-New Media Markets commented that "sale of the software is an important component. Sales of the equipment offer an additional revenue stream," but company is mainly concerned with opportunity to give customers opportunity to buy system as they return rental unit, rather than having them travel to another store. "We don't want to be a large equipment company, that's not our intent."

Blockbuster is stocking 10-15 hardware rental systems per store, with backup stock in local warehouses that provide overnight service. Rental software will be stocked 4 deep on entertainment titles, 2 deep on reference and educational, although that plan will be fine-tuned as pilot progresses. Sellthrough software will be stocked 2 deep, with overnight replenishment from local warehouses.

Van der Kieft, who joined Blockbuster year ago from Kodak to explore new markets, said key element of program is presence of Blockbuster-trained demonstrators in all stores. Company conducted several focus groups, many including current Blockbuster customers, who said they didn't understand interactivity "and that's why we've got demonstrators. That's the thing that was missing. They wanted the chance to try it before they buy it, because the price of the equipment is high, and the price of the titles is high."

Company at start won't promote CD-ROM availability to general public, he said, although not because of any doubts about its attractiveness. "We may have a tiger by the tail, and we may not be able to satisfy all the interest," van der Kieft said. "We may have more people in the stores, more people wanting to rent, more people wanting demonstrations than we [could handle]." Decision then was made to address existing customer base through targeted direct mail. For example, mailing is planned to anyone who has rented children's video from Blockbuster, since portion of CD-ROM selection will be devoted to educational programs. He cited power of Blockbuster mailing lists, recalling company had "32% response on a direct mail" when it entered videogame business.

Van der Kieft said suppliers have given program "unbelievable support. It makes us think the timing was right and something that is needed in the business right now." Blockbuster agreement with suppliers includes sharing of pilot data just after end of year, and following March 31 end of test. He believes Blockbuster has "pretty good handle" on set-top systems from knowledge it has gained through videogame cartridge rental business and 100-store test of renting CD-I hardware and software for last year. Computer business, on other hand, "has more unknowns to it."

25" AND BIG-SCREEN SALES UP, 20" DOWN: Giant-screen sets continued to increase their share of soaring color TV market in 1993's first 3 quarters, according to EIA figures. While sales of sets with tubes 27" and larger grew at well over twice rate for all color TV sets this year, biggest boom of 1993 is in screen size that was supposed to be dead years ago -- 25".

Sparked by hefty price competition, 25" table model sales increased at nearly 4 times rate of all color sets combined in year's first 9 months. Sales of 25" table sets for period were up nearly 41% over 1992 period, representing 13.6% of total color TV market, up from 10.8% year ago.

Side effect of surge in bargain 25" sets is decline of 20" size for first time -- down 1.4% in year's first 3 quarters and off big 10.6% in 3rd quarter alone. As basically high-end products in midsize range, 20" models

frequently sell for more than low-end 25". Also alive and very well is 19", up 10.7% in 1993, and now only about 8% below 20" in sales (it was 18% below 20" year ago).

Big-screen direct-view category -- 27" and above -- recorded 27.5% gain in unit sales and rose to 18.5% of direct-view TV category (excluding VCR combos) from 16%. Those sets, tables plus consoles, totaled 2,964,200 in 1993 period, up from 2,324,000 year earlier. Direct comparisons of other large sizes are impossible because of changes in EIA's screen size categories, presumably due to security requested by participants dominating specific sizes.

As already reported, TV/VCR combos were up 60.4%. Erosion of console sales continued, that category declining to all-time low of 4.9% of total sales this year from 6.2% last year (or to 5.3% from 6.6% of TV-only direct-view category). Tinyvisions 10" and under held their own, as did 13-14" sets, and 26" continued to sink on its way to oblivion. In projection TV, largest size (55" and over) almost doubled in sales.

Here's table of color TV sales mix by screen size, based on EIA data. Figures and percentages are approximate, with 1993 figures rounded to nearest hundred, 1992 data to nearest thousand.

COLOR TV PRODUCT MIX, SALES TO DEALERS
First 3 quarters, 1993 vs. 1992

	1993	1992	% Change	1993 % Share*	1992 % Share*
Portable-Table Models	15,073,900	13,568,000	+11.1	87.8	88.1
[8" and under...	--	134,000	--	--	0.9]
[9-10".....	--	241,000	--	--	1.6]
10" and under...	374,900	375,000	- 0.03	2.2	2.4
13-14".....	2,779,300	2,741,000	+ 1.4	16.2	17.8
19".....	3,227,600	2,916,000	+10.7	18.8	18.9
20".....	3,502,900	3,552,000	- 1.4	20.4	23.1
25".....	2,348,500	1,656,000	+41.8	13.6	10.8
26".....	339,600	492,000	-31.0	2.0	3.2
27-28".....	1,889,000	--	--	11.0	--
[27-29".....	--	1,447,000	--	--	9.4]
29" & over.....	611,600	--	--	3.6	--
[30-34".....	--	289,000	--	--	1.0]
[35" & over.....	--	101,000	--	--	0.7]
Consoles.....	849,000	952,000	-10.8	4.9	6.2
[25" & under...	--	386,000	--	--	2.5]
[26".....	--	79,000	--	--	0.5]
26" & under.....	385,400	465,000	-17.1	2.2	3.0
27-28".....	336,600	--	--	1.9	--
[27-29".....	--	384,000	--	--	2.5]
29" & over.....	127,000	--	--	0.7	--
[30-34".....	--	54,000	--	--	0.4]
[35" & over.....	--	49,000	--	--	0.3]
TOTAL TV-ONLY.....	15,992,600	14,520,000	+10.0	93.0	94.3
TV/VCR Combinations.	980,400	611,000	+60.4	5.7	4.0
13" and under...	600,800	N.A.	--	61.3#	--
14" and over....	379,600	N.A.	--	38.7#	--
TOTAL DIRECT-VIEW...	16,903,000	15,131,000	+11.7	98.3	98.3
Projection	297,700	266,000	+12.0	1.7	1.7
[44" and under..	--	32,000	--	--	12.0**]
[45-49".....	--	124,000	--	--	46.6**]
49" and under...	158,000	156,000	+ 1.3	53.1**	58.6**
50-54".....	110,700	96,000	+15.3	37.2**	36.1**
55" and over....	29,000	15,000	+93.3	9.7**	5.6**

	1993	1992	% Change	1993 % Share*	1992 % Share*
GRAND TOTAL.....	17,200,600	15,397,000	+11.7	100.0	100.0

* Percentage of grand total, including projection, except where noted.

** Percentage of projection TV only.

Percentage of TV/VCR only.

Bracketed figures are 1992 categories that have been changed in 1993.

Totals may not add due to rounding. N.A. -- not available.

Figures for 1993 are rounded to nearest hundred, for 1992 to nearest thousand.

1-2 MILLION HDTVs IN 1996--PEARLMAN: Public will buy 1-2 million HDTV sets in 1996, first year of their availability, Zenith Chmn.-Pres. Jerry Pearlman predicted last week at Bestg./Cable conference in Washington. He forecast 10% household penetration of HDTV in 4-5 years after introduction, rate that's higher than either CDs or VCRs -- or, for that matter, color TV -- achieved in same time span (color TV took 10 years to reach million-set annual rate).

Pearlman conceded that decision to approve multiple format system could slow sales slightly because it would make sets 2-5% more expensive, but he said loss would be offset by advantages on international scene.

Among reasons for fast penetration, he cited versatility of HDTV set, which he said will be able to do many things free that people now pay extra for, just because of its built-in digital advantages. These include: (1) Eliminating \$200 of \$300 cost of digital cable box. (2) Eliminating need for \$50 digital data recorder. (3) Having built-in full-motion video adapter for CD player. (4) Acting as videophone. (5) Having built-in "fancy" audio system.

Despite that, Russell Neuman of MIT Media Lab said HDTV advocates still see it as improved TV set, rather than all-new digital video service: "The original concept of HDTV was a dumb idea. When it moved to full digital, it entered a whole new world of the convergence of modes." Neuman attacked retention of interlaced scanning format, calling it "a very expensive, dumb idea." Pearlman said consumers don't really care if HDTV is progressive or interlaced: "We just need to get this thing started."

Pearlman said FCC ought to allocate HDTV channels for broadcast use even before it sets standard. He forecast that if Commission did that within next 6 months, broadcasters could begin using channels to transmit digital NTSC and digital data, generating revenue now with understanding that they would switch to HDTV as soon as it's available.

FCC's Advanced TV Advisory Committee, meanwhile, endorsed HDTV system that includes 1,080 active lines, rather than 960, which will cause further delay in testing, but will assure compatibility with computers and mark step toward international compatibility. (Details in Best./Cable Section.)

Recoton, citing expansion of product lines in major retailers and strong sales of 900-MHz wireless audio-video, said 3rd-quarter net income soared 144% (TVD Nov 8 p16). Sales for quarter ended Sept. 30 increased 83% from year earlier. For 9 months, net income jumped 93% on 69% sales gain. Earnings reflected revenues from Ambico brand, acquired in Oct. 1992, as well as combining of corporate and manufacturing operations in Orlando. In separate news, company introduced 90 new accessories at Comdex in Las Vegas.

CIRCUIT CITY-BEST BUY WAR: Circuit City touched off retail war with Best Buy last week when it announced it would cut prices in markets it shares with Minneapolis chain.

Circuit's strategy, reported by market analysts Johnson & Rice, sent Best Buy stock plunging 10 points in 2 days, losing 20% before closing at 49-5/8 Fri. Circuit stock fell 1-1/8 to close at 26.

Decision to reduce prices affects 44% of Best Buy's 117 stores, including 5 new outlets that opened in Atlanta in late Oct. Chains also go head-to-head in Chicago, St. Louis, Tex. In Atlanta, retail sources said battle began last week when Best Buy sliced some advertised camcorder prices to \$499 and was matched by Circuit.

Reason behind Circuit's move remains unclear, although some manufacturers said it was response to Best Buy's offer of free 5-year warranty with many purchases. Best Buy employs noncommissioned sales force, while Circuit doesn't. "Where they're catching Circuit is with the 5-year warranty and that hurts Circuit's pocketbook," said Thomas Edwards, Panasonic asst. gen. mgr.-TV. "It's not just the price alone that Circuit's competing against."

Circuit City officials didn't return phone calls seeking comment. Best Buy said it would match Circuit's price cuts.

ITA Update Seminar Nov. 16 at N.Y.'s Plaza Hotel will be keynoted by consultant Almon Clegg on "Packaged or On-Line Media -- Collision Course or Peaceful Coexistence in Consumer Electronics" (TVD Nov 1 p16) -- at 10 a.m., following membership meeting. Other topics: 10:30 a.m., Video Hardware, Sales Levels & Trends, James Meyer, Thomson Consumer Electronics; 11 a.m., Polyester Film Usage in the Global Magnetic Media Market, Daniel Shea, Toray Plastics America; 11:30 a.m., Blank Audio & Videotape Market Trends, Lee Kennedy, 3M; 1:30 p.m., Audio Duplication, CD Replication Update, Isidore Philosophie, Cinram; 2 p.m., Video Duplication Market Profile & Projections, Robert Diamond, Hauppauge Mfg. Group; 2:30 p.m., Prerecorded Video Market Overview, David Bishop, Live Home Video; 3 p.m., ITA's Worldwide 1/2" Videotape Market Intelligence Service, Richard Kelly, Cambridge Assoc.

First International Newton Platform Development Conference will be hosted by Apple Dec. 7-8 at Santa Clara (Cal.) Convention Center. Topics include use of Newton Toolkit development system and Apple's plans for products and services -- 914-328-5197.

THIS WEEK'S YEN RATE

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

COMPTON'S CLAIMS BASIC PATENT: Compton's NewMedia (CNM) has scheduled news conference Nov. 16 at Comdex in Las Vegas to assert sweeping basic patent rights on multimedia database search engine, fundamental element of vast amount of multimedia programming already on market.

According to our affiliated Consumer Multimedia Report, CNM plans to use leverage of its patent claim to present software community range of business options, including agreements involving future product development and distribution or straight licensing arrangement. CNM officials declined comment. At our deadline, company was understood to be preparing to disclose plans to affiliate label publishers at reception evening before news conference.

CNM's claim is based on U.S. Patent 5,241,671, issued Aug. 31, titled "Multimedia Search System Using a Plurality of Entry Path Means Which Indicate Interrelatedness of Information." Application, filed Oct. 26, 1989, lists 14 inventors, including CNM Pres. Stanley Frank and Senior Vp-Gen. Mgr. Norman Bastin. Patent was assigned to Encyclopedia Britannica, CNM's parent until Sept., when sale of CNM to Tribune Co. was completed. Patent rights were included in deal, according to software industry sources.

CNM patent assertions are sure to be challenged by other publishers. Peter Black, pres. of Xyphias, publisher of variety of reference and other titles on various optical formats, said his company had developed and shipped multimedia reference program Timetable of Science and Innovation for Macintosh in 1988 at same time that Apple began shipping Macintosh CD-ROM peripheral.

Patent application includes 20 pages of flow charts and 14 of text presenting Compton's assertion that it had developed "database search system that retrieves multimedia information in a flexible, user-friendly system... That database is searched through multiple graphical and textual entry paths..." Document contrasts its approach with that of programs that existed at time of application, such as Grolier CD-ROM encyclopedia, which "only accesses textual data by means of text-based entry paths" with "no facility for taking advantage of CD-ROM's capacity to store pictures, sound or video information."

In making 41 claims, application said that "while a particular embodiment of the present invention has been disclosed, it is to be understood that various different modifications are possible and contemplated as being within the true spirit and scope of the claims. There is no intention, therefore, of limiting this invention to the exact abstract or disclosure presented herein. More particularly, it is contemplated that this invention can be used with any information that can be stored in a database. While the present invention has largely been described with reference to an encyclopedia, other databases of published graphical or textual information could be included."

Elsewhere in document, applicants note that its references to information database "can apply to any type of data, any type of data format or any type of storage medium." Last phrase presumably would take Compton's claim beyond realm of only on-site storage media such as CDs and hard drives, and into any on-line interactive services that store data on massive servers.

JVC introduces remote-control AV switcher with 7 inputs, 4 outputs, one monitor output, available in Dec. at nationally advertised \$600.

YASHICA EXITS CAMCORDERS: Yashica has left camcorder business in U.S. and Canon appears to be studying departure from mainstream consumer market, industry officials said.

Yashica, which sources 8mm camcorders from Sony, will continue existing line but won't introduce new models, officials said. It will sell camcorders in Japan, but Yashica (U.S.) Pres. William Heuer said "problem we faced in U.S. for this Christmas was that with the yen rate and the compression of pricing there was absolutely no opportunity to make a profit, so we chose not to offer any new products."

Company will return to U.S. market if prices stabilize or "we see a particular product opportunity that we feel confident there is some margin on," Heuer said. Yashica's most recent camcorders were introduced in Oct. 1992 and included model with "home terminal" that connected to TV and VCR for playback and charging.

Canon is understood to be shifting camcorder emphasis to high-end applications. Reports from Japan said Canon will withdraw from midrange business after introduction of new models this fall and won't ship units in U.S. with less than \$1,000 price after next spring. In following that strategy, company introduced Canonvision 8 L2 Hi8 camcorder in Oct. with VL mount system for interchangeable lens.

Production of midrange models will be reduced over 3 years and some employees in Japan will be shifted to other facilities, Canon spokesman there said. Manufacturing change would enable Canon to focus on other technologies such as ferroelectric LCD, bubble jet printer, solar battery.

Move comes as strength of yen against dollar and continued stiff retail price competition narrow once-large camcorder field. Mitsubishi said last week that high inventories had forced it to halt camcorder production for Japan and U.S. markets and instead it would shift R&D focus to digital video. In last year, camera makers Olympus, Pentax and Chinon as well as Zenith have quit U.S. camcorder market, presumably as result of price competition and slim profits.

Mitsubishi left U.S. camcorder market this year, and its parent has stopped production in Japan due to inventory buildup, spokesman said. He said it wasn't clear whether production would be resumed. He said company would put its emphasis on digital products, including VCRs and camcorders.

High inventories spurred fierce price competition in U.S. last year that drove advertised retail tags below \$500 for first time. Sales to dealers this year are running about 10% ahead of 1992, pace that would send them past 3-million mark for first time.

Consumer electronics (CE) exports increased 2% in first 3 quarters of 1993 to \$2.283 billion from \$2.238 billion, but imports gained 6% to \$12.225 billion from \$11.528 billion, EIA reported. Thus unfavorable balance of trade rose to \$9.942 billion from \$9.29 billion. For electronics industry as whole, exports were up 9.8% to \$62.4 billion and imports 16.1% to \$74 billion. Favorable trade balances were reported for electron tubes, solid state products, telecommunications, defense, industrial and electromedical equipment, unfavorable for passive components and computer products, in addition to CE.

CONN. CRACKS DOWN ON RTO: Conn. became latest state to crack down on rent-to-own (RTO) dealers, reaching \$20,000 settlement with 6 of them last week.

Settlement, which resulted in individual fines of \$1,000–\$8,000, capped 9-month investigation centering on allegations of overpricing merchandise and failure to tag all products as required by state law.

Charges were first to be brought under Conn. 2-year-old Consumer Rent-To-Own Agreements Act and came as RTOs undergo intense scrutiny nationwide as result of allegations that industry's largest dealer, Thorn EMI's Rent-A-Center (RAC), uses high-pressure tactics in renting merchandise with ownership option. Recent Wall St. Journal article related tales by former RAC employees of intimidation used in repossessing items and in some cases accepting sexual favors as payment (TVD Oct 4 p15). As result of article, Thorn EMI last week appointed former U.S. Sen. Warren Rudman (R-N.H.) to review RAC's "operational procedures."

In Conn., RAC, which operates 5 stores, was fined \$8,000, Rentown \$5,000, Colortyme \$2,500, Adams Wayside \$2,500, Curtis Mathes \$1,000, Rentacolor \$1,000.

"One of the problems was they found products in our showrooms that were not priced," Conn. Appliance Rental Dealer Assn. Pres. Robert Fishman said. "I said, 'this is a rental business, it comes in and out -- this is not a retail store where you have one sample on the floor and 50 in the back.' We sell off the floor and it's hard for us to keep a tag on every item."

Sticking point appeared to be state law's definition of RTO dealers' "good-faith" cash price and how it compares with CE retail tags, said Robert King, attorney representing Conn. RTO dealers. State officials have said "good faith" means same price charged by other retailers in area for identical item. But RTO dealers interpreted it as price that includes reasonable profit and reflects higher expenses due to their high rate of loss and damage.

"The department's position is that it should be somewhat in the vicinity of comparable retail," said Conn. Administrative Hearing Attorney Elisa Nahas. State law also said RTO price must be no more than twice amount store could charge if someone came in and purchased item in full rather than on installments.

"They [Consumer Protection Dept.] looked up the cash price and saw it exceeded what the item could be purchased for at retail, and there was an assumption that this was a violation of the state statute," King said. "The requirement is that the cash price be set in good faith -- and whatever good faith is, it's not the retail price."

Most of items central to investigation were consumer electronics, including TVs, VCRs, boomboxes, Nahas said, as well as refrigerators, washers and dryers. Cash prices at RTOs for product paid in full averaged 70% higher than tags on comparable models at area consumer electronics dealers, she said. Overall cash price ranged from 157% more for 4-head Magnavox VCR and 120% for Sanyo 4-head VCR to 36% for Zenith color TV and 17% for Roper dryer. Installment plans typically ran \$2–\$10 per week or, in some cases, \$85.95 per month.

King said RTO dealers charge higher prices to offset inability to buy products in large volumes. "Consumer electronics chains have the ability to buy in volume and just

sell it," King said. "They don't have the costs of delivering, repairing or replacing a product because it's a leased item."

Controversial practices of RTO dealers spurred Rep. Gonzalez (D-Tex.), chmn. of House Banking Committee, to introduce bill (HR-3136) that would make RTO transactions subject to same regulations as credit sales under state and federal laws.

SONY'S 'VHS' PATENTS: Sony's suit against Funai charging infringements of its basic "VHS patents" caused some surprise in industry, since JVC generally is held to own basic patents on VHS recording system. That's true, of course, but just as you can't legally make VHS recorder without VHS patents, you also would be required to have Sony license.

Sony's most basic VCR patents relate to methods of eliminating guardband or space between slant tracks on videotape without creating destructive crosstalk or interference -- principle that makes possible economical usage of tape in compact videocassettes with long playing time, principle originally used in Sony's Betamax and later adapted in JVC's VHS system. In Sony's suit against Funai (TVD Nov 8 p12, Nov 1 p12), 6 separate patents are cited -- granted in 1977, 1979 and 1981, covering inventions credited to Shinji Amari, Jun Hirai and 4 other Sony scientists.

With invention of VHS recording system, JVC and Matsushita used Sony's recording principle. The 3 companies agreed in 1970 to cross-license one another on all video recording patents (TVD April 30/70 p11), thus none of them must pay royalties on VCR inventions.

J&R Music World Nov. 9 formally opened 3-floor, 15,000-sq.-ft. audiovideo store in Lower Manhattan. Store, surrounded by chain's music and home office outlets, adds first projection TV display that includes Mitsubishi, Pioneer, RCA and Sony models as well as 55" JVC widescreen. Move signals big push in 35" with JVC, RCA and Toshiba TVs as well as Mitsubishi PIP unit at \$1,399. Car stereo lineup was strengthened with addition of 20 head units and plans for 2 installation bays. Store's upper level features 4 sound rooms, including one dedicated to Sony ES series. Additions on audio side include Infinity speakers and Denon systems. In addition to TVs and VCRs, lower level houses Panasonic 3DO displays as well as those of competitors, Philips' CD-I and Pioneer's LaserActive. J&R is likely to gobble up more real estate when it adds 3-floor, 15,000-sq.-ft. home office store next fall and expands AV software outlet to 45,000 sq. ft. The 22-year-old retailer now occupies about 100,000 sq. ft. in N.Y.'s tiny Wall St. area.

Sanyo will expand color TV production outside Japan, mainly in areas where sets are to be sold, Japanese press reports said. As for U.S., where company assembles sets in Forrest City, Ark., Sanyo said it will expand Mexican production and consider importing sets from China. Sanyo sources in U.S. declined to return our calls for more information. Company makes 4.5 million sets annually in 15 overseas locations, including Canada, China, Indonesia, Malaysia, Singapore, Spain, Taiwan and Thailand in addition to U.S. and Mexico.

Longest S-VHS cassette, which can record and play for 10.5 hours in EP mode, goes on sale in Japan this week at suggested price equivalent to \$28. JVC, which developed ST-210, said ultrathin tape is more than twice as strong as conventional tape of same thickness, as result of proprietary technology.

STEREO TV SALES RECORD: Add another record for Sept. 1993 -- record sales of TV sets with stereo sound capability. Total of 1,258,669 were sold to dealers in Sept., according to EIA, highest number for any month in history. It marked only 3rd month in which more than million stereo sets were sold.

Unit sales in year's first 9 months also set record for any such period. In fact, more TVs with stereo were sold in first 3 quarters of 1993 than in whole year of 1990. In both cases, actual number of TVs with stereo was greater than reported by EIA, since figures don't include projection TV (nearly all of which have stereo) or TV/VCR combinations.

EIA report indicates that 44.6% of direct-view TV-only sets had stereo, well below record 46.4% established in Aug., but still 2nd highest percentage in history. That compares with 39.1% in Sept. 1992. Sets sold with stereo jumped 23.7% over same 1992 month, while total direct-view TV-only sets rose just 8.3%.

In 1993's first 3 quarters, 41.2% of sets sold had stereo sound, up from 39.7% in same 1992 period, and stereo-equipped set sales increased 13.7% in period when total direct-view TV-only sales rose 9.7%. Here's table of stereo TV sales by month for year's first 3 quarters:

BROADCAST STEREO IN DIRECT-VIEW COLOR SETS

Month	1993	% of Total	1992	% of Total	% Change
January..	556,009	37.3	482,719	39.0	+30.4
February..	608,791	37.2	543,089	40.4	+ 4.6
March....	738,012	36.9	730,697	37.9	+ 1.0
April....	575,270	38.9	506,096	39.1	+13.7
May.....	532,444	40.0	491,416	38.0	+ 8.3
June.....	797,770	42.7	680,935	37.8	+17.2
July.....	672,999	43.1	586,531	42.7	+14.1
August...	812,379	46.4*	725,307	44.1	+12.0
September	1,258,669*	44.6	1,017,503	39.1	+23.7
TOTAL....	6,552,343	41.2	5,764,293	39.7	+13.7

Esquire Radio, supplier of telephone equipment to Southwestern Bell, reported 41% plunge in net income on 41.9% drop in revenue in 9 months to Sept. 30. For year's first 9 months, declines were 58.8% and 37%, respectively (see financial table). Company said they were result of previously announced cutbacks in business by its sole customer and reported that new agreement with Southwestern Bell provides for minimum payments of \$4.5 million in 1993 and \$3.5 million in 1994 in excess of cost of products shipped. Company has offered to buy up to 150,000 shares of its common stock (about 31.1% of those outstanding) from shareholders at \$47 per share. Esquire said it's not making recommendation to stockholders, but noted that family of Pres. Harvey Lieberman, owners of 170,000 of 483,000 shares outstanding, don't intend to sell their shares. After completion of offer, company said it plans 2-for-1 split.

"I've Grown Accustomed to Your Face" could be theme of future camcorder, on basis of Nikkei Sangyo report that Sharp has developed technology that memorizes human faces with 95% accuracy. System can recognize several face patterns and store them in memory. Company said it's considering applying system to future camcorders and other products, using microprocessor to track specific face, keeping it in center of image area.

SEGA EARNINGS UP SLIGHTLY: Sega Enterprises, Japanese parent company, reported 4.4% increase in pretax profit to \$265 million on 19.9% sales gain to \$1.86 billion in first half ended Sept. 30. Company also downgraded its predictions for full-year sales and earnings, saying pretax profit now is expected to reach \$530 million, nearly 10% below projection issued earlier in year, with sales expected to reach \$3.52 billion, vs. earlier prediction of \$3.7 billion. In first half, sales of consumer products, which represent 70% of total, rose 23.7%, with consumer product exports up 24.3%.

Meanwhile, Japanese press reported Sega plans to begin testing cable delivery of software in Japan next month through 500 households hooked up to Tokyo Cable Network. Spokesman in Japan said system in trial there is essentially same as one that will be tested through Sega Channel joint venture, which is to begin U.S. trial in 1994 first quarter. Households in Japanese test will be monitored for performance of system, frequency of usage, etc.

Also, Yamaha reportedly plans to develop and market home entertainment console compatible with forthcoming Sega 32-bit system for introduction in Japan in 1995. Japanese press reported Yamaha will concentrate on enhancing audio performance, adding original LSIs to Sega system, and will develop software for it. Yamaha has provided LSIs for current 16-bit machine, and reportedly will contribute audio LSIs for 32-bit system as well.

Virtual Vision is changing sales emphasis away from U.S. retail toward Japanese market, and is trying to exploit opportunity in dental market. Pres. Gordon Kuenster said last week in confirming resignation of Sales Vp Rusty Bennett. Kuenster said that although catalog sales in U.S. are "right on target," retail sellthrough has been less than expected "because of the quality of presentation in the stores." Mirroring its experience at last 2 Consumer Electronics Shows (CES), company last month had one of most crowded booths at Japan Electronics Show, and Kuenster said it "looks like things are going well" in preparation for market launch there. Company last week also attended American Dental Assn. meeting, hoping to sell goggles for use by patients during oral treatment, which Kuenster said is now producing "very robust sales" and could help spur consumer business. He confirmed reports that company had laid off limited number of parttime manufacturing workers earlier this month, and said company expects to introduce additional product at upcoming Winter CES. Kuenster said Bennett won't be replaced for now, and that Peter Sakurai, formerly dir. of Asian sales, had been named vp-Asian Operations.

Matsushita and Sony have been approached by TCI for sale of part of their entertainment business or joint venture, according to reports last week. Matsushita spokesman said no portion of MCA is being considered for sale, but conceded that TCI CEO John Malone met with Matsushita Senior Managing Dir. Keiya Toyonaga in N.Y. last week. He didn't say what they talked about. Sony officials declined specific comment, but Sony U.S.A. Chmn. Michael Schulhof said recently in newspaper interviews that company was interested in link with cable or telecommunication company.

Sales of VCRs in China dropped 20.7% in year's first 3 quarters from same 1992 period, according to statistics from 35 major department stores as reported in China Daily. Sales of color TVs and audiocassette recorders were up 4.4%. Chinese govt. imposed new credit restrictions during 1993 period.

FRETTER SEEKS NEW HQ: Aiming to consolidate operations after proposed merger with Silo is completed later this month, Fretter is seeking to buy 182,000-sq.-ft. building in Brighton Township, Mich., and add 215,000 sq. ft., town officials said.

Proposal, submitted Nov. 8 and scheduled to go before Brighton Planning Commission Nov. 23, is based on Fretter's plans to move to new hq/warehouse by Jan. and complete addition by April, Brighton Township Mgr. Darrell Fecho said. Building that would serve as Fretter's hq/warehouse is owned by MascoTech and was design hq for Cars & Concepts Div., which refits cars with sun roofs and convertible tops. Building, vacant for 3 years, is located on 85-acre site, portion of which also may be developed for industrial park or added warehouse space, Fecho said. Sale price hasn't been disclosed. Fretter officials didn't return phone calls seeking comment.

Plans provide first glimpse of Fretter's strategy following proposed \$45-million purchase of 182-store Silo chain from Dixons Group (TVD Sept. 20 p12). Sources have said 101-store chain may close Silo hq in Philadelphia and offices it opened in Denver earlier this year and return personnel to Mich. Fretter is expected to retain 15-20 Silo senior merchandise mgrs. and some store personnel, former Silo executive said. Fretter currently is based in 130,000-sq.-ft. hq/warehouse in Livonia, Mich. Combined chains are expected to be called YES! Your Electronics Store, but Fretter has said Silo name will be retained in Chicago, and outlets in Denver will be changed to Fred Schmid.

In Sept., Fretter bid \$10 million for 500,000 sq. ft. former Highland Superstore hq in Plymouth, Mich., but later withdrew offer.

Since proposed merger, Fretter gradually has assumed buying duties for Silo, although only scattered number of vendors report receiving combined orders. Silo's buying staff has been depleted in recent months, including departure of former Senior Mds. Vp Edward McKeaney, who joined Adray's.

MEMTEK SALE SEALED: As expected, Tandy announced signing of definitive agreement with Hong Kong-based Hanny Magnetics for sale of Memtek Products operations and Memorex trademarks for about \$65 million.

Tandy also said it expects to receive additional \$30 million from sale of Memtek receivables, adding that financial terms were consistent with those in previous Tandy announcement when company said it had reached preliminary agreement on sale of Memtek unit, but didn't identify buyer (TVD Oct 25 p16). Tandy said purchase price would be paid partly in cash, rest in Hanny notes due 90 and 180 days after closing.

Memtek Gen. Mgr. Linda Lambert reiterated past assertions that she had been assured by new regime that Memtek operations would proceed with no substantive change in product direction or philosophy for Memorex brand. She said Memtek operations will report directly to as-yet-unnamed Hanny corporate officers, not to Dysan International, Milpitas, Cal., Hanny subsidiary headed by Vp-Gen. Mgr. Jack Battaglia, who previously served in similar capacity at Memtek. Lambert said "it would be correct to assume" that Memtek's ties to new Hanny Magnetics parent would be as inconspicuous publicly as previous ties to Tandy.

SOUND ADVICE SETTLES SUIT: Sound Advice (SA) has reached \$2.7-million settlement with 6 shareholders who filed suit after 1992 internal investigation. Settlement announced Fri. combines \$1.8 million cash with warrants to purchase up to 325,000 shares of stock. SA said its total cash liability would be \$150,000, rest covered by insurance.

SA Chmn.-CEO Peter Beshouri said that while 20-store chain "disputed the merits of the complaint," settlement enabled it "to put a difficult episode behind us." Irv Morris, attorney for shareholders, wasn't immediately available for comment. SA will take \$1.1-\$1.3 million charge against earnings in fiscal 1994 as result of settlement, but said that since agreement largely involves noncash charge, "working capital position will not be adversely affected."

Investigation began in April 1992 when former employee approached SA auditors Deloitte & Touche with charges of misconduct. Dania, Fla., retailer hired special counsel month later (TVD May 11/92 p17) to probe charges that company's financial statements for year ended June 30, 1991, "included intentional misstatements which may be material." SA denied allegations, but made series of adjustments in 1992 totaling \$3.5 million.

In separate news, SA said first-quarter net income rose 26% to \$470,000 from \$373,000 year earlier on higher sales and opening of W. Kendall, Fla., store. Sales for quarter to Sept. 30 jumped 10% to \$41.6 million from \$38 million. Beshouri said SA will continue to add new products and "develop a strategy for the long-term expansion of our retailing concept."

Advertising & Promotions: Sega chose McCann-Erickson, San Francisco, to handle \$8-\$10-million ad account for new line of electronic toys, and extended relationship with Goodby, Berlin & Silverstein, San Francisco, for videogame ads... Sharp and Recoton join in promotion Dec. 1-March 31, offering dubbing cables (\$27.99 retail) or antenna/AC surge protector (\$24.99) free with purchase of Sharp VCR. Consumers send proof of purchase, coupon and \$6.95 for postage and handling to Recoton... Gates will return Political Powers commercials to cable TV late this month with 30-sec. spots that aired in 1992. Gates also will sponsor Dec. media tour by consumer advocate Janet Watson to 8-10 markets... BASF revived Long Length Value Pack after 2-year absence. Promotion offers 2 T-120 videotapes and one T-160 at price of 3 T-120s or \$8.97 retail, runs through Dec... Cinemax and Maxell introduced rebate coupons with packs containing 4 videotapes, each 120 min. Coupon rebate is equal to first 2 months of Cinemax cable programming or \$10-\$20, is available through Dec.

Barretts Audio/Video was scheduled to open remodeled Bloomingdale, Ill., store Nov. 13 that nearly doubles size of existing outlet to 4,700 sq. ft. from 2,500. Store was expanded to add home theater room stocked with Pa. House furniture, Vidikron projector, Mitsubishi 45" tabletop projection. Also included is room that houses 6 different Dolby Pro Logic configurations and new additions to merchandise lineup, including Toshiba's Cinema Series, Quasar's 27" and 31" SuperFlat TVs, JBL's Sound Effects speaker system.

Shell Electric bought minority interest in Lonestar Technologies in deal expected to expand manufacturing capacity of Hicksville, N.Y.-based Lonestar. Shell already builds corded phones for Lonestar, which markets phones, answering and karaoke machines.

Consumer Electronics Personals

Rusty Bennett, onetime Aiwa America, leaves VirtualVision following one year as vp-sales, plans unannounced... **Lynne Ross**, ex-Deloitte & Touche, joins Handleman software rackjobber as dir.-internal audit... **Daniel Slick** promoted to national mktg. mgr., Technics Musical Instruments Div... **Mark Von Keszycski**, assoc. photography buyer, named buyer for videogames and multimedia at The Good Guys; Mdse. Mgr. **Scott Bauhoffer**, who had handled category, will concentrate on chain's new computer business... **David Borsani**, A Complete Appliance Service, elected pres., United Servicers Assn.; **Mary Halldorson**, CW Services, first vp; **Keith Beecher**, American Appliance & Microwave, 2nd vp; **Marcus Fearnough**, Appliance Service Center, secy.-treas.

Louis Fogelman, founder of Wherehouse and Music Plus, forms L.C.F. & Assoc. Consulting, clients including Blockbuster Music and Tim Disney's Virtual World Entertainment... **Mark Roche**, ex-Academy Entertainment, joins Live Home Video as product mgr., reporting to Exec. Dir.-Mktg. **Kris Larsen**... **Michael Gertz**, ex-Warner Home Video, named Chicago-based Midwest regional sales mgr., Orion Home Video, replacing **Michael Katchman**, recently promoted to national of sales dir... **Allyson Johnson** joins DTMC Inc., developer of videogame and interactive entertainment products, as sales-mktg. vp.

Changes at Software Toolworks, effective Dec. 3: Pres.-CEO **Bob Lloyd** to become chmn.-CEO; Exec. Vp.-COO **Bob Goldberg** to be pres.-COO; Chmn. **Les Crane** remains as creative dir. and member of board... **Terrence Small**, ex-Ashton Tate, named pres. of Optimage, developer and marketer of multimedia authoring systems... **Gordon Cooke**, ex-Bloomington's By Mail, named pres. of newly formed Time Warner Interactive Merchandising... **Kathy Gilmore**, ex-Microprose, appointed dir. of corporate communications for Dynamix Div. of Sierra On-Line.

OBITUARIES

Marc Berman, 39, video industry reporter for trade magazines, including Consumer Electronics Monthly, Twice and Daily Variety, died Nov. 6 at Sherman Oaks (Cal.) Community Hospital from AIDS-related complications. Following early career as actor and playwright, Berman worked in N.Y. and L.A. covering consumer electronics and video software. In 1989, he and others founded L.A.-based group, Video Industry AIDS Action Committee (VIAAC), to promote AIDS awareness and raise funds. Survivors include companion, parents.

Katsuya Yokoyama, 60, senior chief engineer of JVC's Technology Development Div. and formerly gen. mgr. of its Video R&D Labs, died of cardiac arrest Oct. 31. Yokoyama led research on digital VCR, for which he received award from Japan's Science & Technology Agency. He also led team that developed W-VHS compatible widescreen and HDTV video recording system.

Good Guys, citing opening of 4 stores and move into San Diego, reported increase in 4th-quarter net income to \$1.2 million from \$1.5 million net loss year earlier. Sales for quarter ended Sept. 30 rose 18% on 7% gain in comparable-store sales. For 1993 fiscal year, comparable-store sales were flat despite 102% jump in net income. Annual sales increased 10%. In Oct., 48-store chain entered San Diego area with outlets in Carlsbad, Escondido, La Mesa.

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
Babbage's			
1993-39 wk. to Oct. 30	130,627,000	(1,038,000)	--
1992-39 wk. to Oct. 31	108,446,000	(392,000)	--
1993-13 wk. to Oct. 30	46,821,000	(343,000)	--
1992-13 wk. to Oct. 31	36,208,000	(326,000)	--
Esquire Radio & Electronics			
1993-9 mo. to Sept. 30	49,601,000	578,000	1.20
1992-9 mo. to Sept. 30	78,784,000	1,403,000	2.90
1993-qtr. to Sept. 30	12,640,000	177,000	.37
1992-qtr. to Sept. 30	21,753,000	300,000	.62
Good Guys			
1993-year to Sept. 30	552,368,000	7,651,000	.60
1992-year to Sept. 30	503,901,000	3,793,000	.29
1993-qtr. to Sept. 30	141,465,000	1,241,000	.10
1992-qtr. to Sept. 30	119,796,000	(1,557,000)	--
Lee Enterprises			
1993-year to Sept. 30	372,907,000	41,236,000	1.76
1992-year to Sept. 30	363,918,000	38,492,000	1.65
1993-qtr. to Sept. 30	94,608,000	11,383,000	.49
1992-qtr. to Sept. 30	91,766,000	10,764,000	.46
M/A-Com			
1993-year to Oct. 2	339,890,000	(21,507,000)	--
1992-year to Oct. 3	387,818,000	11,997,000	.50 ^a
1993-13 wk. to Oct. 2	89,124,000	(27,321,000)	--
1992-13 wk. to Oct. 3	100,043,000	2,151,000	.09 ^a
News Corp.			
1993-qtr. to Sept. 30	1,857,500,000	164,100,000	.70 ^b
1992-qtr. to Sept. 30	1,890,800,000	141,200,000	.70 ^b
Turner Broadcasting			
1993-9 mo. to Sept. 30	1,386,574,000	(253,776,000)	-- ^c
1992-9 mo. to Sept. 30	1,231,436,000	47,923,000	.19 ^d
1993-qtr. to Sept. 30	501,289,000	1,018,000	-- ^c
1992-qtr. to Sept. 30	456,397,000	12,499,000	.05 ^d
Walt Disney			
1993-year to Sept. 30	8,529,220,000	299,773,000	.55 ^c
1992-year to Sept. 30	7,503,896,000	816,740,000	1.52
1993-qtr. to Sept. 30	2,174,627,000	(77,781,000)	-- ^c
1992-qtr. to Sept. 30	2,075,087,000	233,738,000	.42

Notes: ^aRestated. ^bPer ADR. ^cAfter special charge. ^dIncludes special credit.

Sony Software has opened European office to represent interests in electronic publishing, home video, music, film, TV programming. Office in Brussels, called Sony Entertainment, European Community Affairs, is headed by Pres. Robert Summer, formerly corp. exec. vp, Sony Music Entertainment, and Frances Seghers, formerly regulatory affairs vp of Motion Picture Assn. of America (MPAA).

Harcourt Brace acquired assets of CD-ROM publisher Archipelago Productions, terms not released. Gary Lopez, Archipelago pres. and co-founder, will keep title and continue development of instructional titles for education market.

Ins & Outs for 1994, according to Ad Age -- Ins: Sega, Prodigy, home voice mail, home shopping, E-mail. Outs: Nintendo, America Online, answering machines, warehouse clubs, U.S. Mail.

TO OUR NEWS CONTACTS

Please make sure you're using the correct address for our N.Y. editorial bureau. It's now 276 Fifth Ave., N.Y. 10001. Mail addressed to our old address in N.Y. is delayed beyond its useful life as news.

TELEVISION DIGEST®

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

With Consumer Electronics

NOVEMBER 22, 1993

VOL. 33, NO. 47

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

MARKEY BILL CIRCULATED: Proposal for infrastructure envisions telco entry into cable, cable into telephony. (P. 1)

CHONG IN LEAD FOR GOP SEAT on FCC, both Republican and Democratic sources say, although appointment isn't immediate. Hundt confirmation likely. (P. 2)

NETWORKS WIN IT ALL on finsyn in consent decree court case. Judge Real throws out decrees, citing changing program market. (P. 3)

CONSENT FIGHT ENDS: Corpus Christi stations sign deal. TCI to make scholarship contributions. Ratings, ad revenue down slightly. (P. 3)

CABLE RATES INVESTIGATED by FCC and states. FCC highlights TCI memo on increases, blaming Act. Legislation and rule changes possible. (P. 4)

FTC OKAYS PARAMOUNT PLAN on 3-2 vote. QVC raises bid, awaits court action. NAACP continues to press EEO complaints against TCI. Viacom opposes station plan. (P. 5)

BA/TCI MERGER QUESTIONED in Hill testimony. AT&T raises competition issue. Metzenbaum opposition noted. Malone and Diller set for next round. (P. 5)

CAMERAS-IN-COURTS EFFECT: Judges say experiment has little adverse impact. RTNDA encouraged. Next step is before Rehnquist-led group. (P. 6)

MARKEY INFRASTRUCTURE BILL BUILT AROUND LOCAL COMPETITION: House Telecom Subcommittee Chmn. Markey (D-Mass.) is circulating draft infrastructure legislation built around 3 key themes of local telephone competition, multichannel video competition, universal service. While borrowing from legislation already introduced on cable-telco and infrastructure issues, Subcommittee draft also puts more emphasis on advanced services variation of Electronic Frontier Foundation's open platform philosophy. Markey planned to introduce bill before congressional recess, but at our deadline it was uncertain whether he would be able to do so.

Bill, drawn up by both parties, takes much of language on cable-telco from HR-1504 introduced by Reps. Boucher (D-Va.) and Oxley (R-O.). Under Markey draft, laws banning cross-ownership would be repealed, although telephone companies would have to offer video under separate subsidiary. There also would be general prohibitions against joint marketing of telco's cable services, except that telcos would be able to respond to inquiries from customers about service. Bill would require telephone companies to comply with franchising requirements on consumer protection, public access and other provisions and to pay equivalent of franchise fee to local authorities. Telcos wouldn't have to apply to franchising authority for permission to operate.

Consumer Electronics

PHILIPS STAKING CLAIM to movie-length video CDs, spearheading effort to set standards on long-term successor to tape for prerecorded home video. (P. 11)

STRONG YEN, SLOW ECONOMIES BLAMED as Sony, Matsushita, Pioneer, Nintendo post declines in sales and profits in 2nd quarter. No relief seen. (P. 12)

BOOM IN 'PACKAGED' DIGITAL VIDEO before on-line delivery seen by Clegg in ITA keynote speech. TCE starting satellite receiver production. (P. 13)

FIRST PROJECTAVISION PRODUCT, LCD projection home theater, to be shown at CES by Hong Kong company. Firm meets with manufacturers on licensing. (P. 14)

CIRCUIT CITY PLOTS PRICE MOVES, could set stage for holiday season showdown as it plans to cut prices in markets it shares with Best Buy. (P. 15)

VIDEOTAPE UNIT SALES UP substantially in 1993, but dollar volume is down in U.S. and worldwide, ITA speakers agree. Compact formats show biggest gain. (P. 16)

COMDEX SEES GRIDLOCK, CALL FOR STANDARDS in infrared transmission, battery configurations. But major new products are scarce. (P. 17)

STARSIGHT-EQUIPPED TV SETS to be shipped by Zenith in first quarter, with models carrying \$50 premium. (P. 17)

Telcos would be required to offer "video platform" service, and would be able to keep 25% of capacity for their own programming, offering rest on common carrier basis, as Boucher/Oxley bill suggested. Under Markey bill, however, that provision would end 5 years after enactment, while Boucher/Oxley would require FCC to make study 2 years after enactment. Current FCC rules allot only 5% of capacity on video dial tone for telco programming. Markey draft also would prohibit telcos from buying out existing cable systems in telco service territory. Joint ventures would be allowed in certain circumstances, while cross-subsidy of programming by regulated services would be banned.

On other side of competition equation, bill would preempt state and local laws that prohibit offering of telephone service in one year after passage as well as any state or local prohibitions against resale of local service. Any provider of service would be required to have equal access and interconnection rights with telephone company network, with FCC given job of setting access standards. Local exchange carriers would have to file cost-based tariffs for access and interconnection, and wouldn't be able to bundle features that could be offered separately. However, telcos also could petition for pricing flexibility to meet competition, with FCC to determine within 270 days when flexibility is appropriate. Commission would have 180 days to respond to any complaints about discrimination on interconnection and related issues. It also would have job of coordinating efforts on network interoperability. Federal-State Joint Board would be created to draw up plans to require all service providers to contribute to support of universal service.

Newest wrinkle contributed by Markey draft is concept of "Open Platform Service," which would provide digital services to residential subscribers at affordable rates. Commission would be required to review whether concept of universal service should be expanded to include digital services, when technically and economically feasible. Bill defines Open Platform Service as enabling subscribers to have access to voice, data and video from single-line service. Bill also proposes protection for small telcos and rural areas, giving FCC power to exempt them from interconnection requirements and ordering Commission to study effects of competition on rural carriers.

CHONG IN LEAD FOR FCC GOP SEAT TO BREAK DEADLOCK OVER HUNDT: San Francisco attorney Rachelle Chong is close to being picked for Republican seat at FCC, according to both Democratic and Republican sources. Her appointment would break deadlock that has prevented Democrat Reed Hundt from being confirmed as FCC chmn. Senate Republicans have had hold on Hundt's confirmation until they knew who GOP appointee would be, and Senate Minority Leader Dole (R-Kan.) reportedly has told White House that Chong is acceptable to Republicans. However, we also were told that Chong's appointment isn't quite yet a done deal (see below). Sources also said that Ore. PUC Chmn. Joan Smith was Administration's first choice, but she was unacceptable to Republicans because she's former aide to Democratic Ore. Gov. Neil Goldschmidt.

There was unconfirmed report at our deadline Nov. 19 that Dole had or would lift his hold and that Hundt would be confirmed later that night under Senate unanimous consent calendar. In any case, Majority Leader's Office said that Hundt's confirmation is probable no later than Nov. 22, before Senate adjourns, to return in early Jan.

"That's a real good bet," Senate Republican told us of Chong appointment. "They're trying to get it done as soon as they can [because] we may get out of here on Saturday [Nov. 20], but maybe not til Monday [today]." However, "Dole still is being fussy," Democratic aide said, even though he has said Chong is acceptable. Casting some doubt on Chong appointment, however, is fact that Hope Green, pres. of Vt. ETV Inc., met Nov. 18 with Dole and his staff, wasn't told that anybody had been picked. Appointment is in Howard Paster's lap, "and he still hasn't acted," we were told. Paster is head of White House Office of Legislative Affairs. As we went to press, there still was no official word on Chong.

Of Asian descent, Chong is partner in San Francisco law firm Graham & James and works exclusively in telecommunications law. She's also head of firm's Regulatory Dept. and is member of its Management Center Committee. Born and raised in Stockton, she's 1981 Phi Beta Kappa graduate of U. of Cal., Berkeley, where she received dual degrees in political science and journalism. She received law degree in 1984 from Hastings College, where she was editor of Law Journal. In 1984-1987, she practiced communications law in Washington with now defunct firm Kadison, Pfaelzer, Woodward, Quinn & Rossi, before joining Graham & James in 1987. She's principal regulatory counsel for 4 cellular firms in Bay Area, including those owned by McCaw and Pacific Telesis. Chong is married to Kirk Del Prate, also lawyer; they have no children.

Sources said she isn't expected to be named immediately as FCC nominee, but that White House will let her name be known. Appointment would come only after customary formal FBI check, sources told us.

CONSENT DEGREES WITH BIG 3 OUT: Big winners in U.S. Dist. Court, L.A., were Big 3 TV networks as Chief Judge Manuel Real threw out antitrust consent decrees with Justice Dept. under which NBC has been operating since 1978, CBS and ABC since 1980. Big losers were Hollywood Coalition, which for years has been fighting networks' return to program syndication, which Real's order will permit, as well as small program producers. Justice had agreed with judge's order, filing joint motion with networks seeking repeal of decrees. That decision had been made under Bush Administration, and Coalition was unsuccessful in getting it reversed under Clinton Administration.

Finsyn rules were established by FCC in 1970 when TV networks shared more than 90% of prime-time audience. DoJ filed antitrust suits against networks in 1974. Consent decrees prohibited ABC, NBC and CBS from taking advantage of Commission's relaxed finsyn rules because decrees contained same restrictions as tougher 1970 rules. However, FCC ordered that new rules sunset totally 2 years after decrees are abolished by court (TVD April 5 p3). Wall St. analysts were unanimous in predicting court action and sunset of FCC rules would lead to mergers among networks and Hollywood programmers since networks would be permitted to engage in domestic syndication.

Real accepted arguments of networks and Justice that TV marketplace has changed dramatically since consent decrees were signed. "With all these matters presented to the Court, it would appear that [networks' motions] should be granted," judge said. He cited growth of cable networks and systems, VCRs and satellite-delivered signals as evidence of change: "When all is said and done about the change in the television industry since 1980, it can hardly be said that 34% [of audience for networks] amounts to monopsony power, the predicate of the consent judgments."

Judge said there "is no evidence, overt or tacit," that there has been "collusion" among networks. "Even if a network controlled all of the syndication [rights] of its network programming... it appears that not a single network would control a sufficient share of the market to exercise monopoly power." And, he said, if monopsony or monopoly power should appear, "the USA... with the aid of the courts, can meet the challenges presented by such conduct."

Judge Real affirmed verbal order by Judge Robert Kelleher denying requests of state of Cal. and Hollywood Coalition to intervene. Coalition can't appeal removal of consent decrees because it hadn't been allowed to intervene and wasn't a party to case. Kelleher originally had jurisdiction over case, but relinquished it last summer without explanation, and Real took over.

Decision is "bad news, not only for producers and independent TV stations, but also for the public, which will have less program diversity," said Coalition's Washington attorney Diane Killory. She expressed concern for "the small independent producers in particular." But, she said, "we're not really surprised about what happened..." Coalition filed notice in Judge Real's Court Nov. 17 that it would appeal its exclusion as party to 9th U.S. Appeals Court, San Francisco. Coalition's exclusion wasn't appealable until it was put in writing, according to attorneys.

Scientific-Atlanta said it will feature new fiber-to-serving area Mini-Star architecture at Western Cable Show. Architecture allows operators to begin with 2,000-subscriber nodes, migrate to 500-subscriber nodes.

CONSENT FIGHT ENDS: Last major retransmission consent fight ended Nov. 18, just over 6 weeks after it started (TVD Oct 18 p6), when 3 network affiliates in Corpus Christi signed 3-year consent deals with TCI and went back on cable system with about 50,000 subscribers. Terms weren't disclosed, but TCI is understood to have agreed to make unspecified contributions to scholarship fund of Tex. A&M U.-Corpus Christi in return for consent.

Being off cable more than 6 weeks didn't have big impact on stations, especially after first few weeks, said Frank Smith, pres.-gen. mgr. of NBC affiliate KRIS-TV. According to Arbitron and Nielsen ratings during news shows, 3 network affiliates accounted for 57% of audience Oct. 13, 69% Nov. 3, 67% Nov. 10. Affiliates normally account for about 70% of viewing when they're on cable, Smith said. He said cable subscribers seemed quite willing to switch to antennas to receive broadcast programming, particularly since broadcast signal generally is good throughout relatively flat terrain: "I think we surprised a lot of young people," Smith said. "They didn't know there were other ways to watch TV than through the cable."

Ad dollars were affected by consent fight, Smith said. Despite being off cable, ad dollars at KRIS-TV were "up substantially" in Oct., but not as high as they would have been without fight, he said. In Nov., after factoring out effect of political campaigns in 1992, Smith said ad revenue was down about 5%, and probably would have been up if station had been on cable.

Corpus Christi will be interesting test case for other broadcasters as to impact of cable carriage, Smith predicted. Station was off cable for more than 2 weeks of Nov. sweeps, will be on for 2. Comparison will provide first hard facts about importance of cable, he said: "I think this [ratings book] will be a best-seller." Asked whether he was pleased that dispute was over, Smith said: "I kind of enjoyed the fight."

Saying that public TV (PTV) is beset by "crisis" that, "if left unchecked... will erode [its] very foundation," Pres. Richard Carlson pledged CPB's commitment to pursuing "a process of reform" that "will offer up a blueprint for public broadcasting in the 21st century." Speech was delivered Nov. 17 on first day of 3-day PTV fall planning meeting in Washington area. Carlson committed to several specific initiatives, including: (1) Helping PTV stations establish partnerships with "full-service networks" expected to develop as part of move toward "information superhighway." (2) Opposing "any effort to require broadcasters to implement" HDTV or advanced TV: "So far there is no significant evidence that consumers want either one." Leadership of APTS, CPB and PBS is scheduled to convene on first day of Corp.'s Dec. 2-3 board meeting to discuss reform process. PTV's broadcast infrastructure appears likely to be major topic of discussion, with Carlson saying that it's "either underutilized or overbuilt" and that many markets with multiple PTV stations "are in fact supporting a very expensive form of time-shifting."

Scientific-Atlanta will display prototype of equipment allowing switched telephony and video to be carried on cable systems at Western Cable Show in Anaheim Dec. 1-3. CoAccess products include new equipment for headend and for consumer, designed for fiber-to-serving area fiber/coaxial networks. CoAccess is compatible with public switched networks, requires no additional in-home wiring. Shipments in commercial quantities are due in first half of 1994.

CABLE RATES INVESTIGATED: FCC began formal investigation of cable rate increases since reregulation, issuing letters of inquiry "with investigatory overtones" Nov. 17 to 16 cable systems. Letters followed disclosure of TCI memo encouraging cable system managers to raise prices of such things as service calls and suggesting that they blame it on reregulation. Disclosure prompted FCC Chmn. Quello to promise prompt investigation of TCI and of rate increases in general, including possibility of disciplinary action against cable systems and changes in Commission rules to close loopholes.

Meanwhile, attorneys general of 23 states are cooperating in separate investigation of cable rates, focusing much of their attention on negative option billing. Group, being coordinated by Fla. Asst. Attorney Gen. Jack Norris, hopes information it gathers will convince FCC and Congress to change rules, but Norris said states also could consider filing suits against cable operators. States coordinating effort include Ark., Cal., Fla., N.Y., Ore., Pa., Va., Wis. Norris said he couldn't identify other 15 states.

FCC inquiry letters generally were responses to informal complaints by local govts. alleging improper action by cable operators, including violations of rate freeze, repackaging regulated services as nonregulated a la carte offerings, violations of ban on negative option billing. Quello said he's "concerned" that alleged actions "reflect a propensity by cable operators to push the limits of our rules -- perhaps in some instances appropriately, perhaps in others inappropriately." Quello cited TCI memo, saying he will ensure that memo and other informal complaints are investigated fully: "This could mean sanctions against individual cable operators or changes in our rules." Commission earlier said that as many as 30% of cable subscribers may have higher total bills as result of rate changes caused by Act, and as many as 70% may have lower bills.

TCI apologized for memo, but Quello said it "typifies the attitude of cable companies engaging in creative pricing and rate increases to evade the intent of Congress and the FCC." TCI Cable Group COO Barry Marshall said in Aug. 20 memo to division vps and system managers that systems should raise rates for "transaction" services such as installations and VCR hookups. Before reregulation, systems often charged little or nothing to install cable, assuming that cost would be made up by higher rates, but new rate rules say no charges can exceed costs plus reasonable profit. In memo, Marshall said: "We cannot be dissuaded from the charges simply because customers object. It will take a while, but they'll get used to it. The best news of all is, we can blame it on reregulation and the government now. Let's take advantage of it."

House Telecom Subcommittee Chmn. Markey (D-Mass.) called memo "an unusual glimpse into the inner workings of the cable giant TCI. This memo shows a new level of disrespect for both cable customers and the government regulators charged with enforcing the law." Senate Antitrust Subcommittee Chmn. Metzenbaum (D-O.) said he thinks it means Congress "didn't do a sufficiently adequate job" on cable bill last year.

Tone of memo was "regrettable," TCI said, but it defended content, saying that it had reduced rates for 80% of its customers and "has not engaged in a pattern of blaming either the FCC or Congress for increases." TCI said Cable Act requires operators to charge on basis of actual cost, although consumer groups point out that Act doesn't prohibit lower-than-cost charges. "Consequently," TCI said,

"prices for installations and some individual services could appear higher, while in fact overall rates remain the same or are actually lower."

"Truth is a total defense," CATA Pres. Stephen Effros said in response to TCI memo. "Of course we wish it had been phrased differently, but the pain of rate restructuring was caused by the federal government. We don't like it, but we have to recover the revenue we lost from programming services from things that we used to cross-subsidize."

Many systems being investigated by FCC are alleged to have violated rate freeze, often as result of setting up a la carte tiers. Many also were accused of negative option billing. Among those queried: TCI corporate offices; Americable International of S. Miami, Fla.; Cablevision Systems of Boston; C-TEC of Dallas, Pa.; Coldwater Cablevision of Coldwater, Minn.; Comcast of Tallahassee; Comcast of Ellicott City, Md.; Crown of Alhambra, Cal.; Mercom of Allegan, Mich.; MetroVision of Landover, Md.; MultiVision of Lanham, Md.; N. Central Cable of Roseville, Minn.; Time Warner of Milwaukee; Time Warner of Raleigh, N.C.; Triax of Waseca, Minn.; US Cable of Waukegan, Ill.

FCC Chmn. Quello last week endorsed LPTV industry's efforts to obtain 4-letter call signs and predicted Commission action at Dec. 13 meeting, but cautioned: "I'm still only one vote and there are 3 commissioners." Announcement came at Community Bcstrs. Assn. (CBA) conference in Washington. LPTV operators have called for changing policy so their stations can be on more equal footing in public eye with full-power stations. "There's a lot of pressure to get this out by December, and I hope by then we'll have your call letters," Quello said. Last few months have "been a hectic time at the FCC" because of changes in cable regulation and converging technologies that have given rise to "unruly lawyers and regulatory malcontents," Quello said. He restated commitment to increased competition and goal of "universal free TV" that he said depends in part on success of LPTV stations. Because "we expect this service to continue to grow," Quello said FCC has relaxed application processing standards for new stations and stopped denying new ones simply because of "minor delinquencies." Recent mergers such as Bell Atlantic/TCI shouldn't distress LPTV industry, he said, because "the one remaining shortage will be programming. People don't tune into distribution systems. They tune into programs." Also at conference, Elizabeth Beaty, attorney in FCC Cable Div., said that Commission has ruled in favor of LPTV station that filed petition to force local cable operator to carry its signal. She wouldn't name station but said she believed it was first such ruling. Cable operator didn't respond to petition and FCC plans to release ruling shortly, she said.

Cap/ABC will buy up to 21% of Scandinavian Bestg. System (SBS). Agreement allows Cap/ABC eventually to increase its holding to 25%. In deal valued at about \$40 million, Cap/ABC will buy 1.6 million SBS shares (16%) and get warrants to acquire 500,000 (5%) more at \$25 each. SBS owns satellite-delivered cable channels TV Norge in Norway and TV5 in Sweden, and over-air stations Kanal 2 in Copenhagen and TV Fynboen in Odense, Denmark's 3rd-largest city. Company also owns 30% of program producer GE Program Group. "This investment is another important building block in our plans to be a long-term player of consequence in the global arena," Cap/ABC CEO Daniel Burke said. Herbert Granath, pres. of Cap/ABC Cable & International Group, said SBS "fits in well with our overall strategy in Europe, and it provides a solid opportunity to help develop a business with great potential."

FTC OKAYS PARAMOUNT PLAN: Full FTC approved consent decree forcing TCI and Liberty to divest their QVC holdings within 18 months if QVC takes over Paramount (TVD Nov 15 p3). In 3-2 vote, FTC said TCI/Liberty participation in QVC takeover of Paramount could raise cable rates, reduce quality of premium channels, increase programming fees, enhance coordination among cable companies and make it more difficult for new entrants. QVC, meanwhile, raised its bid for Paramount and awaited decision by Del. court on whether to invalidate "poison pill" provisions in Viacom-Paramount deal.

Although there are "plausible theories of harm" from TCI/Liberty role, said FTC Comr. Mary Azcuenaga in dissent, "we lack sufficient information to predict with any confidence that the proposed acquisition is likely to have anticompetitive effects." Other dissenter, Deborah Owen, cited what she called "truncated investigation" and said "rush to consent" negotiated by staff could have serious ramifications. Dennis Yao said review of transaction and other investigations of cable industry "revealed a number of competitive concerns" involving TCI relationship with QVC. Consent decree prohibits TCI or Liberty from exercising any control over QVC and requires those affiliated with companies to resign from QVC board. Decree settles FTC charges that proposed \$10-billion QVC acquisition of Paramount would violate antitrust laws by reducing competition. Consent decree becomes invalid if QVC drops Paramount bid or fails to acquire more than 10% of Paramount stock.

Setting stage for hearing in Del. Chancery Court, QVC raised its bid for Paramount to \$90 per share, as expected, after BellSouth joined partnership, compared with Viacom's latest \$85 bid. Legal analysts said it was important that QVC's bid top that of Viacom before court hearing. Paramount board unanimously rejected QVC offer, citing "highly conditional nature of the revised QVC offer, as well as the numerous legal and financial contingencies."

Del. Chancery Court Vice Chancellor Jack Jacobs wasn't expected to rule until this week on invalidating poison pill, court officials said. QVC argued that law requires Paramount to sell company to highest bidder without imposing unfair restrictions. QVC lawyer Herbert Wachtell estimated that provisions could boost total cost for QVC by \$600 million. Paramount lawyer Barry Ostrager said that amount isn't out of line when considered as percentage (about 6%) of total price of deal.

Meanwhile, Liberty withdrawal from QVC doesn't make allegations of TCI EEO violations moot, said NAACP and United Latin American Citizens. Groups said allegations remain important because consent decree allows Liberty to continue owning QVC for up to 18 months, plus likely 4-month period before decree is final: "This would encompass the entire period of time that QVC plans to hold the Paramount television stations" for which QVC sought waiver. Filing also said that there's no assurance that TCI or Liberty won't reacquire QVC itself or some QVC assets later, and that TCI/Liberty has "informal" means of controlling QVC without direct ownership.

Viacom said FCC shouldn't delay granting its request for special temporary authority (STA) to use trustee for transfer of Paramount stations during merger process, as requested by QVC: "Any such delay would be contrary to the neutrality principle that QVC seeks to embrace but asks the Commission to misapply."

BELL ATLANTIC/TCI MERGER QUESTIONED BY AT&T: AT&T Chmn. Robert Allen tiptoed up to line of opposing Bell Atlantic (BA)/TCI merger, but in testimony to Senate Antitrust Subcommittee Nov. 16 he didn't cross it. Instead, he raised questions about merger and history of competition in cable and local exchange industries. Hearing was 2nd in series by Subcommittee on media mergers. TCI CEO John Malone and QVC Chmn. Barry Diller have agreed to testify at next session, although date hasn't been set, Subcommittee Chmn. Metzenbaum (D-O.) announced.

Metzenbaum stepped up his opposition to BA/TCI deal, saying merger could "jeopardize future competition between telephone and cable monopolies. The fact is that these monopolists have been positioning themselves to compete against one another for years. This wave of mergers could put an end to any hope of competition between them and create a cartel of telecommunications conglomerates." Allen picked up on that theme in his testimony, saying that while AT&T and McCaw participate in competitive businesses, Bell Atlantic and TCI are monopoly service providers that "represent the most likely potential future competitors in each other's markets." Merger would be "very positive development if it would spur competition between cable and local telephone companies," Allen said.

But Allen also said he was doubtful that competition would develop. While not questioning intent of Bell Atlantic or TCI, he said that neither industry had "demonstrated a propensity to compete." BA has said it intends to use cable networks it purchases from TCI to compete with local exchange carriers. After hearing, Allen said that plan might sound fine "in theory," but reality of situation is that it would "create a duopoly at best." Cable and local telephone businesses have "no incentive, no history and no experience" in competition. (In related activity last week, Ameritech Chmn. William Weiss, in Washington speech, questioned how merger would improve choices for customers.)

Other witnesses echoed theme. Mark Cooper, research dir. for Consumer Federation of America, said that to believe industries he characterized as anticompetitive would "suddenly be converted into vigorous competitors requires a leap of faith that responsible public policy-makers simply cannot make. In truth, the merger can only make matters worse." Deal would increase TCI's power over programming by combining its market power with Bell Atlantic's money, creating "massive potential for cross-subsidy," Cooper said. Media Access Project Exec. Dir. Andrew Schwartzman raised questions about deal, asking what benefits would be gained from transforming telephone companies into TV producers. He said BellSouth, which is to take over Liberty Media's role in Paramount takeover, recently announced new downsizing, but "will BellSouth help Paramount make better movies or publish more books?"

Interested observer at hearing disagreed -- Bell Atlantic Pres. James Cullen. He said in interview that he recognized that "some people, those who come from a common heritage, have doubts about how aggressively we will compete." But Cullen said merger was "a clear signal of our intent to compete across the country. We've done more than signal intention. We intend to build full-service networks."

Consortium including Westinghouse and PBS is seeking aid from Defense Conversion Fund to develop lower cost transmitter for HDTV based on technology that used originally for military radar. Transistors would be made from silicon carbide.

CAMERAS-IN-COURTS EFFECT: Judges in 8 federal courts that have participated in 3-year experiment permitting cameras in their courtrooms have concluded that such coverage has had little or no adverse effect. That was conclusion in report to federal judiciary released Nov. 17. Report, prepared by Federal Judicial Center, also concluded that federal judges generally favor expanding coverage, now limited to civil cases, to criminal proceedings.

Proponents of expanded federal court coverage encouraged by report, predicting that it could lead to much broader coverage of federal courts. "Very encouraging," said RTNDA Pres. David Bartlett: "[It's] all the more encouraging because it's a report from the judiciary to the judiciary." First Amendment lawyer Timothy Dyk called it "an excellent report... We hope this will lead to a permanent rule. This report... shows that many of the concerns some people expressed about having cameras in the courtrooms were not well-founded."

Report will be considered next month by committee of policy-making U.S. Judicial Conference, headed by Chief Justice William Rehnquist, who has been opposed to cameras in courtrooms. Committee, headed by Chicago U.S. Dist. Judge Ann Williams, will make recommendations to Conference, which next meets in March. Report said that judges who have presided over televised proceedings "generally believed that coverage had little or no effect on the participants or proceedings... Most judges interviewed said they would recommend extending camera access to criminal proceedings."

Cameras and microphones were banned in all federal courts in 1937 as result of carnival atmosphere of Lindbergh kidnaping trial in Flemington, N.J., until current experiment began in 1990. Participating are appellate courts in San Francisco and N.Y. and federal district courts in Ind., Mass., Mich., N.Y., Pa., Wash. Currently, 47 state courts allow at least limited TV-radio coverage, but it's still banned in Ind., Miss., S.D., D.C.

Responding to report, 18 media groups are seeking expansion of experiment to criminal trials. They asked that jurisdiction be transferred from Rules of Criminal Procedure Committee to U.S. Judicial Conference. Said groups: "The Judicial Conference should have the same authority in the criminal context as in the civil context to make policy for the federal courts with respect to camera and audio coverage." Conference will take up Center's report in March, and media groups asked for opportunity to make oral presentation then. Federal experiment in 8 courts began July 1, 1991, ends June 20, 1994.

Big 3 TV network revenues were down 15.5% to \$1.5 billion for 3rd quarter, due entirely to 65% decline in sports caused by loss of 1992 Summer Olympics, Bcst. Cable Financial Management Assn. (BCFM) said. For year-to-date in 1993, BCFM reported, Big 3 networks were up 10% in prime time and 12% in late night, but total revenues were down 5.34% to \$5.2 billion, again due to sports reduction. "The resurgent growth in almost every network daypart should be seen as a very strong indicator of economic health within the industry," said BCFM Exec. Dir. Buz Buzogany.

FCC should start rulemaking to determine how cable subscribers can use existing home cable wiring for reception of competing multichannel video services, USTA, Media Access Project and Citizens for a Sound Economy said in joint petition. They said Commission's rules for telephone inside wiring could provide reasonable model for cable.

REGULATION LIMIT SOUGHT: Regulators "could make hash" out of information superhighway by imposing delays, said Terrence Barnich, who left Ill. Commerce Commission last week. He was among speakers at Convergence 93 conference in Washington who called for more flexibility in regulation of telecommunications. Fairfax County, Va., Cable Administrator Thomas Robinson said local regulators don't want to build barriers, but must balance freedom of industry and needs of consumers.

"In a dynamic environment, what do we think we should protect consumers from?" Barnich asked. "Regulators often don't protect as much as limit consumers' choices." He said regulators shouldn't "give a damn if all of you [in industry] fail as long as consumers get new services." Washington lawyer Frank Lloyd said 47 states still have barriers for cable entry into switched telephony and said those states "are in danger of being in buggies on the information superhighway." However, he said there must be staged entry of telcos into video to prevent cable from becoming "road kill" on superhighway.

FCC made mistake when it said video dial tone (VDT) systems don't need local franchise, said Robinson, board member of National Assn. of Telecommunications Officers & Advisers. He said 2 parts of VDT -- common carrier infrastructure and independent program providers -- together "look just like a cable system." VDTs would end up using public rights of way without compensation, and lack of franchise responsibilities could allow them to drive cable systems out of business, he said. Franchise responsibilities account for 1/3 of cost of cable system operations, said Alan Gardner, vp-regulatory and legal for Cal. Cable TV Assn. He said wireless cable and other nonwire video providers don't have those responsibilities, and they account for most of cost difference between various media.

Virtually all new orders for cable equipment call for 750-MHz bandwidth, although 2 years ago almost all were for 550-MHz, said Robert Luff, Scientific-Atlanta vp-strategic planning. About half of all new projects are designed for 500-home nodes (vs. none 2 years ago), with rest for 2,000-home nodes. Earl Langenberg, U S West Cable vp-engineering and technology, said industry may not be paying enough attention to deregulated electric power companies. He said they want interactivity for remote reading of meters, and same technology could be used by other communications services. TCI Strategic Planning Dir. John Bringenberg said power companies get access to many homes that don't subscribe to cable, and the 2 industries are "standing on either side of a chasm, trying to find a way to cross."

Brief filed in U.S. Supreme Court by USTA and 6 RHCs supporting cable's challenge to must-carry rules is "complete and unexplained reversal" of repeated offers by telcos to accept must-carry obligations, NAB Pres. Edward Fritts said in Nov. 18 letter to Congress. He said brief showed "telephone companies are instead interested only in eliminating any potential threats to what would become their video monopoly." Fritts said fact that most of country's largest telephone companies hold that position is "of great concern" as Congress evaluates Bell Atlantic/TCI merger.

Sen. Glenn (D-O.) is supporting Anita Wallgren for Republican FCC slot, not ex-Ohio PUC Comr. Gloria Gaylord (TVD Nov 15 p7), Glenn staffer said. Wallgren's name wasn't on latest version of "short list" of potential nominees.

PTV DEFECTIONS WORRISOME: Downturn in corporate underwriting of PBS's National Program Service (NPS) is causing widespread concern in public TV (PTV). While PBS said recently that total funding of NPS rose nearly \$33 million (10.9%) to record \$333.87 million last year, business-corporate foundation support fell 13.4% to \$77.5 million. At Sept. PBS Development Conference in Tucson, PBS Senior Vp John Grant acknowledged there's "serious problem in the national underwriting arena... We think this is a borderline crisis situation."

In paper for PBS Exec. Committee on FY 1995 budget, management said that "many Fortune 500 companies that have traditionally been major underwriters [of NPS] are restructuring. As a result, their commitments to [PTV] have been sharply reduced." With less corporate support and less NPS support as result of flat station fees, management said, PTV producers "have been forced to increase their investments in programming and program development, which leaves the major producers with greater financial exposure." Problem primarily involves defection of long-time national underwriters with deep pockets. Some producing stations have succeeded in securing replacement funders for NPS shows, but in some cases they're committing to substantially less support than original funder.

Loss of long-standing exclusive underwriters is forcing WGBH-TV Boston to seek multiple corporate funders for some continuing series, Pres.-Gen. Mgr. Henry Becton said. Tough underwriting climate has prevented MacNeil-Lehrer NewsHour from pursuing any special projects for last several years, said Al Vecchione, pres. of MacNeil-Lehrer Productions. While NewsHour filled 2/3 of funding hole left by AT&T and upcoming withdrawal of Pepsico -- Archer Daniels Midland and N.Y. Life have committed to underwriting totaling \$50 million over 5 years -- it still faces potential \$4.4 million gap next June 30.

Trish Hibben, funding consultant to Chevron and other corporations, said at Development Conference that PBS is "in a very weak position" in terms of obtaining national underwriting "because it falls between the cracks" of corporate spending on philanthropy and full-fledged advertising. "It is easier to knock it [national underwriting] out in hard times." Some saw PBS underwriting guidelines as primary reason for underwriter departures. MacNeil-Lehrer's Vecchione said that many corporations, in today's more competitive TV climate, are choosing to forgo PBS underwriting for commercials on cable networks that have similar audience demographics. He saw need for PTV to liberalize guidelines to permit enhanced corporate identification short of advertising, but said he believes his is minority view in system.

Jan Wilson, PBS dir.-corporate support, said PTV must cultivate new corporate funders and communicate PTV's value as "an investment option" for companies. Among ideas: (1) Improving accounting of underwriter funding commitments to identify trends quicker. (2) Allowing stations to obtain underwriting for national shows to enable funders to make single underwriting buy rather than having to call multiple shows.

General Instrument signed deals with 2 Argentine cable programmers to supply DigiCipher receiver/decoders. Operators are premium channel CineCanal and 2-channel basic service TV Federal (Telefe). CineCanal system will include equipment to convert to PAL format, marking first PAL use of DigiCipher. Telefe is scheduled to begin transmissions on Intelsat satellite by end of year.

STATES LIMIT CABLE: NCTA says full cable entry into telephony is possible only if barriers at state and local levels come down. Although there are no specific federal barriers against cable entry into local switched service, even in least restrictive states regulatory officials say sheer cost of offering universal service, which many states require for certification, coupled with cable's lack of addressable capabilities, has made entry less than desirable for many companies.

All states require prospective alternative access provider to obtain PUC certification. Some restrictions are in state laws or constitutions, others in PUC rules, still others in case-by-case considerations. Some states allow, even encourage, full telco competition but require carrier to offer such things as universal service and 911 access.

NCTA said in position paper that it wants federal govt. to preempt state and local laws that impose restrictions on cable entry. Although Assn. supports universal access, its members believe "new competitors... should not be subject to all of the regulatory requirements" now applied to telcos. Reason: Telcos are larger, therefore more dominant and should be subject to more stringent tariff regulations than smaller competitors with less access to capital. NCTA policy calls current framework "unnecessary for fledgling competitors" that "would impede the growth of competition in the local loop by imposing a significant barrier to entry."

Local exchange competition is prohibited by state law in Alaska, Ariz., Ga., Ky., La., N.H., N.M., N.C., Okla., S.D., Tenn., Utah. Only limited alternate access with varying exceptions is allowed in Cal., Colo., Conn., Del., Hawaii, Ind., Md., Mass., Mich., Minn., Mo., N.J., N.D., Ohio, Pa., Va., Wash., W.Va., Wis. and Wyo., according to NARUC survey. In other states, PUC/PSC rules either prohibit competition, handle certification on case-by-case basis or require prospective competitor to prove current telco is inadequate. NCTA said only Ill., Mass. and N.Y. allow some degree of switched competition, while Mont. and Ia. utility commissions have power to permit it. Ore. adopted law last year to permit switched competition, but PUC hasn't implemented it yet.

CBS will combine with VCR Plus to provide long-form infomercials in new joint venture to be launched on network's 7 owned stations. Venture, called SpotPlus, will allow advertisers on regular network programming to add tag telling viewers how to use VCR Plus VCR programming to get "video brochure" that will be transmitted on stations in late-night period. Infomercials would be 5-30 min. SpotPlus also will be available to CBS affiliates.

APPOINTMENTS AT WARREN PUBLISHING

Veteran media reporter **Les Brown** has been named special correspondent in N.Y.C. for Warren Publishing Inc. (WPI), effective immediately. Brown long served as broadcasting editor for Variety, media reporter for N.Y. Times, editor-in-chief of Channels magazine. He's now at Center for Communications, 570 Lexington Ave., 21st floor, N.Y.C. 10022, 212-836-3050. WPI also announced that **Edith Herman** would be returning as senior editor covering common carrier and related issues, effective Nov. 29. She was at WPI 1980-1983, then AT&T district mgr.-media relations, Washington, 1983-1990. She's currently senior writer, Federal Computer Week.

PIONEER'S PREFERENCE BACKED: Satellite broadcasting, PCS and mobile satellite services (MSS) industries opposed FCC's proposed rule to scrap pioneer's preference policy in wake of spectrum auctions required by Budget Act of 1993. Satellite CD Radio said final language of Act -- not House version of bill used by FCC in proposing new rule -- "appears to encourage continued granting of preferences." Elimination of preference and sole reliance on auctions would result in "economic free riding" by companies that follow innovator through regulatory and developmental stages, company said. Auctions and pioneer's preference address different concerns, Satellite CD Radio said. It said preferences are to encourage improvements in FCC's allocation of spectrum, while purpose of auctions is to award licenses more efficiently.

Retention of pioneer's preference policy will further ownership diversity goals of Budget Act, said proposed PCS providers Advanced MobileComm Technologies and Digital Spread Spectrum Technologies, "given the potential difficulties to be encountered by entrepreneurs and innovators in bidding at auction against large, deep-pocket, entrenched interests." PCS equipment manufacturer Rockwell Systems, said it has "made public the details of [its] plans and technologies" and is worried because "no other prospective bidders... will have operated under such requirements."

Cox Cable said FCC can't rationalize pioneer's preference for Mobile Telecommunications Technology (MTel) PCS while treating Cox differently. "There are serious administrative infirmities associated with the retroactive application of new rules." Cox said it favors retaining pioneer's preference as it is.

White House communications bill will be introduced in Senate "within the next 2 months," Senate Communications Subcommittee staffer John Windhausen told NARUC Communications Subcommittee in N.Y. last week. He said Sen. Hollings (D-S.C.), chmn. of Senate Commerce Committee, and Sen. Stevens (R-Alaska) soon will submit bills that essentially would rewrite 1934 Communications Act. He encouraged state regulators to visit Committee more often. Windhausen said senators need to hear state regulators' concerns, especially on S-1086 on local infrastructure competition. He said there's "a danger" that legislation guiding National Information Infrastructure could end up preempting states' rights to regulate. Last of 3 hearings on S-1086 isn't likely to be scheduled until early next year, Windhausen said, because Communications Committee Chmn. Inoye (D-Hawaii) "wants to give the Administration enough time to introduce their [communications] bill so they can have policy in place when they testify."

Satellite dishes for DSS (Direct Satellite System) went into production last week, Thomson Consumer Electronics Senior Vp James Meyer told International Tape/Disc Assn. (ITA) seminar in N.Y. Nov. 16. The 18" dishes will be sold with RCA set-top receivers, which are in pilot production and go into mass production next month, he said. Receiving systems (\$699) are designed for first high-powered DBS system, transmitting programs from Hughes' DirecTV and Hubbard's USSB. Satellite is scheduled for launch Dec. 17, with receiver marketing to begin in April.

Phillips established new division to focus on digital and interactive TV. Phillips Digital Videocommunications Systems, based in Knoxville, will sell digital equipment to cable systems, etc.

Number of wireless cable subscribers should grow to 5-10 million in next 7 years, from current 500,000, giving industry opportunity to establish "effective competition" with wired cable, Nordberg Capital, N.Y.C. brokerage house, said in report. Firm said Cable Act guarantees of program access will allow wireless cable to provide comparable programming, and lower construction costs (it estimates \$525 per new subscriber vs. \$1,100 for wired cable) mean wireless can offer comparable programming for 25% lower rates. Report said wireless cable subscribers increased 42% in 1991 and 49% in 1992. Nordberg recommended purchase of 3 wireless cable stocks -- ACS Enterprises, People's Choice TV and Preferred Entertainment -- and said several other companies are expected to go public in next year.

Federal court has ordered Conn. sports bar to pay \$10,000 plus legal fees to HBO for pirating Oct. 1992 Ruddick-Lewis pay-per-view boxing match. U.S. Dist. Court Judge Jose Cabranes, New Haven, issued default judgment against Champs Sports Bar, New Haven, ending year-long legal battle. HBO sued Champs in Nov. 1992 seeking \$250,000 plus legal fees, but Cabranes lowered figure, said Paul Barrett, attorney for bar. John Redpath, HBO senior vp-gen. counsel, said decision sent "strong message" against pirating TV signals. Barrett said "result was much more realistic, but of course we would have liked to have been fully heard."

Huge deficit-reduction package sponsored by bipartisan groups of senators would eliminate funding for Public Telecommunications Facilities Program this year (FY 1994) and reduce CPB funding 2% over each of next 5 years. Package, including PTFP and CPB components, largely mirrors proposal developed in House. Chief sponsors of latest package are Sens. Kerry (D-Neb.) and Brown (R-Colo.), with other supporters including Sens. Graham (D-Fla.), Gregg (R-N.H.), Lieberman (D-Conn.), Robb (D-Va.). Vote on House and Senate versions, which are opposed by Administration, is expected by next weekend.

After year hiatus, ABC TV Network will rejoin NAB Jan. 1. "We are very pleased," said Mark McCarthy, Cap/ABC Washington vp who will return to NAB TV board. Cost to network is about \$50,000 a year. ABC radio stations and networks and owned TV stations remained members of NAB.

First consumer trials of local and long distance telephone service over cable will be announced today (Mon.) by Jones, MCI and Scientific-Atlanta, companies said. Tests involve cable systems in Alexandria, Va., and Chicago.

FCC Comr. Duggan apparently isn't finalist for PBS presidency. He has withdrawn recusal from acting on Commission matters related to public TV.

ABC News InterActive formed alliance with Sony and multimedia developer Haukom Assoc. to produce interactive multimedia program tentatively called Earthquake.

Hallmark hired Goldman, Sachs to evaluate its cable operations. Hallmark's Crown Media has 800,000 subscribers, is believed to be considering sale.

DirecTV has added Courtroom TV Network, Golf Channel, Playboy TV, Travel Channel and Weather Channel to lineup on its 2 satellites.

NAB will host annual radio group head "fly-in" Feb. 7-8, Park Hyatt Hotel, Washington -- Christina Griffin, 202-775-3511.

Financials: TCI lost \$55 million in 3rd quarter ended Sept. 30, vs. \$63 million profit year ago, despite 16.5% revenue growth to \$1 billion. Operating profit was up 11.6% to \$470 million, but net profit was cut by higher taxes... **Tribune Co.** said TV revenue was up 3.9% to \$39.3 million in Oct. and radio rose 6.8% to \$4.4 million, but entertainment segment dropped 31.8% to \$4.9 million... **QVC** had \$21.5-million profit in 3rd quarter ended Oct. 31, vs. \$16.4 million year ago as revenue increased 14.4% to \$313.9 million and operating profit 27.7% to \$42.8 million... **Adelphia** lost \$23.8 million in 2nd quarter ended Sept. 30, vs. \$32 million loss year earlier, despite 6.8% revenue growth to \$79.8 million. Cash flow increased to \$51.9 million from \$50 million... **International Family Entertainment** profit dropped to \$3.99 million in 3rd quarter ended Sept. 30, from \$5 million year ago, although revenue doubled to \$64.4 million. Revenue growth was offset by cost of expansion domestically and in U.K... **Telemundo Group** said it had \$6-million profit in quarter, vs. \$7.7 million loss year earlier. Revenue rose 34% to \$47.3 million... **Falcon Cable L.P.** lost \$1.2 million in quarter ended Sept. 30, vs. \$2.8-million loss year ago, as revenue increased 6.8% to \$13.6 million... **Nostalgia Network** had \$674,118 profit in quarter ended Sept. 30, vs. \$1.1-million loss year earlier, with revenue up 20.9% to \$3.3 million... **Interactive Network** said it netted \$22.5 million from sale of 2.37 million shares of common at \$10. Stock was offered to non-U.S. buyers.

Telcos have many methods of communication available other than operating their own cable systems within their telephone areas, NCTA said in brief to U.S. Appeals Court, Richmond. Brief asks court to overturn Alexandria, Va., judge's decision rejecting telco-cable cross-ownership ban (TVD Aug 30 p2). Ban "has only limited effect on telephone companies' speech interests," NCTA said, since telcos can operate cable outside their service areas, provide common carrier video carriage inside service area, can conduct nonvideo speech and "reach in-region consumers with their own video programming through a host of means," including independent cable systems, broadcasters, video stores, other outlets. Brief said ban doesn't affect telcos more than cable since both "may provide either full cable service or common carrier telephone service, but not both." NCTA said ban isn't subject to strict scrutiny because it's not content-related, govt. interests in ban are "unassailable," ban is narrowly tailored.

INTV has asked Justice Dept. for "business review letter" to permit independent stations to continue joint efforts to reduce televised violence. Three-year exemption from antitrust laws granted by Congress expires early in Dec. INTV said it was first to establish continuing program of voluntary standards on violence, including advisory warnings in programs. Effort "has been and will remain strictly voluntary," INTV Pres. James Hedlund said. To date, all INTV members and 53 nonmember independent stations have adopted procedures consistent with INTV principles, he said. In request to Justice, Hedlund said that "given Attorney General [Janet] Reno's interest in this issue, we hope [Justice] will act favorably on our request." Said INTV Vp David Donovan: "There may be an antitrust cloud if we continue... without some protection."

NCTA board adjourned Palm Springs, Cal., meeting Nov. 16 without acting on replacement for former Pres. James Mooney. Next board meeting is in mid-Jan., also in Cal., but special meeting could be called to act on successor. Board did elect 2 programmers as interim board members to serve until elections next spring -- A&E Network CEO Nickolas Devatzes and ESPN CEO Steven Bornstein. Board also approved 1994 budget, but released no details.

Federal regulation won't entirely preempt states' authority, FCC Comr. Barrett said in NARUC luncheon speech in N.Y. last week. He said state regulators probably would see "continually diminished" role as more federal legislation is rolled out. Budget bill of 1993 previewed what's likely to happen to state authority, he said. Clinton Administration might be pressured to "selectively preempt" state authority when it releases its communications bill, Barrett said. On wave of cable-telco mergers, he said "size alone is no reason to fear" deals such as Bell Atlantic/TCI. Cable has 2 big problems, Barrett said: (1) No telecommunications switching expertise. (2) Crushing debt load. Single answer to those problems? "Telecommunications companies. There's really no other option." He chided Congress on cable reregulation bill: "I guess that once they solved the crime issue, unemployment and the drug crisis, they turned to the real problem facing Americans, the cable problem." Barrett said what bill's advocates "forgot to tell people" is that regulation of any kind usually leads to more cost. In response to rush of cable/telco deals, he urged regulators to keep eye out for "captive customers" of local loop and asked that they set out to define what future markets should provide in way of universal service, deciding how to define terms such as affordable access and open connectivity.

FCC Chmn. Quello and NTIA Dir. Larry Irving will be among speakers at HDTV conference Nov. 30 at Omni Shoreham Hotel, Washington, sponsored by MSTV. Other speakers include FCC Advanced TV Advisory Committee Chmn. Richard Wiley, subcommittee Chmn. George Vradenburg of Fox, NAB Advanced TV Systems Committee Chmn. James McKinney, Senate Communications Subcommittee staffer John Windhausen, House Telecom Subcommittee staffer Catherine Reid, Cap/ABC Multimedia Group Pres. Stephen Weiswasser, McGraw-Hill's Edward Reilly, Sony's Laurence Thorpe, Wireless Cable Assn. Pres. Robert Schmidt, representatives of HDTV proponents. Conference is 9:30-3:30 -- 202-462-4351.

Nynex is latest RHC to file suit contesting constitutionality of telco-cable cross-ownership ban (TVD Nov 8 p5). Others are U S West, Ameritech and Bell Atlantic, which succeeded in U.S. Dist. Court, Alexandria, Va. Nynex suit is in U.S. Dist. Court, Portland, Me. It raised same basic issues, claiming that ban violates First Amendment and that ending it would boost competition and lower rates. Nynex is working on plans for video dial tone system in Portland area, where Time Warner has cable system.

In bid to woo stations from rival Paramount network, Warner Bros. said it had sweetened its offer to stations by reducing their up-front contributions to new network, although final cost will remain 25% of any profit increases generated by affiliation. Warner also said it will delay start of 3 new programming blocks until 3rd year, from originally planned 2nd-year rollout. Blocks are noon-2 p.m., 5-6 p.m., 10-10:30 p.m.

Southern New England Telephone (SNET) can provide video dial tone (VDT) in W. Hartford, Conn., FCC ruled. However, Commission rejected SNET proposal that it have complete flexibility to allocate channel capacity among multiple programmers and required telco to report after 6 months and at end of trial on how many channels are assigned to each. SNET's one-year planned test would provide about 110 channels of video to 1,600 subscribers.

Bell Atlantic Chmn. Raymond Smith will keynote Western Cable Show, noon, Dec. 2, Marriott Anaheim.

Personals

ABC Cable & International Best. Group appointments: **Richard Spinner** promoted to pres.—ABC European Operations; **Nathalie Neuman**, ex-Taxi Productions, named representative in France... **Gerard Petry** advanced to senior vp—finance and business operations, NBC West Coast... Women In Cable elects: Pres. **Dianne Blackwood**, Time Warner Cable; Vp **Anne Carlsen**, Carlsen Resources; Treas. **Patti Rowe**, Jones Intercable; Secy. **Colleen Abdoulah**, TCI... **Harry Davis** appointed interim pres., ANA, until replacement is named for **DeWitt Helm**, retired... N.Y. Gov. **Cuomo** discusses fairness doctrine at IRTS luncheon Nov. 30, Waldorf-Astoria, N.Y.; spot had been reserved for FCC Chmn.—designate **Reed Hundt**.

Additions at Adam & Eve Channel: **Andrew Trentacosta**, ex-Playboy TV, as senior vp—gen. mgr.; **Bruce Muhlfeld**, ex-Playboy Enterprises, as national vp—sales and mktg... Time Warner Cable (TWC) News promotions: **Paul Sagan** to senior vp—TWC programming and managing editor, News-On-Demand; **Steve Paulus** to vp—news... **Barbara Ringer** named Library of Congress acting Register of Copyrights, succeeding **Mary Levering**, who has held position since retirement announcement of **Ralph Oman**... **Joseph Lawson**, ex-Cablevision of Southern Cal., appointed dir.—mktg., Action Pay Per View... **Denis Cote** promoted to vp—worldwide mktg. and sales, Harris Corp. Farinon Div.

Robert Benya, ex-Kabelvision KB, Sweden, joins Time Warner Cable's Full Service Network as vp—mktg... **David Flaschen**, ex-IMS International, appointed pres.—COO, Nielsen Mktg. Research, N. America; **Richard Derr** promoted to senior vp—software development, A.C. Nielsen and IMS International... **Maggie Bellville**, ex-Contel Cellular, joins Century Communications as Cable Div. vp—Southwest Div... **Ron Fischmann** leaves at end of year as Cable TV Ad Bureau senior vp—local advertising to focus on MSO new business development... **Larry Miller**, ex-S.D. Public Bestg., joins Miss. Educational TV as exec. dir.

Changes at Hughes Communications: **Kevin McGrath** named pres.—CEO, succeeding **Stephen Petrucci**, retired; **Jerry Farrell** appointed exec. vp and pres., HC Galaxy; **Frederick Judge** retires as senior vp—COO... **Mary Madigan**, former NTIA chief of staff, named PCS issues mgr. for Telocator, new position... **Charles Oliver**, ex-NTIA, joins Cohn & Marks, Washington law firm... **Jeff DeRome** advanced to exec. dir.—east coast publicity, Fox Bestg.

Mike Anselmo, ex-KEEY(FM)—KFAN(AM) Minneapolis, appointed corporate vp—Shamrock Bestg... Changes at KLRN-TV San Antonio: **Charles Vaughn** promoted to senior vp—telecommunications; **Bonnie Street** advanced to senior vp—development and mktg.; **Patrick Lopez**, ex-Ernst & Young, named dir.—finance and business administration... Changes at WLTW Miami: **Philip Hidalgo**, ex-WNJU N.Y., named dir.—sales service; **Angela Gonzalez-Ramos**, production mgr., adds mgr.—programming; **Diana Koch** promoted to mgr.—mkt. development... **Thomas Humpage**, ex-WKYC-TV Cleveland, appointed gen. sales mgr., WOIO Shaker Hts., O... **Norman Roth** promoted to business mgr., WWOR-TV N.Y... **Arthur Kane**, WNET N.Y., named exec. dir., NATAS International Council, succeeding **Richard Carlton**, retired.

Andrew Horne promoted to dir.—current programs, Warner Bros. TV... Appointments at Pioneer New Media Technologies' Cable & Best. Systems Group: **Paul Dempsey** promoted to vp; **Jim Slade** advanced to dir.—national sales; **Lawrence Hackney**, ex-Urban Cable, Bronx, named northeast

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regional sales mgr.; **Lynn Regino** promoted to asst. mktg.
mgr.; **Donna McMahon** advanced to mktg. coordinator.

Despite "megabuck" mergers and alliances, digital
superhighway still is far off, engineering consultant Almon
Clegg told International Tape/Disc Assn. (ITA) Update
Seminar in N.Y. Nov. 16. On other hand, he said, interactive
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on-line distribution, which Clegg predicted would come, but
not as soon as many are forecasting.

TCI will launch statewide travel network in Fla. Jan. 3
via interconnect involving more than 500,000 homes. Travel
programming will begin at minimum of one hour daily on
TCI's statewide Hometown TV network, eventually
expanding into separate channel as system capacity grows.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	OCT. 30- NOV. 5	1992 WEEK	% CHANGE	OCT. 23-29	44 WEEKS 1993	44 WEEKS 1992	% CHANGE
TOTAL COLOR....	409,498	379,452	+ 7.9	1,157,117#	20,335,473*	18,056,563	+12.6
DIRECT-VIEW..	401,832	372,105	+ 8.0	1,132,459#	19,976,936*	17,735,723	+12.6
TV ONLY.....	375,538	363,403	+ 3.3	1,028,081#	18,766,667*	17,007,155	+10.3
TV/VCR COMBO	26,294*	8,702	+202.0	104,378*	1,210,269##	728,568	+66.1
PROJECTION...	7,666	7,347	+ 3.0	24,658*	358,537*	320,840	+11.7
VCR DECKS.....	138,186	234,227	-41.0	613,052*	10,149,949*	10,080,935	+ 0.7
CAMCORDERS.....	32,261	25,979	+24.1	201,585*	2,534,847*	2,271,253	+11.6
LASERDISC PLYRS**	4,037	4,930	-18.1	12,139	177,899	175,223	+ 1.5

Direct-view TV 5-week average: 1993--614,795*; 1992--520,872 (up 18.0%).

VCR deck 5-week average: 1993--288,430; 1992--346,427 (down 16.7%).

Camcorder 5-week average: 1993--73,049; 1992--70,654 (up 3.4%).

* Record for period. # All-time record week. ## Exceeds full year 1992.

** Includes combi players, excludes karaoke types.

Correction: 10-month VCR deck totals for 1993 and 1992 were reversed in last week's issue.

PHILIPS STAKING CLAIM TO MOVIE-LENGTH VIDEO CD: Philips is spearheading worldwide effort to draft standardized technical specifications and licensing provisions for new high-density CD designed to be long-term digital successor to VHS tape as playback-only carrier for prerecorded home video.

It's understood Philips hopes to mesh the many systems under development into single cohesive world standard, with concept announcements possible within year and commercialization of hardware and software as soon as 1996. Philips sources in Europe confirm that multitier discussions have been continuing with potential Japanese partners, including meeting on subject with Matsushita executives 3 weeks ago.

It's no secret that there are many efforts in works to develop high-density CD that could accommodate at least 2 hours of digital movies on 5" disc with picture quality at least equal to that of laserdisc, possibly capable of HDTV. Issue was touched upon by several speakers at last week's ITA Update Seminar in N.Y. (see separate reports), as industry increasingly ponders advantage of fielding movies on medium that costs half as much as VHS to produce and is less expensive than tape to ship and inventory.

Japanese manufacturers canvassed last week confirmed that developments are on fast track in R&D labs, while withholding specific comment on Philips-led effort to draft standards. Highly placed source at Philips-owned Marantz Japan who requested anonymity confirmed Philips' intent to position high-density disc as next incarnation of CD, capable of surviving in consumer audiovideo marketplace for at least 10 years. Same source said Philips considers it imperative to complete at least fundamental design and licensing plan before end of 1994 to preclude others from bucking standardization effort and trying to commercialize mutually incompatible systems one by one.

While technical specs, including compatibility with existing CD formats, haven't been ironed out yet, Marantz Japan source said participants in discussions generally agree final design must take into account considerations such as ease of handling for users and suitability for production at existing media and hardware factories. Same source said both double and quad density solutions are under consideration, but latter is seen as becoming more susceptibility to damage by dust and fingerprints because of smaller pit size.

SAME STORY IN JAPAN -- STRONG YEN, SLOW ECONOMIES: In what has become recurring theme of financial reports in recent years, top Japanese companies blamed twin devils of slumping worldwide economies and strong yen for slicing into their consolidated profits in fiscal periods ended Sept. 30. (Dollar amounts in this story are converted at 105 yen = \$1, rate at end of quarter.)

Although agreeing on difficulty of business environment in Japan and U.S., companies gave different spins to U.S. economy, Nintendo and Sony striking hopeful note that it has begun moving toward turnaround and Matsushita citing "weak recovery in the U.S." as among drags on its sales.

Sony posted 23.7% drop in net income on 8.7% slide in total sales for quarter, blaming business conditions that "grew more severe due to the rapid appreciation of the yen against the U.S. dollar and foreign currencies and due to the protracted downturn in the Japanese audiovisual equipment market." Company forecast "even more severe" business climate for year ahead, due to yen appreciation and economic slowdown in Japan and Europe. Assuming average rate of 105 yen = \$1 in 2nd half, company held to same forecast it issued at end of first quarter (TVD Aug 23 p10), projecting full year sales to drop 7%, operating income 13%, pretax income 6%, net income 17%. Sony said it would look toward "more appropriate inventory control," better selection of capital investments and acceleration of overseas production to combat economic woes.

On local currency basis, Sony's electronics sales in U.S. jumped 17% in quarter and music sales 30%, as Sony Pictures revenues rose 22%. Performance of electronics sector slumped 8% in Europe but rose 15% in "other" parts of world. Company said that during quarter, yen strengthened 18% against dollar, 36% against Deutsche mark and 51% against pound sterling, adding that consolidated sales otherwise would have risen 7% over preceding year's quarter.

Overall, U.S. sales rose 0.5% to \$3.03 billion (33.9% of total, largest of any region), "mainly due to strong TV sales." Company's sales dropped 30.1% in Europe. Sales slumped in all major hardware categories -- 27.4% in video "due to a slump in the camcorder market," 12.5% in audio "despite favorable sales of the MiniDisc system, 2% in TV "despite high sales of computer displays and a steady increase in sales of home-use TVs in the U.S. and other areas." Revenues from assorted "other" products such as semiconductors and information-related products rose 1.7%. Entertainment software revenues were up 1.8% to \$1.9 billion as gains in music more than offset drop in Movie Div.

Company has raised projection of color TV unit sales for current year from 8.3 million to new estimate of 8.6 million, healthy jump from last year's 7.5 million. Sales in quarter gained 16% to 2.1 million. Sony said 2nd-quarter sales of 8mm products plummeted to 700,000 from 1.1 million in prior year's period, and it sliced forecast for year to 3.2 million from 3.4 million (which would have been same as last year). Sales of 1/2" video equipment were up 10% to 1.1 million, and it projected 5% unit jump to 4 million for year. Unit sales of Walkman products jumped to 4.5 million from 3.1 million year earlier, and CD hardware sales (60% of them combination products) 6% to 4.15 million.

Matsushita 2nd-quarter operating income slumped 32% to \$350 million and pretax income was off 14% to \$233 million as net sales dipped 10% to \$15.5 billion. Net income actually rose 31%, mainly because of smaller tax bite. Company blamed sales shortfall on unusually cool Japanese summer, "sluggish demand" around world, yen appreciation. Company said earnings decreases came despite "all-out efforts to create popular products and cut costs in production and all other areas" and were caused by sales decreases in audiovideo and seasonal products.

Sales were off in quarter in all product areas except catchall "other" that includes bikes, photographic equipment, etc. Video hardware was down 13% to \$3.2 billion, audio 13% to \$1.3 billion, home appliances 17% to \$1.8 billion, communication and industrial equipment 8% to \$3.8 billion, electronic components 9% to \$1.9 billion, batteries and kitchen products 3% to \$863 million, entertainment software 6% to \$1.3 billion. Matsushita said video sales slump in first half (off 13%) reflected slow demand for color TV and VCR, although TV/VCR combos improved. Audio sales were off 9% in half, but with strength in compact components. Matsushita predicted continuation of weak worldwide economy, including "prolonged slowness in Europe and the U.S.," and kept to full-year prediction it issued at end of first quarter -- 7% sales decline to \$62 billion, 8% drop in pretax income to \$1.43 billion, 7% net income gain to \$380 million.

Nintendo said first-half net income dropped 21.8% on 6.2% sales decline, and cut its projections for full year from those issued in May. Nintendo now says it expects sales to reach \$4.76 billion (down 17% from earlier forecast), operating profit \$1.15 billion (off 29% from prior forecast), net income \$609 million (off 29% from last prediction). Company said it plans to intensify development of future systems and

cost-cutting measures, including beginning overseas production. This was first reporting period since 1984 in which Nintendo reported profit drop.

Pioneer reported net income plunged 69.2% on 14.7% sales gain in 2nd quarter, blaming "economic recession in Japan and Europe and the sharp appreciation of the yen." Company's sales of video products dropped 6.6% in quarter, home audio revenues 22.5% and automotive electronics -- largest portion of business -- 14.3%. Company said it was "striving to curb capital investments and reduce costs while raising the proportion of overseas production" to combat "unpredictability of the world economy" and stiff competition. Pioneer said it expects that in 3 years, half its revenues generated overseas will come from products made outside Japan. Ratio was 30% last year, 31% in first half of current year, is projected at 34% for 2nd half.

'PACKAGED' VIDEO BOOM SEEN BEFORE ON-LINE DELIVERY: Despite megamergers and alliances, there will be many detours before that fabled digital superhighway is paved, engineering consultant Almon Clegg told International Tape/Disc Assn. (ITA) Update Seminar in N.Y. last week. On other hand, dawn of digital age will create boom in sale and rental of software -- "golden opportunity for the quick and orderly development of a multimedia system from packaged technology." Specifically, Clegg and other ITA speakers saw near-future development of longer playing digital optical discs as video carrier of choice.

"On-line delivery systems are still in the development stage, have no infrastructure, have no history upon which to draw -- indeed, the specific customer application and market acceptance are yet to be borne out," Clegg said, adding that future timetable still remains cloudy, with compression process "incredibly complex," requiring "unheard-of storage capacity" for on-line distribution that he forecast would come, but not as soon as many forecast.

"Packaged media" -- CDs, videotapes, videogames and CD-ROMs -- already have infrastructure "that permeates our everyday life," said Clegg, and with advent of digital video, capability is in sight to increase CD playing time fourfold and eventually even 6 to 8 times current standard. Disc could rapidly become medium of choice for movies, he said. "The cost of producing a movie on VHS tape nowadays is about \$1.30," as opposed to 70-90¢ on CD. Responding to questioner on optical video CD as long-term successor to VHS tape for prerecorded home video industry, Clegg said that by 1996, "you'll see a very substantial number of products" on market that will play 2-hour movie on 5" CD, assuming developers of high-density discs can achieve picture quality equal to or better than that of existing laserdisc.

Transmission of multichannel video-on-demand would require "unheard-of storage capacity," demanding hardware far beyond what's available today. Costs would be another problem. Clegg concluded that while problems of on-line delivery presumably could be solved eventually, when and how is still uncertain, while video stores and other purveyors of "packaged" programming should continue to grow with multimedia and digital technology.

"First lane" of digital superhighway -- or "digital skyway" -- is now under construction, James Meyer, Thomson Consumer Electronics senior vp-Product Management, told ITA seminar, revealing that production of 18" dish for high-powered 150-channel DSS system has started in N.C. (presumably by subcontractor Channel Master), that SGS-Thomson has started production of MPEG-2 decoder chips for system, and receiver production will begin next month. Launch of satellite is scheduled Dec. 17, with receivers due to go on sale in spring.

As for future digital interactive communication services, Meyer said TCE sees itself as "the bridge to the consumer in the volatile digital marketplace." In answer to questions about future, he said: "We will build digital boxes to interface with all media." He emphasized future home terminal must be mass-market and user-friendly product. He noted that current consumer electronics industry delivers "38 million boxes to consumer homes every year [and] that type of muscle and distribution" will be required for future products. Mass-marketing is what produced VCR industry, and "same will be true in the digital revolution -- the future of the consumer electronics dealer remains bright."

Lower cost of movies on optical discs "may be the key to explosive growth" of CD Video, David Rubenstein, asst. to chmn. of Cinram, told session, estimating "magical \$9.95-\$19.95 retail price" for recorded discs. "The growth in CD Video is predicated on whether or not the Hollywood studios wish to take the cost advantage of the CD format and change what has been an extremely successful rental strategy and go for virtually complete sellthrough at lower retail pricing," he said.

Rubenstein predicted possibility of "2-disc movie sets" available in spring, along with players containing "memory buffer [for] displaying seamless full-length features." Such CD Video players, he said, "will be completely multiformat, relatively inexpensive and play many of the standard format CD applications from audio to video to games to data," adding: "The impact of movies on CD will begin to have a significant effect in '95 and may well command 100 million units by 1997."

Further details on these and other ITA presentations will be found elsewhere in this issue.

FIRST PROJECTAVISION PRODUCT TO BE SHOWN AT CES: Prototype of first consumer product using Projectavision LCD projection TV system is expected to be shown at Winter Consumer Electronics Show Jan. 6-9 in Las Vegas, while Projectavision Inc. officials, including Pres. Martin Holleran, will be hosting TV manufacturers and other prospective licensees in hotel suite.

Projectavision has patented "depixelization" system that smoothes out and virtually eliminates mosaic pattern in LCD projection displays. Prototype projection home theater system will be shown in South Hall (main TV area) display at Las Vegas Convention Center by CMC Magnetics Corp. of Taiwan, which has signed patent license (TVD Sept 20 p16). Projectavision officials said CMC will be promising delivery in first quarter 1994, probably under MGM Home Theater label (it sells videotape and audio equipment under brand license from MGM). Display is listed by CES under name "MGM American Electronics & Entertainment."

Projectavision also may prime consumer pump with relatively high-priced home theater projection system under its own brand name but, according to Holleran, will act mainly as licensor to manufacturers. Aim is for "Projectavision" name to become to LCD TV "what Dolby is to sound," said Holleran, veteran of GE and RCA consumer products, who was exec. vp of Thomson Consumer Products and pres. of its sales and marketing subsidiary. "We won't be in the manufacturing and distribution business," he told us, but at first "we may well do a certain number of high-end products to get things moving."

Depixelization process, perfected under first HDTV grant made by Pentagon's Defense Advanced Research Projects Agency (DARPA, now renamed ARPA) for \$1 million, is claimed to be relatively simple and low-cost system involving overlapping lenses -- one per pixel -- on output side of LCD. As demonstrated to us recently, it achieves its purpose without noticeable loss of resolution. Ultimate goal of Projectavision is projector about size of Kodak Carousel, including TV tuner, to retail for about \$1,000. Holleran and Chmn. Marvin Maslow showed us early prototype as well as models of fold-up rear projectors using principle. He said Projectavision is in "conversation with every major Japanese, Korean and Taiwanese [TV] manufacturer."

In addition to CMC, Projectavision has licensed Matsushita under its patent, but so far arrangement has yielded no major product. Announcement of Matsushita license was made last spring (TVD April 5 p13). Maslow told us it was discovered that "Matsushita inadvertently infringed" on Projectavision patent with system it presumably had developed on its own, and when informed of infringement took out license.

Projectavision has other ambitions in projection TV. One of its major projects currently is developing "brightness enhancement" system for LCD projection, which could lead to portable single-LCD projector with brightness better than current 3-LCD types. (Depixelization principle can be applied to both 1- and 3-LCD projection systems.) Another, longer term, project involves its ownership of 1/3 equity in Tamarack Storage Devices, developer of holographic data storage technology, which Maslow said could lead to data and video recording, storage and playback without moving parts.

Projectavision is member of Microelectronics & Computer Technology Corp. (MCC), high-tech consortium headed by former DARPA chief Craig Fields. Tamarack was established last year by MCC to commercialize holographic storage technology. Fields has been technical adviser to Projectavision. Among officials of Projectavision are Eugene Dolgoff, chief scientist, optical specialist and co-founder; Howard Ladd, ex-chmn. and pres. of Fisher and Sanyo/Fisher, chmn. of exec. committee and board member; Donald McCoy, former CBS vp and head of CBS Technology Center and onetime consumer electronics research dir. at Sarnoff Center, who is Projectavision senior technology adviser and consultant.

"Video Pro" is new magazine to be published by Reese Communications, starting as insert in Video magazine. Subtitled as covering "Events, Desktop, High-End Consumer and Small Business Video," it will be distributed to Video subscribers requesting it on bimonthly basis starting with April issue. Marjorie Costello is editor and publisher.

Does Jumbotron tell Diamondvision? Apparently Japan's Fair Trade Commission (FTC) suspects it does. According to Wall St. Journal, FTC officials raided offices of Fujitsu, Sony, Matsushita, Toshiba and Mitsubishi seeking evidence of alleged collusion on bidding for electronic billboards in sports stadiums.

CIRCUIT PLOTS PRICE MOVES: Circuit City's plans to cut prices in markets it shares with archrival Best Buy (TVD Nov 15 p15) may ignite retail war that could mean lower retail pricing and leaner margins during holiday season, industry officials said.

Richmond retailer's plans, disclosed in comments to analyst at New Orleans-based Johnson & Rice, caught some manufacturers by surprise last week as they scrambled to assess Circuit's strategy.

"The Best Buy-Circuit City fray is catching a lot of other retailers," said executive at major consumer electronics company. "It seems ludicrous for this to take place in the fall selling season, especially when the industry is running at record rates and has shortages of goods."

Battle between retail giants has been brewing for months as chains clash in increasing number of markets, including most recently Atlanta, Chicago and Phoenix, where advertised prices for camcorders reached \$399 and 25" TVs \$279. Overall, 55 of Best Buy's 142 stores compete with Circuit City. Circuit has opened 9 stores in Chicago this year, plans 4-6 more by year-end. Meanwhile, Best Buy entered Atlanta with 5 stores this fall.

While Circuit has history of adhering to suppliers' minimum advertised price (MAP) guidelines, chain may scrap practice, said report compiled by Johnson & Rice analyst David Childe. Such departure from chain's "historical modus operandi" could "bode ill" for retailers in markets where it lowers prices, document states. Most likely candidates for new strategy would be Atlanta and Phoenix, where Best Buy's newest stores have reported strong sales but lower-than-expected gross margins, report said.

Best Buy officials said in statement last week that "speculation" on pending price wars was "without foundation" and that there's "little evidence" that retailers "would be anything but market competitive as the industry always has been." Circuit City officials have declined to comment.

Retail skirmish is likely to spread to other national chains, some vowing to enter fray if necessary. Sears executive said: "There's going to be an effect on us and we're going to price-match where we have some crossover. It's just a question of how much business are they [Circuit City] going to get by doing this."

Move also has left vendors in quandary. Some manufacturers that sell to Circuit and Best Buy -- including JVC, Panasonic, Sony, Thomson -- appear to be reassessing strategies as they come under increased pressure from other retailers. Small and medium-sized dealers, lacking Best Buy's and Circuit City's financial might, are likely to be victims of lower pricing, industry officials said.

"We are seriously concerned about it and we're trying to get it resolved," said executive at consumer electronics company. "We have to look at the introduction of new products for '94 and how we're going to take those new products to market. The problem is affecting all our dealers and they are calling and saying, 'how are you going to stop this?'"

Possible price war could "strip profit out of" major brands for small and medium-sized dealers, said Philip Petescia, Goldstar dir.-TV and VCRs. Circuit also appears to be trying to "merchandise around" Best Buy by securing lines not carried by both retailers, Petescia said.

"Vendors are the only people that are going to lose in this war," said Robert Becker, AV buyer at L.A. Tronics in Encino, Cal. "The question is whether manufacturers continue to support Circuit City if they... become predatory."

Industry executives said Circuit City's strategy may be yet another reaction to Best Buy's practice of packaging free service contracts with products and employing salaried sales force. Circuit generates high profits from warranties and has commissioned sales, which require more personnel per store than Best Buy, industry sources said.

"It's a warranty situation that is going to affect every retailer's bottom line because warranties are a profit center," Hitachi Exec. Vp Gary Bennett said. "I think because of this, more of the other retailers around the country are going to have to look at what lines they're aligned with."

American Software, charging that its copyright on boxing videogame was infringed, has sued Beam International and Acclaim Entertainment in U.S. Dist. Court, N.Y. Suit charged American Software signed agreement with Australia-based Beam in 1990 for 8-bit Nintendo game Space Punch Out, granting it worldwide rights to software and design. Beam delivered Space Punch Out II in March 1992, but also signed agreement with Acclaim for similar title, George Foreman Boxing. Suit also accused Beam of breaching agreement by failing to deliver Space Punch Out by Sept. 30, 1990. Acclaim spokeswoman declined comment. Beam officials weren't immediately available for comment.

National Retail Federation predicted 2.5% increase in 4th-quarter sales, with consumer electronics among products members expect to be "hot-selling." Toys 'R' Us listed Aladdin videocassette and videogames as potential big sellers, while Montgomery Ward included direct-view TVs, mini-audio systems and VCRs with VCR Plus, Federation said. Projected sales upswing was tied to drop in unemployment, rise in home sales and low interest rates, Federation said.

Goldstar will introduce 5 VCRs at Winter Consumer Electronics Show, including 2 with updated VCR Plus for cable box compatibility, company said. Four-head mono and 4-head hi-fi pieces will contain new VCR Plus technology. Overall, line consists of one 2-head model, two 4-head mono units, two 4-head hi-fi units. New VCRs will ship in March, but pricing hasn't been set. In current lineup, Goldstar has 2 VCRs with VCR Plus.

Philips has completed sale of Magnavox Electronic Systems Co. (MESC), defense systems subsidiary of Philips Electronics N. America, for undisclosed amount to MESC Electronic Systems Inc., organized by The Carlisle Group. MESC, with 3,700 employees and annual sales of more than \$400 million, will continue to be based in Ft. Wayne, Ind.

Franklin Electronic Publishing has signed agreement with publisher William Morrow & Co. that will add ROM card version of Mayo Clinic Family Health Book to its Digital Book System by mid-1994. Title will be 4th medical book designed for consumer market. Retail price hasn't been set.

Cable-consumer electronics compatibility rule proposal is expected from FCC shortly, perhaps this week. As outlined earlier in Commission news release (TVD Nov 15 p7), it will follow very closely FCC's report to Congress last month (TVD Oct 11 p11).

TAPE—UNITS UP, DOLLARS DOWN: Consumer videotape sales increased in units but declined in dollars, in U.S. and total world markets, speakers at ITA Update Seminar agreed last week.

Summarizing ITA's Worldwide Videotape Market Intelligence Service -- full text of which ITA offers for sale -- Cambridge Assoc. Pres. Richard Kelly predicted 1993 results would show 5.9% increase in unit sales of videocassettes (T-120 equivalents), but factory dollar sales would drop 6.8% from 1992. Worldwide demand for cassettes will rise this year to 1.254 billion units from 1.184 billion in 1992, while factory value falls to \$2.873 billion from \$3.082 billion, survey indicated. Other survey highlights:

Demand for pancake and bulk tape will increase 16.9% from 532 million T-120 equivalents in 1992 to 622 million, factory dollar value going up 4.6%, \$570 million from \$545 million.

Video program market will consume 925 million cassettes, leap of 22.2% from 1992's total of 757 million. Sellthrough consumer tapes will come to 668 million this year, 27.7% increase over 521 million in 1992, while rental tapes will decline somewhat to 97 million from 102 million, premium and promotional tapes increasing to 89 million from 70 million and nonconsumer total rising to 71 million from 62 million.

While worldwide camcorder market will increase 6.8% to 9.4 million from 8.8 million, compact tapes (VHS-C and 8mm) will show growth of 14% to 147 million cassettes from 129 million in 1992.

* * * * *

U.S. consumer videocassette sales will end year up about 9% in units, but down some 11% in dollars from 1992, said Lee Kennedy, 3M AV Mkts. Div. Mktg. & International Dir., in ITA presentation. While average retail prices declined this year, he said, deterioration is slowing because of increasing quantity of higher quality tape in mix.

Kennedy noted that increasing sales of higher quality VCRs result in higher proportion of sales of better tapes. In addition, easier programming techniques have resulted in more time-shifting and "small but residual" rise in archiving, translating to overall increase in need for blank tape.

Kennedy's forecast for consumer blank tape sales by format (in millions of units):

Type	1992	1993 (Est.)	% Chg.	1994 (Proj.)	% Chg.
VHS.....	340.3	371.4	+ 9%	375.4	+ 1%
S-VHS.....	1.4	1.4	0%	1.5	+ 7%
VHS-C.....	11.0	13.3	+21%	15.7	+18%
8mm.....	17.8	18.9	+ 6%	20.5	+ 8%
TOTAL....	370.5	405.0	+ 9%	413.0	+ 2%

As for Beta -- not included in table -- "several million units will be sold both this year and next," Kennedy predicted. He said VHS tapes longer than T-120 are gaining share, with 30-min. VHS-C replacing 20-min. and 120-min. 8mm replacing 90-min.

Growth in camcorder share of tape market is explained by increase in camcorders in use. Kennedy put installed base as of end of 1992 at 15,574,000, of which 48% were full-size

VHS, 19% VHS-C, 33% 8mm. In 1993, he estimated new purchases will total 3.05 million units, 20% full-size, 32% VHS-C, 48% 8mm.

Kennedy noted continuing increase in retail outlets selling videotape -- 176,000 in 1993 -- with discounters and mass merchandisers accounting for more than 40% of sales, and groceries fastest growing outlets, accounting for almost 10% this year.

In consumer audio tape, Kennedy forecast 1% growth in both 1993 and 1994, based on 355 million units in 1992, with demand growing for high-bias tapes and tapes 100 min. and longer. Number of cassettes per purchase is increasing and there's shift to bricks from bags.

As for new digital tape and disc formats, he said DCC is showing greatest strength in Europe, MiniDisc strongest in Japan, with DAT growing as industrial product but having very little impact on consumer market. Sales of media for all 3 formats totaled 3 million in both 1992 and 1993 and should increase to 4 million next year, he said.

Normal bias units are seen declining 0.4% to 259 million from 260 million in 1993, and another 0.5% to 258 million in 1994. High-bias will increase 4.7% to 89 million in 1993 from 85 million in 1992 and 4.5% to 93 million next year, he forecast, while metal tape remains constant at 7 million each year. Totals, including digital tape and MDs, will rise 0.8% to 358 million in 1993 from 355 million last year and 1.1% to 362 million in 1994, his projections indicate.

Philips doesn't plan to sell all or part of its 31.6% holdings in Grundig, ailing German consumer electronics manufacturer, according to Philips Exec. Vp Dudley Eustace. Questioned at recent Eindhoven news conference (TVD Nov 8 p8) about rumors that Philips was talking to Nokia about sale of all or part of its interest, he said: "In the current market, where everybody is suffering, everybody is looking for a solution to the problem of surplus capacity in Europe and everybody is talking to everybody. You could easily exchange Philips and Nokia for another 2 names. But Philips has no plans to change its shareholding in Grundig..."

TV time-shifter without need for changing cassettes has been developed by Mordechai Teicher, pres. of Creative Inputs in Israel. Secret of device is built-in dual drive, each section capable of holding 10 hours of tape. Mechanism switches instantaneously from one drive to other to locate proper length segments for recording, finding vacant or reusable portions without interfering with segments being saved for viewing. On-screen directory provides access to any recording, and prompts ask user whether each program should be saved or erased after each viewing -- Suzanne Harvey, Developmental Programs Ltd., 212-262-8104.

Battery One Stop, continuing to expand kiosk-based retailing, has opened store in Rochester, N.Y., and will open another in Cleveland Nov. 24. Both 180-sq.-ft. kiosks will carry batteries and portable electronic products and be located in shopping malls, including new 364,000-sq.-ft. Tower City in downtown Cleveland. Youngstown chain operates 48 stores in 11 states.

Biggest exhibit ever organized by Hong Kong Trade Development Council will have booths by 77 companies at Winter Consumer Electronics Show Jan. 6-9 in Las Vegas. Last winter's CES attracted 65 Hong Kong companies, which wrote \$125 million in orders at show and began negotiations there for \$165 million more, according to Council.

COMDEX--GRIDLOCK, STANDARDS: Like desktop PC running too many applications without sufficient RAM, Las Vegas experienced human and vehicular gridlock as estimated 170,000 souls converged for 5-day Comdex last week.

For most part, little new technology emerged in consumer-oriented computer product. Most action involved expansion of trends established last year. And compared with year-ago Comdex, product introductions were fewer -- most vendors using summer PC Expo in N.Y. to debut models for fall selling season. However, standards were hot topic as computer industry evolves into wireless and multimedia areas.

For example, Sharp appealed for standards in infrared data transmission. Sound Blaster audio board from Creative Labs, now de facto standard, saw challenges from other products, some featuring digital signal processing. Duracell Battery, Compaq Computer and connector giant AMP urged standardization for configurations and hookup of fast-recharging nickel-metal hydride (NiMH) powerpacks in portable PCs.

NiMH was one acronym more prevalent since year-ago Comdex. Fast-charging, larger capacity, nonmemory battery has virtually replaced nickel cadmium at top of most makers' portable PC lines. On subject of power, more desktop PCs and monitors now wear EPA's Energy Star logo for low electricity consumption. Still, LCD desktop monitors were few and far between, still far too costly for consumers.

Also conspicuous by their absence were new personal digital assistants. Only AST's GridPad 2390 joined Apple's Newton, Sharp's Expert Pad and AT&T's EO440. AT&T's EO saw steep price cuts -- base system with 4MB RAM and modem chopped to \$1,800 from \$2,500. Apple, saying 2,000 developers currently are creating Newton software, announced 30 forthcoming 3rd-party software packages. Company said 25% of Newton purchasers have no prior computer experience.

Show saw proliferation of double-speed CD-ROM drives at lower price points, and NEC upped ante with first triple-speed drive. Another device that's now become almost commonplace at Comdex: Add-on board for turning PC into TV, Apple now having taken next step by building tuner into monitor, as in Macintosh TV (TVD Oct 25 p12).

Philips showed significant improvement in beam convergence of direct-view monitors in Brilliance 2130 Computer-Controlled Monitor, which has digital circuit that keeps electron beam on precise path into corners of display. AT&T/Paradyne showed modem that splits single standard voice line into 2 channels -- one for voice, other for data or still video images.

Accusan has sued Matsushita, accusing it of violating fax patent. Filed in U.S. Dist. Court, N.Y., suit said Matsushita infringed on 1976 patent on automatic background and contrast control. Technology, invented by Carl Raymond Kelker of San Gabriel, Cal., and assigned to Faxon, automatically corrects video input in fax transmitter and receiver. Suit seeks unspecified damages. Matsushita spokesman declined comment.

Correction: Incorrect telephone number was listed last week for information on first International Newton Development Conference. It's 800-301-9009.

ZENITH'S STARSIGHT TVs: Zenith will begin shipping first of about 8 planned TV models featuring built-in StarSight decoders in first quarter of 1994. Sets with StarSight capability will carry premium of about \$50 at retail over equivalent sets without StarSight, Zenith Consumer Affairs Vp Stephen Sigman said. Sets will range from 27" up, including projection models.

Sigman said sets will be rolled out nationally, not on regional basis. StarSight Telecast Exec. Vp, Sales & Mktg., John Burns said nodes for transmitting information for interactive program guide are in place to cover 82% of country, and system will have 98% coverage by time Zenith sets are ready in 1994. In addition to using vertical blanking interval (VBI) on PBS stations to carry its data, Starsight has signed agreement with MTV and Lifetime (both owned by Viacom, prime StarSight investor) to carry data in their VBIs.

Meanwhile, legal tussle between StarSight and Gemstar Development Corp. moved up notch last week with Gemstar's announcement that it had filed 2 suits -- less than month after StarSight sued Gemstar charging in patent infringement and threatened licensees (TVD Oct 25 p15).

Early in week, Gemstar filed suit in U.S. Dist. Court, L.A., charging StarSight with misusing patents, antitrust violations, tortious interference. Gemstar said StarSight "coerced VCR and TV manufacturers who are licensees of Gemstar's VCR Plus technologies to license other StarSight patents and to incorporate the StarSight electronics guide." Starsight Chmn.-CEO Michael Faber called move "frivolous countersuit... completely without merit."

Later in week, Gemstar filed additional suit in U.S. Dist. Court, N.Y., charging StarSight with patent infringement, seeking injunctions and triple damages. Gemstar said StarSight had infringed on U.S. patent 4,751,578, granted June 14, 1988, entitled "System for Electronically Controllably Viewing On a Television Updatable Television Programming Information." Gemstar CEO Henry Yuen dismissed characterization of Gemstar's filing as "countersuit," saying action was taken "to enforce its intellectual property rights. As long as StarSight violates those rights, they should expect to be sued." Starsight couldn't be reached for comment.

Thomson has improved position of its Ferguson brand in U.K. market, company said in London news briefings. Comparing year to Sept. 1993 with preceding year, officials said Ferguson now had 6.9% of total color TV market (sales plus rentals), up from 4.9%, and ranked 3rd (after Sony and Toshiba); 7.3% of large-screen color, up from 6.7%; 8% of color with NICAM digital audio, from 7.2%. In VCR, Ferguson claimed 5.9% of market, up from 4.4%, and said it's in 5th place (JVC is first with 6.8%).

"Canon will continue its camcorder business and has plans to introduce midrange models at less than \$1,000 after next spring," company said in statement last week, commenting on our report from Japan on company's change in emphasis (TVD Nov 15 p16). As to specifics on introductions, company said "there is no detailed information available at this time."

American Bankers Insurance Group has acquired Federal Warranty Service Corp. in deal designed to expand its service contract business, terms not disclosed. Federal, which handles service contracts for several retailers including Broadway, will use American Bankers' sales force, Federal Pres. Michael Stephenson said.

LATEST MULTIMEDIA RETAIL EFFORT: Even as Blockbuster was taking wraps off its plans to roll out CD-ROM merchandising program (TVD Nov 15 p12), West Coast Video -- country's 2nd largest video retailer -- was taking wraps off "industry's first all-inclusive multimedia store."

"Game Power Headquarters" (GPH), spinoff of Philadelphia-based West Coast Entertainment, franchisor of more than 500 West Coast Video and National Video stores, trades under separate banner of InterActive Electronics Corp. Pilot store that opened earlier this month in Newtown, Pa., is "first in the interactive retailing industry to combine renting, selling, buying and trading of all forms of entertainment oriented software," said Steve Apple, communications and new business development vp. Anticipating large growth in videogame business (approaching \$6 billion now and expected to reach well over \$10 billion by 2002, according to Apple), company hopes to open 100 franchised GPH locations by end of 1994, with first going to West Coast Video store operators.

First store, in upscale strip center, mixes Nintendo, Super Nintendo, Sega Genesis, Genesis CD and Philips CD-I hardware and software, with Panasonic's 3DO player coming "as soon as a display kiosk is available," Exec. Vp Ken Graffeo said. Store also includes PC software, with CD-ROM titles available for rent.

Commodore brought in CD32 system from nearby West Chester, Pa., hq for chain's debut, and is contemplating test-marketing \$399 product at GPH before official U.S. unveiling at Jan. Consumer Electronics Show, Engineering Dir. Jeff Porter said. He said company has sold 100,000 CD32 systems in Europe "since mid-June launch."

Store invites customers to "try before they buy" any title. Employee-supplied coins activate coin-op style game terminals for 3-4 min. per slug. Rental costs (\$3.99 for 3 days per game title, comparable with Blockbuster program; \$9.99 for 3-day hardware rental) are credited toward purchase and subtracted if customer decides to buy. Hardware system purchasers get 12-coupon book good for one free software rental per month with rental of another title at regular price. Store also offers discounts on front-line titles when combined with trade-ins. For example, Acclaim's Mortal Kombat at opening was promoted at \$41.99 (normally \$59.99) "with trade-in of 3 Super Nintendo cartridges."

West Coast franchisees will have "exclusive right" to open Game Power stores in their areas "for about \$100,000 each, including franchise fee, fixturing, inventory, working capital and the computer system," Graffeo said. Or they can enlarge current operations, adding game store elements and renaming stores West Coast Video Plus "for just the cost of the fixturing, inventory and computer software." Graffeo expects first wave of stores to be in mid-Atlantic region, area with oldest and heaviest concentration of West Coast stores and nearest to Philadelphia home base.

Telephone product sales will grow 7.3% annually to more than \$4 billion in 1996 from \$3.1 billion in 1992, study by BIS Strategic Decisions predicted. Cordless phones will lead advance, representing 49.4% of U.S. phone product market in 1996, up from 41.9% last year. Other categories and percent of total forecast for 1996 (1992 in parentheses): Answering devices 36.7% (31.9%), single-line phones 10.9% (21.8%), 2-line phones 3% (4.4%). Details on study, U.S. Market for Telephone Products -- 617-982-9500.

BEST BUY SEEN OPENING IN L.A.: Best Buy, seeking to increase number of authorized stock shares, is expected to open at least 12 stores in L.A. area by late 1994, sources said.

Minneapolis retailer has been shopping L.A. in recent weeks, focusing on 30,000-sq.-ft. former Builder's Emporium locations, sources said. Move would give 142-store retailer first access to Southern Cal. Best Buy officials have told analysts that Cal. entry may not come until 1995, but that they would move sooner if opportunity arose next year.

Best Buy has set special meeting for Jan. to ask shareholders to boost number of authorized shares to 120 million from 30 million. Increase is sought for future stock splits and dividends, Chmn. Richard Schulze said. Best Buy said successful moves into Atlanta, Detroit and Phoenix this year combined with expansion in 1994 would have strong impact on sales and earnings.

Decision to increase shares comes as Best Buy braces for showdown in markets it shares with archrival Circuit City, including Atlanta, Chicago, Phoenix. Circuit has vowed to cut prices in markets where it competes with Best Buy. At least 55 of Best Buy's 142 stores compete with Circuit City outlets.

50,000 PLAYERS IN 1993--3DO: 3DO expects Panasonic to ship "approximately 50,000" 3DO multiplayers to retail in Christmas season, according to prospectus filed for million-share stock offering (TVD Nov 8 p13). Filing comes 2 months after Pres.-CEO William (Trip) Hawkins declined to disagree with analysts' estimates that put shipments at 100,000 by year-end. Prospectus dated Nov. 9 (about 30 days after first players made it to store shelves) said "initial consumer demand for the limited quantity" of players was "satisfactory."

Although 3DO officials never have pinned down quantities that would define successful launch, they acknowledge sales this Christmas are key indicator that "will have a material impact on... both the adoption of [3DO's] technology by hardware system manufacturers and the development of additional software titles by software licensees." Prospectus conceded that "limited" availability of Panasonic machine translates into greater risk that competitive product introduced this year or next could short-circuit 3DO's fight to become industry standard.

3DO said existing resources and estimated \$37.3 million to be gained from offering (based on assumed price of \$40.25 per share) "will be adequate to satisfy its capital requirements for at least the next 18 months." Company said that during that time it will devote "substantial financial and resource commitments" to proposed trial with U S West of interactive TV system using 3DO platform (TVD Oct 11 p14).

Document also disclosed that 3DO signed letter of intent with MCA for latter to publish piece of 3DO software, presumably title based on MCA's Jurassic Park movie. Title reportedly will be published through unannounced MCA division devoted to interactive publishing.

* * * * *

Disc Mfg. Inc. (DMI), Chicago-based CD-ROM and music CD manufacturer, said it has been certified as authorized manufacturer of 3DO software. DMI, which has manufacturing facilities in Huntsville and Anaheim, apparently becomes 2nd authorized 3DO replicator, joining WEA Mfg. (TVD Oct 4 p15).

NEW TECH HELPS TV SALES—TCE: New technology has "piqued" consumer interest in color TVs, resulting in projected record sales of 23.5 million sets this year, said James Meyer, Thomson Consumer Electronics (TCE) senior vp-product management. Speaking at International Tape/Disc Assn. (ITA) seminar in N.Y. last week, he said projected 9% increase in TV sales is tied to industry advances in HDTV, interactive video, multimedia, home automation.

"Obviously, the news of future innovations in consumer electronics is a contributing -- not a negative -- factor to sales growth of current product lines," Meyer said. "An even stronger influence is the improved picture and sound performance of big-screen color TV." Despite introduction of widescreen TVs, sales of conventional 27"-and-over sets are expected to jump 37% this year to more than 2.9 million and projection models 14% to nearly 500,000, Meyer said.

Asked about 16:9 widescreen TV, Meyer conceded there had been some delay in early production "due to some problems of tube support" from plant in Europe, but said there would be "good supply for the Christmas selling season."

Camcorders probably will top 3-million sales mark for first time, with forecasts running as high as 3.2-3.3 million, Meyer said. While 8mm and VHS-C sales have enabled compact models to grab 75% share of camcorder business, full-size continues to hold 25%, he said. Leading compact charge is VHS-C, which is expected to register 31% sales gain this year, as 8mm rises 12%, Meyer said. Many industry officials argue that camcorders plateaued at 18% penetration, but "there is plenty of room for unit sales growth."

Although VCR sales will gain just 2% this year to 12.6 million, there's increased consumer interest in hi-fi models. Stereo pieces are projected to register 12% rise in sales and account for 25% of market by year-end, Meyer said. Additional features such as VCR Plus also have proved boon, he said.

TV/VCR combo units, headed for 1.5 million sales this year, up 60% from 1992, "a few years ago were relegated primarily to the commercial market. Now, they have made the transition from the conference table to the breakfast table with very impressive results," Meyer said.

First licensee for prospective Sony 32-bit videogame system (TVD Nov 1 p15) is Namco. Namco, leading Japanese developer, will create software for system and will work with Sony to develop arcade game based on Sony technology. Namco also holds 3DO license and was subject of special provision in 3DO initial public offering (IPO) that reserved 50,000 shares for Namco in related transaction.

Phoenix market, already major battleground between Circuit City and Best Buy (see report in this issue), gets another big player next year. Tandy announced 5th Incredible Universe "gigastore" will open in Tempe, Phoenix suburb, in 2nd quarter. Fourth store is to open in first quarter in Miami area, and company says it plans 4 more in 1994.

Matsushita will build regional hq, warehouse and service center in Gwinnett County, Ga. New 475,000-sq.-ft. facility, scheduled to begin construction in Jan. and open by Feb. 1995, will consolidate existing warehouse, office and hq in Atlanta and Norcross, Ga.

LECHMERE TO TRY NEW FORMAT: Lechmere, which got its start selling washing machines, will open 3 Home Zone stores in Conn. next year, launching new format that eliminates major appliances and 3 other product categories, said source close to retailer.

New 50,000-sq.-ft. stores, expected to open in Milford, North Haven and Waterbury, will be smaller than existing 60,000-70,000-sq.-ft. Lechmere outlets and will have noncommissioned sales force, source said. Sporting goods, seasonal and juvenile products also will be dropped at Home Zone stores, with focus increased on consumer electronics, source said. Four product categories will continue to be carried.

Lechmere's new format borrows noncommissioned strategy from 60,000-sq.-ft. store opened in Manchester this fall and is likely to expand into Southern Conn., sources said. Lechmere buyers will serve Home Zone, and warehouse operations will continue in Mass., sources said.

Home Zone is attempt to "make more profitable box" by eliminating products that have been drain on bottom line, source said. "I'm surprised because [major appliances] are something that draw customers into your stores and it's also what the company was really founded on."

Howard Benidt, Lechmere senior vp-advertising and communications, declined though spokeswoman to comment on new format, but said details would be available at year-end.

Changes come as 24-store chain battles to fend off effects of Circuit City's move into Boston and after 2 proposed public stock offerings were scrapped when they failed to attract enough support, sources said. Braintree, Mass.-based chain also opened car stereo installation sites in Mass. earlier this year in response to Circuit's arrival in Boston, sources said.

Voice Powered Technology (VPT) said it has agreed with JVC to work on joint development program aimed at incorporating VPT's VoiceLogic technology into range of consumer products. VPT also said it was engaging in similar venture with unnamed computer product manufacturer. Although not identifying nature of possible products to be developed with JVC, VPT said that "depending on performance and market acceptance, sales of these products are under consideration for 1994." JVC couldn't be reached for comment.

Duracell and Compaq Computer have signed joint deal to create standard for nickel-metal hydride batteries for portable PCs. Compaq will ship portables in early 1994 featuring Duracell's batteries, and 3 other PC manufacturers are nearing similar agreements. Batteries were developed in pact involving Duracell, Toshiba and Varta; consumer versions for camcorders are expected to be available in late summer 1994. Such batteries have double running time of nickel-cadmium, but are more expensive.

Esquire Radio announced it will declare 100% stock dividend after completion of its offer to buy up to 150,000 shares of its common stock Dec. 9 (TVD Nov 15 p18) and will consider 2nd 2-for-1 split after that. Company said it was advised by American Stock Exchange that it doesn't have sufficient number of publicly held shares for continued Amex listing. Amex hasn't indicated it plans to delist Esquire, but says it will review its eligibility after tender offer.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Adelphia Communications			
1993-6 mo. to Sept. 30	159,620,000	(138,764,000)	--a
1992-6 mo. to Sept. 30	148,578,000	(71,618,000)	--b
1993-qr. to Sept. 30	79,787,000	(23,816,000)	--
1992-qr. to Sept. 30	74,701,000	(32,029,000)	--b
Cablevision Systems			
1993-9 mo. to Sept. 30	494,756,000	(159,902,000)	--
1992-9 mo. to Sept. 30	414,947,000	(184,604,000)	--
1993-qr. to Sept. 30	169,563,000	(55,427,000)	--
1992-qr. to Sept. 30	151,278,000	(45,952,000)	--
Carolco Pictures			
1993-9 mo. to Sept. 30	89,836,000	(31,427,000)	--
1992-9 mo. to Sept. 30	399,987,000	(51,943,000)	--
1993-qr. to Sept. 30	26,133,000	(11,189,000)	--
1992-qr. to Sept. 30	180,025,000	(33,129,000)	--
Commodore International			
1993-year to June 30	590,800,000	(356,500,000)	--
1992-year to June 30	911,000,000	27,600,000	.82
1993-qr. to Sept. 30	82,600,000	(9,700,000)	--
1992-qr. to Sept. 30	158,600,000	(18,800,000)	--
Falcon Cable Systems			
1993-9 mo. to Sept. 30	40,445,400	(4,111,000)	--
1992-9 mo. to Sept. 30	37,767,700	(6,258,600)	--
1993-qr. to Sept. 30	13,591,900	(1,172,200)	--
1992-qr. to Sept. 30	12,730,100	(2,803,300)	--
International Family Entertainment			
1993-9 mo. to Sept. 30	151,495,000	16,665,000	.47
1992-9 mo. to Sept. 30	96,578,000	14,450,000	.57b
1993-qr. to Sept. 30	64,410,000	3,990,000	.11
1992-qr. to Sept. 30	32,057,000	5,011,000	.17b
Jones Intercable Inv. L.P.			
1993-9 mo. to Sept. 30	20,344,241	406,194	.05
1992-9 mo. to Sept. 30	30,499,230	(2,646,130)	--
1993-qr. to Sept. 30	6,748,570	105,448	.01
1992-qr. to Sept. 30	10,352,836	(491,806)	--
King World Productions			
1993-year to Aug. 31	474,312,000	101,936,000	2.65
1992-year to Aug. 31	503,174,000	94,880,000	2.43
1993-qr. to Aug. 31	103,600,000	20,700,000	.55
1992-qr. to Aug. 31	98,000,000	20,600,000	.53
Matsushita Electric^c			
1993-6 mo. to Sept. 30	30,674,000,000	152,000,000	.72d
1992-6 mo. to Sept. 30	33,434,000,000	150,000,000	.72d
1993-qr. to Sept. 30	15,473,000,000	88,000,000	.42d
1992-qr. to Sept. 30	17,122,000,000	68,000,000	.32d
Nintendo^c			
1993-6 mo. to Sept. 30	2,478,000,000	309,628,000	--e
Pioneer Electronics^c			
1993-6 mo. to Sept. 30	2,433,000,000	73,048,000	.41
1992-6 mo. to Sept. 30	2,839,000,000	72,562,000	.40
1993-qr. to Sept. 30	1,246,000,000	7,752,000	.04
1992-qr. to Sept. 30	1,461,000,000	25,133,000	.14
QVC Network			
1993-9 mo. to Oct. 31	849,615,000	56,455,000	1.12
1992-9 mo. to Oct. 31	728,753,000	36,222,000	.89
1993-qr. to Oct. 31	313,945,000	21,517,000	.42
1992-qr. to Oct. 31	274,332,000	16,363,000	.40
Sony Corp.^c			
1993-6 mo. to Sept. 30	16,829,943,000	94,924,000	.25d
1992-6 mo. to Sept. 30	18,595,219,000	170,600,000	.43d
1993-qr. to Sept. 30	8,937,486,000	21,667,000	.06d
1992-qr. to Sept. 30	9,791,476,000	28,400,000	.08d
Sound Advice			
1993-qr. to Sept. 30	41,657,000	470,000	.13
1992-qr. to Sept. 30	37,753,000	373,000	.10
Tele-Communications			
1993-9 mo. to Sept. 30	3,104,000,000	29,000,000	.06
1992-9 mo. to Sept. 30	2,631,000,000	39,000,000	.07b
1993-qr. to Sept. 30	1,044,000,000	(55,000,000)	--
1992-qr. to Sept. 30	896,000,000	63,000,000	.13b

Company & Period	Revenues	Net Earnings	Per Share
Telemundo Group			
1993-9 mo. to Sept. 30	125,457,000	(20,916,000)	--
1992-9 mo. to Sept. 30	109,039,000	(28,164,000)	--
1993-qr. to Sept. 30	47,257,000	6,011,000	.16
1992-qr. to Sept. 30	39,158,000	(7,727,000)	--
Video Jukebox Network			
1993-9 mo. to Sept. 30	10,483,521	(1,708,318)	--
1992-9 mo. to Sept. 30	10,741,249	(3,552,782)	--
1993-qr. to Sept. 30	3,734,077	(492,606)	--
1992-qr. to Sept. 30	3,815,074	(1,078,118)	--
Warrantech			
1993-6 mo. to Sept. 30	23,103,237	449,326	.03
1992-6 mo. to Sept. 30	22,487,331	728,630	.06
1993-qr. to Sept. 30	12,116,598	229,394	.02
1992-qr. to Sept. 30	11,286,234	342,779	.03

Notes: aAdjusted. bRestated. cAt rate of 105 yen = \$1. dPer
ADR. eComparable results unavailable.

Consumer Electronics Personals

Willard (Bill) Kennedy, who held post of Philips Consumer Electronics (PCE) logistics vp, among others, named senior vp-gen. mgr. of Philips Digital Videocommunications Systems (DVS), established by PCE to develop and market digital video signal delivery systems; **Brian Smith**, senior dir. of digital video for PCE, appointed DVS market development vp... **Harold Bronstein** ousted as Philips regional mgr. for metro N.Y. and N.J., his post eliminated; **Jay Schwab**, Philips sales mgr. in same region, shifts to key accounts mgr. for N.Y. and N.J., reporting to Philips branch office in Westborough, Mass... **Mark Abouzeid**, formerly dir. of mergers and acquisitions for Chase Manhattan Bank in Hong Kong, joins ID Logic licensor PRS Corp. as chief financial officer... **Matt Rothman**, ex-Daily Variety, joins Sony America as dir., new technologies and new business development and research, reporting to Vp **Mitchell Cannold**.

Dahn Chung, pres. of Samsung Electronics America Holding (SEAH) and pres.-CEO of Samsung Electronics America (SEA), returns to Korea for company's CEO training program; **Albert Kim**, head of Samsung in Central and S. America, adds duties of SEA pres.; **B.S. Song**, ex-SEAH exec. vp, named pres. of SEAH N. and S. America operations.

David Ashton, United Servicers Assoc., elected chmn.-Service Industry Council; **Ronald Sawyer**, Professional Service Assoc., vp; **Wayne Markman**, TV Electronics Service Assoc., secy... **Josh Davidson**, ex-HWH Enterprises, joins Bender, Goldman & Helper PR agency as mgr., Home Entertainment Div., clients including PolyGram Video and BMG Video... **P.E. Wolter**, dir., Philips Nederland, appointed a dir., Philips Consumer Electronics.

Herbert Douglas promoted to Bradlees senior vp, mdsg.; **Sandra Colby** and **Richard Wilson** advanced to vp-gen. mdse. mgrs. for hardlines... **Ralph Gerson**, vp and a dir. of Guardian Industries (flat glass), elected chmn., OIS Optical Imaging Systems, only American producer of active matrix LCDs.

China's electronics production will climb 20% this year to \$22.4 billion, said Wu Xiaolong, dir. of Electronics Ministry's Planning Div., as quoted in China Daily. He said ministry would invest and encourage outside investment in such electronics fields as software, information systems, basic components, "high-grade consumer goods." However, he listed color TV sets among products whose capacity has exceeded demand and some plants are idle.

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SAFE HARBOR UNCONSTITUTIONAL, Appeals Court rules. Indecency rule called too broad. Quello says FCC plans more limited ban. Court also rejects cable indecency rules. (P. 3)

TOP 100 MSOs' basic subscribers continued modest increases, according to Warren Publishing survey. Addressability growing. (P. 4)

TV VIOLENCE SUMMIT ASKED by Sen. Conrad after meeting with Reno. Networks not invited. 'Epidemic of violence is sweeping this country.' (P. 6)

HOLLYWOOD SEEKS STAY of adverse finsyn decision. Hollywood says it's needed before networks start buying shows, bids for role in court. (P. 6)

INFRASTRUCTURE BILL INTRODUCED: Markey measure would open telco-cable competition for voice and video, has wide support. Congress abolishes CRT, House passes bills on campaign reform, radio ad rules. (P. 7)

WESTERN SHOW GROWING: Telcos and Silicon Valley to swell attendance to 13,000. Telephony and multimedia highlighted. (P. 8)

HUNDT SEES CABLE AS MODEL FOR GOVT.: Cable will be "first priority" for new FCC Chmn. Reed Hundt after he takes office today (Nov. 29), he told us in interview. Hundt's swearing in by Vice President Gore is scheduled for 3 p.m., Indian Treaty Room, Old Executive Office Bldg., with attendance by invitation only and news media barred. Hundt's nomination cleared Senate about midnight Nov. 26. He will succeed James Quello, who has served as interim chmn. since mid-Feb. and will resume seat as commissioner.

Hundt said his first step as chmn. will be to finish reconsideration of rules established as result of 1992 Cable Act, followed by more vigorous enforcement and new organization for FCC's Cable Div., which he hopes to make into model for Clinton Administration's reinventing govt. initiative.

"The industry deserves to have the regulatory phase come to an end," Hundt said in reference to process of reconsideration and finalizing rules. In interview days after confirmation, Hundt said it's unfair to expect industry to conform with rules when it's still not clear exactly what rules are: "We owe this [quick action] to

Consumer Electronics

NEW PRESIDENT OF SONY ELECTRONICS, Carl Yankowski, is marketer and engineer who headed Polaroid's Asia-Pacific region, served with GE, Memorex. (P. 12)

NAFTA'S RESTRICTIONS on non-U.S. tubes could aggravate shortage, some in industry believe. Most TV makers vague on how agreement will affect them. (P. 13)

9-MONTH IMPORTS UP for all major products except VCRs and CD players, Commerce Dept. reports. Flat panel color sets up 76%, VCPs 55%. (P. 14)

COMPTON'S NEW MEDIA faces battle with multimedia publishers and developers on claim to basic patent. Company lists terms for free licenses. (P. 16)

EMERSON CLAIMS 'BIG WIN' in Bankruptcy Court as judge bars competing reorganization plans from consideration until after creditor vote. (P. 16)

O-I TV GLASS OPERATION sale is completed, as Nippon Electric Glass pays \$100 million for 50% formerly owned by Owens-Illinois. (P. 17)

TANDY TO SELL O'SULLIVAN furniture unit to public as it continues to concentrate on retail business. (P. 17)

AUDIO DOLLAR SALES rose 3.8% from last year to exceed \$5 billion in year's first 9 months, according to EIA. Autosound led advance. (P. 18)

the industry and to the consumer." Speed of action will be partly up to other FCC commissioners, he said, but Hundt said he expects process to be focus of his first few months in new job.

FCC's cable enforcement must be "tough but fair," Hundt said. Setting rules isn't enough: "We've got to go beyond that and get started with enforcement." In answer to question whether he believes cable rate increases have been fair, Hundt said he "would be very surprised if any one answer is true for all," but it's "very important for the FCC to try to answer that question for all 58 million consumers. This is not a job that will be over in a month or 2 months or 6 months. This is an ongoing job." At same time, he said, FCC must "keep an open ear to the regulated industry" because sometimes industry can suggest better ways to do things.

Hundt said he has "a couple of ideas" about organizing Cable Div. to "kick around with the other commissioners" beginning this week. He said cable regulation must be "consistent with the principles of" Administration initiative for reinventing government: "We don't want the wrong structure. This should be the very model of the precepts of reinventing government." Among precepts, Hundt said, are "finding out who the real customers are for regulation" and "flat organizational principles." He also said such things as FCC forms ought to be "transparent" and "easy to use."

Reinventing govt. plan is part of National Performance Review report issued Sept. 7 by long-time Hundt friend Gore. Among other things, Review proposed to reduce civilian govt. work force 12% through efficiencies (Cable Div. appears to be exception since it's scheduled to add 240 employees). Review proposed creating "entrepreneurial" organizations within bureaucracy that measure actual productivity. Other basic principles included cutting red tape, "putting customers first," empowering employees to get results, embracing advanced technologies and other methods to improve productivity, "helping communities solve their own problems," replacing regulations with incentives and searching for market rather than regulatory solutions, and flat organizational principles that give each agency manager wider responsibility but hold them accountable for results. Plan also recommended reviewing all federal regulations within 3 years with goal of eliminating 50% of them.

FCC can be major contributor to Administration's political objective of strengthening economy and generating jobs, Hundt said. When asked why he wanted to be FCC chmn., he said: "I had a strong sense that the communications area is an area where I could make a contribution to the President's goal of stimulating economic growth." He said communications has "superior" opportunity to add to economic wealth of country.

Asked about FCC reaction to U.S. Appeals Court decision that agency can't limit indecency on broadcast or on cable leased access channels, Hundt said he preferred to wait until he had digested opinions. On general issue, however, he said FCC "shouldn't shirk" from implementing statutes enacted by Congress: "If the court says we didn't get them quite right the first time, we should try again. That's easy to say, but it may not be easy to do."

Hundt said he had no priority list for items in common carrier area. But because of intense congressional interest, he said, FCC will work to develop expertise that Congress could use in formulating policy. Major legislation such as that introduced by House Judiciary Committee Chmn. Brooks (D-Tex.) and Commerce Committee Chmn. Dingell (D-Mich.) as well as that by House Telecom Subcommittee Chmn. Markey (D-Mass.) and others all would delegate many tasks to FCC that would keep Commission busy in common carrier area, Hundt said.

Hundt expressed confidence that new communications legislation, including cable-telco and MFJ bills introduced last week, would be success: "There's an increasing consensus in Congress for the same thing. This legislation is not being introduced for the fun of it... or to promote the status quo." On question of appointments to key FCC staff posts, Hundt said he would be meeting with other FCC commissioners to begin discussing appointments this week.

Hundt said he used period since he was nominated at end of June to widen his knowledge of communications and FCC. Among those he has met with: All living ex-chmn. of FCC in Washington area, plus Newton Minow, who lives in Chicago; FCC bureau chiefs and others; wide range of academics, although no industry officials; all but 3 members of Senate Commerce Committee; many members of House Telecommunications Subcommittee, including Markey; key Capitol Hill staffers in communications area.

Hundt, 45, senior partner in law firm Latham & Watkins (L&W), was nominated to FCC post June 30 (TVD July 5 p3). He had been with L&W since 1975, partner since 1980, has represented clients "across-the-board in every area of communications," including Wintergreen Media in Chicago radio

indecent case. New FCC chmn. has been long-time confidant of President Clinton, with whom he was law school classmate at Yale. Hundt also attended St. Albans School in Washington with Gore. He had been adviser to Gore (as senator) on economic issues since 1984, assumed same post with Clinton presidential campaign in 1991. Hunt is married to Elizabeth Ann Katz, practicing psychologist in Md.; they have 3 children, Adam 11, Nathaniel 8, Sarah 4.

Incoming FCC chmn. has named 4 persons to his personal staff but hasn't given clues to any changes among bureau and office chiefs. Hundt's chief of staff will be attorney Blair Levin, partner in Raleigh-Durham law firm Parker, Poe, Adams & Bernstein (TVD Oct 25 p9). Levin, 1980 graduate of Yale Law School, was active in Clinton-Gore campaign. Also joining Hundt at FCC will be Merrill Spiegel, legislative dir. for Rep. Boucher (D-Va.), as special asst.; Karen Brinkmann, attorney at L&W, as legal adviser, and Ruth Dancey, also from L&W, as confidential asst.

Republican nominee to FCC still hasn't been announced but Democratic and Republican sources tell us that clear front-runner is San Francisco attorney Rachele Chong (TVD Nov 22 p2).

COURT CALLS INDECENCY SAFE HARBOR UNCONSTITUTIONAL: FCC rule that indecent TV programming could be aired only between midnight and 6 a.m. was held unconstitutional in 3-0 vote by U.S. Appeals Court, D.C. Nov. 23. In 1992 appropriations act, Senate had ordered FCC to adopt such a requirement, intended to protect children from indecent programming. Court also declared that portion of law unconstitutional. FCC rule (which bans indecent programming during all other hours of day on TV) is so broad that it violates First Amendment, court said.

FCC Chmn. Quello said agency will go back to enforcing its ban on indecent programming between 6 a.m.-8 p.m. He said questions have been raised about effect indecency decision will have on proposals in Congress to curb televised violence, and promised: "I intend to work closely with Congress and with interested parties to make sure that proposed antiviolence legislation will pass constitutional muster."

Said court: "We conclude that the government has not tailored its 6 a.m.-to-midnight ban on constitutionally protected speech narrowly so as to advance the asserted interests without unnecessary abridgement of First Amendment rights... The government has not demonstrated to this Court the compelling nature of any interest in suppressing constitutionally protected material in order to protect an abstract privacy of the home at the expense of the First Amendment rights of its inhabitants."

In opinion written by Judge Patricia Wald and joined by Chief Judge Abner Mikva and Judge Harry Edwards, court upheld FCC's rationale that regulation was needed to help parents control viewing of their children. But decision rejected as too expansive rule's stated goal of providing protection for general public from indecent programming in privacy of their homes.

In separate opinion same day by same panel, court said cable operators can't ban indecency on leased access channels, despite 1992 Cable Act and FCC rules. Court said FCC rules allowing cable operators to ban such programs essentially encourage such action, which would be unconstitutional if govt. itself were to ban indecency. At same time, court remanded to FCC rules that would require cable operators to segregate all indecent programming on leased access channels that parents could block out, and continued stay of those rules.

"Not only does the First Amendment prohibit the government from banning all indecent speech from access channels, it also prevents the government from deputizing cable operators with the power to effect such a ban," court said. "There can be no doubt that the immediate objective of the 1992 Act is to suppress indecent material... The ultimate effect of this banning authorization is hardly in doubt; the legislative history indicates that many cable operators will eagerly ban indecent programming."

FCC can't immediately require cable operators to segregate indecent programming on channels that can be locked out, court ruled, in part because there's "no empirical evidence supporting the contention that leased access channels present a special problem of indecent programming that is absent from commercial channels... An indecent program would seem to be equally offensive whether transmitted on leased access channels or commercial channels."

Segregation for leased access channels is underinclusive, since public, educational and govt. channels and other cable channels that also could carry indecent programming don't have same rules, Wald said. That

was less of a problem before court ruled that indecency can't be banned from leased access channels, she said, and treating leased access channels differently could raise constitutional issues. Court said it's reluctant to address those constitutional issues prematurely, so it remanded rules to FCC for further consideration.

TOP 100 BASIC SUBS STEADY, ADDRESSABLE PENETRATION GROWING: Basic subscribers of Top 100 cable operators are up 1.5% since March 1, continuing modest but steady pace set by 1.6% gain in previous 6 months (TVD June 7 p4). Addressable homes increased 6.1% for Top 100, and pay units showed slight improvement. Here are key figures from our latest semiannual survey:

(1) Top 100 had 54,433,572 basic subscribers as of September 1, up 1.5% from March 1, compared with 1.6% and 0.7% increases in 2 previous surveys. Top 100 serve 58% of U.S. TV households, using Arbitron Jan. 1994 estimates, up from 57.2% and 57.8% in last 2 surveys. Top 100 serve 95.2% of all U.S. basic subscribers, which we now estimate to be 57,200,000. (2) Pay units were 38,310,277, increase from 1.05% after losing 1.5% in previous 6 months. Despite gain, pay units were off 195,700 (0.5%) from total of year ago (TVD Nov 30/92 p2). Pay-to-basic penetration continued to fall -- 70.4% in Sept., 71.05% and 72.9% in previous 2 surveys. (Note: Our pay unit totals don't include Encore subscriptions on TCI systems.)

(3) Addressable penetration of Top 100 jumped to 39% from 37.4% in March. Top 100 had 20,338,759 addressable homes, up 6.11%. We estimate total addressable U.S. homes to be 22,308,000. (4) Homes passed were 88,456,161, up 0.3%. Basic-to-homes passed penetration increased to 61.5% from previous 60.8% and 59.5% ratios.

TKR Cable had biggest move in rankings, up 10 notches to 22. Gain reflected consolidation of Ky. systems held previously by Storer. Gone from Top 100 is Cardinal Communications (last ranked 67) which was acquired by Sammons (14). Rest of rankings were remarkably steady -- 41 were unchanged and most of others moved only 1 or 2 spaces.

Note: We continue to offer most up-to-date cable TV data available anywhere, based on our 45 years of tracking data on cable systems. Data are available for use on your own computers or as customized reports. We will be demonstrating services at Western Cable Show in Anaheim, Dec. 1-3: Booth 565, phone 714-490-2139. Attending for Warren Publishing: Art Brodsky, Gene Edwards, Karen Fahle, Mike Feazel, Lynn Levine.

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	16,735,000	220,000	2,577,000
2.	Time Warner Cable ^b	7,100,000	5,000,000 ^c	12,000,000	122,000 ^c	3,000,000
3.	Continental Cablevision Inc.	2,900,000	2,499,000	5,150,000	53,700	1,500,000
4.	Comcast Corp.	2,696,000	1,885,000	4,386,000 ^d	53,500 ^d	680,000 ^d
5.	Cablevision Systems Corp.	2,111,946	3,814,642	3,502,464	31,320	1,000,000 ^c
6.	Cox Cable Communications	1,740,980	1,238,025	2,811,892	26,462	692,684
7.	Newhouse Bcstg.	1,357,584	1,040,607	1,936,481	28,842 ^d	669,811
8.	Cablevision Industries Inc.	1,307,760	709,910	1,946,577	31,990	437,573
9.	Jones Spacelink Ltd.	1,300,000	946,526	2,007,580	28,000 ^c	499,800
10.	Adelphia Communications Corp.	1,297,093	633,144	1,857,705	23,000	648,906
11.	Times Mirror Cable TV	1,183,587	717,791	2,050,884	20,382	497,341
12.	Falcon Cable TV	1,100,303	403,519	1,280,241	26,826	382,685 ^c
13.	Viacom Cable	1,081,700	737,900	1,720,100	13,700	419,900
14.	Sammons Communications Inc.	1,025,000	679,843 ^c	1,504,467 ^c	17,379 ^c	377,000
15.	Century Communications Corp.	930,000	400,000	1,650,000	20,344	670,000
16.	Crown Media Inc.	826,704	483,671	1,547,632	30,075	485,000
17.	Colony Communications Inc. ^a	770,256	452,950	1,216,525	13,010	289,992
18.	Scripps Howard Cable Co.	686,359	600,327	1,131,199	18,234	272,000 ^c
19.	TeleCable Corp.	675,594	629,721	986,452	13,578	519,861
20.	Lenfest Communications Inc.	651,964	499,988	1,016,925	12,465	192,259
21.	InterMedia Partners	614,148	395,523	1,017,187	17,196	140,903
22.	TKR Cable Co.	600,498	503,324	890,529	9,449	139,000
23.	KBLCOM Inc.	590,122	588,345	1,184,377	9,837	271,970
24.	Maclean Hunter Cable TV	539,203	611,291	1,168,842	6,606	307,621
25.	Prime Cable Corp. ^f	523,322	479,436	1,133,471	8,187	490,000
26.	Post-Newsweek Cable Inc.	479,534	302,597	691,896	9,400	175,549
27.	TCA Cable TV Inc.	471,781	298,886	643,000	10,160	N/A
28.	Tele-Media Corp.	443,688	158,141	626,773	9,371	N/A
29.	Wometco Cable Corp. ^g	438,488	267,082	775,957	11,293	175,474
30.	Multimedia Cablevision Inc.	412,377	311,704	688,063	8,750	60,000

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Passed by Cable	Homes Miles of Plant	Addressable Homes
31.	Rifkin & Assoc.	371,411	210,518	532,750	9,200	2,400
32.	Triax Communications Corp.	340,113	166,721	525,691	12,615	20,000
33.	Western Communications	327,659	157,195	429,010	4,435	82,923
34.	C-TEC Cable Systems	252,441	176,113	413,869	9,302	177,288
35.	Columbia International Inc.	241,000	189,000	388,520	4,750	128,000
36.	Service Electric Cable TV Inc.	238,184	80,852	368,000	5,580	57,105
37.	Hauser Communications	232,199	229,403	396,617	4,085	152,000
38.	Harron Communications Corp.	224,322	141,586	326,198	5,865	112,282
39.	Greater Media Inc.	223,852	195,977	372,985	2,959	174,344
40.	Media General Inc.	216,910	192,876	321,509	4,185	198,272
41.	MultiVision Cable TV Corp.	211,963	155,902	362,826	3,583	129,424
42.	US Cable Corp.	205,878	118,457	344,023	4,954	120,000
43.	Fanch Communications Inc. ^c	200,000	80,000	280,000	N/A	N/A
44.	Armstrong Utilities Inc.	179,000	98,000	226,000	4,500	N/A
45.	Sutton Capital Group	175,700	167,000	272,000	2,455	149,500
46.	Simmons Communications Inc.	164,808	64,202	242,658	4,450	64,000
47.	Bresnan Communications Co.	158,198	85,866	232,350	4,489	8,023
48.	United Video Cablevision Inc.	152,104	78,925	214,742	6,213	36,080
49.	Northland Communications Corp.	151,799	46,155	210,820	7,500 ^d	9,435
50.	Summit Communications Group Inc.	151,727	92,391	232,984	4,151	5,483
Total—First 50		50,523,318	35,946,343	81,951,771	1,010,327	19,198,888

SECOND 50

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Passed by Cable	Homes Miles of Plant	Addressable Homes
51.	Blade Communications Inc.	148,235	67,764	224,000	1,900	107,500
52.	McDonald Group ^d	142,548	61,841	208,873	2,500	N/A
53.	Marcus Cable Partners L.P.	141,198	99,191	209,522	3,677	7,405
54.	Insight Communications Co.	140,000	89,000	280,000	4,500	37,000
55.	Booth American Co.	139,935	66,743	188,295	3,752	N/A
56.	Pencor Services Inc.	139,669	57,738	167,602	5,269	35,000
57.	New Heritage Assoc.	126,268	80,202	254,629	4,193	105,136
58.	Barden Communications Inc.	117,170	234,686	410,027	2,100	107,170
59.	Susquehanna Cable Co.	111,600	66,900	154,600	2,300	61,536
60.	Midcontinent Cable Co.	110,402	38,850	142,609	1,908	N/A
61.	Coaxial Communications	107,325	89,386	194,565	3,566	77,533
62.	WEHCO Video Inc.	107,022	47,039	145,000	2,400	0
63.	Prestige Cable TV Inc.	106,522 ^c	40,536	157,796	4,630	66,782
64.	Douglas Communications Corp. II	105,451	56,250	177,000	4,286	N/A
65.	Sonic Communications	104,484	47,741	170,920	1,796 ^c	30,000 ^c
66.	Chambers Communications Corp.	90,542	30,944	137,474	945 ^d	N/A
67.	Buford Television Inc.	88,484	61,356	159,120	6,029	10,199
68.	Helicon Corp.	82,504	29,000	112,142	2,568	20,000
69.	North Coast Cable	82,000	115,700	214,000	1,035	81,000
70.	Cablevision of Texas Ltd.	79,801	31,081	126,000	4,000	1,200
71.	James Cable Partners	78,947	29,471 ^c	127,231	3,425	N/A
72.	Masada Corp.	68,034	28,823	118,364	3,973	13,365
73.	Star Cablevision Group	65,934	48,046	106,892	N/A	N/A
74.	Leonard Communications Inc.	65,600	20,000	101,000	1,525	4,000
75.	Benchmark Communications	65,400	52,100	93,775	1,554	60,500
76.	State Cable TV Corp.	62,537	25,237	63,000 ^d	2,130	N/A
77.	Star Cable Associates	61,627	35,151	109,441	N/A	0
78.	Great Southern Printing & Manufacturing Co.	61,464	36,292	83,535	1,525	1,859
79.	Omega Communications Inc. ^d	59,387	24,000	98,000	1,950	N/A
80.	Wade Communications Inc.	57,000	89,000	166,000	523	57,000
81.	Twin County Cable TV	56,615	15,600	125,000	2,762	16,963
82.	Galaxy Cablevision	56,500	42,000	97,300	2,650	20,000
83.	Donrey Media Group Inc.	56,174	28,282	78,500	775	7,300
84.	Schurz Communications Inc.	55,797	39,395	74,692	880	32,061
85.	Rock Assoc.	55,500	43,100	81,400	1,100	4,500
86.	Cable America Corp.	54,789	41,952	120,153	2,350	24,502
87.	Americable International	54,198	30,528	113,970	1,301	22,000
88.	World Co.	54,136	14,838	66,337	975	18,000
89.	Verto Cable TV	54,000	24,000	79,000	932	4,100
90.	Bill Daniels	50,000	33,049	63,433	674	20,224
91.	N-Com	48,256	34,840	85,280	1,199	14,339
92.	Amzak Cable ^d	48,000	24,590	85,000	902	N/A
93.	Fairbanks Communications Inc.	47,360	20,231	71,000	890	9,860
94.	New England Cablevision Inc.	44,924	24,125	58,026	1,159	15,170
95.	Eastern Connecticut Cable TV Inc.	44,768	20,789	52,299	1,004	13,667
96.	Acton Corp.	43,623	35,539	70,075	850	0
97.	Nathan A. Levine	43,605	25,666	74,000	1,600	N/A

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Passed by Cable	Homes Miles of Plant	Addressable Homes
98.	WestStar Communications Inc.	43,419	20,342	63,453	918	2,000
99.	Community TV Corp.	41,500	21,000	65,060	1,331	20,000
100.	Telesat Cablevision Inc.	40,000	24,000	79,000	1,162	11,000
Total—Second 50		3,910,254	2,363,934	6,504,390	105,373	1,139,871
GRAND TOTAL—Top 100		54,433,572	38,310,277	88,456,161	1,115,700	20,338,759

^aNumbers represent TCI & consolidated subsidiaries where ownership interest is greater than 50% as of September 1, 1993. ^bIncludes Kansas City Cable Partners & Paragon Communications. ^cWarren Publishing's estimate. ^dAs of March 1, 1993 or earlier. ^eIncludes Copley Press Electronics Co. figures. ^fIncludes G. C. Assoc. figures. ^gIncludes Robert M. Bass Group figures.

VIOLENCE SUMMIT ASKED: Violence in America, with stress on televised violence, was subject of Nov. 22 meeting at Justice Dept. at which Sen. Conrad (D-N.D.) asked Attorney Gen. Janet Reno to call White House summit meeting on issue. "An epidemic of violence is sweeping this country," Conrad said after meeting, which also was attended by Deputy Attorney Gen. Philip Heymann and officials from Dept. of Health & Human Services and White House Office of Domestic Policy.

"People feel like prisoners in their own homes" because of violence, said Conrad. "It's time to act... TV violence is a part of that problem and should be addressed as a major component of the summit." He's leader of an antiviolence task force; 26 groups that are members of task force were represented at meeting with Reno. Said attorney gen.: "Everybody's at the same point. It's time to act and I think the industry can be persuaded."

According to participant at meeting, Reno asked group to "put your heads together" and come up with recommendations. Conrad said that would be done before Christmas. Reno said recommendations would be used by Justice in negotiations with industry on reducing violence. During meeting, recently adopted Canadian code on televised violence (TVD Nov 15 p5) was discussed favorably: "That seems like the way to go," we were told. Issued by Canadian Radio-TV Commission, code bans any depiction of "gratuitous violence" on TV. Such violence is described as any action that doesn't play "an integral role in developing the plot, character or theme of the material as a whole."

Said Conrad: "The Canadians have said enough is enough. No more glamorized depictions of violence. No more gratuitous violence. And especially, no more violence in children's programming. They've laid down a code with some teeth in it, and we can do the same." In testimony last month before Senate Commerce Committee, Reno endorsed legislation to control televised violence, saying such a law is "constitutionally permissible" (TVD Oct 25 p1) -- statement widely disputed by broadcasters and some public interest groups.

TV networks weren't told in advance of Justice meeting. "It isn't surprising," network official told us.

Membership in TvB continues to increase, with latest additions being 4 stations owned by Hubbard Bestg. and 2 by Media General. Media General stations: WCBD-TV (ABC) Charleston, S.C., and WJKS (ABC) Jacksonville. Hubbard: KSTP-TV (ABC) St. Paul-Minneapolis, WDIO-TV (ABC) Duluth, KOB-TV (NBC) Albuquerque, independent WTOG St. Petersburg-Tampa.

HOLLYWOOD SEEKS STAY: Hollywood Coalition to Preserve the Finsyn Rule asked 9th U.S. Appeals Court, San Francisco, to stay lower court ruling that terminated Justice Dept. consent decrees with ABC, CBS, NBC (TVD Nov 22 p3). Coalition had been denied permission to intervene in lower court and that's what's being appealed -- not decision itself, because Coalition wasn't party. Stay should be entered "as soon as possible, but in no event later than Jan. 1," Coalition said, because that's when networks will start buying programs for fall 1994.

Stay is necessary to ensure that if Appeals Court rules in favor of programmers on intervention issue, it "will not simply be a Pyrrhic victory," Coalition said. It said lower court's reasons for denying intervention "are inconsistent with... established precedent." Without stay, it said, intervention "will not remedy the irreparable harm that the Coalition's members and the public will suffer" if status quo -- which keeps networks out of domestic syndication of programming -- isn't maintained. Coalition also asked Appeals Court to expedite its appeal so that issue could be resolved before start of networks' buying season for fall 1995 schedule.

Paramount's "poison pill" antitakeover defense negotiated with Viacom is illegal, Del. Chancery Court ruled Nov. 24, but Paramount immediately said it would appeal. Del. Vice Chancellor Jack Jacobs granted QVC request for injunction to prevent Paramount from implementing stock option defense, which could add hundreds of millions of dollars to cost of Paramount takeover by anyone but Viacom. Jacobs did say, however, that Viacom would be entitled to \$100 million fee if anyone else buys Paramount. As result, Viacom extended its tender offer until midnight Nov. 26. Meanwhile, FCC granted both Viacom and QVC special temporary authority to transfer Paramount TV stations to trustees as part of their respective proposed takeovers of Paramount. Commission said grants were conditioned on each of trustees' taking steps to ensure complete insulation from their bidders and target company. Nynex finalized previously announced deal to buy \$1.2 billion of Viacom convertible preferred stock. Stock, which carries 5% dividend, can be converted to Viacom common at \$70 per share.

RTNDA Pres. David Bartlett sent all members of Congress analysis of impact of return of fairness doctrine on TV-radio and cable programming, along with letter urging that they reject attempts to codify doctrine into law. He said content regulations such as those in doctrine "constitute an unnecessary and unconstitutional government intrusion into the editorial process [and] would inhibit the kind of free and open public debate that it is intended to promote."

INFRASTRUCTURE BILL INTRODUCED: House Telecom Subcommittee Chmn. Markey (D-Mass.) Nov. 22 introduced legislation designed to open up local loop competition, protect universal service and allow telephone companies and cable companies full access to each other's businesses.

Bill (HR-3636) will start with firm base of support. Original co-sponsors include Reps. Fields (R-Tex.), senior Republican on Subcommittee, and Boucher (D-Va.) and Oxley (R-O.), who backed cable-telco legislation (HR-1504) that Markey praised as foundation for new infrastructure bill. Batch of other subcommittee members also signed on.

Many industry combatants said nice things about bill that even sponsors admit probably will undergo substantial revisions before passage. Nynex Vp Thomas Tauke, who attended news briefing at which bill was introduced, said that while it was "a good first step," changes should be made so that there would be "regulatory parity" between cable and telephone companies. He said telcos are bound by common carrier regulation for video services while cable companies, which are dominant in video field, aren't. There also are concerns about requirements for network unbundling, Tauke said.

NCTA Acting Pres. Decker Anstrom said his Assn. favored preemption of state and local laws that prevented competition for local service, but was concerned that telcos could enter video as soon as bill was passed. NCTA said there should be "carefully staged entry" into video based on size of telephone industry. Newspaper Assn. of America endorsed bill as providing competition in local loop, which would help newspapers enter electronic publishing. Consumer Federation of America legislative counsel Bradley Stillman said safeguards in bill didn't go far enough to "prevent greater monopoly abuses."

Markey predicted bill would become law by end of this session of Congress, at end of 1994, citing broad backing and fact that Vice President Gore was strong supporter of telco entry into cable while member of Congress. Also last week, House Judiciary Committee Chmn. Brooks (D-Tex.) and Commerce Committee Chmn. Dingell (D-Mich.) introduced their long-awaited bill to lift MFJ restrictions on RHCs (HR-3626).

Sponsors view their bill through prism of competition, as alternative to antitrust measure. Markey said that without program access safeguards in Cable Act, and without other protections, only alternative would be strong antitrust enforcement: "That [antitrust enforcement] is the thesis. This is the antithesis." He said antitrust was "too blunt an instrument" to be used in this instance. Oxley said antitrust approach would be "ill-advised." Boucher said those provisions are expected to blunt criticism that one company such as TCI has too much power in cable industry by opening cable to new competition. Markey said that without bans on cross-subsidy and requirement for separate subsidiary, Sen. Metzenbaum (D-O.) would be "right on point" in his objections to Bell Atlantic/TCI merger.

Markey said that he had talked with Metzenbaum following senator's call for new look at cable bill in light of rate increases, and that Metzenbaum was persuaded that FCC should be given opportunity to enforce regulations.

In prerecess rush, Congress also passed legislation to abolish abolition of Copyright Royalty Tribunal (CRT). Passage of CRT bill (HR-2840) came without recorded vote in either Senate or House. House actually passed 2 versions of bill, approving one (HR-897) on Nov. 20, before Senate

passed HR-2840 on Nov. 21. House returned to issue Nov. 22 to pass HR-2840 with Senate amendments. Senate made 8 relevant changes and tacked on provision dealing with use of alien longshoremen in Alaska. Newest version had several changes from earlier ones, including shifting effective date from Jan. 1, 1994, to date of enactment, and setting new rules for choosing arbitrators who would replace CRT.

Other actions in House included: (1) Passage of campaign finance bill (HR-3), 255-175, also on Nov. 22. Bill includes "communications vouchers" for candidates to be used to purchase TV or radio time, as well as print ads and postage, as well as rules to be followed by cable operators and broadcast stations when they carry commercials sponsored by independent political groups directed at candidate for House. Rules would require station to inform candidate of subject of attack and time and date of ad; script, tape or summary of ad; offer of equal opportunity for reply. House also set new rules for applying lowest unit rate, for dealing with situation in which scheduled political ad is preempted, new rules on radio advertising of credit transactions and other financial matters.

House on Nov. 21 passed measure (HR-3474) dealing with community development banking reform that would reduce requirements for information that must be contained in radio commercials dealing with loans, leases and deposit accounts. Bill instead would require that toll-free number be established to obtain information about rates involved in transactions. NAB Pres. Edward Fritts said legislation would end discriminatory ad requirements and open up new potential revenue stream.

Other bills introduced included: (1) Reps. Chapman (D-Tex.), Doolittle (R-Cal.) and Gunderson (R-Wis.) offered HR-3587 to amend program exclusivity rules to permit carriage of network programs from broadcasts within same state. (2) Rep. Baker (R-Cal.) introduced HR 3622, to repeal must-carry provisions of Cable Act. (3) Rep. Larocco (D-Ida.) and others offered HR 3657, to set rules for prices of leases of communications towers on public lands.

Loose-knit group of satellite industry players wants to make sure that satellites figure strongly in policy-makers' thinking on Clinton Administration's National Information Infrastructure (NII). Members of Satellite Superskyway Coalition -- "facilitator" Satellite Bestg. & Communications Assn. (SBCA), Comsat, Continental Satellite, GE Americom, Hughes, Loral, Society of Satellite Professionals International and U.S. Satellite Bestg. (USSB) -- plan to meet soon with govt. officials. SBCA Senior Vp Andrew Paul said satellite technology "excels in 2 important areas" -- rural applications and point-to-multipoint distribution. Paper describing 8-10 application examples of satellite technology in NII will be released soon -- perhaps within week.

GTE challenged FCC decision to withdraw waiver for Cerritos, Cal., cable operation (TVD Nov 15 p8) in suit filed in U.S. Appeals Court, San Francisco. Suit claimed that withdrawal of waiver violated telco's First Amendment rights, and that FCC exceeded its authority by making definition of "affiliate" more restrictive than that in 1984 Cable Act. FCC rescinded waiver on ground that GTE's construction contract with local cable company caused unnecessary affiliation between telco and cable operator.

National Empowerment TV, conservative satellite network run by Paul Weyrich, begins 24-hour operation Dec. 6. It will include news, documentaries, panels, call-ins.

WESTERN SHOW GROWING: Convergence of cable, telephony and multimedia is attracting new attendees "in droves" to Western Cable Show to be sponsored Dec. 1-3 in Anaheim by Cal. and Ariz. cable associations, organizers said. Preregistration is up 25% and group is projecting that attendance will top 13,000 this year, vs. 11,000 year ago. Much of growth reportedly is from telcos, Silicon Valley and multimedia companies. Exhibit space is up 6% to 129,200 sq. ft. Among major draws is on-line working exhibit of cable-based information network technology organized by CableLabs. CableNET 93 exhibit includes all building blocks of end-to-end information network, participation by all major cable equipment companies and several from outside industry.

Bell Atlantic Chmn. Raymond Smith will keynote with lunch speech Dec. 2 at Marriott Anaheim. Opening general session 10 a.m. Dec. 1 will be interactive, with each seat equipped with devices to communicate with panelists -- TCI CEO John Malone, News Corp. Chmn. Rupert Murdoch, Turner Bestg. Chmn. Ted Turner, 3DO CEO William (Trip) Hawkins. Closing general session 10:30 a.m. Dec. 3 includes Bell Atlantic Information Services Pres. Arthur Bushkin, Discovery Chmn. John Hendricks, Jones Chmn. Glenn Jones.

Other speakers: (1) Comcast International Chmn. Robert Clasen, Wharf Cable Managing Dir. Stephen Ng and United International Holdings Senior Vp Nimrod Kovacs at global partnerships session 1 p.m. Dec. 1. (2) Finance session same time with InterMedia Partners CEO Leo Hindery, Toronto Dominion Bank Managing Dir. Ian Crowe, Lazard Frères Gen. Partner Steven Rattner. (3) FCC technical session same time with NCTA Vp Wendell Bailey, FCC Emergency Bestg. Chief Helena Mitchell, FCC Cable Branch's Ronald Parver and John Wong. (4) Session on 500-channel environment 2:30 p.m. Dec. 1 with Rainbow Programming COO Joshua Sapan, USA Networks Senior Vp Andrew Besch, International Family Entertainment CEO Timothy Robertson. (5) Congressional staff panel same time with David Leach, Michael Regan, Cathy Reid, David Zesiger.

(6) General session 8:30 a.m. Dec. 2 on TV technology includes CableLabs Pres. Richard Green, Silicon Graphics Chmn. James Clark, Viacom Cable CEO John Goddard, Sega Group Vp Douglas Glen, Scientific-Atlanta CEO James McDonald. (7) Broadcast-cable partnership session 1:45 p.m. Dec. 2 includes Falcon Chmn. Marc Nathanson, Cablevision Industries Chmn. Alan Gerry, Fox Exec. Vp Preston Padden, ESPN Exec. Vp John Lack. (8) FCC staff session same time includes NCTA Vp Daniel Brenner, Comr. Duggan aide John Hollar, Mass Media Bureau Chief Roy Stewart and Deputy Chief William Johnson, Chmn. Quello aide Maureen O'Connell, Cable Div. Chief Alexandra Wilson.

(9) Multimedia session 9 a.m. Dec. 3 includes Continental Senior Vp David Fellows, Hewlett-Packard Gen. Mgr. Webb McKinney, Scientific-Atlanta Pres. Gary Trimm. (10) Session on reorganizing in regulated environment at same time includes Viacom Cable COO Garrett Girvan, Falcon COO Frank Intiso, Jones Pres. James O'Brien, Crown Media Exec. Vp Rodney Thole. (11) Legal affairs roundtables at same time include presentations on rates for program services and leased access, franchise renewals and transfers, signal carriage and copyright, alternate voice and data access rates, overbuilds, access to private developments.

USTA will move offices Dec. 6 to Suite 600, 1401 H St. NW, Washington 20005, phone 202-326-7300, fax 202-327-7333.

CABLE-TELCO TRIALS SET: In bid to demonstrate to regulators that technology is available for cable delivery of local and long distance telephony, MCI, Jones and Scientific-Atlanta will participate in telephony-cable trials in Alexandria, Va., beginning in March, and in Chicago area later in year. "MCI believes the benefits of competition should be available to consumers for local telephone services," MCI Senior Vp Nate Davis said.

It's not coincidence that first trial will be in Alexandria, where Bell Atlantic won right in court to overbuild Jones cable system, said James Krejci, pres. of Jones Lightwave, Jones' alternative access subsidiary: "There are a lot of reasons for Alexandria. Some are regulatory -- we want to demonstrate it to regulators. Also, Bell Atlantic said it wants to overbuild, and we want open competition." Alexandria test will be limited -- it will involve only about 50 employees of Jones and MCI and will affect only alternative access for MCI's long distance service because Va. won't allow local loop competition, officials said at Washington news conference.

Chicago trial will be larger and will include local loop competition, they said, since Ill. is one of few states that allows it. They wouldn't say how much consumers could save by using cable-based system, or how large Ill. trial is likely to be, but they said it will continue until it's feasible to launch full-fledged commercial service. Joint trials are only first step for Jones and MCI, officials said. Krejci said Jones expects to conduct similar deals with other telcos, and Davis said MCI is "talking to a variety of people about a variety of mechanisms for entrance into the local market." Other possibilities include expanded use of PCS, he said, but he refused to compare deal with AT&T/McCaw partnership.

Only limited regulatory approvals are needed for either test, Davis said, and no significant hurdles are expected. Alexandria trial doesn't even require Bell Atlantic cooperation, although Chicago probably will need local telephony to pass through Ameritech switches at some point. Davis admitted that companies "could meet some resistance" from Ameritech, but he said RHC's policy does indicate that connectivity "should be available and unbundled." Announcement "comes as absolutely no surprise," said Ameritech Vice Chmn. Louis Rutigliano: "It clearly is the direction that the communications marketplace is headed." He said Ameritech's only concern is that telco doesn't have same right to enter video business.

Trials will use Scientific-Atlanta's CoAccess network equipment, which includes box attached to customer's house that converts coaxial-delivered telephone signal for carriage on in-house twisted pair, allowing cable infrastructure to be used for 2-way carriage to headend, where it's fed into MCI or other telephony network.

Cable Transactions: Mid-American Cable Systems L.P. bought cable systems with more than 12,000 subscribers in Ill., Ind. and Ia. from Oak Cable Group for undisclosed price... **InterMedia Partners of Carolina L.P.** acquired system with 1,800 subscribers in Bennettsville, S.C., from Marlboro Cablevision, price not given... **Paragon** bought 4 systems with 1,000 subscribers in San Antonio suburbs from Advance Media Communications, Blanco Cable, Cibolo Creek Cable, RV Park Partners. Terms weren't disclosed. Broker in all transactions: Daniels.

Fujinon Bcstg. & TV said it received permission from Chinese govt. to establish satellite TV service to Asia July 1 over China Satellite 3.

NEW STUDY TO EXAMINE CONSUMER REACTION TO 'A LA CARTE' PRICING OF CABLE TV PROGRAMMING

Warren Publishing Inc. will publish *Cable A La Carte Pricing: Survey of Consumers & Operators, 1994*, a special study of consumer attitudes, as well as an analysis of cable operators' current practices and plans for a la carte. The study is to be available by March 1 from Warren's Market Research & Data Sales Div.

The *Cable A La Carte Pricing* analysis is the first of its kind to be available commercially and will include 2 main parts: (1) A sampling of more than 22,000 U.S. consumers across the country and across all demographics. (2) A survey of the top-50 cable MSOs, which account for about 88% of all cable subscribers, on their current a la carte activities and plans.

The consumer survey is being conducted by PNR & Assocs., which has done many consumer studies involving telecommunications markets and is a member of the National Telecommunications Demand Study consortium. The survey will determine such things as what percentage of nonsubscribers would subscribe to cable if a la carte pricing were available, whether existing customers would prefer a la carte options and whether they would expect to reduce their monthly bill using such pricing.

System operators and programmers will be able to use the survey to determine what price subscribers would be willing to pay for individual existing cable networks -- and for those that might be proposed. All results will be tabulated for demographic characteristics such as gender, household income, number of people in household, regional geography and ethnicity. The results also will be tabulated by such factors as whether respondents are early adopters, heavy TV users or subscribers to telephone custom-calling services, which also are offered a la carte. Consumers will be surveyed for such issues as their general attitudes toward cable and whether they would switch to an alternative video provider.

The MSOs will be surveyed to determine such factors as the percentage of subscribers who currently have access to a la carte pricing, the percentage of those who actually use it and how many operators will add a la carte in 1994. Operators will be polled on programming services they now offer a la carte and at what price, and which are most popular. The survey will examine operators' reasons for offering a la carte pricing, whether equipment purchases are necessary and what marketing methods are used.

Customized versions of the survey data targeted to specific towns, specific demographics or other groupings will be available from Warren Publishing and PNR after the survey is published. Full-color maps and raw data also will be available. Additional services could include consulting on project design and large-scale data synthesizing capabilities from Warren's Market Research & Data Sales Div. and from PNR. Prepublication price of *Cable A La Carte Pricing: Survey of Consumers & Operators, 1994* is \$1,995 -- Lynn Levine, 202-872-9200.

Compuserve and Prodigy are preparing to launch tests for delivery of their on-line services via cable to PCs. At Western Cable Show in Anaheim Dec. 1-3, Compuserve and Continental Cablevision are expected to announce plan to test former's service over Continental system in Exeter, N.H. System reportedly would use "Homeworks" cable modem unveiled by Zenith earlier this year. Delivery via cable is designed to significantly increase speed of services (about 50 times faster than 9600 baud modem most commonly used), with broadband carrier allowing for potential incorporation of full-motion video into on-line services. Meanwhile, Prodigy and Cox Cable announced test to begin this week through Cox's San Diego system, chosen because "a large part of the plant there already is 2-way capable," Prodigy spokesman said. Companies week ago had begun soliciting customers, who would pay only standard Prodigy charge for service; current Prodigy customers on Cox system who wish to test cable system would pay nothing extra. First part of test is "technical evaluation," to be followed by measurement of how much extra consumers would be willing to pay for enhanced Prodigy service. Participants in test, Prodigy said, "will be among the first to access an array of enhancements... such as photographs and video images displayed on their PCs." Spokesman said company "expects more [tests] down the road in 1994." He acknowledged logical step beyond that would be delivering service to TV set, but said availability of necessary 2-way hardware for TV is "a classic chicken-and-egg situation," with service providers and cable converter manufacturers needing each other to launch their next-generation products successfully. He expects advanced converters, such as those announced by Jerrold and Scientific-Atlanta, to "start to get out sometime next year," adding that Prodigy is "moving ahead with programming to take advantage of that." Robert O'Leary, Cox senior vp-operations, said company hopes Prodigy partnership "will teach us how best to develop the cable-PC link."

In petition to FCC, NAACP accused Fox Inc. of "flagrant violation" of agency rule that bars foreigners from owning more than 25% of U.S. TV stations. NAACP charged that while News Corp.'s principal owner Rupert Murdoch became U.S. citizen to acquire stations, they still are licensed to News Corp., Australian corporation. Non-U.S. citizens own 36% of News Corp., NAACP said. Petition asked FCC to bar Fox from its planned purchase of WGBS-TV Philadelphia.

Deadline for comments on FCC inquiry (MM Doc. 93-254) on whether limits should be placed on amount of commercial time TV stations could broadcast has been extended. Old deadline was Nov. 29, replies Dec. 14; new deadline for comments is Dec. 20, replies Jan. 5. Extension was sought by Silver King Communications, which said it has commissioned "several studies for submission in the record."

AT&T and Paramount jointly will develop pilot programs for interactive TV (ITV). Paramount will provide interactive pilots using AT&T software. First offerings will include interactive versions of Paramount's Entertainment Tonight and Madison Sq. Garden Sports Desk, with option of delivery over cable, telephone or satellite, AT&T said. No dates were given for product availability.

Canada's Le Groupe Videotron bought 80% of wireless cable operator Transworld Wireless TV-Tampa Bay, company that operates 5,000-subscriber system in Tampa. Videotron also formed joint venture with Transworld parent Transworld Telecommunications Inc. to buy and develop U.S. wireless cable systems. Deal also calls for adding Videotron interactive technology to wireless cable systems.

Grupo Mexicano Telecab (GMT) formed joint venture with Duhamel Bestg., Falcon Cable and San Francisco investment firm Hellman & Friedman to expand and operate cable systems in Mexico. GMT owns systems in 16 Mexican cities, and joint venture calls for new partners to pump in additional \$20 million capital per year through 1998, as well as management expertise. GMT said it expects to expand subscriber base to 500,000 from current 87,000 over 5 years, and to add new program services, primarily for Baja Cal. Norte and Chihuahua.

Crane Media Sales plans to relaunch CableOne service, which allows advertisers to place single order for ad time on several cable networks. CableOne was started in 1987 by Foote, Cone & Belding and consortium of 14 cable networks, but was phased out. Trademarked franchise was bought by Crane. "Considering the large number of existing cable networks and dozens more that will be launching over the next 36 months, [we] felt that the time was right to reestablish an efficient way for national advertisers to supplement and increase their cable spending," Pres. Albert Crane said.

Hughes Aircraft direct broadcast satellite (DBS) was flown to French Guiana last week in preparation for Dec. 17 launch. DBS-1 satellite will carry sixteen 120-w transponders capable of delivering 70 channels of programming for Hughes' DirecTV as well as U.S. Satellite Bestg. programming, scheduled to be available in U.S. in April 1994. Second Hughes satellite is scheduled to be launched in mid-1994 to carry rest of 150-channel DSS (Direct Satellite System). Heart of new DBS offering is receiver and 18" dish that at start will marketed exclusively by Thomson under RCA brand.

IRTS is dropping its individual identity and combining with its Foundation into single organization known as IRTS Foundation. In letter to members, IRTS Pres. Peter Lund and Foundation Pres. Thomas McKinney said: "As we developed our program offerings... we discovered that all the Society's activities would qualify as charitable and educational, and therefore meet the very mandate of [the] Foundation." As now organized, Foundation and Society have separate boards that will be combined in new organization "for purposes of efficiency, cost savings and fund raising."

FCC should pick and choose among cable systems with less than 30% subscriber penetration to determine which should be included in calculations to set cable rate benchmarks, GTE said in comments supporting Nynex petition for reconsideration. GTE cited earlier arguments that including all such systems artificially inflated cable rates used to set benchmarks, allowing systems to charge unfairly high rates. FCC had held that 1992 Cable Act mandated including all sub-30% systems in calculations. However, GTE said Congress didn't expect agency to include all such systems, including those charging exorbitantly high rates, that contributed to low penetration: "The Commission's mediating task should be to examine individually the sub-30 systems" and use its judgment to include those that are truly competitive in calculations, while excluding rest.

Hughes announced contract to build HS 601 satellite for Hong Kong-based APT Satellite. Apstar II -- 2nd satellite ordered from Hughes by APT -- will carry 26 C-, 6 Ku- and 2 high-power Ku-band transponders for mostly TV traffic and is scheduled for launch in Dec. 1994. Turner International has expressed interest in using satellite to serve China.

Cable ratings increased slightly in Oct., despite first impact of must-carry and retransmission consent, Cable Ad Bureau (CAB) said. Total-day ratings for basic cable inched up to 7.4 in Oct. from 7.3 year ago. CAB Pres. Thomas McKinney said growth occurred despite "sudden and significant upheavals" caused by carriage issues, and group expects cable viewership gains to accelerate in next few months.

Scientific-Atlanta said it will pay \$14 million to settle long-running stockholder suit involving 1981 decision to abandon sales of set-top converter box. Company said it will write off \$17.5 million, including litigation costs. Suit, filed in 1988, alleged that S-A had misled investors in \$50-million stock offering in 1981 by failing to tell them that box might be discontinued. S-A consistently has denied claims, but said settlement avoids cost and risk of jury trial.

Ia. Supreme Court ruled that WOI-TV Ames-Des Moines, ABC affiliate owned by Ia. State U., could be sold to Capital Communications for \$12.7 million. On appeal by citizens' group, lower court had invalidated sale, saying University's board of regents didn't have authority to sell station. That decision was appealed by regents. Capital is controlled by Lynch Corp. and Philip Lombardo.

Program Notes: TCI and IT Network agreed to joint test of IT's Interactive Channel on TCI cable systems, with details to be announced... **Court TV** said it earned 0.8 rating between noon and 8 p.m. in Oct. Nielsen People Meter sample, and 0.5-0.7 in other dayparts. Noon-8 p.m. rating would place it 4th among basic cable networks.

OmniAmerica Communications is buying 2 FM stations -- WAPE and WFYV Jacksonville -- from Evergreen Media for \$19.6 million cash. Evergreen said it plans to concentrate on acquiring duopolies in major markets (it now has one in Chicago). Recently formed OmniAmerica also is buying 3 radio stations in Cleveland and 3 in Columbus, O.

United International Holdings bought 50% of Chilean cable company Cablevision S.A. for undisclosed price. Firm operates 8,000-subscriber system in Vina del Mar and Valparaiso, holds minority interest in Cablevision Norte S.A., which has license for La Serena and Coquimbo. Four towns represent potential market of 220,000 households.

NBC is holding talks looking toward investing in Asian TV, Reuters said, quoting NBC Pres. Robert Wright. He also said NBC would like to launch satellite TV serving Asian countries, but gave no details. NBC recently acquired control of Super Channel, satellite and cable service in Europe.

National Technical Information Service released 5th edition of Directory of Federal Laboratory & Technology Resources. Its 736 pages list more than 1,900 govt. labs, describes capabilities of each, provides name and telephone, contact list of all federal technology transfer offices. It's \$65 -- 703-321-8547.

Scientific-Atlanta formed joint venture with Antec to distribute cable products in Latin America. New venture, Comunicaciones Broadband, S.A., will be equally owned, with hq in Miami. David Morales of S-A will be pres., Eric Perbohner of Antec exec. vp.

Crown Cable bought Cal. cable systems with 4,050 subscribers from KTS Corp. for undisclosed price, broker Communications Equity Assoc. reported. Systems in L.A. County and city of Duarte pass more than 10,000 homes.

Personals

McAdory Lipscomb promoted to exec vp-gen. mgr., Showtime Event TV Pay Per View... **Hank Ratner** advanced to exec. vp-legal and business affairs, Rainbow Programming Holdings... **Robert Blay** promoted to vp, Action Pay Per View... **Rich Bradley**, Empire Sports Network, joins Sunshine Network as asst. gen. mgr. Jan. 1... **Jeff Butler** appointed Northern Cal. Bay Area mgr., Century Communications... **Joe Mack** advanced to Harris Allied mgr.-system sales... **Tammy Lindsay**, ex-GTE Fla., appointed dir.-communications, Time Warner Cable's Full Service Network.

August Fischer promoted to CEO, News International, operating company for News Corp. in U.K... **Charlotte Savitz**, producer, appointed dir.-daytime programs, NBC Entertainment... **Robert Danielle** promoted to program dir.-operations mgr., KSTW Tacoma-Seattle... **Deborah Collura**, ex-news dir., KSTP-TV St. Paul-Minneapolis, named to same post at WTVJ Miami... **Joe Berini**, ex-WNYW N.Y., appointed dir.-engineering, WNBC-TV N.Y... **Angela Jaramillo**, program dir. of Griffin TV's KWTW Oklahoma City, promoted to dir.-programming, Griffin TV.

President Clinton nominated **John Loiello**, Gowran International consulting pres., to be USIA assoc. dir.-educational and cultural affairs... **Larry Irving**, NTIA asst. secy. for communications & information, gives keynote address at MSTV 7th Annual HDTV Update, "Alliances for the Future," Nov. 30, 12:45, Omni Shoreham, Washington... FCC schedule: **Helena Mitchell**, Emergency Bcst. System chief, and **John Wong**, asst. chief, Cable TV Branch, participate on Western Cable Show panel, "FCC/Washington Update," sponsored by Society of Cable TV Engineers, Dec. 1, Anaheim Convention Center, Rm. A10, Anaheim, 1-2:15 p.m.

Cable systems will be able to use different rate-justification mechanisms for basic and expanded basic tiers after first year, FCC said in decision. Commission earlier had concluded tentatively, for example, that operator that uses benchmarks on basic also must use them for expanded basic and for cost-of-service. New decision said systems can split their methodology after first year. FCC said same-method approach is needed for first year because it eliminates incentive for cable operators to shift costs among tiers to detriment of customers.

Montgomery County (Md.) Council approved sale of Hauser cable system to Southwestern Bell-Media Ventures (SBMV) for \$530 million. County Exec. Neal Potter had recommended approval in Oct. after receiving SBMV assurances that rates wouldn't rise any more than they would have under old ownership. County also will receive \$6 million from Hauser to improve "G-Net" system, which connects police, fire and emergency services.

TVN Entertainment signed contract with Turner Bcstg. to distribute Cartoon Network, CNN, Headline News, TNT and Turner Classic Movies on direct-to-home. Services will be offered individually and in packages.

BMI and Radio Music License Committee reached agreement on new blanket and per-program licenses for radio stations, retroactive to Jan. 1, 1992, expiring Dec. 31, 1996. Terms weren't announced.

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Washington-based African American Business Assn. has asked FCC to revoke license of Infinity Bcstg.'s WJFK(FM) Manassas, Va., for what it said were racist comments made on Howard Stern Show. Assn. also asked Commission to deny Infinity's proposed purchase of black-oriented WPGC-AM-FM Washington. Assn. attached nearly 500 pages of statements made on Stern program since Oct. 1991, charging show "is so full of extreme, sick racial stereotypes that these transcripts must be read to be believed." Petition also accused WJFK of violating FCC's EEO rules, said complaint isn't connected to indecency fines against Stern program.

Fiftieth-ranked cable MSO could join list of those up for sale. Summit Communications, which has 151,727 subscribers mainly in Atlanta and Winston-Salem areas, said it's considering several alternatives including sale of company. Pres. James Wesley said Summit, which also owns 7 radio stations, may be too small for cable business, "given the increasing consolidation in our business." Gordon Gray Trust owns 94% of Summit and made decision to consider alternatives. Trust said alternatives could include "change of control of Summit, or the divestiture of some or all of the company's cable and/or radio assets."

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	NOV. 6-12	1992 WEEK	% CHANGE	OCT. 30- NOV. 5	44 WEEKS 1993	44 WEEKS 1992	% CHANGE
TOTAL COLOR....	571,595	587,010	- 2.6	409,498	20,907,068*	18,663,573	+12.0
DIRECT-VIEW..	562,547	580,011	- 3.0	401,832	20,539,483*	18,335,734	+12.0
TV ONLY.....	526,966	558,564	- 5.7	375,538	19,293,633*	17,585,719	+ 9.8
TV/VCR COMBO	35,581*	21,447	+65.9	26,294*	1,245,850##	750,015	+66.1
PROJECTION...	9,048	6,999	+29.3	7,666	367,585*	327,839	+12.1
VCR DECKS.....	226,322	283,272*	-20.1	138,186	10,376,271*	10,364,207	+ 0.1
CAMCORDERS.....	45,689	60,313	-24.2	32,261	2,580,536*	2,331,566	+10.7
LASERDISC PLYRS**	1,850	1,893	- 2.3	4,037	179,749	177,116	+ 1.5

Direct-view TV 5-week average: 1993--652,382*; 1992--552,443 (up 18.1%).

VCR deck 5-week average: 1993--307,948*; 1992--365,905 (down 15.8%).

Camcorder 5-week average: 1993--76,193; 1992--73,846 (up 3.2%).

* Record for period. ## Exceeds full year 1992.

** Includes combi players, excludes karaoke types.

MARKETER/ENGINEER YANKOWSKI TO HEAD SONY ELECTRONICS: Carl Yankowski, Polaroid executive with reputation as troubleshooter and background in both marketing and electrical engineering, this week becomes pres.-COO of Sony Electronics, post that has been vacant since April 1, when Ron Sommer left to become pres. of Sony Europe (TVD April 5 p13). Sony Electronics encompasses engineering, manufacturing, sales and marketing of electronics hardware and recording media.

Yankowski, who was appointed group vp for Asia-Pacific Region earlier this year as Polaroid sought to fend off Fuji charge in lucrative film business in Japan, has background in industries associated with consumer electronics as well as in specialty brand-name consumer marketing. Before joining Polaroid in 1988, he served with GE and Memorex, and earlier was with Pepsi-Cola, Procter & Gamble, Cadbury Schweppes. At Memorex in 1976, he was Audio Div. product mgr. and earlier was head of new product and acquisition activities. He's MIT graduate with simultaneous degrees from Sloan School of Management and Electrical Engineering Dept.

Change appears to signal break with past in terms of bringing in outsider with both marketing and technical background. "He is a very, very bright man who is a good delegator and real cerebral thinker," said Don Patrican, Polaroid mktg. mgr. for special accounts, who worked under Yankowski in 1988-1990. "He can put all the parts together conceptually and then do what it takes to move [the project] along."

Yankowski was one of very few outsiders brought into Polaroid, Patrican told us. "I think Carl was brought in to get some fresh thinking in the company at a time when we had just fought off a hostile takeover... We were trying to move with the flow of electronic imaging along with maintaining our strength in photography. He put us on the right track..." He also was responsible for expanding Polaroid's basic consumer photography market.

Michael Schulhof, Sony Electronics chmn. and pres.-CEO of umbrella Sony Corp. of America, sounded similar theme: "With this strong combination of technical and brand-name marketing expertise, Carl will add valuable diversity to the Sony Electronics management team in an era of expanding opportunity. His mandate will be to help Sony electronics continue its growth both through traditional avenues and new cross-marketing initiatives with Sony Pictures, Sony Music and Sony Electronic Publishing."

Sony Electronics is divided into Sony Engineering & Mfg., headed by Kuni Ando, who will continue to report directly to Schulhof; Sony Sales & Mktg. of America, under Deputy Pres. John Briesch, who presumably now will report to Yankowski; Sony Recording Media of America. Sony Software Corp. is separate entity from Sony Electronics, both under Sony Corp. of America.

Former Sony executive told us company appears to be looking for "someone from the outside with international business experience," adding: "It's a huge corporation and Sony is into constant change. Any time you bring a guy into a major corporation you have to believe that he is going to bring in some of his people -- so there could be more changes coming."

NAFTA COULD AGGRAVATE PICTURE TUBE SHORTAGE: As consumer electronics companies pondered effects of N. American Free Trade Agreement (NAFTA) on their future, most last week declined to forecast results or reveal plans to take advantage of situation, saying they were "studying" possibilities. However, as result of new tariffs in agreement (TVD Nov 8 p8), it seems highly likely that already severe picture tube shortage could become worse in years directly ahead as demand for domestic tubes increases and use of foreign tubes becomes more costly.

Currently, picture tubes imported from Far East (or elsewhere) into Mexico's border zone aren't subject to Mexican duties as long as they're built into TV sets that are exported to U.S. When TV sets themselves are exported here, foreign content is dutied at 5%. U.S. tariff on foreign TVs is 5%. Under NAFTA, 5% duty on TV sets from Mexico will be eliminated Jan. 1 -- with major exception. Based on sliding scale to be phased in over few years, picture tubes over 13" imported from non-N. American countries will be subject to Mexican duty of 15%. In addition, inclusion of foreign picture tube will subject entire set to 5% duty, in effect adding 11-14% to cost of set.

To be considered of N. American origin, tube must have either N. American funnel or N. American front panel assembly. Tube rule is designed to go into effect gradually. In 1994, total of 1.2 million foreign tubes will be permitted to go through Mexico and to U.S. or Canada without 15% duty (but still subjecting set to 5% U.S. duty), number dropping to 800,000 in 1995 and by 200,000 each year thereafter until 1999, when no tubes will be allowed without duty. However, program will be accelerated by any increase in tubes over 13" produced in Mexico. Thus if Mexico in 1994 produced million more such tubes than it does now, quota of duty-free tubes would end in 1995.

Mexico currently has only one picture tube producer -- Thomson's RCA plant in Mexico City -- which normally supplies Mexican and Latin American market (but supplied U.S. after Thomson warehouse fire in Marion, Ind., this year). That plant is believed to produce about 500,000 tubes per year in 19, 20, 26 and 27" sizes. Industry estimates that 1.8-3 million tubes are imported here from Far East (in TV sets) through Mexico.

With TV sets being sold here at record rate, all tube and glass manufacturers are operating at capacity. Glass appears to be major bottleneck, and 2 independent N. American suppliers -- Corning Asahi and O-I/NEG -- say they have no concrete plans for expansion. Even if they should decide today to increase production capacity, it would take 18 months to 2 years to get additional glass into production. Thomson has own glass plant, but also relies on outside suppliers. All tube makers now are using some imported glass to supplement short supplies, which earlier hit 25" and currently are having effect on 19" availability.

O-I/NEG probably will expand U.S. glass production at its plants in Pittston, Pa., and Columbus, O., as result of NAFTA, Sales & Mktg. Vp Lawrence Weaver indicated, but added capacity won't be felt before 1995. Company's existing capacity is estimated at about 10 million funnels and 10 million panels annually. Corning Asahi Business Mgr. Willard Boyer said it would take 2 years before any new plant could start producing "significant quantities" of glass. He saw no immediate changes, but added: "I think it does change the long-range outlook for glass and tube makers in North America, and I guess people will be aggressive to take advantage of the benefits" of NAFTA.

Zenith already has expanded tube production capacity as result of increased orders received in anticipation of NAFTA, Chmn.-Pres. Jerry Pearlman told us. Despite shortage that has resulted in allocation of 19" tubes, he said company's annual capacity at Chicago plant has been increased to 4 million from 3.6 million with addition of 2nd shift, involving hiring of 235 more employees.

Projection TV tubes are subject to same rules as direct-view tubes under NAFTA. That may be at least partly responsible for decision of Sony and Hitachi to move manufacture of those tubes to U.S. from Japan.

Industry sources indicate Matsushita also may be moving projection tubes to its plant in Troy, O., but company sources were unavailable for comment by our deadline, day after Thanksgiving.

Among other NAFTA provisions affecting color TV: In 1999 and after, all sets over 13" assembled in Mexico must have both N. American tubes and chassis to be admitted to U.S. or Canada duty-free. Sets with tubes 13" and under may have foreign picture tubes without penalty (none are made in N. America), but must have N. American chassis. Mexico's 20% import duties on color TVs from U.S. and Canada will be phased out in stages of 4 percentage points annually for 5 years.

Requirements will be slightly stricter for HDTV sets. Agreement provides their picture tubes must have both N. American funnel and front panel assembly to get duty-free entry into Mexico and U.S. and sets must have N. American chassis in 1999 and after. In addition, they will be required to have either 50% N. American content or half of custom semiconductors made in N. America.

No U.S. manufacturers we contacted indicated they would enlarge their Mexico border facilities -- obviously touchy subject. Zenith, in fact, said through spokesman that it's decreasing employment in Mexico through "major reengineering, elimination of non-value-added functions," more automation. With gradual elimination of Mexican duties on imported color sets, Zenith's Pearlman said he expects NAFTA to "give us a much stronger position in Mexico, and disadvantage Asian sets," which will continue to be dutiable there at 20%.

Other manufacturers were less specific on plans. Spokesman for Matsushita, believed to be only company building TVs in Mexico below border zone for domestic consumption there, said: "We don't expect any appreciable impact on the way we do business. We hope to be able to open [Mexican market] to some of our product," presumably from U.S. and Canada.

Spokesman for Thomson Consumer Electronics noted that its RCA brand isn't represented on Mexican TV market and said "we intend to begin selling TV sets there." Sony, too, expects agreement to "open the market for U.S. goods," and looks forward to "growth in all 3 countries participating in NAFTA." Virtually all TV makers selling in U.S. have plants in Mexican border area, facilitating shipments to population centers in Mexico. Currently, if set is shipped from border area to Mexican marketing channels, 20% duty must be paid.

One official of major U.S. company expressed view that protectionist aspect of NAFTA could backfire on tube manufacturers -- particularly in view of tube shortage here. "If set makers find they now must pay a hefty increase on tubes imported from the Far East, [along with 5% duties on their sets containing those tubes], why not move their plants to Singapore, Malaysia or Thailand, make the whole set there and import it into the U.S. at 5% duty?" He wondered aloud: "Are we chasing big-screen TV set manufacture offshore?"

9-MONTH IMPORTS UP -- EXCEPT VCRs, CD PLAYERS: Reflecting firmness of sales on U.S. market, imports of most major consumer electronic products were up for year's first 9 months -- color TV rising 8.8%, monochrome 8.1%, camcorders 15.8% -- but VCRs lagged last year by 5.8% and CD players were off 14.4%.

In Sept., color imports were up 11.7% over Sept. 1992. It was 8th month of increases this year -- color resuming climb after 2.8% dip in Aug. (TVD Oct 25 p14). However, only 3 major source countries shared in gain -- Mexico, up 33.1% over year earlier, Thailand up 24.4%, Malaysia up 9.1%. Declines in imports from most other countries were sharp -- China down 32%, Korea down 32.2%, Taiwan down 29.3%, Japan down 34.2%, Singapore off 75.4%. For year's first 9 months, same countries posted declines and Canada registered 10.8% gain. Mexico, as usual, dominated imports, with 67.5% of total in Sept., 63.7% in first 3 quarters.

Monochrome TV shipments were up for full 9-month period, but down in Sept., China increasing lead as point of origin for product most countries no longer want to make or ship. That country supplied 57.1% of all b&w sets in first 9 months, but 72.1% in Sept. Imports from all other traditional monochrome suppliers were down for both periods.

Flat-panel color TVs, presumably most or all LCDs, continued to show big gains, and were up 76.3% for first 9 months. While 73% of total came from Japan, new sources are Malaysia, Singapore and China, with minor amount from Mexico.

VCR imports continued to lag 1992, down 5.7% for 9 months and 9.9% for Sept. In first 3 quarters of 1993, 31.8% came from Japan, 25% from Korea, 20.8% from Malaysia, rest from Indonesia, Thailand,

Singapore, China and Taiwan, in that order. VCPs showed 55.5% gain in first 9 months. Although Japan was dominant for total period, in Sept. it fell to 4th place, behind Korea, Malaysia, Thailand.

Although total camcorder sales were up 15.8% in 9 months, 8mm shipments were down 1.3% and "others" up 28.8%. Same pattern has persisted through year, with 8mm down 6.4% for Sept. while others were up 23.8%. In Sept., 39.1% of camcorder imports were 8mm, while figure was 36.6% for full period. Japan retains lock on camcorders, was source of 94.1% in first 3 quarters, 91.9% in Sept. Only other source of any consequence is Korea, with tiny amounts coming in from Malaysia and Singapore. Korea supplied 5.4% of total in full period; in its shipments, VHS (including C) outnumbered 8mm more than 10-1.

CD player imports continue to sag. While Japan still is dominant supplier, its share is shrinking, with Malaysia, Singapore, China, Korea and Mexico among runners-up. Among dark horses with small shares are Hungary (possibly from Philips, which has plant there), Germany, Philippines. Belgium, formerly source of several thousand monthly, has dropped out as Philips ended player production there.

Table below shows color TV imports for year's first 9 months by screen size, including comparisons with same 1992 period. Bear in mind that table is based on Commerce Dept. figures, which are subject to errors and misclassifications. Screen sizes in Commerce figures are in centimeters, as decreed by U.S. law mandating metric figures for foreign trade. Unfortunately, categories overlap and translation to inches is approximate, at best.

Size or Type	Total	% Change	% of Total		Dominant Source
			1993	1991	
8" & under.....	110,500	-14.7	1.3	1.7	China
9-10".....	413,300	+24.8	4.7	4.0	Thailand
11-12".....	642,300	+59.4	7.3	5.4	Mexico
13".....	2,480,600	- 5.2	28.1	33.5	Mexico
14-18".....	21,800	-92.3	2.5	3.1	Korea
19".....	2,242,800	+0.9	25.4	27.4	Mexico
20".....	1,352,400	+16.5	15.3	15.7	Mexico
21" & over.....	1,298,900	+100.3	14.7	3.1	Mexico
Combinations.....	136,400	+ 8.1	1.5	2.8	Malaysia
Monitors.....	78,400	- 7.2	0.9	1.6	Malaysia
Unclassified.....	55,300	-47.8	0.6	1.6	Mexico
TOTAL COLOR ...	8,833,700	+ 8.8	100.0	100.0	Mexico
TOTAL B&W.....	1,518,500	+ 8.1	100.0	100.0	China

Here's summary of Sept. and 9-month imports for 1993, with comparable periods in 1992:

Product	Sept. 1993	Sept. 1992	% Chg.	9 Mo. '93	9 Mo. '92	% Chg.
Color TV.....	1,210,250	1,083,000	+11.7	8,883,700	8,116,000	+ 8.8
Monochrome TV....	216,700	231,000	- 6.2	1,518,500	1,405,100	+ 8.1
Flat panel color..	101,700	83,600	+21.6	481,400	273,100	+76.3
VCR decks.....	1,439,400	1,597,800	- 9.9	10,227,400	10,842,200	- 5.7
Camcorders.....	363,100	330,400	+ 9.9	2,356,100	2,033,800	+15.8
8mm.....	142,100	151,900	- 6.4	863,000	874,300	- 1.3
Other.....	221,000	178,500	+23.8	1,493,100	1,159,500	+28.8
Videocass. players	93,800	90,400	+ 3.2	697,800	448,800	+55.5
CD players.....	788,800	1,008,000	-21.7	5,877,500	6,867,300	-14.4

Matsushita's Chinese VCR parts venture (TVD Oct 4 p14) has 9 customers there, 7 of which already have contracts to buy components and know-how from other Japanese manufacturers. Matsushita plant in Dailan is owned jointly with 10 Chinese companies, including the 9 customers. There reportedly are 11 VCR producing companies in China, including one Sanyo joint venture.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 108 yen = \$1, except where noted.

COMPTON'S PATENT CLAIM HIT: Although Compton's NewMedia (CNM) tried to put most benign face possible on its claim of basic patent for multimedia search system (TVD Nov 15 p16), it faces tough battle with publishers and developers -- particularly major corporations with deep pockets and large legal staffs. CNM's claim also is giving renewed urgency to effort by software groups to improve what they view as haphazard patent process involving software.

For now, though, issue has receded into netherworld of study and evaluation by corps of executives and attorneys. Patent can't be challenged until Compton's actually tries to enforce it by demanding money.

Spokesman for Microsoft, which is making major move into multimedia software publishing, said only that company's lawyers "received the patent and are studying it." Like others, he said Compton's "hasn't contacted us," and Microsoft found out about CNM claim "when we read about it in the papers." Other major publishers made similar comments. CNM spokeswoman said company is "aggressively informing" market of its claim, putting information on line with Compuserve and Ziffnet, and mailing dozens of copies to industry executives.

Industry associations aren't opposing CNM effort directly, but are trying to rectify what they see as flawed process in which existence of "prior art" is overlooked or misunderstood by Patent Office. Kenneth Wasch, exec. dir. of Software Publishers' Assn. (SPA), said CNM episode spotlights "continuing problem with the patent system as it applies to software," noting that in Compton's case, "like every other patent granted for software, the issue in question is prior art."

Joseph Clark, chmn.-CEO of Videodiscovery, educational multimedia developer and board member of International Multimedia Assn. (IMA), said that while group "cannot take a position" on CNM, it's "trying to work at the top levels to improve the process." He said examiners from Patent & Trademark Office (PTO) need to better recognize true innovation. "There are efforts going on now to orient them more to what our business is about," he said, adding that "if there was a [solid] database about prior art, this never would have been granted."

Thomas Lopez, chmn. of Mammoth Micro Productions and pres. of IMA, said PTO should form industry commission to study pending patents. "Until the Patent Office is able to build its library of prior art and incorporate the unique expertise required to examine multimedia software patent issues, this would be the best way to ensure that the patents hold up to close examination from those who understand the industry and technologies the best," he said.

Wasch took some heart in noting that Bruce Lehman, who became head of PTO in Sept., is former lobbyist for SPA with strong understanding of software issues. Lehman, as counsel for House Judiciary Committee, was panel's "principal legal adviser in drafting the 1976 Copyright Act and 1980 computer software amendments," according to biography issued when he was sworn in.

Meanwhile, CNM Pres. Stanley Frank and Exec. Vp-Gen. Mgr. Norman Bastin -- 2 of 14 "inventors" listed on patent application -- insisted to media, developers and publishers at sometimes contentious Comdex news conference that CNM's intent to enforce its patent is meant not to limit multimedia marketplace but rather to foster industry growth. Although only one of options CNM outlined involves direct payment of

royalties, company clearly is using patent as velvet-gloved fist guiding developers toward other revenue generators.

As outlined at conference, CNM plan includes free license to developers that: (1) Enter strategic joint ventures with CNM. (2) Agree to develop product with SmartTrieve by buying Smartkit Developers Toolkit. (3) Sign up for distribution through CNM's Affiliate Label program.

Those choosing none of above will be asked to pay royalty of 1% on net cash receipts -- early bird rate that applies only to companies signing agreements before June 1, 1994. After that, royalty jumps to 3% net -- "essentially a punitive thing," Bastin told us.

"We want to grow this business," Bastin said. "It isn't our goal to be exclusionary in executing our patents and rights. We aren't saying we invented multimedia. We are saying that we developed a way to maximize its potential, and that's what the patent recognizes. It seems to me that some people expressing anger are angry that we were smart enough to patent it."

EMERSON'S 'BIG WIN' IN COURT: Management team at Emerson last week hailed what Exec. Vp Eugene Davis called "very big win" in battle for reorganization. Judge Novalyn Winfield of U.S. Bankruptcy Court in Newark handed down ruling in closed session that essentially would bar consideration of any other bankruptcy plan before creditors have chance to vote on one submitted by management-backed group, Davis said.

Under that plan, Emerson's largest stockholder, Fidenas Investments Ltd., would make new \$75-million investment partly in exchange for new stock. Creditor banks already have agreed to accept that \$75 million plus certain assets and equity in reorganized company as payment in full (TVD Oct 18 p11, Sept 20 p16). However, insurance companies, which are owed \$55 million, didn't accept plan and asked court to let them submit alternate plan.

Davis said Judge Winfield ruled no alternative plan could be filed during "exclusivity period," in effect barring any other proposal from creditor voting, scheduled after period ends March 31.

That prevents insurance company creditors from "shopping the company, letting our trade secrets out so others could make a bid," he said. Ruling means "we're the only game in town" as far as creditors are concerned.

"This is a bigger win than we could have imagined," Davis said, noting that judge read long statement that he interpreted as extremely reassuring to management. "She didn't confirm our plan, but in effect said she didn't see anything unconfirmable. During the time [until March 31], no competing plan will be allowed." Because court proceedings were closed to avoid revealing confidential information, it has made no official announcement. Whether court will release decision or any information is up to Judge Winfield.

One of major selling points of Emerson-Fidenas plan was that it was prestructured and preapproved by biggest creditor group (banks) before it actually was submitted, and that it would permit Emerson to carry on business normally during reorganization. Donald Dvorkin, exec. vp, domestic sales and distribution, and Gerald Calabrese, mktg. and sales vp, both told us business is proceeding on plan and praised cooperation by dealers and suppliers.

NEG BUYS O-I GLASS OPERATION: Nippon Electric Glass (NEG) has completed purchase of Owens-Illinois' (O-I) 50% stake in OI/NEG TV Products for \$100 million, giving Japanese company full ownership of largest U.S. manufacturer of glass for picture tubes.

Sale agreement, signed in May (TVD May 17 p16), is expected to have little short-term impact, but company will be renamed in mid-Dec. and NEG is studying giving employees stake in new venture, said OI/NEG Sales & Mktg Vp Lawrence Weaver. NEG bought 50% interest in Columbus, O., company from Kohlberg, Kravis, Roberts (KKR) in 1988 in move that provided infusion of cash for expansion. (TVD March 21/88 p11)

Weaver said O-I sold interest in Picture Tube Div. to focus on glass and plastic container business. It also decided to exit business before onset of HDTV manufacturing that would bring new costs, he said. Company "decided that it wanted to spend its money on the core businesses," Weaver said.

While no immediate changes are contemplated, he said recent passage of N. American Free Trade Agreement (NAFTA) could lead NEG to expand capacity at glass plant in Pittston, Pa., and funnel facility in Columbus. No move outside U.S. is expected, he said (see separate report).

To fund expansion and cover costs of purchase of O-I's share, NEG will seek 8% increase in glass prices for 1994, Weaver said. Negotiations with 8 vendors are continuing and agreement is expected by late Dec. or early Jan., he said.

Other expenses will be tied to maintenance. Glass furnace at Pittston plant currently is shut down for repairs, aggravating shortage of 19" glass, but is expected to go back on line in Dec. Furnace at Columbus facility will be closed in Jan. for 2-month repair program, Weaver said. Competitor Corning Asahi, which has had some maintenance shutdowns as well, is seeking similar price increase.

TANDY TO SELL O'SULLIVAN: Tandy Corp. plans to sell O'Sullivan furniture unit as it continues to concentrate focus on core retail business. While it didn't estimate proceeds from proposed offering, analysts said it could generate \$250-\$300 million.

Tandy, whose retail holdings include Incredible Universe, Computer City and 6,600-store Radio Shack, said cash raised through offering would be used for retail expansion. Tandy recently reported plans for opening Incredible Universe store in Tempe, Ariz. early next year and has sights on Cal., industry sources have said. Although Tandy said in May that it was looking for buyer for O'Sullivan, analysts said company later decided more money could be raised through public offering.

Sale would leave Lika, printed circuit board manufacturer, as Tandy's only nonretail business. In Oct., Tandy sold Memtek Products Div. to Hanny Electronics for \$65 million and in July sold personal computer manufacturing business to AST Research.

Blockbuster has completed purchase of Philips subsidiary Super Club, which operates 270 music stores under Record Bar, Tracks, Turtles and Rhythm & Views names and has 160 video stores in 13 states. Blockbuster issued 5.2 million shares of common stock in connection with acquisition.

HITACHI EARNINGS DIP: Hitachi posted 23% drop in consolidated first-half net income on 1% slide in sales (see financial table), blaming sluggish Japanese economy and strength of yen against dollar, in now-familiar litany recited regularly by Japanese companies.

Impact of yen's strength was greatest in consumer products, including video equipment, which posted 11% drop in sales. Company also blamed slow sales of air conditioners as result of cool summer in Japan. "Overseas incomes were adversely affected by the unexpectedly rapid appreciation of the yen," it said.

Strong demand for memory helped boost sales of semiconductors, but overall sales of information and electronic systems decreased to \$12.1 billion from \$12.6 billion year earlier. Big gainer was power and industrial systems, which rose to \$1.25 billion from \$1.17 billion.

Hitachi's balance sheet followed closely those of other Japanese companies that have blamed slumping worldwide economies and strong yen for slicing into profits for consolidated financial periods ended Sept. 30. Sony, Matsushita, Nintendo and Pioneer all reported declines in net income of 29.8-69.2% earlier this month (TVD Nov 22 p12).

FALL-WINTER PROMOTIONS: ESPN, USA Today, Radio Shack and National Football League (NFL) have launched joint promotion that for first time allows fans to vote for Pro Bowl selections. Promotion, which runs through Dec. 13, enables consumers to vote using ballots available at 6,600 Radio Shack stores. Ballots serve as entry into ESPN's NFL Pro Bowl Sweepstakes that includes expense-paid trip for 2 to Feb. 6 Pro Bowl in Hawaii. There will be 100 runner-up prizes consisting of products from Radio Shack. Ballots also will be available through USA Today starting this month.

JVC is sponsoring singer Bruce Hornsby's national tour this fall. Company also has sweepstakes promotion that offers winners audio and video equipment... BASF has joined 9 other companies in promoting A+America program, partnership designed to provide schools with PCs, PC software, TVs and VCRs through proof-of-purchase plan. Program began test marketing in Syracuse area this month, will expand into New England in early 1994 and launch nationwide in Aug. 1994. In promotion, consumers buying items such as BASF videocassette tape, earn points that can be used toward purchase of PCs, PC software, TVs, VCRs.

Despite being hampered by allegations that it uses high-pressure tactics in renting products with ownership option, Thorne EMI's Rent-A-Center (RAC) said it posted 17.7 percent rise in first-half operating profits to \$78.9 million. Thorne officials said they remained confident in their U.S. subsidiary as it undergoes internal review headed by former U.S. Sen. Warren Rudman (R-N.H.) into its "operation procedures." Recent Wall St. Journal article related tales by former RAC employees of intimidation used in repossessing items and in some cases accepting sexual favors as payment (TVD Oct 4 p15). Overall, Thorne EMI posted decline of less than 1% in pretax profits to \$157.5 million.

Samsung will unveil new line of TVs at news conference Dec. 1. To be shown are 13", 19", 20", and 25" models, and company will add "new twist" on TV/VCR combo product, said Samsung Vp Mktg John Garrison, who declined further comment. Sets will continue style created by Design Continuum and first introduced in 1992. Samsung currently has 3 TV/VCRs in its lineup including 4-head 19" unit.

9-MONTH AUDIO SALES UP 3.8% Factory audio dollar sales held their own in Sept. and through year's first 3 quarters, buoyed by recent recovery in shipments of separate components and continued strength in aftermarket autosound gear, EIA reported.

Overall Sept. factory sales climbed 4.8% to \$812.6 million from \$775.6 million year earlier, EIA said. Hefty increases in aftermarket car audio and formerly beleaguered components category offset minor decreases in systems and portable audio. Branded car stereo shipments rose 17.8% in month, while home theater boom undoubtedly played key invigorative role in driving components shipments up 10.3%. However, systems shipments declined 2.3% in month and portable audio 0.1%.

For 9 months, overall factory audio shipments broke \$5-billion threshold, rising 3.8% to \$5.049 billion from \$4.86 billion in Jan.-Sept. period year earlier. All 4 broadbased categories tracked by EIA increased in 9-month period, aftermarket autosound finishing strongest by virtue of 8.2% rise. Systems managed 5.5% increase through year's first 3 quarters despite 2.3% decline in month, while components entered final quarter in respectable fashion, rising 3.4%, and portable audio managed 0.2% increase.

EIA Consumer Electronics Group put its usual positive spin on latest results in release accompanying figures, noting that increase in Sept. components shipments was category's 2nd highest rise this year. Contributing to Sept. upsurge in components was 6% rise in dollar sales of cassette decks to \$20 million, EIA said, noting that single- and double-well home cassette decks had unspecified gains in month. CD changer dollar sales rose nearly 39% in Sept., EIA said, with carousel models comprising \$34.8 million in Sept. (77.2% of total multiplay dollars) and magazine-type changers \$10.3 million (22.8%). EIA said home speaker sales also contributed to overall components gain in month, jumping 32% to \$37.2 million.

As for 17.8% Sept. rise in aftermarket autosound, EIA credited 49% increase in shipments of in-dash CD players to \$29.3 million. It said such shipments through first 9 months were up 29% to \$202.9 million -- still relatively small 16.7% share of overall \$1.22 billion aftermarket pie in Jan.-Sept. this year, although quoted figure on in-dash CD shipments presumably doesn't include car CD changers.

Here's EIA breakdown of audio dollar sales to dealers for Sept. and first 9 months of year:

FACTORY SALES OF AUDIO EQUIPMENT
(add 000)

Product	Sept. 1993	Sept. 1992	% Chg.
Portable audio*.....	\$304,333	\$304,573	- 0.1
Components.....	181,506	164,596	+10.3
Systems.....	165,839	169,818	- 2.3
Autosound (aftermarket)	<u>160,959</u>	<u>136,650</u>	+17.8
TOTAL.....	\$812,637	\$775,636	+ 4.8

Product	Sept. 1993	Sept. 1992	% Chg.
Portable audio*.....	\$1,703,367	\$1,699,169	+ 0.2
Components.....	1,143,529	1,105,958	+ 3.4
Systems.....	984,699	933,151	+ 5.5
Autosound (aftermarket)	<u>1,217,569</u>	<u>1,125,249</u>	+ 8.2
TOTAL.....	\$5,049,163	\$4,863,521	+ 3.8

* Includes home radio.

ULTIMATE ELECTRONICS EARNINGS UP: Ultimate Electronics, citing strength of Colo. economy and one-time tax benefit tied to public stock offering, reported net income for 3rd quarter ended Oct. 31 soared to \$1.4 million from \$486,000 year earlier.

Net income for quarter showed \$650,000 tax benefit related to change in tax status when 9-store chain went public Oct. 22, company said. Sales rose to \$19.8 million from \$15.4 million on 27% gain in comparable-store sales.

For 9 months, net income jumped to \$2.1 million from \$990,000 year earlier on 21% increase in sales to \$50.7 million. Chain, which operates under SoundTrack name in Denver area, opened 2 outlets under Ultimate Electronics banner in Provo and Salt Lake City earlier this month. In prospectus for 2-million share stock offering, Ultimate said it would open 3 stores in each of next 3 years.

Microsoft co-founder Paul Allen has purchased stake in Virtual Vision, giving display technology marketer badly needed financial boost after it reported layoffs and shift in focus to Japanese and dental markets (TVD Nov 15 p18). While terms weren't disclosed, deal makes Allen 2nd largest investor. His stake in company is tied to future products, including portable computer display systems that are expected to ship in 2nd half of 1994. Company's first product, Virtual Vision Sport, introduced earlier this year, has had limited success at retail. Virtual Vision Pres. Gordon Kuenster remains company's largest shareholder.

Zenith and LSI Logic have formed alliance to develop advanced ICs for digital cable boxes, companies announced last week. Zenith said its transmission systems "significantly increase the amount of digital information that can be transmitted on cable systems without additional video compression," making possible 1,000 or more channels. Zenith's digital cable boxes, including MPEG decoder, using LSI Logic chips are scheduled for introduction in 1994. LSI Logic also will sell chips to Zenith licensees.

Service Merchandise, continuing to expand its 50,000-sq.-foot new concept stores that increase focus on consumer electronics (CE), has opened first 2 outlets in Richmond, Va. Stores contain 4,000-sq.-ft. "Sight and Sound" CE department and are located near Price Club and Sam's Wholesale Club. City also is home to Circuit City and Service Merchandise rival Best Products. New 50,000-sq.-ft. store is scheduled to open in Schaumburg, Ill. in early Dec.

Gemini Industries will return to personal computer accessories market when it introduces new products at Winter Consumer Electronics Show (CES) in Jan. Gemini's first line since 1987 will feature 2w and 5w amplified stereo PC speakers and "power control center" that allows hard drive, printer and 2 other pieces of equipment to be connected at one location. Gemini also will unveil 41-item line of care and cleaning products for audio, video, CD, home office, videogames.

NARDA/NASD Convention & Expo '94 is scheduled for March 6-9 at Opryland Hotel, Nashville. Among speakers will be retail consultant Anthony Stokan, who will discuss retail categories including home theater and multimedia, home office and mobile and personal electronics.

Sony will import TVs to Japan for first time in 1994, Japanese press said, plans to ship 100,000 13" sets from its plant in Malaysia next year.

MEXICO, THAILAND COLOR UP: Major gainers in color TV source countries were Mexico and Thailand, with all other countries except Malaysia showing declines (see separate report). Commerce Dept. figures also showed Japan regained No. 1 spot as VCR source country in Sept., after losing it to Korea in Aug. (TVD Oct 25 p18). China was source of 72.1% of monochrome sets in Sept. Here are imports for 1993's first 9 months and for Sept. by source countries, based on Commerce Dept. figures ("% change" refers to same period of 1992):

VCR Decks

	Sept.	% Chg.	9 Months	% Chg.
TOTAL....	1,439,400	- 9.9	10,227,400	- 5.7
Japan....	452,100	-12.7	3,253,200	-24.6
Korea....	410,400	+11.1	2,554,400	+ 5.1
Malaysia.	268,100	+13.6	2,122,700	+25.8
Indonesia	150,200	+29.4	982,600	+52.5
Thailand.	29,700	-89.6	550,100	-57.7
Singapore	69,100	-26.6	467,000	+68.9
China....	34,000	*	152,800	*
Taiwan...	18,400	+ 9.9	115,100	- 7.3
Hong Kong	2,400	*	2,500	+ 4.9

TV Sets

TOTAL.....	1,427,000	+ 8.6	10,352,100	+ 8.7
color....	1,210,250	+11.7	8,833,700	+ 8.8
b&w.....	216,700	- 6.2	1,518,500	+ 8.1
Mexico				
color...	817,000	+33.1	5,626,100	+28.6
China				
total...	221,900	+ 9.9	1,465,300	+41.8
color....	65,600	-32.0	498,600	- 9.7
b&w.....	156,300	+34.3	866,700	+110.0
Malaysia				
total....	112,400	- 1.5	1,047,500	+26.2
color....	95,700	+ 9.1	909,000	+28.5
b&w.....	16,700	-36.9	138,500	+ 9.5
Thailand				
total....	158,500	+24.4	939,300	+ 4.3
color...	158,500	+24.4	929,100	+ 3.2
b&w.....	0	--	10,200	+768.6
Korea				
total...	42,700	-34.5	468,400	-50.6
color...	26,100	-32.2	308,100	-47.8
b&w.....	16,650	-37.7	160,300	-55.2
Taiwan				
total...	25,100	-55.4	301,300	-32.8
color...	6,100	-29.3	82,300	-28.2
b&w.....	19,000	-60.1	218,900	-34.3
Japan				
total...	21,200	-30.1	247,200	- 9.3
color...	14,300	-34.2	166,100	- 4.0
b&w.....	6,900	-19.7	81,200	-18.4
Singapore				
color...	12,500	-75.4	169,000	-63.3
Hong Kong				
total...	1,100	-90.8	74,900	-51.6
color...	1,100	-78.2	50,600	-56.6
b&w.....	0	--	24,300	-36.5
Canada				
color...	12,700	+29.6	55,300	+10.8
Philippines				
color...	750	-94.7	35,000	-26.8

* No significant shipments in 1992.

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

Panasonic Pavilion was dedicated last week at Universal CityWalk complex in MCA's Universal City, Cal. Developed jointly by parent Matsushita of Japan, Matsushita Electric Corp. of America (MECA) and MCA Development, pavilion has "futuristic carnival theme... inspired by the vision of Steven Spielberg," including Shooting Gallery where visitors aim with advanced video camera, carousel with "high-tech electronic menagerie," Media Theater with "laser video program featuring the tap-dancing, knife-throwing Pana-Robots." MCA is subsidiary of Matsushita.

Pocket closed-caption decoder is offered by Pacific Lotus Technology, Bellevue, Wash. Unit, size of cigaret pack, uses tuner from VCR or cable TV box, provides captions with transparent background, is shipped with AC adaptor, also can use 9v battery. Suggested retail is \$99. Also from Pacific Lotus: Table model tunerless caption decoder at \$129; "Telescriber System," which copies TV captions to computer, \$700 -- 800-243-2710.

Zenith has sold \$42 million of 8.5% senior subordinated convertible debentures in private transaction to unnamed institutional investors. Due Nov. 19, 2000, they're convertible into Zenith stock at conversion price of \$9.76 per share. Zenith stock closed at 7-5/8 Nov. 18, date of transaction. Proceeds from sale will be used to redeem \$34 million in 12-1/8% notes due Jan. 15, 1995, rest to increase cash resources.

Tops Appliance City will open 2 stores in 1994, including its first in borough of Queens. Its 75,000-sq.-ft. store there will be built on 7-acre tract and will feature separate building to sell and install car stereo, Tops said. Opening is set for late 1994. Second location will open before Queens outlet, but plans haven't been finalized, company said. Tops operates 7 stores in N.Y. metro area.

Virgin Retailing Group opened 2nd megastore in Newport Beach, Cal., Nov. 26. Outlet, in Triangle Sq. shopping center, is stocked with 150,000 music titles, laserdiscs, prerecorded video, computer and videogame software and has 100 music listening posts. Opening came after Thorne EMI subsidiary Virgin launched concept with store in Hollywood.

Kodak will add 3" Photo CD discs late in 1994 in anticipation of smaller CD-ROM drives in portable devices -- "from notebooks to PDAs." Smaller discs also can be played on standard CD-ROMs. Kodak and JVC announced that JVC's CD-R (recordable) production system will support authoring of Photo CD Portfolio discs.

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Consumer Electronics Personals

Carl Yankowski, most recently Hong Kong-based Polaroid group vp for Asia Pacific region, named Sony Electronics pres.-COO (see separate report)... Promotions at Philips Consumer Electronics: **Ralph Palaia**, to senior vp-mktg. and sales; **William Clark** to vp-CD-I sales and sales training; **Michael Keel** to vp-advertising and merchandising... Changes at Kenwood: **Mark Endres** to national sales mgr. for car audio, **Bob Law** to national mktg. mgr. for home and car audio... **Kent Malinowski**, ex-Scientific Atlanta, named vp-sales and mktg., RGB Computer & Video... **Jonathan Poretz**, promoted to HWH (PR) account supervisor.

Tocad Marketing has expanded its line of "memory-free" Sunpak 2,700-amp rechargeable camcorder batteries, adding models compatible with JVC, Panasonic and Sharp camcorders. Batteries ship this month priced at \$119.95 with LED and \$99.95 without. Memory-free technology, which allows batteries to be fully recharged and eliminates reduction in run time, was introduced with Sony camcorders in June. Also added was battery containing switch allowing model to be compatible with Panasonic, JVC, Panasonic, Sharp and Sony camcorders. Tocad also is shipping remote control automatic pan head at \$249.95. Auto pan model, which can be used with Canon, GE, Hitachi, JVC, Nikon, Ricoh and Sony camcorders, is stepup from Sony-only unit delivered in 1992.

FCC has given subpoena authority to Field Operations Bureau in investigations involving unlicensed operation of RF devices capable of causing harmful interference or illegal sale of such devices. Such authority will help investigations, Commission said.

Financial Reports of TV-Electronics Companies

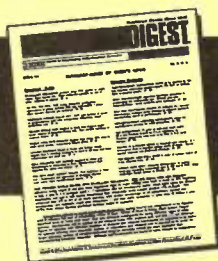
These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Handleman			
1993-26 wk. to Oct. 30	516,460,000	12,685,000	.38
1992-26 wk. to Oct. 31	534,164,000	18,892,000	.57
1993-13 wk. to Oct. 30	322,465,000	15,453,000	.46
1992-13 wk. to Oct. 31	321,852,000	14,360,000	.43
Hitachi^a			
1993-6 mo. to Sept. 30	35,553,000,000	292,000,000	.87 ^b
1992-6 mo. to Sept. 30	35,856,000,000	379,000,000	1.11 ^b
Telemundo Group			
1993-9 mo. to Sept. 30	125,457,000	(20,916,000)	--
1992-9 mo. to Sept. 30	109,039,000	(28,164,000)	--
1993-qtr. to Sept. 30	47,257,000	6,011,000	.16
1992-qtr. to Sept. 30	39,158,000	(7,727,000)	--

Notes: ^aAt rate of 105 yen=\$1. ^bPer ADR.

Go-Video has shipped more than 500 in-store displays in effort to promote dual-deck VCR. Displays are designed to contain 3 dual-decks and 20" TV. About 750 displays are to be installed by year-end, company said. Go-Video has said its dual-deck line, which includes hi-fi model, will expand in 1994 to include 8mm-VHS unit.

It had to happen: According to Wall St. Journal, Spokane engineer has developed anti-remote control, which he calls "Stop It!", to frustrate channel surfers. Hand-held anti-remote, scheduled to sell for \$29.95, momentarily jams infrared remote control signals, rendering remotes useless.



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