

# TELEVISION DIGEST®

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

With Consumer Electronics

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**MAJOR DECISIONS FACING CABLE, OTHER INDUSTRIES:** Almost frantic Western Cable Show in Anaheim last week showed more than anything that cable industry participants are on brink of dozens of decisions, ranging from what new technologies to employ, to what programming to offer and how to offer it, to how to handle regulation, to ultimately whether to sell or buy cable operations and to or from whom. Need for predecision information was largely credited with pumping up show attendance to near-record 13,500, up nearly 25% from last 2 years. Exhibitors said floor traffic was heaviest in years, despite fact that large chunk of attendees spent much of their time in hotel rooms negotiating deals.

Sale of 30% of Jones Intercable to Bell Canada parent BCE for \$275 million is indicative of wave of deal-making and deal-talking that was apparent last week. Brokers and operators said they were hearing more talk about deals in Anaheim than ever before. Attendees said talks were spurred by mixture of fear that operators would be squeezed out by competitors and demands for new technology, and by greed since cable prices being discussed were approaching levels of 1980s in some cases.

### Consumer Electronics

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**VIDEO CD INADEQUATE** for feature films, Sony's Schullhof says, citing drawbacks in picture quality and playing time. Sony presses 50-millionth CD-ROM. (P. 15)

**JAPAN-U.S. CAMCORDER EXPORTS** stayed strong in Oct., but rate of growth slowed recently. Average value off 10% in yen. VCRs slid 42% in Oct. (P. 16)

**SAMSUNG PONDERES CD-I**, seeking to become 2nd vendor in U.S. and hoping to be first to offer players with built-in full-motion video. (P. 17)

**NOV. RETAIL SALES** at major chains showed total and comparable-store gains, topped by Best Buy's 18% same-store jump, 'double-digit' CE increase at Sears. (P. 17)

**JVC MARKETS W-VHS** high-definition VCRs in Japan at \$5,690, plans to produce 2,000 monthly, saying picture quality could be better than digital. (P. 18)

**FRETTER COMPLETES SILO BUY** valued at \$45 million, creating 220-store, 20-state chain. (P. 18)

Jones deal appeared typical of those being made -- large cable MSO forming partnership with large telco. In letter of intent, BCE agreed to pay \$275 million for 30% of Jones Intercable, to invest another \$125 million to maintain its 30% ownership as Jones offers additional estimated \$400 million of equity on public market, and to invest in Jones affiliates, such as Jones Lightwave and Mind Extension U. Deal also gives BCE option to buy more of Jones Intercable, as well as to purchase enough shares of Jones stock from Jones International in 8 years to elect 75% of Jones Intercable board. BCE Chmn. Derek Burney will join Jones board as vice chmn., and Jones Chmn. Glenn Jones will take similar seat at BCE.

BCE said it will use Jones Intercable as vehicle for cable investments. Jones said deal will allow it to consider buying additional cable systems, including some owned by limited partnerships it manages. Jones and BCE said they also plan to collaborate on additional communications businesses. BCE and Jones already are partners in U.K. cable, and Glenn Jones said deal will make Jones Intercable "well positioned to take full advantage of the future of cable television, telecommunications and multimedia."

Similar hopes of taking advantage of convergence of cable and telephony are spurring more talks of deals than ever before, Daniels Senior Vp Bruce Godfrey said: "Whether the transactions will actually materialize is another question." In interview, he said talks involve telcos, cable, cellular, competitive access providers, programmers and others, as well as all kinds of combinations from outright sales to joint ventures and mergers.

Bell Atlantic/TCI deal spurred much of activity, Communications Equity Assoc. COO Gene Gawthrop said, although most deals still involve 2 cable operators, rather than telcos. "We're seeing real renewed interest in MSOs in the 100,000-to-200,000 subscriber level who believe they have to get bigger or get out," Gawthrop told us. New technology is accelerating need for new capital "dramatically," he said, at same time as operators continue to face uncertainty of regulation: "Some of the long-time members of this industry are saying 'enough is enough.' A lot of guys are just getting out."

Some deals are likely between small independent telcos and small rural cable operators in next 6-12 months, Gawthrop said. Michael Pohl of Douglas Communications said he has been seeing lot of interest from independent telcos recently. Cable operators that are buying others are trying to "get bigger to be defensive, or to position themselves for future deals," Gawthrop said. But even those deals are much more "strategic" than they used to be: "Four or 5 years ago people were trying to grow just to grow, but now the deal has to make sense strategically."

Prices are "clearly being driven up" by deal frenzy, Godfrey said. Gawthrop said small, geographically remote systems still are drawing only 6-8 times cash flow, while big systems with unique opportunities can reach 12 times. Since that's multiple of current cash flow, prices still are somewhat lower than in 1980s, when some were 12 times future cash flow, but they're higher than they have been in years. There may be limited window of opportunity for deals, Gawthrop and Godfrey said. Gawthrop said: "The cycles are getting shorter. The banks have money and low interest rates right now. Later, there will be a shakeout of the TCI systems if the Bell Atlantic deal goes through and telcos could start overbuilding some systems. So there's a window of opportunity for the next 12 to 18 months."

#### Optimism about New Technology

Optimism about potential of new technology to improve cable ran into firm belief that some of today's institutions are here to stay. In general industry discussion at opening session of Show, TCI Pres. John Malone led way into new era, telling standing-room-only crowd that cable companies won't be able to succeed without partnerships with telephone company, or at least not without some stronger partner. He said any cable company "won't be able to cut it" without telco partner.

Acting on their own, cable companies might be able to "pick around the edges" of telephony, such as offering access, but to offer "head-to-head" competition, they had better "join the team," Malone said. Over short term, however, he said cable operators might be able to install faster speeds in network, but serious broadband services and other offerings are more capital intensive. He noted that lines have been drawn in telco camps between companies that are taking home-based defensive strategy and others using out-of-region offensive strategy. He said cable companies should pick one side or risk being left out or crushed between larger telco forces.

By end of panel, Turner Bestg. Pres. Ted Turner said he wanted to take what might be "the last chance" to say "goodbye to the cable industry as it now exists." Same industry might not be attending next year's meeting, he said: "It was a great 20-year ride."



On separate panel, Leo Hindery of InterMedia Partners said Bell Atlantic/TCI deal is accelerating major "shakeout" in cable ownership. Ian Crowe, managing dir.-telecommunications, Toronto Dominion Bank, agreed, saying smaller MSOs and independent operators are "up against the wall." Small operators won't survive in present form, Hindery said, and industry "has to be very concerned" about future of operators who aren't among top-50, and even about half of those ranking 15-50. "They don't have to die, but they do have to do some deals," he said, possibly including mergers or buying small telcos in their areas.

Govt. will allow mergers of small cable operators and small rural telcos in their service area, leading to single wire to homes, panelists predicted. It "makes no sense" to require 2 wires to each home in smallest markets, said David Lee, vp-Communications Group of Lazard Frères, but govt. could require them to operate on common carrier basis with more than one service provider. House Telecom Subcommittee Chmn. Markey (D-Mass.) -- advocate of 2 wires to home (TVD Nov 15 p1) -- probably will try to block such mergers, panelists said, but Hindery predicted that "this isn't an issue that Markey will prevail on." Douglas Communications Senior Vp Michael Pohl said his Coalition of Small System Operators has created "a new awareness" on Capitol Hill of needs of rural cable operators: "This will stop Markey from some of his forays."

BA/TCI deal has accelerated contacts between small MSOs and small telcos, Pohl said: "We've seen a lot of new contacts, and we are being responsive." Lee said most deals being negotiated involve top 10 or 20 MSOs, but "once those deals are done we will see more telco investments, especially in rural markets." He said many of those investments could be for minority shares of cable operators, or even simply leased access deals. Despite that, Hindery said, "the biggest mistake could be the sense that some great telco umbrella has been spread over the cable industry."

Money is available to cable operators despite reregulation, Crowe said. For example, telco buyouts of cable operators will cause many MSOs to begin paying off debt, freeing money for new loans: "We're looking for places to lend money." Hindery said it's unlikely that there will be many new initial public offerings (IPOs) of cable common stock, but Crowe said he "would be surprised" if there weren't cable IPOs in next 90-180 days.

**5 BIG MSOs FORM JOINT VENTURE TO COMPETE WITH TELCOS:** Five of largest cable MSOs formed joint venture to create metropolitan areawide communications networks to compete directly with telcos, they announced at Western Cable Show in Anaheim Dec. 1. Group said project is needed to match "brand" presence of telcos and to create seamless network of PCS, video telephony, data and other advanced services. At same time, Time Warner (TW) joined other MSOs as part owner of competitive access firm Teleport Communications Group (TTG).

Owners of new joint venture at start will be same as for TTG -- TCI, TW, Continental, Comcast, Cox -- but venture will recruit other MSOs, they said. "It's absolutely necessary that there be participation by a wide range of cable operators," TCI Senior Vp Robert Thomson said.

Venture will be organized on 3 levels, with ownership of each different: (1) Nationwide umbrella organization that would provide support services for local joint ventures. (2) "Line-of-business" joint ventures for each type of service. For example, slightly different group of MSOs than those participating in umbrella could own PCS national venture. Each line-of-business venture would create national brand, conduct technology development and R&D, handle regulatory issues, interface with standard-setting bodies, work on issues of connecting local PCS networks to national network. (3) Local ventures that would include virtually every cable system in particular ADI, for example. Local ventures would interconnect each system, allowing all new communications services to be transmitted among local cablers and from them to national network. Cox Senior Vp David Ravenel said "lion's share" of economic value of overall venture would be in local ventures.

True competition to telcos in new services probably won't ever develop without such joint venture, Thomson said. He cited example of Chicago, where 12 MSOs serve area handled by single telco. Telco could easily create metropolitan area PCS brand name and seamless network, he said, but "for cable to mount a competitive challenge to a single telephone company, there will be a necessity for cooperation, joint ventures and networking." Thomson said many details of venture haven't been worked out, but predicted definitive agreement would be signed in 1994 first quarter.

Joint venture inevitably will raise some competitiveness issues, since some of MSO participants have business relationships with telcos that project is being set up to compete with. Participants also acknowledged that federal agencies are likely to raise antitrust issues, although they believe problems won't



be significant. Venture will insulate telcos from participation within their telephone service areas, companies said. For example, Bell Atlantic, which has deal to buy TCI, could own share of national umbrella organization, but couldn't participate in local ventures within its service area, they said. Same is true for U S West, which owns parts of TW. As result, members of venture will be partners in some parts of country but competitors in others, TW Cable Ventures Pres. Glenn Britt said.

Venture will encourage cable operators to accelerate spending for new bidirectional broadband networks, Continental Exec. Vp William Schleyer said: "This business structure is the vehicle for all cable operators to have interconnections with each system in a market. It greatly reduces the risk." Time Warner Cable Chmn. Joseph Collins said venture is "not simply a way to speed the availability of competitive access telephone service, but as a vehicle to help lead the cable industry into offering advanced services, like video telephony, over sophisticated communications systems."

In TTG deal, here's how ownership will be divided among partners: Cox 25.05%; TCI 24.95%; TW, Comcast and Continental, each 16.67%. Financial terms weren't disclosed. Britt said TW did deal because "we believe the competitive local access business holds great promise."

**MEGACHANNEL CABLE TO RAISE BURDENS:** Technology may be overwhelming consumers as cable moves toward 1,000-channel environment, panelists said at Western Cable Show. "Consumers don't buy technology, they buy products when they're priced right," Silicon Graphics Chmn. James Clark said. Recalling Clinton Administration "mantra" about economy, Clark said cable should have its own: "It's the consumer, stupid."

Biggest cost difference in megachannel environment could be marketing, Scientific-Atlanta CEO James McDonald said: "There will be a whole new requirement for operators to sell 2-300 new services. It's my guess that that it's not a cost that we have adequately factored in." Viacom already is seeing some consumer resistance in its Castro Valley, Cal., testbed, even though it has made only first step toward next-generation capability, Research Dir. Bruce Kaplan said: "We're introducing a massive change in a resistant customer base. People are not clamoring for, and do not want to work at using, TV."

Viacom Cable CEO John Goddard said "real question" is how much it will cost to handle billing and other data for megachannel, as well as marketing cost for future services. He said megachannel cable needs "a few killer applications and a lot of niche applications" to be successful. McDonald predicted that cable-delivered telephony could be one "killer application" because of volume of revenue that could be generated at little additional cost. Douglas Glenn of Sega Channel said delivery of videogames is another, pointing out that games are \$6-billion annual business that "can be done better, faster, cheaper over cable." Same is true of video rentals and even education, he said.

Some potential problems still exist: (1) Goddard acknowledged that DBS will erode some cable revenue, although he said advantages of cable -- more channels, interactivity, local programming -- make it "vastly superior" to DBS. (2) Time Warner Cable Senior Vp James Chiddix admitted that protecting consumer privacy could become issue, although he said regulations protecting privacy exist and industry will add safeguards as needed. Goddard pointed out, however, that federal govt. will want "trapdoor" similar to ability to tap telephones to give it access to data: "Then the question is, who is the villain?"

Consumers alone won't generate enough revenue to justify upgrade to megachannel capability, Times Mirror Cable Vp Michael Rose said. He said there's question whether average cable subscriber would be willing to double monthly bill to \$60-\$70 to pay for new services, and whether even that would be adequate to repay upgrade investment. But network can be justified by increased commercial use of cable superhighway, he said. Times Mirror estimated that businesses in Phoenix alone could generate \$50-\$70 million revenue per year for cable operator for services such as competitive access, metropolitan area networks, new forms of advertising, utility management, distance learning, remote medical consulting, computer-assisted design over network, teleconferencing.

Opening session was devoted generally to discussion of potential for services such as video-on-demand and interactions with TV programs. TBS Pres. Ted Turner was leading defender of existing technologies. While TCI Pres. John Malone touted video-on-demand, Turner said customers now have ability to tape TV shows, and might not want to pay extra. He said there was video-on-demand now, in form of video stores. But Malone said that market test with U S West had found video-on-demand far more popular than pay-per-view and that service had advantages over taping because of large selection of programs, including



TV shows. Key issue will be "navigation" tools that will help viewers sort out all new options, he said. Malone predicted that real-time game show participation, with prizes, would be major revenue source for cable.

Despite increasing emphasis on TV, Turner said, there still will be demand for theaters because some films should to be shown on big screen, and there still will be demand for network-based TV. News Corp. Chmn. Rupert Murdoch, who owns Fox studios, agreed. He also said there would be long-term future for newspapers, despite poll of audience and separate poll of Prodigy on-line users that found strong belief that TV delivered by cable would become main source of news in next few years.

Audience members were able to push keypad to respond to same questions. In general, Prodigy members, 60,000 of whom answered poll on-line, were more optimistic about technological developments than audience at Western Show.

**Five alleged cable pirates** were charged with felonies by L.A. Dist. Attorney, NCTA said. Two felony counts against each were based on claims that they had participated in businesses distributing unauthorized cable descramblers. Complaints named William (Trey) Provost, Thomas Provost, Donald Weaver, Rick Conn and Daniel Muallem, as well as firms Novaplex, Cable Ready, Pro-Logic Labs, Southcom Surplus, Marlin Industries, Torc Industries, Gage Systems. Charges follow raids in Oct. 1992 that netted more than 70,000 unauthorized devices. Trey Provost is founder and pres. of group called National Consumer Cable Assn. (NCCA), established in 1992 by independent hardware distributors. NCCA quickly issued statement promising to continue its own activities despite charges. Provost said: "The cable industry is exploiting every loophole in the judicial process to ensure that subscribers never get their hands on equipment they have every right to own." He claimed to have operated legally since he had manufacturing and distribution authorization from unnamed cable system.

**Nation's 349** publicly reporting communications industry companies "grew significantly" in 1992, according to 11th annual Communications Industry Report by investment bankers Veronis, Suhler & Assoc. Industry revenue rose 6.4% to \$137.1 billion in 1992 and operating income 17.5% to \$18.1 billion. Publicly reporting cable companies posted increases of 9.7% in revenues to \$18 billion and in operating income 21.9% to \$3.7 billion. Over last 5 years, revenues of cable companies grew 15.6% compounded annually, report said. Of cable's 1992 total revenues, 75.4% came from system operators, rest from cable networks. Total cable industry assets rose 4.1% to \$46 billion. TV and radio companies reported 5% revenue increase to \$19.4 billion and broadcasting industry operating income rose 20.2% to \$2.5 billion. Combined TV-radio companies revenues increased 5.6% to \$4.3 billion. By limiting cost growth to 1.9%, TV-radio companies posted 28.7% rise in operating income, report said. Revenues of 4 TV networks increased 5.5% to \$12.1 billion. TV-only companies had revenues of \$2.2 billion, slight drop of 0.1% from 1991, while radio-only broadcasters generated revenues of \$831.5 million, up 9.2% over 1991.

**NBC Super Channel** relaunched in Europe and Commonwealth of Independent States last week with revised schedule that includes NBC News, NBC Entertainment, CNBC. NBC, which recently acquired majority stake and management control of Super Channel, said relaunched network is geared toward "up-scale Pan-European audience," will offer NBC- and CNBC-produced programs along with European shows. Super Channel also announced 3-year agreement under which ITN will provide 1-1/2 hours of European programming to channel daily.

**Sports-oriented WGN-TV Chicago** will affiliate with WB Network (to be launched in fall 1994 by Warner Bros. and Tribune Bestg., owner of WGN-TV), said Dennis FitzSimons, pres. of Tribune TV. Company's 7 other TV stations already were planned affiliates. FitzSimons said move won't change WGN-TV's sports commitments; stations air Chicago Cubs, White Sox and Bulls and many college games. United Video, which carries WGN-TV signals to cable systems, will provide different feed to cable viewers in markets where WB Network has over-air affiliate. WB Network also announced affiliations of KLGT-TV Minneapolis-St. Paul and WMCC Marion, Ind., which along with WGN-TV, will increase network coverage to 73% of U.S. households. WB said it expects 80% coverage by time network is launched.

**America Online** will begin providing Sci-Fi Channel access listings and program information and will offer following interactive services: (1) Programming Forum that will allow users to leave messages on Sci-Fi programming to be answered by network representative. Programming updates will be posted and users can access histories of shows, titles, synopses, transcripts of original programs. (2) "Chat Rooms" for discussion with Sci-Fi reps. (3) Fan News on science fiction conventions, media events, trade shows, etc. (4) Interviews with Sci-Fi talent. Sci-Fi said it's exploring interactive games and line of merchandise.

**CBS Senior Vp Jay Kriegel**, who was in forefront of network's successful fights in Washington for finsyn rights and 1992 law reregulating cable TV, said he plans to leave in first quarter next year. "I've been talking to people for a couple of months," he said. "I'm going to do something new and something different." He has been at CBS for 7 years, first one as nearly fulltime consultant. Kriegel, who long has been associated with CBS Pres. Laurence Tisch, was married to Kathryn McAuliffe 2 weeks ago.

**Cable network ad revenue** was up 15.5% in 3rd quarter, Best. Cable Financial Management Assn. reported. Sales for 21 cable networks totaled \$551 million, vs. \$477 million year ago. For first 9 months, ad sales totaled \$1.73 billion, vs. \$1.49 billion.

**FCC shouldn't forbid** cable operators from overriding broadcast channels to implement updated Emergency Best. System (EBS), NCTA and CATA said in joint reply comments. Selective override is "incompatible with the majority of existing 'all-or-nothing' cable switching equipment" and "would not only render completely functional equipment obsolete but impose... extensive new costs," Assns. said. NAB had suggested in earlier comments that cable operators shouldn't be allowed to override broadcast stations' signals.



**FCC's DUGGAN NEW PBS PRES.:** FCC Comr. Ervin Duggan was tapped last week as PBS's new pres., effective Feb. 1. Duggan, 54-year-old Democrat who joined Commission in Feb. 1990 as nominee of President Bush, will succeed 9-year PBS head Bruce Christensen, who left last summer for dean's post at Brigham Young U. Duggan will be returning to public broadcasting in sense that he worked in late 1960s as deputy to Lyndon Johnson aide who played major role in establishment of CPB under 1967 Public Bestg. Act.

At Dec. 1 news conference in Washington announcing appointment, Duggan told reporters that he's "supremely confident" about future of public TV (PTV). "You will not see any hand-wringing from me." He said that because of factors including millions of dollars that federal govt. has invested in public broadcasting, industry is "a natural platform" for National Information Infrastructure initiative championed by Administration.

Duggan nevertheless sees change necessary for PTV, saying that it "needs to embrace and master the future or lose its relevance." He largely sidestepped specifics, saying for example that it would be "injudicious" for him to comment on recommendation of some that PTV's broadcast infrastructure be substantially reduced or otherwise made more efficient to free resources for national programming and other activities. Duggan also saw need for more joint ventures involving PTV and outside groups, such as cable networks.

On issue of PTV program balance, Duggan said he wants to see "a clash of ideas between liberals and conservatives" and for conservatives, like liberals, to "feel that it [PTV] belongs to them." As for his PBS appointment despite his recent withdrawal of FCC recusal on matters pertaining to PTV, he told us that he later had issued 2nd recusal but received opinion from Commission Gen. Counsel's Office that it didn't need to be placed in file open to public. Said NAB Pres. Edward Fritts of Duggan appointment: "His thorough knowledge of government, politics and technology will well serve both public broadcasters and the entire broadcasting industry."

Duggan, Atlanta native who also worked in Carter Administration and as reporter for Washington Post, had been rumored candidate for PBS job since shortly after Christensen's resignation.

Duggan has been active at FCC on issues involving public broadcasting. In Aug. 1992, he expressed concern about majority decision rejecting guaranteed video dial tone (VDT) access for industry, saying that could reduce its ability to reach audiences via that medium. In appearance at last spring's Public Radio Conference in Washington, he largely demurred when asked about likelihood of digital audio broadcasting (DAB) set-aside for industry.

Duggan, who earns \$115,700 at FCC, will receive maximum PBS salary of about \$140,000 under law capping pay of PBS, CPB and NPR staffers at level accorded Cabinet-level personnel. However, several of those organizations occasionally have exceeded cap by rewarding bonuses that CPB concluded were legal.

**Washington Post Co.** said it's buying KPRC-TV (Ch. 2 NBC Houston) and KSAT-TV (Ch. 12 ABC San Antonio) from H & C Communications for cash, price not announced but estimated at \$260 million. With sale, H & C will get out of broadcasting; Post already owns 4 TV stations, all network affiliates.

**HUNDT HITS GROUND RUNNING AT FCC:** Reed Hundt had busy Nov. 30 on his first full day as FCC chmn. He was sworn in day before by Vice President Gore and was at office early next morning for staff meetings. Regular Mon. bureau and office chiefs' meeting was postponed until 9 a.m. Tues. so Hundt could participate, along with 3 new appointees to his personal staff (TVD Nov 29 p1). Also attending, in custom started by ex-Chmn. Quello, were legal assistants of other commissioners. Hundt's chief of staff, Blair Levin, wasn't there because his wife had baby in N.C. Nov. 27; he's scheduled to come on board after first of year.

"[Hundt] just made everyone feel comfortable," current staffer said. We're told there was no discussion of fates of holdover office and bureau chiefs. However, Hundt reportedly will move fast on several vacant positions, such as gen. counsel and chief of Common Carrier Bureau. In fact, he has picked William Kennard, partner in Washington law firm Verner, Lipfert, Bernhard, McPherson & Hand and onetime NAB legal staffer, as gen. counsel. Another appointment last week was Lyndon Boozer, ex-dir. of congressional relations at U.S. Telephone Assn., as special asst. in Office of Legislative Affairs.

Hundt announced that Brian Fontes, Quello's chief of staff, and Renee Licht, acting gen. counsel, will co-chair staff transition team. Licht also will serve on interim basis as Hundt's acting senior legal adviser. Fontes has been at FCC since 1978, Licht since 1979.

Said Hundt, who faces prospect of operating for some time with only 3 commissioners after Comr. Duggan becomes pres. of PBS (see separate story, this issue): "Especially given the press of issues facing the Commission today, it's critical that everyone at the Commission continue to work together as a team... Brian's experience in 15 years at the Commission, including his recent service as chief of staff, is truly unmatched... Renee's experience and familiarity with all areas of the Commission... make her an ideal source of counsel and I am delighted that she has agreed to serve in my office on an interim basis."

Commission staffers were greeted Nov. 30 by banner in lobby of hq welcoming Hundt and congratulating Quello "for a job well done" as interim chmn. White House still hasn't moved to fill Republican seat -- which has been vacant since Comr. Marshall resigned. Duggan was appointed by President Bush to Democratic seat in 1990.

Hundt almost missed his own swearing-in at Indian Treaty Room of Exec. Office Building. Along with outgoing Chmn. Quello and at least 2 former FCC chmn., he was detained by security officers for more than 20 min. because their names weren't on either of 2 lists of those cleared to attend. "It was some kind of a snafu," said Quello. "I can't believe what happened." Ceremony was by-invitation-only and reporters weren't allowed to attend -- first time that's happened in recent memory -- reportedly at request of Gore.

**Cap/ABC is repurchasing** 1.1 million of its shares under tender offer it made month ago for up to 2 million (TVD Nov 8 p4). Only 100,000 shares were tendered by general public, other million by Berkshire Hathaway and subsidiaries. Cap/ABC is paying \$630 per share. Berkshire Hathaway, controlled by Cap/ABC Dir. Warren Buffett, formerly owned 3 million (18%) shares, retains 2 million (13%).

**Optus Communications**, Australian satellite TV and telecommunications company, said it has arranged for \$800 million in financing from 6 Australian banks.



**ANTITRUST EXEMPTION ON VIOLENCE:** Justice Dept. has extended congressional exemption from antitrust laws that permits TV networks and programmers to make joint efforts to reduce TV violence. Three-year extension passed by Congress was to expire at midnight Dec. 1, and extension had been sought by bill's authors, Sen. Simon (D-Ill.) and Rep. Glickman (D-Kan.). Since extension was adopted, networks have provided violence warnings for programs and developed standards, primarily as result of pressure from Simon and others.

Simon, who held large public meeting with networks, programmers and public interest groups last summer in L.A. (TVD Aug 9 p4), said he has called follow-up session with networks next month in Washington. His office refused to release date, saying senator didn't want "media stake-out outside his office." Attorney Gen. Janet Reno testified in Congress that legislation to control violence is "constitutionally permissible" (TVD Oct 25 p1), also has met with network officials.

Administration "has shown great understanding of the harm done by media violence," Simon said. He also praised current prime-time season as least violent in years, but "my concern is that it is a temporary blip." Antitrust extension "leaves the ball in the industry's court," he said. "The question is whether TV executives will address the problem of TV violence themselves... or whether they will leave that to Congress. The best answer is self-regulation."

Nine bills on violence have been introduced in Congress, ranging from strict govt. controls, to requirement that all receivers incorporate computer chip to permit parents to control viewing. Simon is pushing networks to establish monitoring office to make regular reports to public on control of TV violence. However, he said "I have not encountered any enthusiasm" among networks, and he's drafting bill that would set up govt. monitoring system. He and Reno have praised new Canadian law on violence that becomes effective Jan. 1 (TVD Nov 15 p5).

Meanwhile, actor Michael Moriarty of Law and Order, along with producer Dick Wolf and Don Ohlmeyer, NBC West Coast pres., had their own meeting with Reno Nov. 18. Moriarty's response to Reno was one-sentence letter to her stating: "The next time you call me to a meeting where only one side gets to ask questions, send a subpoena." In longer letter to President Clinton, he called for Reno's resignation.

**Violent home videogames** are "extreme junk" that require nationally uniform rating system to allow parents to make "intelligent, informed decision as to whether this is appropriate" for their children, said Sen. Lieberman (D-Conn.), chmn. of Subcommittee on Regulation & Govt. His comments came at news conference Dec. 1 to announce bill that would force videogame manufacturers to use violence warning labels. Lieberman said he would ban violent games outright if it weren't for First Amendment concerns, called on industry to self-regulate. He won support of NEA, Conn. PTA and Bob Keeshan, TV's Captain Kangaroo. Keeshan said "danger arises" when violent games "incite violence in order to win" and encourage "active participation in violent acts." Bill, co-sponsored by Sen. Kohl (D-Wis.), would give videogame industry year to create rating or warning label system, after which independent council would intervene if no action occurred.

**Cosmos Bcstg.** will cooperate with Cablevision Industries to produce and sell ads on cable systems, Cosmos Pres. James Keeler said.

**STRONGER CABLE ENFORCEMENT URGED:** About 1/3 of U.S. Senate didn't waste time with niceties, sending strong message Nov. 29 to newly-sworn-in FCC Chmn. Hundt that Commission needs to take tougher action on cable rates. Hundt had said (TVD Nov 29 p1) cable would be his first priority, and senators are holding him to it.

Three-page letter from Commerce Committee Chmn. Hollings (D-S.C.) and Communications Subcommittee Chmn. Inouye (D-Hawaii) was signed by 35 senators -- 31 Democrats, including Majority Leader Mitchell (Me.), and 4 Republicans, not including notable Cable Act advocate Danforth (Mo.). All Democrats on Commerce panel except Sen. Bryan (Nev.) signed, while Sen. Gorton (R-Wash.) was only GOP committee member on letter.

Senators said that based on complaints from public, goal of protecting cable subscribers from "unjustified rate increases is not being met." FCC must "take additional action to reduce cable rates and step up its enforcement activities to ensure that cable firms are not evading the letter and the spirit of the legislation passed last year," letter said. Despite Commission's "best efforts, it appears that consumers are not benefiting from the legislation as much as Congress intended," lawmakers told Hundt. Results of FCC survey showing that rates for 2/3 of consumers are dropping isn't good enough, senators said, saying fact that rates for 1/3 of subscribers are going up was "unacceptable," and telling Commission that "many consumers deserve greater protection than they have received to date." At same time, senators said agency should simplify processes for small cable operators.

Senators reminded FCC that Congress had increased agency's appropriation primarily in order to administer Cable Act, and said they wanted to make certain Commission put that money to use. They also said FCC should: (1) Make greater efforts to encourage local franchise authorities to seek regulatory jurisdiction over cable. (2) Investigate cases in which there's evidence that cable company may have violated or evaded FCC rules.

**Telecommunications companies** face increased financial risk as they "race down the electronic superhighway," Moody's said. Increased merger activity among service providers and programmers, leveraged with huge amounts of debt, is raising serious questions about impact of such investments on companies' credit ratings, Moody's said. Harried pace of mergers and alliances isn't likely to slow, leading to internal cash crunch, it said. Political, judicial and regulatory policy decisions will continue to accelerate pace of industry change, report said.

**Bcst. Pioneers** has changed name to Bcstrs.' Foundation Inc., remaining at 320 W. 57th St., N.Y. 10019, 212-586-2000. Foundation provides financial assistance to indigent former industry personnel, supports Pioneers Library, awards scholarships annually through Best. Education Assn., presents annual Golden Mike Award to pioneer station.

**Edens Bcstg.**, licensee of KKLQ-AM-FM San Diego, has been fined \$18,750 for shortcomings in EEO recruitment. Stations also were given short-term renewals to Dec. 1, 1995, and ordered to make annual employment reports.

**USA Direct**, TV unit of direct mail marketer Fingerhut, said it may launch 24-hour home shopping channel. Company said it's looking for outlets that reach one million homes.



**CONGRESS AND NTIA OBJECTIVES:** Consensus on telecommunications policy that brought together Democrats and Republicans in Congress on key telecommunications legislation could be expanded to include Clinton Administration. At separate panel discussions at Western Cable Show, Democratic and Republican staffers from House Telecom Subcommittee and NTIA Dir. Larry Irving talked in similar terms of what they hoped to accomplish in proposing legislation. Bills to infuse local loop with competition and to allow telco and cable into each other's businesses already have been filed in Congress. Irving said Administration would propose its own measure when that legislation is ready, declining to set artificial deadline (see separate story, this issue).

At Dec. 1 panel, David Zesiger, Democratic staffer of House Telecom Subcommittee, said there probably would be about 6 hearings on telecommunications issues beginning early next year. Hearings would focus on HR-3636 introduced by Subcommittee Chmn. Markey (D-Mass.) and senior Republican Fields (R-Tex.) and others, as well as on MFJ bill HR-3626 by House Judiciary Committee Chmn. Brooks (D-Tex.) and Commerce Committee Chmn. Dingell (D-Mich.). One hearing probably will be held on multimedia mergers, Zesiger said.

NTIA also plans hearings on universal service, key feature of legislation. One session will be held in N.M. Dec. 16, Irving said, and another in south-central L.A. They were chosen because they're economically depressed, he said.

On larger policy issues, House staffers, including Republican Subcommittee counsels Catherine Reid and Michael Regan, said bill on cable-telco and related issues is necessary to provide certainty to affected industries. Now, variety of state regulations prevent cable companies from providing telephony, and Reid said it was necessary for business to "be able to see what the regulatory landscape will be 2 years from now." She said that because bipartisan bills cover such wide range of issues she isn't expecting any surprises or any "wildly different directions" when Administration produces its measure early next year. One of key features, Regan said, is that regulatory changes are being made up front, so states will know what federal policy will be in preemption, equal access, universal service, other areas. That's "an absolutely critical feature" of bill, Regan said.

For states, preemption remains touchy subject. In panel discussion with Irving, Cal. PUC Pres. Daniel Fessler still was fuming about what he called "regulatory brutality" involved in passing budget bill last year that preempted states from regulating cellular service. In exchange with Irving, Fessler said states needed flexibility to deal with different conditions, and federal govt. shouldn't assume all state govts. are unsophisticated. Fessler said that Congress, acting in stealth as part of budget bill negotiations, produced "very chilling effect" on state regulators.

Irving replied that his responsibilities, and those of Administration, are broader than state govts., and that goal of producing competitive markets shouldn't be "stifled by inefficient state regulations." At same time, however, he said his goal is to reach consensus with states on preemption issues, citing NTIA-sponsored conference last month in Washington to discuss those issues. While arguing that preemption may be necessary in some cases, Irving said he didn't want to get out in front of Administration, which after all is headed by former governor who is sensitive to state responsibilities.

**CABLE MUST PREPARE FOR COMPETITION:** Cable industry has 12-18-month window to prepare for new competition from telcos and DBS, panelists said at Western Cable Show. "The race is on for cable operators to act like, look like and perform like new competitors," Crown Cable COO Rod Thole said. "This is the first time that many of us will face real competition."

Threat comes as cable's ability to generate new revenue, needed for upgrades, is limited by regulation, Jones Intercable Pres. James O'Brien said: "The regulatory bogey is looking at us next year." Thole said combination of revenue limits and need to upgrade will mean "a very tough operating year -- 1994 will probably be the most important year in the history of cable."

Operators said they will focus on expanding unregulated revenue streams, including premium channels, pay-per-view, ads, digital music, electronic program guides, interactive games. Crown expects 25-26% increase in ad revenue, and Falcon COO Frank Intiso said his company expects 38% ad growth. Companies will expand a la carte offerings as soon as FCC rules are firmed up, Intiso said. Thole said Commission has changed rules on a la carte: "The FCC originally said that a la carte meets the Cable Act. Then companies did it and the FCC waffled." In end, he said, it "sent out ugly letters" investigating systems that did a la carte pricing as part of recent rate inquiries.

Cable systems have less than 2 years to improve service, increase market share and create brand loyalty before new competitors are significant factor, O'Brien said. Thole said problem could arise even sooner: "The big birds [DBS] will be up there next year. That's the scariest thing I face. We'll have competition in every market." He said DBS will spend "millions" to create brand loyalty, and it's "critical" that cable move first. Despite that, some cable operators "can't wait" for competition, which is supposed to eliminate need for FCC regulation, O'Brien said: "Their byzantine rules micromanage our business." Discovery Chmn. John Hendricks, in closing general session Dec. 3, agreed, saying that he hopes that regulation "will go away" as soon as competition emerges from telcos and/or DBS.

Cable operators also face "tremendous negotiations" with programmers in next few years as they try to control costs, Thole said. In addition to reducing programming costs, operators said they need right to sell more channels on a la carte basis. Intiso said: "The programmers have got to allow a la carte. They will balk and complain, but they will have to go along or risk losing a lot of carriage." Thole said programmers "feel they have a birthright to all of our subscribers," but Intiso said they're just "still in denial -- they'll eventually come around."

**FCC approved U S West (USW) plans for video dial tone (VDT) test in Omaha.** Okay for trial (TVD Aug 23 p7) is 4th granted by FCC -- others are Bell Atlantic's C&P of Va., Nynex, Southern New England Telephone. Decision requires USW to use unaffiliated 3rd party to buy, package and deliver entertainment programming from Time Warner, with which USW is affiliated. Commission also said USW plan to allocate only 27 of 77 analog channels to outside programmers was inconsistent with VDT rules. It said USW must make all channel capacity available in nondiscriminatory manner that gives all providers equal access. USW said it will provide 77 analog channels and 800-1,000 digital channels passing 10,000 homes for first 4-6-month technology trial, expanding to 60,000 for year-long marketing test.



**WESTERN SHOW NOTEBOOK:** Future of NCTA itself still has major unsettled issue, as speculation over possible choice for new Assn. pres. rippled through corridors and cocktail parties. Word is that no one has been selected and that board seems in no hurry to finalize. There had been talk of picking someone by Show time; now, Jan. 1 may be a target. Among those most often mentioned for job are Bert Carp, former NCTA vp, now Washington vp for TBS, and ex-Rep. Dennis Eckart (D-O.), now practicing law. Commonly mentioned as probable compensation: \$500,000. At one time, there was talk of trying to get big name such as Gen. Colin Powell or former baseball commissioner Peter Ueberroth, but that apparently wasn't very serious. Some board members even approached former NCTA Pres. Thomas Wheeler, who told them he was happy where he is -- as pres. of Cellular Telecommunications Industry Assn.

**General Instrument (GI)** and Intel announced Dec. 1 they would conduct field test next year to evaluate high-speed access to on-line services using cable networks. Viacom and Comcast will be involved, and America Online (AOL) and Prodigy will be services tested. Intel Vp Avram Miller emphasized that no product was being announced, only "joint technical development experiment." GI said cable would offer data speeds 10 times those over telephone wires, and would close "communications speed gap" that developed as computers acquired ability to process information more quickly, but were handicapped by speeds in telephone network. Cable customer would be able to plug cable service into board in back of personal computer to acquire access to higher data speeds. Demonstration of Prodigy at higher speeds showed remarkable improvement, even over current 9600 bps offering. Prodigy Exec. Vp Scott Kurnit said his company does some of that now, offering different data streams, depending on which Prodigy software is used. AOL Vp Audrey Weil said games and home shopping, now not big part of her service to computer users, might be bigger part of cable version. CompuServe is latest to join cable world, planning to test its text-based system.

**C-Cor** is predicting record sales this year and even better next year, Chmn. Richard Perry said. Equipment sales are driven by resurgent economics of industry, plus demand for new technology, he said: "This is absolutely the most exciting, dynamic business that you could be in."

**CableLabs** and Cal. Cable TV Assn. unveiled CableNET 93 exhibition at Western Show. In exhibit, 24 companies demonstrated services that could be carried by interactive fiber cable system. Most applications have been suggested or available for some time -- main new factor is that all are interconnected for first time via prototype broadband asynchronous transfer mode switches and digital video servers. Among applications is Prodigy Multimedia Access, which uses cable's higher data rate capability to move data at 500 Kbps.

**EMI Communications** is negotiating agreements for pilot projects to be launched early next year in which cable operators will give subscribers cost-effective computer access to information networks via cable, Vp Gil Korta said. EMI said it expects to offer system nationwide by early 1995. System will allow cable subscribers to connect directly with Internet. Company said Adelphia system in Syracuse is expected to be among first test markets.

**America Online** said it will deliver its services via cable and develop new ones for interactive TV. It said it will participate in Viacom's Castro Valley, Cal., testbed beginning in early 1994 and with General Instrument and Intel to develop next-generation set-top boxes.

**Northern Telecom** demonstrated prototype of 40-Gbps broadband switch for use with cable networks. Broadband Multimedia Vp William Connor said scaled-down 10-Gbps version will be available in mid-1994, 40-Gbps in 1996, 80-Gbps eventually. He said Magellan Concorde switch, compatible with asynchronous transfer mode, is low-cost, low-risk method for cable operators to enter broadband, interactive, multimedia market. Company also demonstrated for first time product concept for providing PCS over coaxial cable.

**Digital Equipment Corp.** and Times Mirror Cable said they will cooperate with Ariz. State U. to develop broadband interactive network connecting large manufacturers to suppliers and subcontractors. Network test is to begin in Phoenix this month using existing cable systems, with additional participants to be linked early next year.

**Converging telephone** and cable industries "share a vision of the future that's becoming a cliché before it can be fully understood," Bell Atlantic Chmn. Raymond Smith told overflow crowd in keynote address. Convergence won't necessarily mean telcos will be producing movies, he said: "We're not just rearranging the chairs. We're on the brink of inventing a whole new industry with new products, new services and new distribution platforms." Smith said "shocker" will be how fast new interactive multimedia industry develops since "the killer applications are right under our noses," including expanded home shopping, entertainment, games, even lotteries. Regulations based on communications capacity scarcity don't make sense in age of virtually unlimited capacity, he said, and regulatory goal should be simply to encourage competition.

**General Instrument** and DSC Communications said they plan to demonstrate by May integrated video-telephony system announced last month. Equipment should be available to customers by fall, DSC Vp George Hawley said. He called project "a relatively easy joint development."

**MOR Music TV** said it will form 6 new music video channels, in addition to basic service already operational: Aerobic Music, Classic Country, Classic Rock, Concert Music, Gospel Music, Spanish Music. All 6 will be offered as tier or a la carte and will be carried on Galaxy 5 satellite, CEO Ronald Harris said.

**Graff Pay-Per-View** will launch 2nd adult channel, Spice 2, Feb. 2. In addition to cable, Spice 2 will be available to satellite dishes.

**National Access TV** network will begin test transmissions in Jan., with full schedule in Feb., Pres. Jeffrey Younger said. Network will carry public access, opinion, home video, shopping, other programming. Those wanting access will pay \$300 per half-hour to reach national and international satellite dish market and eventually cable systems, Younger said. Programming will be carried on GTE ASC 1 satellite.

**Cable Ad Bureau** is forming coalition of major advertisers, ad agencies and cable executives to explore how new cable technologies can enhance TV advertising effectiveness. Partnership for the Future of TV Advertising will hold first meeting in mid-Jan. in N.Y.C.

**Cox** said it agreed to buy Zenith decoders for its interactive TV test in Omaha. Boxes will be deployed in stages beginning next year.



**COMMUNICATIONS ACT 'MAKEOVER':** With Communications Act 60 years old (it became law in 1934), "makeover" of its requirements and provisions is needed, NTIA Dir. Larry Irving said. Speaking at Nov. 30 MSTV 7th "Advanced TV Update: Alliances for the Future," he said Administration won't attempt to "rewrite" Act, as had been reported (TVD Nov 15 p1), but changes are needed because it's in great disarray.

Broadcast industry, he said, has opportunity "to work very, very closely with us... I need your help." However, in answer to question, he couldn't guarantee that commercial broadcasting would be protected in Administration's National Information Infrastructure (NII) proposal, which he said will go to Congress next year. One reason, Irving said, is that the more that's put in such major bill, the harder it is to get it through Congress. Several bills on infrastructure already have been introduced and he said they're helpful to Administration's efforts because it gives good indication of how Congress is thinking.

Irving said advanced TV (ATV) will offer "tremendous opportunities to broadcasters," which will start with acceptance by consumers. Program providers hold "trump card," he said, citing fight between Viacom and QVC for control of Paramount. Broadcasters can become participants in NII through delivery of digital programs to homes, and "first and primary" obligation is for over-air TV stations to continue such home delivery in ATV system. Irving said it's not enough just to build NII, that it's also necessary to make sure there are enough "entrances and exits" to system. He said President Clinton's commitment is that broadcasters maintain their existing role as information providers to public. NII advisory council will be announced within next 2 weeks, Irving said, and it's expected to include commercial broadcasters. More than 500 have applied for 25 positions on council, he said.

Industry has come long way since first MSTV conference on advanced TV in 1987, Pres. Margita White said: "If, with the incredibly rapid pace of change, we still don't have all the answers, we at least justifiably can claim confusion on a much higher plane." MSTV Chmn. W.P. (Bud) Williamson, WKBN-TV Youngstown, said HDTV alliance "has developed the best of the best" but still faces hurdles at FCC and elsewhere.

FCC Comr. Quello warned that pay-per-view (PPV) "is inherently a natural enemy of free TV... But, I don't believe Congress or [FCC] will tolerate pay-per-view's siphoning from free TV major sports or civic events that are embedded in the fabric of American life." However, he said, PPV profit potential "may be too overwhelming to resist and probably requires continual government scrutiny." As he has many times before, Quello said most important challenge facing broadcasting and FCC is to assure continuation of "universal, free local broadcast service... I'm going to keep repeating it as long as I'm on the Commission." On whether cable rates have gone up or down because of 1992 Cable Act and FCC actions since then, in show of hands at Quello's request, slight majority of audience indicated their rates had increased.

Richard Wiley, chmn. of FCC Advanced TV Advisory Committee, updated conference, saying ATV alliance was formed to avoid 2nd round of expensive testing of competing proponents' systems. Result, he said, has been "a greatly enhanced system" for which it will take year to build prototype. After that, he said, Committee will make its recommendations to FCC but group remains open to "legitimate concerns" and impact of HDTV on small TV

stations. Recommendation to FCC is expected in early 1995, Wiley said.

Commission should be able to act within 6 months after it gets recommendation, said James McKinney, chmn. of industry's Advanced TV Systems Committee (ATSC), and it should take 2 years to get ATV sets in hands of public. He predicted "this process will come to a quick, successful conclusion" and ATSC should go out of business day FCC gets report. But, he said, "before that there still is much to be done." John Windhausen, Senate Communications Subcommittee staffer, said that "at this stage, there isn't any reason for Congress to try to step in," position with which Catherine Reid, House Telecom Subcommittee staffer, agreed. She said HDTV will result "in an incredible amount of new jobs," and "real challenge" is to bring down cost of receivers to public.

At technical session, James Carnes of David Sarnoff Research Center estimated that U.S. has about 2-year lead on other countries in HDTV. He called digital TV "a very important part" of NII. In answer to question by moderator Joseph Flaherty of CBS, Wayne Luplow, General Instrument, said public demonstrations of HDTV should be ready by time of July 1996 Olympics in Atlanta, although there will be few sets in homes.

**TIME WARNER BATTLES WIS.:** Time Warner (TW) has filed motion for summary judgment in U.S. Dist. Court, Milwaukee, asking that federal govt. be allowed to preempt state's efforts to stop what state considers "negative option" billing by TW cable systems. Company contended that billing changes comply with FCC rules because a la carte pricing is exempt from rate regulation, and characterized restructuring as attempt to unbundle channels in accordance with 1992 Cable Act.

On Aug. 31, Wis. Attorney Gen's. Office filed complaint with state Dept. of Agriculture, Trade & Consumer Protection in response to TW's plan to unbundle 4 channels that had been included in basic package. Office charged TW with "unfair trade practices and unfair methods of competition" because it had required that subscribers notify company to cancel programming and receive \$2.20 discount. TW said that because price didn't increase if channels remained, action didn't fit "negative option" definition. Consumer Protection Dept. implemented stay of proceedings Oct. 26 until U.S. Dist. Court rules.

In filing, TW argued that although Cable Act states that "cable operator shall not charge a subscriber for any service or equipment that the subscriber has not affirmatively requested by name," FCC regulations exclude cases in which restructuring doesn't result "in a fundamental change in the nature of an existing service or tier of service." TW said that "restructuring in Wisconsin falls squarely within" that provision because "all subscribers continue to receive exactly the same programming services that they had previously received." It also said state action would violate U.S. Constitution because it would subject a la carte channels to rate regulation and conflict with federal law.

On Nov. 17, FCC sent letters of inquiry to cable operators noting that local and state regulators have accused them of negative option marketing. Letter to TW system in Milwaukee, where local regulator was first to question TW billing in state, requested information on a la carte rates, implementation dates, terms, conditions. TW, which must provide information within 30 days, said it's "confident" Milwaukee unit complied with law "in every respect."



**Pacific Telesis** filed suit Nov. 29 challenging constitutionality of Cable Act's cross-ownership ban. Suit parallels one in which Bell Atlantic won reversal of cable-teleco ban on First Amendment grounds. It was filed in U.S. Dist. Court, San Francisco. "We believe customers are best served when they have access to a wide variety of program sources representing diverse viewpoints and backgrounds," Pactel Exec. Vp Richard Odgers said. Pacific Bell recently announced \$16-billion "California First" program to build integrated network and wants right to develop its own programming. If successful, it would provide video through separate division that buys transport services, PacBell Consumer Broadband Services Vp Lee Camp said. Suit also charged that video programming ban violated equal protection principles of 5th Amendment and "discriminates against telephone companies that wish to provide" video. RHCs tried unsuccessfully to get Va. court to apply nationwide its decision allowing BA to offer video programming. BellSouth and Southwestern Bell are considering court action.

**Tyson Foods Inc.** asked Ark. state court to bar ABC's 20/20 from bringing hidden camera into its poultry processing plant. Springdale, Ark., company told court it learned ABC producer had asked federal meat inspectors to wear hidden cameras in plant. Tyson said it routinely allows reporters into its plants "under controlled circumstances, where proprietary information was protected... But we simply can't tolerate the trespass of our private property through the use of hidden cameras." ABC News had no comment.

**Group of 7 international broadcasters** will lease capacity on new Apstar-2 satellite, commissioned by Hong Kong's APT Satellite and built by Hughes. Discovery, ESPN, HBO, Time Warner, Turner, TV Bcsts. (Hong Kong) and Viacom will lease 16 transponders. APT said footprint will cover from Europe to Japan and from Northern Asia to Australia. Launch is scheduled next Dec., but U.S. ban on export of satellite technology to China could pose problem since 3 of APT's 7 shareholders are Chinese.

**Among MSOs joining NCTA and CATA** in opposition to Nynex request that FCC start excluding low-penetration cable systems (under 30%) from rate benchmark calculations: Cablevision Industries, MultiVision, Providence Journal Co., Sammons, Viacom. Companies argued that FCC doesn't have discretion to redefine Cable Act's definition of effective competition. Viacom said that although it disagrees with aspects of FCC's rate calculations, "inclusion of low-penetration systems remains crucial."

**Roy Neel**, White House deputy chief of staff, will become U.S. Telephone Assn. pres. early next year. Neel, who will succeed John Sodolski, retired, is long-time aide to Vice President Gore, serving as his chief of staff before moving to President Clinton's staff. Before that, he was administrative assistant to Gore in Senate. Starting date will depend on how long it takes Neel to "ease out" of White House job, USTA spokesman said. He reportedly will be paid \$500,000.

**Local radio revenue** was up 9% through Oct. and national spot revenue 7%, resulting in overall increase of 8% so far this year, RAB reported. Combined national and local spot revenue for Oct. was up 5%.

**FCC affirmed** earlier decision revoking construction permit of Black TV Workshop for noncommercial KEEF-TV (Ch. 68) L.A. because of unauthorized transfer of control and "construction at variance from the construction permit."

**INTV joined** other parties in appealing FCC's relaxation of finsyn rules. Assn. said Commission failed to explain adequately its decision to "sunset" rules 2 years after Justice Dept. consent decrees with networks are removed -- action that has been taken by U.S. Dist. Court in L.A. (TVD Nov 22 p3). Said INTV Pres. James Hedlund: "INTV will fight to the last to protect independent stations' ability to acquire attractive programming and maintain the quality and diversity of independent TV." INTV filed in U.S. Appeals Court, D.C., asking that case be transferred to 7th U.S. Appeals Court in Chicago, which has jurisdiction over proceeding.

**Cable Equipment:** (1) **Scientific-Atlanta (S-A)** will build interactive digital set-top terminals for U S West's broadband trial in Omaha, companies said. Terminals will be MPEG-compatible, using S-A compression system and graphics control and display technology developed by 3DO. (2) **Hitachi** will build asynchronous transfer mode equipment for Time Warner's Orlando full-service network under new contract. Value is put at nearly \$2 million. (3) **ComStream** will supply modem for transmitting compressed digital video over cable to AT&T. ComStream modem will use 64-QAM technology. Terms weren't disclosed.

**Bell Atlantic (BA)** will hold seminar Dec. 10 on developing programming for its video dial tone field trial in Northern Va. that starts in March. It plans open enrollment through end of year. It said it will open video dial tone sales center by Jan. to assist programmers. BA's Video Services (BAVS) Div., subsidiary affiliated with C&P Telephone, also will participate as programmer. Other programmers can buy video dial tone service on same nondiscriminatory terms as BAVS as required by FCC tariff to be filed. Seminar will be at 1320 N. Courthouse Rd., Arlington, Va. -- 703-974-2814.

**C-Cor Electronics** will provide cable equipment for Asianet Group of India, DBS network that plans to build 12-channel cable system in Kerala to reach 500,000 households. Pan Asian Systems, C-Cor distributor in Asia and Middle East, will supply RF amplifiers, main line passives, specially designed minitrunk. It also will train Asianet staff in engineering and construction. Asianet now offers DBS and cable in India, C-Cor said.

**Del. Supreme Court** set Dec. 9 for oral argument on whether Viacom-Paramount merger deal includes illegal "poison pill" provisions. Court agreed to hear appeal of lower court ruling that supported QVC's claim that it does (TVD Nov 29 p6). Viacom and QVC told court they would keep their tender offers for Paramount open until it rules on case, to be heard by 3-judge panel of Del. Supreme Court.

**VOA wants to sell** its station in Belize, Central America. In 1994 appropriation, VOA didn't receive money to continue operating and said station would go dark March 31. Station has two 100-kw AM transmitters, 2 DA arrays, satellite equipment. Price wasn't mentioned, and Belize govt. must approve buyer. Inquiries: VOA External Affairs Dept., 202-619-2538.

**ANA has asked FCC** not to adopt proposal to limit amount of advertising on TV stations. Pres. DeWitt Helm said: "Consumer choice and economic forces should be relied upon to ensure the appropriate balance between programming and advertising, rather than government regulation."

**Citing increase** in European members, Washington-based National Infomercial Marketing Assn. (NIMA) opened London office Dec. 1.



## Personals

**Reed Hundt**, who was sworn in Nov. 29 by Vice President **Gore** as FCC chmn., will be honored at FCBA 7th annual chairman's dinner Dec. 9, 6 p.m., Washington Hilton... **Thomas Kane**, ex-WABC-TV N.Y., appointed pres.-gen. mgr., WPVI-TV Philadelphia, succeeding **Alan Nesbitt**, now pres.-gen. mgr., KABC-TV L.A.... **Sam Cue** promoted to senior vp, Group W Productions... **Mark Olingy**, ex-WCIV Charleston, S.C., named Harris Allied studio systems sales engineer.

**Sally Lawrence**, ex-FCC News Media Div. chief, joins Fleishman-Hillard as vp-PR... **Nancy Glauberman** advanced to senior vp, Showtime Networks... **James Ricks**, ex-Cannell Distribution, appointed vp-programming and promotion, WJBF Augusta, Ga.... **Blake Bryant** promoted to dir.-creative services, KCAL L.A.... **Debra Grivois**, ex-WCMH Columbus, O., named dir.-station operations, WJAR Providence.

**Laurence Harris**, onetime FCC Mass Media Bureau chief, joins MCI as gen. mgr.-wireless communications services... Promotions at KRON-TV San Francisco: **Joe Fragola** to exec. producer, 24-hour News & Information Channel for cable to be launched in summer; **Larry Shenosky** to asst. news dir., News & Information Channel; **Janette Gitler** to dir.-local programming and community relations.

**Helen Mossler** promoted to senior vp-talent and casting, Paramount Network TV... **Keith Kambak**, Walt Disney Attractions, joins Gaylord Entertainment Jan. 3 as vp-Design, Development & Construction Group... **Alain Gourd**, ex-Canadian govt. assoc. secy. to cabinet and deputy clerk of Privy Council, appointed pres.-CEO, Canadian Satellite Communications... **Allen Peddrick**, ex-Peddrick Assoc. consulting firm, appointed dir.-employee relations, Comcast Cable.

**Danny Baker** promoted to gen. sales mgr., WAGA-TV Atlanta... **Douglas Padgett**, vp-gen. mgr., WEHT Evansville, Ind., also named pres.-COO of parent Gilmore Enterprises... **Liz Stobart** promoted to vp-gen. sales mgr., KJAC-TV Port Arthur-Beaumont... **Jonas Jones** advanced to gen. sales mgr., WGBO-TV Joliet, Ill... **George Babick**, ex-Tribune Bestg., appointed senior vp, TV Food Network... **David Laventhol**, 59, who has Parkinson's disease, retires as pres. of Times Mirror Co. and publisher of L.A. Times Mirror, will remain editor-at-large; he will be succeeded by **Richard Schlosberg**, vp for newspapers.

FCC Comr. **Quello** addresses U.S. telecommunications policy at Financial Times World Telecommunications Conference, Dec. 7, 11 a.m., Hotel InterContinental, London... FCC Chief Engineer **Thomas Stanley** participates on Telestrategies Personal Communications Services Conference panel, "FCC Has Spoken," Dec. 7, 9-10:30 a.m., Hyatt Arlington, Arlington, Va. He also addresses Teknekron Communications Systems, "PCS: Role of Wireless Pay Phones, and Evolution of Cordless Telephones," Dec. 8, 4-5 p.m., San Francisco Marriott... **Kathleen Levitz**, acting FCC Common Carrier Bureau Chief, participates on panel, "Development in Long Distance Marketplace," sponsored by Practising Law Institute and FCBA, Dec. 9, 10:50-noon, Washington Hilton.

**Media & Adjudication Branch** of FCC Reference Center, Rms. 230 and 239, will be closed at noon Dec. 17 for Christmas party. Center, along with Rms. 221 and 250, also will be closed for maintenance Dec. 27. Persons requiring emergency assistance should call 202-632-7566.

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**Bell Atlantic (BA)** said it will issue request for quotations (RFQ) this week for video-capable platform backbone of its interactive network. It said new network would pass 1.25 million homes by end of 1995, with "significant" portion of work beginning next year. BA said it will equip 1.5 million more lines annually after that so that by 2000 network should pass 8.75 million homes. RFQ will ask for switched, digital, fiber-based network "that can be deployed quickly." BA expects to award contracts in first quarter next year. "By the end of 1998, we will have wired the top 20 markets in our mid-Atlantic service region," BA Chmn. Raymond Smith said. Among network's first locations are in Northern Va., Montgomery County, Md., and parts of N.J., Baltimore, Philadelphia, Pittsburgh. BA and TCI said earlier they would spend \$15 billion over 5 years to build video-capable network, \$10-\$11 billion of that in BA territory.

**World Media Expo** is name given to combined exhibits of 4 trade associations: NAB radio show, RTNDA, Society of Motion Picture & TV Engineers, Society of Best. Engineers. First is scheduled Oct. 13-15 in L.A. Convention Center. NAB said it expects about 350 exhibitors using 120,000 net sq. ft. Groups will continue to hold separate and concurrent conventions in conjunction with World Media Expo.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

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

	NOV. 13-19	1992 WEEK	% CHANGE	NOV. 6-12	46 WEEKS 1993	46 WEEKS 1992	% CHANGE
TOTAL COLOR....	725,236	762,619*	- 4.9	571,595	21,632,404*	19,406,192	+11.5
DIRECT-VIEW..	711,263	750,478*	- 5.2	562,547	21,250,746*	19,066,212	+11.5
TV ONLY.....	686,051	709,757*	- 3.3	526,966	19,979,684*	18,275,476	+ 9.3
TV/VCR COMBO	25,212	40,721*	-38.1	35,581*	1,271,062##	790,736	+60.7
PROJECTION...	13,973*	12,141	+15.1	9,048	381,658*	339,980	+12.2
VCR DECKS.....	297,078	373,253*	-20.4	226,322	10,673,349	10,737,460	- 0.6
CAMCORDERS....	64,556	80,823	-20.1	45,689	2,645,092*	2,412,389	+ 9.6
LASERDISC PLYRS**	4,371	4,982	-12.3	1,850	184,120	182,098	+ 1.1

Direct-view TV 5-week average: 1993--692,265\*; 1992--615,933 (up 12.4%).

VCR deck 5-week average: 1993--315,217; 1992--386,798\* (down 18.5%).

Camcorder 5-week average: 1993--80,929; 1992--79,076 (up 2.3%).

\* Record for period. ## Exceeds full year 1992.

\*\* Includes combi players, excludes karaoke types.

**HOLIDAY SALES OFF TO SOLID -- BUT SCARY -- START:** Strong volume Thanksgiving weekend gave solid kickoff to crucial 4th-quarter season, according to most dealers we surveyed last week. But they said in words that seem to be repeated with greater vigor each year, margins are being stretched thin as natural byproduct of fierce competition. "I'm not going to use the word panic," said William Trawick, vp of metropolitan N.Y. P.C. Richard chain, "but let's say some retailers get 'concerned' a lot earlier than before." And, he added, since company maintains price-matching policy, that takes dollars off bottom line.

In general, dealers reported major increases in sales of nearly all categories over holiday weekend, traditional kickoff to high-intensity effort. "Traffic was very steady, and there weren't as many lookers versus the years previous," said Jerry Salesin, senior video buyer for ABC Warehouse. Like others, he reported major increases in larger screen sizes of direct-view, and solid gains in projection TVs.

Biggest winners of opening weekend apparently were large TVs, computers, cordless phones, portable audio, bookshelf systems. Softest spots were camcorders and, according to some, videogames. In latter case, it appeared that category, for dealers we contacted, isn't declining, but rather wasn't showing expected increases. Executive of one major mass merchandise chain suggested that market for hardware might have been softened by too much early discussion of advanced formats. "Sega and Nintendo have started talking now about systems that won't be available for 2 years," he complained. Executive of another national mass merchandise chain said "we would not have made our numbers" on videogame category without unexpectedly strong response to price promotion on specific item.

Ed Goldfarb, vp-electronics for Federated Merchandising Corp., unit of Federated Department Stores., said sales 3 days following Thanksgiving were up 17%, with major pickup in 30" and larger TVs. That overall classification, which includes projection TV, represented 37% of total TV dollars; 61% of that large-set business came in 30-35". Goldfarb said that video business was "okay," but that camcorders were off, as company decided not to pursue promotional end of business. "As long as the margins are where they are, we won't go after it," he said. He said weekday business following weekend was "spotty" at best, with consumers seeming to pause for next weekend's promotions.



Camcorders were mentioned as soft spot by several dealers, particularly in what formerly was considered midlevel and upper level price points. "It's not at all hard to sell \$699 and under," one merchandiser said, "but it's getting really tough with the \$999-to-\$1,199 models." How tough? Reports from such markets as Dallas, Houston and Atlanta (prime battlegrounds between Circuit City and Best Buy) indicated that \$999-list Sharp Viewcam is being sold for well under \$800 on floor.

Dayton Hudson Div. Mdse. Mgr. Michael Flynn said camcorder sales have been "okay, but the price is falling. You can sell 'em, but the margins aren't there." He said average price of camcorder sold there is down "more than \$100" since last year. Robert Becker, audiovideo buyer for L.A. Tronics, said company showed "balanced" sales gains, "although I don't think camcorder sales have really kicked in yet, and I think they will."

With overall pie not getting bigger, and major chains expanding, some smaller players are finding tough going. Joseph Barrett of Barrett's AV in Chicago area called post-Thanksgiving period "real tough," saying that "it's like Pac-Man is outside, gobbling up the customers before they make it to the mall." Company is succeeding most with major-ticket home-theater sales, he said, but necessity of running promotions along line of "6 months' interest-free" is eating into bottom line.

And if it's not one thing it's another. Irv Blumkin, vp, Nebraska Furniture Mart, sounded as though he were praying for rain at midweek. Following "good" Thanksgiving weekend with "sensational" TV sales, business fell off to "mediocre" during week. Part of reason (echoed by others in Midwest): "The weather's been beautiful here the last few days. People don't want to shop."

**FCC PROPOSES TOUGHER TV SET RULES AFTER 1996:** Fleshing out its recommendations to Congress for improving cable/consumer electronics compatibility (TVD Oct 11 p11), FCC last week issued its proposed rules covering standards for TV sets, VCRs and other products designed to be compatible with cable as well as specifications and dates for changes in cable systems.

All parties will be given usual chance to comment and make alternative proposals, but under Cable Act new rules must go into effect by April 4. Following its own recommendations, FCC proposed to put its short-term rules into effect 6 months after final rules are adopted -- Oct. 1994. They would eliminate basic tier scrambling; give subscribers option of having all unscrambled signals delivered directly to TVs or VCRs, bypassing cable boxes; require systems to provide boxes that permit consumers full use of their home equipment on request; permit use of aftermarket remotes with cable boxes; require systems to inform consumers of options to improve compatibility.

For longer term, FCC has prescribed standard industry channel numbers and frequencies and will require use of set-back interface system being developed by cable-CE group to permit proper functioning of all home electronics equipment features, even with scrambled signals.

By congressional mandate, FCC is required to set standards for TVs, VCRs and other products to be marketed as "cable ready" or, as rulemaking document puts it, "intended for connection to cable service." Commission proposed specific standards "that are practical to implement and would pose only a modest increase in costs for both equipment manufacturers and consumers." FCC proposed that equipment manufactured or imported after Dec. 31, 1996, intended for connection to cable, comply with new standards. "We believe this 21-month period after finalization of [revised] channelization and decoder interface portions of the standard will provide an adequate amount of time for manufacturers to comply with the new rules."

Although designed to apply only to devices marketed as cable ready, obviously virtually all sets will have to comply with rules, since majority of U.S. homes already are connected to cable. Among FCC's specific recommendations:

All sets must have standard analog/digital decoder interface, and be able to tune all cable channels over frequency range of 54 MHz to 1 GHz under new channelizations. Commission asks for alternative proposals, including setting 750 MHz upper limit at start. New requirements for improved receiver performance include specific recommendations on standards for adjacent channel interference, tuner overload, direct pickup interference, signal leakage. In addition, Commission plans to review isolation requirements for TV accessories that attach to antenna terminals, such as laserdisc players, videogames, etc.



Rulemaking proposal also considers tightening compliance regulations, FCC asking whether it "should subject cable-ready TV receivers and component decoders/descramblers to authorization under the notification or certification procedures, rather than the verification procedures" currently used. Both alternatives require extra effort and testing.

Going somewhat further than its report to Congress, Commission opened discussion of standard for digital transmission for cable service. "We recognize that developmental work in this area is still in progress," notice said, "and therefore request suggestions for a regulatory plan that would require completion of a digital cable transmission standard [to] allow for timely and efficient introduction of consumer products that could receive service under the new standard." FCC pledged to "monitor these developments to ensure that consumer interests are protected." Comments on proposed rules are due Jan. 10, reply comments Jan. 25.

**VIDEO CD INADEQUATE FOR MOVIES--SCHULHOF:** Neither playing time nor picture quality of 5" CD currently is adequate for recorded movies, Sony America Pres.-CEO Michael Schulhof said last week in answer to question at ceremony celebrating production of 50-millionth CD-ROM at Sony's Digital Audio Disc Corp. (DADC) in Terre Haute.

Schulhof's comments appeared to be at odds with statements made at this fall's Japan Electronics Show (TVD Oct 11 p12), where Sony demonstrated Video CD player and said company would introduce player in mid-1994, with software probably including music videos and movies. Player demonstrated was designed as minicomponent, and demonstrator said that particular model wasn't necessarily intended for production. Sony is one of main co-developers (with Philips, Matsushita and JVC) of standards for CD-Video, full-motion digital system based on Philips-JVC "White Book" standard used in JVC karaoke player.

Asked whether Sony's Columbia Pictures would follow Paramount in releasing movies on Video CD, Schulhof replied: "I think there are 2 criteria that are important. The first is that each new development in packaged media has to offer an improvement in picture quality. One of the problems with MPEG-1 [standard employed by Video CD] is that the picture quality is a step backward from VHS. The 2nd problem is that packaged video really has to encompass a full movie on a single side. That means 135 minutes -- 2 hours and 15 minutes -- [which is] the minimum playing time per side to be considered acceptable. "There may be some applications for which MPEG-1 60-minutes will be suitable," he said. "I don't really think that's the case for major motion pictures... We are still thinking seriously about what the next technology is going to be, but right now it doesn't look like [Video CD is] good enough to satisfy a real demand."

As for development of high-density CDs that eventually could accommodate movie on one side (TVD Nov 22 p11), Schulhof said Sony is "working very hard" on such developments and is looking at lasers that "already can be produced satisfactorily" in lab, but picture quality still isn't suitable for marketing.

CD-ROM as "cornerstone of the still infant multimedia industry" is destined to replace floppy discs in few years and will make multimedia "as comfortable a part of home entertainment as the TV," Schulhof said in his comments at Terre Haute. He called CD-ROM "important platform for collaboration between Sony artists and our engineers" that's "connecting creative thinkers within Sony in ways never before possible" and is destined to play "major role in Sony's ongoing development as a global entertainment company."

DADC's Terre Haute facility, which produces CDs, MiniDiscs and laserdiscs as well as CD-ROMS, has averaged 3 million CD-ROMS monthly this year, DADC Chmn. James Frische said. In Nov., plant shipped 5 million. In answer to question, he said it was possible that 100-millionth would be shipped in 1994.

"Multimedia is fast becoming a mainstream product" in business and industry, and now is moving to consumer channels, Sony Electronic Publishing Co. Pres. Olaf Olafsson said, noting -- without giving any further details -- Sony's planned introduction of CD-ROM based videogame (TVD Nov 1 p15). He said more than 6,100 CD-ROM titles are available now, with new ones coming out at rate of 300 monthly as multimedia via CD-ROM moves "off the business page [to] our local neighborhoods."

Meanwhile, DADC official said plant's production of recorded MiniDiscs varies from "60,000 to a couple of hundred thousand" discs monthly, well below 500,000 capacity but still "more than CD at the same stage" of development. Company's laserdisc production has held steady and plant is operating at capacity, but "hasn't expanded in recent years."



**JAPAN-U.S. CAMCORDER EXPORTS CONTINUE STRONG:** Although rate of growth has been moderating over last several months, Japanese exports of camcorders to U.S. continued to run ahead of last year's pace in Oct., according to data released by Finance Ministry. Increase of 6.6% in month (over same 1992 month) reduced year-to-date gain to 18.7%. That's still significantly ahead of rate of increases in sales to dealers that, EIA reported, were up 11.5% through Oct.

Average yen value of camcorder shipped to U.S. from Japan in Oct. (57,429 yen) rose 2% from Sept., but was 9.6% less than average value in Oct. 1992. However, appreciation of yen vs. dollar during year (average of 106 = \$1 in this year's month vs. 122 = \$1 in Oct. 1992) caused average dollar value to jump 4.1% to \$541.78.

As production of VCRs continued to move increasingly offshore, Japan's VCR exports to U.S. were off 42% in Oct., increasing 10-month decline to 32.2%. With Japanese production oriented more toward higher end models, average value of 28,250 yen in Oct. was 3.8% higher than year ago, although it was 4.2% lower than in Sept. In dollar terms, value was 19.4% higher than year earlier (\$266.51), representing whopping \$43.37 increase.

Color TV exports to U.S., limited primarily to small quantities of smaller screen sizes, soared nearly 80% ahead of last Oct., but average value of those TVs dropped 27.9% in yen terms, 17% in dollars. Exports of CD players slid 27% in Oct. (yen value up 2.7%), now are down 10.5% for year. Videodisc players were up 27.6% in month, although yen value was 9.7% lower than year earlier.

Finance Ministry reported Japan exported no color TV sets to Canada in Oct., compared with 299 year earlier. Other shipments to Canada in Oct. (first 10 months in parentheses): VCRs 18,369, down 63.6% (204,852, down 49.5%); camcorders 23,770, down 12.9% (180,310, down 8.8%); videodisc players 3,813, up 14.2% (18,731, up 2.7%); CD players 52,231, down 12.5% (402,535, down 11.6%). Japanese Finance Ministry's figures on exports to U.S.:

Product	Oct. '93	Oct. '92	% Chg.	10 Mo. '93	10 Mo. '92	% Chg.
Color TV.....	20,924	11,636	+79.8	97,460	99,412	- 2.0
VCR decks.....	353,157	610,085	-42.1	3,480,426	5,135,986	-32.2
Camcorders.....	317,200	297,482	+ 6.6	2,662,253	2,242,089	+18.7
Videodisc players	47,278	37,046	+27.6	285,431	290,576	- 1.8
CD players.....	486,924	667,468	-27.0	5,186,801	5,795,382	-10.5

Videogame industry would be forced to adopt uniform software rating system on violent content or face oversight by govt. council under bill offered by Sens. Lieberman (D-Conn.) and Kohl (D-Wis.) last week. Sega of America (SOA) applauded bill's intent, but urged issue be left to industry. Restating position SOA adopted earlier this year in instituting on-package ratings for itself and licensees (TVD May 31 p18), Mktg. Vp William White said company wanted to give parents "tools to monitor the games their children will play" and invited rest of industry "to follow suit." Pointing to participation of Bob Keeshan (formerly TV's Captain Kangaroo) in Lieberman's news conference to publicize bill, White said videogame audience is more diverse than in past and "less than 1/4 of our customer base is under 12 and likely to be watching Captain Kangaroo... The adult market today wants something more than just playing Pac-Man." Lieberman called violent videogames "extreme junk," saying he would ban them outright if it weren't for First Amendment concerns. Bill would give industry year to create rating or warning label system, after which independent council would intervene if no action resulted. Nintendo spokesman couldn't be reached for comment.

**Water-resistant TV**, claimed to be able to survive occasional dunk in bathtub, will be offered in Japan this month by plumbing supply manufacturer Toto. The 4" LCD Boon TV, made for Toto by Sony, will list at about \$500.

**Samsung, U. of Cal. and U. of Colo.** next year will conduct first U.S. tests of company's "Bio Television," set that has used far-infrared rays to keep flowers fresh longer and grow onions twice as fast. Samsung shipped 25" and 29" models in S. Korea Dec. 1 with technology designed to convert electromagnetic waves into far-infrared rays that simulate sunlight. Tests conducted at Seoul National U. showed chrysanthemums stayed fresh for 45 days when placed in front of Bio TV, against 30 days for regular TV, Samsung said. It said it has no immediate plans to sell sets in U.S. Products making health claims would have to be examined by FDA. Samsung said it has spent \$3.1 million in last 3 years developing Bio TV and has applied for 14 patents. It plans to export sets in 1994 at \$1,000.

**Go-Video** said credit line with Congress Financial Corp. has been increased to \$14 million from \$10 million. Chmn.-CEO Terren Dunlap said this will enable company to buy more dual decks from Samsung, saying there has been "sharp increase" in orders in last 6 months.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 109 yen = \$1, except where noted.



**SAMSUNG PONDERES CD-I:** Samsung, seeking to become 2nd CD-I vendor in U.S., will "probably offer" player next year with built-in full-motion video (FMV), officials said last week.

Mark Knox, Samsung national mktg. mgr, audio and laserdisc, speaking after news conference last week, said machine would be priced at \$600-\$700, would feature "elaborate" on-screen display and scaled-down remote. Company shipped CD-I player in Korea with built-in FMV in Nov.

New player would enter market that has seen limited sales since Philips introduced first model in Oct. 1991. Philips has said it expected to have sold 400,000 worldwide by mid-1994.

"We will probably offer that machine with no significant variation [from Korean model] save the power supply in the U.S. some time in 1994," Knox said. FMV is critical to Samsung's decision to bring CD-I player to U.S. because without it "all of a sudden you would get into a price war and I'd rather have some differentiation even if it's only having full-motion built in," Knox said. Philips is offering FMV cartridge as add-on.

Knox also said that Samsung may introduce Video CD player, but "not before the 2nd half" of 1994 at earliest. Company is studying 2 versions: (1) Combination with laserdisc player that accommodates 12" analog videodiscs, 5" video CDs with audio CD and CD+G capabilities. (2) Five-disc carousel changer that handles 5" video CDs. Combo model shipped in Korea in Nov. at equivalent of \$1,000, figure that would hold for U.S., Knox said.

Both players won't be introduced in U.S. at same time, Knox said. He appeared to be leaning toward carousel concept, saying that "by going with the 5-CD approach you can share some of the costs with existing mechanisms." Merging Video CD technology with laserdisc, however, creates "far more functional product" than standalone video CD player, he said. Samsung will display CD-I and Video CD players at Winter Consumer Electronics Show in Las Vegas.

Samsung, meanwhile, is continuing redesign of TV line, introducing new 25," 27" and 31" TVs and 13" and 19" TV/VCR combos. New TVs, which boost Samsung's line to 18 models, represent 2nd generation of smooth style first created in 1992 by Boston-based Design Continuum. TVs also contain automatic demonstration feature allowing them to list functions with touch of button.

Heading line is 31" stereo set with dbx noise reduction, English and Spanish on-screen display, AV input jacks. Model ships in March at \$1,299. It's accompanied by 27" and 25" sets that will be available in Jan. at \$799 and \$699, respectively. Rounding out new introductions was 19" stereo model for May delivery at \$419.

Other focus was TV/VCR combos, expected to generate industrywide U.S. sales of 1.5 million this year. Samsung 13" and 19" 2-head combo sets feature design and size similar to conventional TVs. Combos will ship in spring at \$669 for 13" white model and \$749 for 19".

New VCRs include 4-head hi-fi model with VCR Plus programming, universal TV/VCR remote control, trilingual on-screen display, at \$599 retail. It will be delivered in Jan., increasing Samsung's offerings of VCRs to 6.

**NOV. RETAIL SALES RESULTS:** Best Buy led major consumer electronics chains in reporting sales gains in Nov.

**Best Buy** said revenues in 4 weeks ended Nov. 27 surged 73% to \$326 million, with comparable stores showing 18% gain. That raised 3rd-quarter sales to \$808 million, up 70%, with comparable stores up 21%. Chief Financial Officer Allen Lenzmeier said sales over Thanksgiving "were much stronger than management's expectations and promotional in nature."

**Sears**, announcing 9.3% increase at Merchandise Group for same period, said double-digit gains were posted in home electronics and appliances.

**Audio King** reported Nov. sales rose 28% to \$3.9 million. Pres.-CEO Gary Thorne said increase reflected success of store expansion and marketing programs, adding that "Christmas selling season has begun on a positive note."

**Tandy** posted 19% Nov. sales increase to \$395.1 million, with comparable stores up 6%. Results include Radio Shack, Incredible Universe and stores that are part of Name Brand Group, but exclude year-ago revenues from stores since closed in restructuring.

**Clarion** has told U.S. distributors it won't renew sales contracts after March 31, company announced last week. Pres. Jim Minarik said move to factory-direct sales structure "is an essential step in the development of our long-term sales and marketing strategy." He said "increasing complexity" of car audio business had convinced company to devote "more resources and efforts toward the automotive sound specialist" -- type of dealer better served by direct sales force. Minarik said that "as part of our overall strategy to build the Clarion brand," company also plans to "forge relationships with a select group of high-volume retailers" capable of doing high-quality sales and installations. Spokesman said about 6 distributors would be affected by direct-sales move, adding that announcement is latest step in sales restructuring plan that began last year.

**Consumer confidence** jumped significant 11 points in Nov. from Oct., Conference Board reported, but plans to buy TV sets declined. Only 5.3% of 5,000 households surveyed expressed plans to buy new set in next 6 months, down from 6.3% in Oct. and 6.5% in Nov. 1992. Record high in buying plans in last 12 months came in Feb. (7.6%) in bounceback from record low in Jan. (4.8%).

**Rex Stores** net income more than tripled to \$977,000 in 3rd quarter ended Oct. 31 as sales rose 27.1% to \$61.6 million. Nov. sales jumped 31% to \$33.2 million, as comparable-store revenues rose 4%. For year to date, sales were up 28% on 9% comparable-store increase. Rex opened 27 stores this year, now has 133.

**Sales of large-screen TVs** 27" and bigger rose 51% in Oct. to 497,000, EIA said. Camcorder sales, up 1.7% in Oct. (TVD Nov 15 p11), were led by 5% gain in full-size models, with compacts up 1%. Despite 13% drop in VCR deck sales, stereo versions held their own and were virtually unchanged from Oct. 1992, EIA said.

**Corrections:** Donald Patrican was misidentified in last week's issue. He's Polaroid dir., mktg., national accounts. O/NEG story misstated plant maintenance scheduled; furnace at Pittston, Pa., will be shut down for 2-month maintenance starting in Jan., and Columbus furnace is expected back on-line this month.



**JVC MARKETS W-VHS:** First home high-definition VCR is now on Japanese market -- W-VHS system developed by JVC to be compatible with current VCRs (TVD Jan 18 p14). Currently available on special order at equivalent of \$5,690, recorder will go to retailers in Feb. JVC plans monthly production of 2,000, including decks sold on OEM basis for other brands.

Matsushita already has announced it will adopt system and JVC has said it's negotiating with other companies to supply them with OEM decks. Mitsubishi, Hitachi and Sharp displayed W-VHS prototypes at this fall's Japan Electronics Show.

W-VHS cassettes, using 14.4-micron metal particle tape developed with Fuji, are offered in Japan at about \$45 for T-120 and \$54 for T-180. Maxell, Konica and TDK say they also are developing W-VHS cassettes. Decks incorporate new 5-layer sendust heads to record wideband signals and play back with reduced noise.

System is analog, doesn't use compression and is designed to maintain forward compatibility with VHS and S-VHS formats. It has 3 recording modes: (1) HD, using 2 tracks simultaneously for recording high-definition signals, with additional track for audio. (2) SD, for recording standard NTSC with extremely high quality, up to 6 hours on T-120 cassette. (3) SD2, for multitrack recording of NTSC. First decks don't have SD2 option, and JVC said it's considering possibilities of special uses for SD2.

JVC Video Product Div. Dir.-Gen. Mgr. Hiroki Shimizu, taking note of comments that HDTV VCR should be digital, said no home digital VCR has yet been developed, but that W-VHS picture should equal or surpass that of digital VCR and reiterated JVC's view that current VHS users shouldn't be abandoned. Shimizu said JVC expects sales of 25,000 W-VHS recorders in 1994, doubling to 50,000 in 1995 and to 100,000 in 1996.

**Funai has filed court papers asking dismissal of Sony suit charging it with patent infringement and seeking injunction to bar it from selling VCRs, TV/VCR combos, VTRs and VHS camcorders in U.S.** Hearing is scheduled Jan. 11 in U.S. Dist. Court, San Francisco. Funai also requested that suit be delayed pending outcome of similar action in Japan. Sony sued Funai in Japan in June charging that it had underreported number of products it had manufactured and sold under Sony VCR patent license and seeking 1.84 billion yen (\$17 million) in unpaid license fees. Sony filed suit in U.S. in Oct. (TVD Nov 1 p12). Sony attorney William Trautman said Japan case shouldn't delay U.S. proceedings since only federal courts have jurisdiction over U.S. patent claims.

**Librarian of Congress** was given authority to distribute royalty funds collected on factory sales of consumer digital audio recorders and blank media as Congress last week voted to abolish Copyright Royalty Tribunal (CRT), formerly charged with administering those funds. In transferring CRT's former duties to Librarian of Congress, legislation gave authority for distributing royalty funds to same agency that oversees operations of Copyright Office, which is charged with collecting actual levies from manufacturers and importers on DAT, DCC or MiniDisc recorders and blank media shipped at factory level.

**Laser Disc Assn.** has moved offices from N.Y. to 309 Santa Monica Blvd., Suite 205, Santa Monica, Cal. 90401, phone 310-319-9119, fax 310-319-9138.

**FRETTER COMPLETES SILO BUY:** Fretter said it completed \$45-million purchase of Silo from Dixons Group Dec. 3, creating 220-store chain in 20 states. Resulting group has \$190 million in combined annual sales in Fretter, Silo, Fred Schmid, Your Electronics Store (YES) and Dash Concepts stores. Board approval completed deal announced in Sept. (TVD Sept 20 p12).

While future for combined chain wasn't immediately clear, sources have said Fretter may close many of 182 Silo stores, especially in L.A. area where they had been drag on Dixons earnings. Fretter operates 101 stores. Under agreement, Dixons retains 30% interest in chain plus option for 19% more and thus can take up to 49% stake if Fretter makes Silo viable business.

Elsewhere, Brighton Township (Mich.) Planning Commission approved plans for Fretter's new hq, apparently paving way for retailer to buy existing 182,000-sq.-ft. building in Detroit suburb and add 215,000 sq. ft. Further permits required are technicalities and shouldn't hold up project, Township Mgr. Darrell Fecho said. Fretter officials weren't available for comment. Company will move into new hq/warehouse by Feb. and complete addition by April, township officials have said. Building that will serve as hq is owned by MascoTech and sale still must be completed, township officials said.

In creating new hq/warehouse, Fretter may close Silo's Philadelphia hq as well as offices it opened in Denver and return personnel to Mich., sources have said. Fretter currently is based in 130,000-sq.-ft. hq/warehouse in Livonia, Mich.

**Electronic Entertainment Expo**, specialty trade show for interactive entertainment, is scheduled April 7-9, 1995, in Atlanta. Show is backed by Infotainment World, subsidiary of IDG Communications, and Knowledge Industry Publications (KIP), organizer of technology-related shows and seminars. KIP was involved in abortive effort earlier this year to launch similarly targeted trade show for April 1994 (TVD June 14 p11). That attempt was viewed by many as major threat to Consumer Electronics Show (CES), where videogames and interactive media have grown to be one of largest categories, and which attracts major attention from general media. At the time, Sega and Nintendo said they were strongly considering supporting spring show, which probably would have kept them from at least one CES per year, if not both. Last week, when asked about new show, Sega Exec. Vp Paul Rioux said, "Sega is always intersted in a single show in the April time frame, when we have our national sales meeting, so this is of interest to us." New show, which organizers said would cover 340,000 sq. ft. in Georgia World Congress Center with about 30,000 attendees, "is not a games event, but an intellectual property event," KIP official said. He said companies have spoken with major retail chains as to whether dedicated show would be attractive, and "we wouldn't have done this unless people wanted us to." Spokeswoman for EIA said "we think we're meeting the needs of our exhibitors," adding "it doesn't cost a lot of money to say you're going to start a new show."

**Zenith has completed** another private sale, this one involving \$13 million of 8.5% senior subordinated convertible debentures to institutional investors. Due Nov. 19, 2000, they're convertible to common stock at \$9.76 per share. Two weeks ago, Zenith announced sale of \$42 million of debentures (TVD Nov 29 p19). Company now has raised \$55 million through debenture sales. Proceeds from latest sale will be used to increase cash resources, Zenith said.



**100-CD CHANGERS SELLING:** Newest breed of high-capacity CD changers has had welcome impact since arriving on U.S. retail shelves, providing needed boost to otherwise moribund home player sales, most retailers agreed, as reported in Nov. 29 issue of our affiliated publication *Audio Week*. While 100-disc changers theoretically could play continuously for 5 days and 5 nights without repeating, dealers indicate they're bought mainly for storage convenience and ease of operation.

However, there was wide diversity of opinion among surveyed retailers as to whether new multidisc changers would have staying power or merely be remembered as fad products with short life. Dealers generally reported brisker-than-expected sales of Sony 100-disc changer and Sanyo Fisher 24-disc Studio 24 module. Merchants reserved judgment on results so far on JVC 100-disc model, whose deliveries began too recently to assess trend.

"I see a limited market out there" for 100-disc changers, said executive of Sears, which carries Sony model and Fisher's Studio 24. "It's convenient from a storage standpoint, but from an accessing standpoint I'm not so sure." But merchants agreed that lower-than-expected street prices -- Sony at \$999, JVC at \$799 and Fisher at \$249 -- were spurring sales of high-capacity changers. Franklin Karp, merchandising vp of Harvey Electronics, N.Y., told us chain had sold through 18 of 25 Sony 100-disc changers on which it took delivery in Oct. David Ginsberg, vp of Atlanta-based Hi-Fi Buys, said his stores sold out 3 recent 24-unit allocations of Sony models.

Fledgling product has won preliminary praise from merchants who applauded recent introductions for restoring semblance of stable high-end business to otherwise volatile home CD hardware category, where average factory prices of single-play decks and multiplay changers fell 16% and 4.7%, respectively in first 6 months of year, according to *Audio Week* analysis of EIA data. High-capacity models are "allowing us to sell CD players at \$899," said Daniel Shuh, audio buyer at ABC Warehouse, Pontiac, Mich. He said Studio 24 "seems to be doing better in some cases than 5- and 6-disc changers."

While action in commercial CD hardware market has shifted to models with even higher capacities -- such as Sony 360-disc, Pioneer 300-disc and Denon 200-disc player -- manufacturers think 100 discs may well constitute upper limit for consumer market. They cite price constraints and evidence that perhaps only 10% of CD households have software libraries of 100 or more titles.

Sony and JVC have taken different marketing and design approaches. One-piece Sony unit measures 17" wide and stores discs vertically. JVC module is built as 2-piece configuration with CD transport and storage unit separate from controller. While many retailers claimed to have made strong sales of Sony piece, others criticized its bulky appearance, praising JVC model on ground that 2-piece design is easier to integrate into more living settings.

Sony High Fidelity Vp Victor Pacor countered that his unit has "sex appeal" -- for example, jog/shuttle control permits user to watch discs rotate within player mechanism. Future could bring leaner 100-disc changers at lower prices, he hinted. Pacor forecast that large capacity multiplayers eventually could push conventional magazine and carousel changers into entry level price range now occupied by leader single-play units.

For present, retailers seem content that utility value of high-capacity changers is winning friends among shoppers. "I think there's a market for them because they have ease of operation," said Robert Becker, audiovideo buyer at L.A. Tronics, Encino, Cal. "Overall, changers are too cheap and [JVC and Sony models] are priced right at \$800 to \$1,000."

Chief selling point of early entries appear to be storage versatility, retailers agreed. "Everybody's library is growing and most people have problems storing everything," said Phil Tudanger, mktg. dir. of N.Y.'s J&R Music World. "So you could load the machine up with a bunch of CDs and if you had the time and patience you could program it." For Thomas Hagio, audio buyer of Broadway Music in Salt Lake City, new breed of changers represents "smart idea," because it permits users to "impulsively jump through more than 5 or 10 discs" at a time.

**COMPUTER GLITCHES HIT AT&T:** Computer problems at new AT&T consumer products warehouse in Charlotte, N.C., played havoc with some retail deliveries this fall, but problems are being resolved, retailers and company said.

Retailers reported several weeks' delay in delivery of phones, accessories, answering machines. AT&T acknowledged that problems with order-to-deliver system at new automated facility created difficulty in confirming shipments. In some cases, AT&T said, retailers received double orders or none at all.

While problems were reported with 5% of deliveries in Aug., number was reduced to less than 1% by late Nov., said Jeffrey Sander, dir.-AT&T U.S. sales and mktg. distribution. Problems will have some impact during holiday season, retailers said. Warehouse, which supplies eastern and central regions, is designed to supplement similar facility in Cal. that previously handled both consumer products and network systems.

**Radio Shack (RS)** announced "comprehensive marketing communications alliance" with various divisions of Young & Rubicam (Y&R) that will involve advertising, PR, direct marketing, other disciplines. Spokeswoman for RS parent Tandy said Y&R would work with RS's in-house ad and PR depts. in marketing effort. RS Pres. Leonard Roberts said company needed relationship in order to "achieve our repositioning initiative," which will include launch of program promoting home delivery of electronic gifts (a la FTD with flowers) and positioning RS as specialist in "name-brand out-of-warranty repair service" (TVD Aug 16 p8). Y&R will station part of team at RS hq in Ft. Worth., rest in N.Y.

**Consumer Reports** rates small color sets in Dec. issue, finding tube type units provide best picture, but recommends LCDs (primarily active matrix) where portability is important. Among tube sets, Sony 8" gets preference for quality over 4 other brands in 8-10" bracket, with GE coming out ahead of 2 others in 5". Of 4 active-matrix sets tested (3 manufacturers), nod goes to 3" Casio. Casio (3-1/4") also is tops in field of 3 passive matrix sets. In separate review of Virtual Vision video eyewear, magazine says "we weren't very impressed." Report on stereo rack systems picks Sony R-2300 as best.

**Sen. Graham (D-Fla.)** spent Dec. 2 working on Recoton assembly line at Lake Mary, Fla., plant and later discussed impact of N. American Free Trade Agreement with company officials.



**DENON SUBSIDIZING RBDS:** Denon America plans \$100,000 cash infusion to promote Radio Best. Data System (RBDS) market by buying encoders and supplying them free to radio stations in key U.S. markets, Sales Vp Stephen Baker said. In next 30-60 days, Denon plans to open negotiations with stations in L.A., N.Y., San Diego and San Francisco representing cross-section of programming formats with eye toward tie-ins with Denon retailers in 1994 to promote RBDS technology.

Denon expects to supply stations with total of 40 RBDS encoders marketed by Cleveland-based RE America costing \$2,500 each, in exchange for free ads for Denon and its dealers. Markets were chosen on basis of strong Denon retail presence, Baker said, adding: "If consumers can see and hear RBDS in stores, then they can purchase the equipment."

Stations will be selected with eye to program diversity, Baker said, permitting consumers to observe various types of broadcasts in action exploiting such RBDS functions as format identification, song titles, news flashes, other displays. According to EIA Consumer Electronics Group, which said it plans to promote RBDS aggressively in 1994, fewer than 100 stations are RBDS-equipped.

Baker said many station owners "view RBDS as a chicken-and-egg situation." He said "more and more stations are acquiring encoders weekly, but there's been some reluctance on their part to commit the resources for a system that's not widely perceived by consumers, who in turn, have their own reservations. The consumer wants a large stable of stations broadcasting in RBDS before he buys a tuner, so we're trying to... break the logjam. That way everybody can benefit."

Same logjam has kept many consumer electronics manufacturers from committing openly to RBDS. Panasonic plans to show "statement" prototype at Consumer Electronics Show (CES) in Las Vegas, spokesman said, but it hasn't been assigned model number or marketing priority for 1994. Blaupunkt, which helped develop RBDS predecessor traffic alert technology, but scrapped project for U.S. because it had few takers, won't show RBDS at CES but expects to market head unit in mid-1994, spokesman said. Jensen tentatively plans to market product next year, but specifics aren't available, spokeswoman said.

Among other car audio marketers still noncommittal were Kenwood and Sanyo, recent licensees of related ID Logic technology. Alpine will incorporate ID Logic into new model to be shown in Las Vegas but has no plans to market RBDS radio, spokesman said.

**Sony Chmn. Akio Morita** was reported in "satisfactory" condition at our deadline late Fri. He suffered cerebral hemorrhage and underwent 4-hour brain surgery Dec. 2. At week's end, Sony representatives said 72-year-old co-founder of Sony no longer was in intensive care. His illness set off widespread speculation about effects on Sony and on Japanese business and politics in general.

**TDK, citing sluggish Japanese economy**, posted 46.2% drop in first-half net earnings to \$48.5 million as net sales decreased 12.2% to \$2.2 billion. Operating profit plunged 46.2% to \$118.3 million. Recording Media Div. sales were down 18.6% to \$646 million. Company said that while marketing plans had boosted sales in audiotape and videotape businesses, price competition in Japan ignited by videotape imports had undercut gains.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
<b>J2 Communications</b>			
1993-qtr. to Oct. 31	464,000	67,000	.02
1992-qtr. to Oct. 31	635,000	(74,000)	— <sup>a</sup>
<b>Rex Stores</b>			
1993-9 mo. to Oct. 31	176,471,000	2,745,000	.35
1992-9 mo. to Oct. 31	139,334,000	1,143,000	.17
1993-qtr. to Oct. 31	61,633,000	977,000	.12
1992-qtr. to Oct. 31	48,507,000	316,000	.05
<b>TDK<sup>b</sup></b>			
1993-6 mo. to Sept. 30	2,224,248,000	48,543,000	.37 <sup>c</sup>
1992-6 mo. to Sept. 30	2,534,590,000	96,314,000	.73 <sup>c</sup>
1993-qtr. to Sept. 30	1,075,371,000	16,276,000	.12 <sup>c</sup>
1992-qtr. to Sept. 30	1,263,171,000	45,933,000	.35 <sup>c</sup>

Notes: <sup>a</sup>Includes special credit. <sup>b</sup>At rate of 105 yen=\$1. <sup>c</sup>Per ADR.

## Consumer Electronics Personals

**Steven Koch**, ex-Coca Cola, named Sega mktg. research and direct mktg. dir.; **Richard Brudvick-Lindner**, ex-Waggener Edstrom, joins Sega as communications dir... **Susan Nahley**, ex-Continental Insurance, named dir., public affairs communications, Sony Corp. of America; **Peter Newcomb**, ex-Forbes magazine, appointed dir., media and mktg. communications, Sony Software... **Michael Wehrs**, ex-Conner Peripherals, joins Sony Recording Media Products Group as mktg. dir., Data Media Div., including MiniDisc data products; **John Matarazzo**, ex-BASF, appointed technical service mgr., Professional Media Div... **Philip Bravin**, ex-IBM and Yes You Can Inc., appointed pres. of National Captioning Institute (NCI).

**Matthew Mustachio**, ex-Ricoh, named Samsung national mktg. mgr., home office and home appliance products... **Richard Jones**, ex-Silo, joins Sam's Wholesale Club in undisclosed capacity... **John Castellano**, ex-Trend Partners rep firm, joins P.C. Richard chain as buyer for car audio and photography products... **Chuck Turigliatto** departs as Velodyne Acoustics dir.-sales and mktg., plans unannounced... **Jeffrey Woodard** named Handleman dir. of stores, Entertainment Zone Div.; **Dan Whitt** and **Thomas Lenaghan** promoted to new posts of western and eastern regional sales vps, respectively... **Robert Barone**, ex-information services dir., MCA Music Entertainment Div., joins BMI as vp-information technology, new post... **Ed Pearson** promoted to gen. mgr.-sales and mktg., Nikkodo USA, consumer karaoke supplier.

**Stephen Merrill** ex-PolyGram Video dir.-sports and fitness, joins Cap/ABC Video Publishing as dir. of mktg... **Jules Abramson**, ex-Academy Entertainment, appointed senior dir.-sales and mktg., Central Park Media... **Gari Ann Douglass** promoted to vp-finance, Paramount Home Video... **Phyllis Bagdadi**, ex-Universal Pictures, assumes responsibility for Universal's nontheatrical activities and becomes vp-nontheatrical, MCA's Home Entertainment Group... To be inducted into Video Hall of Fame at 13th annual Variety Children's Charity fund-raiser Dec. 7 sponsored by Video Business magazine: **Star Video** Entertainment Exec. Vp **Arthur Bach**; **Technicolor Video** Services Pres. **Emmet Murphy**; **TV Digest** Editorial Dir. **David Lachenbruch**, and (posthumously), **Robert Blattner**, who headed MCA Home Video and RCA/Columbia Pictures Home Video.



# TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 13, 1993

## SUMMARY-INDEX OF WEEK'S NEWS

VOL. 33, NO. 50

### Broadcast - Cable

**VIDEOGAMES TO GET RATINGS:** Industry moves toward self-regulation of violence, but legislation still is planned. Developing ratings to take 12 months. (P. 1)

**TELCO BUYS INTO COX:** Southwestern Bell to get 40% of Cox Cable for \$1.6 billion. Broadcast, program properties exempted. Deal is 7th involving telcos. (P. 2)

**CABLE BUREAU TO RETURN AT FCC:** Hundt proposes spin off from Mass Media Bureau. Other cable items removed from agenda. (P. 3)

**COURT REJECTS FAIRNESS DOCTRINE,** says FCC correctly refused to apply it in Ark. En banc court denies complaint against KARK-TV 7-5. (P. 4)

**KTXH HOUSTON FINED \$80,000** for violation of ad limits on children's TV. FCC calls violations 'particularly egregious,' sets reporting requirements. (P. 4)

**ACCESS COMPLAINT FILED:** Overbuilder asks FCC to overturn Court TV's exclusive deal with Time Warner. (P. 5)

**ALCOHOL ADS TARGETED:** NAB expects early action on Thurmond bill, issues 'call to arms.' Warnings seen likely to kill wine, beer ads. (P. 5)

**PROGRAMMERS vs. REREGULATION:** Cable networks slowed by rate rules and consent, but still seem to thrive. Some actually benefit. (P. 6)

### Consumer Electronics

**PHILIPS IS PULLING BACK** from consumer widescreen TV business, citing limited market, is shifting focus of 34W" direct-view set to professionals. (P. 11)

**RECORD-SETTING NOV. SALES** put industry on threshold of full-year records in all major video categories. Color already has hit new high. (P. 11)

**STARSIGHT, GEMSTAR MAKE MOVES,** former signing up Philips, latter adding new products as battle continues for share of growing programming market. (P. 12)

**SONY ELECTRONICS PRES. YANKOWSKI** sees bigger role for Sony U.S., closer liaison with software. More outsiders could join. (P. 13)

**GAME AND COMPUTER SOFTWARE CODE** to be explored by industry at CES in effort to forestall bill aimed at violence, sexual content. (P. 14)

**LOW-COST VIDEO LCDs** could be made in U.S. and Japan using active-addressing principle under pact by Motorola affiliate Motif and Sanyo. (P. 15)

**MATSUSHITA CONSUMER ELECTRONICS CO.** will be formed in April to oversee Panasonic and Quasar. Both will retain identities. (P. 16)

**PORTABLE GENESIS/CD PLAYER,** to be unveiled by Sega at CES, usable as audio CD player. (P. 16)

**TV VIOLENCE DISPUTE SPILLS OVER INTO VIDEOGAMES:** In virtual replay of disputes on broadcast TV violence, 2 senators said Dec. 9 they would introduce legislation to create violence rating for videogames, despite actions of industry toward self-regulation. Hour before Sens. Kohl (D-Wis.) and Lieberman (D-Conn.) convened hearing on violence in videogames, industry said it would take 12 months to develop rating system, starting with meetings among manufacturers, publishers, dealers and retailers at Winter Consumer Electronics Show (CES) in Las Vegas next month. Software Publishers Assn. (SPA) and Video Software Dealers Assn. (VSDA) are heading effort.

But pledge did little to soften criticism from Kohl and Lieberman, who said at joint hearing of Kohl's Juvenile Justice Subcommittee and Lieberman's Govt. Regulation Subcommittee that legislation would be introduced anyway as means of keeping pressure on industry. Bill they envision would set up 5-member bipartisan council that would have responsibility of creating notification system that could involve ratings, warning labels or some other device. Kohl said at hearing that in-house rating system would be "the smallest possible bone" that industry could try giving to Congress, but he said: "In my estimation, that would not only be a bad risk, but also an irresponsible position." Other option, he said, would be for industry to do



something more substantial. Lieberman said: "Creating a rating system is, frankly, the very least the videogame industry can do, not the best they can do. It would be far better for America's parents and kids if they [video industry] simply kept the gory violence and sex out of their games."

Congressional displays and videotapes, along with testimony from academics and citizens groups, could have been given at previous hearings on broadcast TV violence. In fact, one of groups testifying was National Coalition on TV Violence, and one of senators, Sen. Dorgan (D-N.D.), also has been active on TV violence issue. In this case, offending material was videogame in which user pointed special pistol at screen, game called "Mortal Kombat" in which players had on-screen figure rip spinal cord out of loser of fight, and "Night Trap," in which women's sorority is invaded by bad guys intent on harming women by hanging them from hooks or drilling their necks.

As with TV violence hearings, there was dispute over meaning of content. At earlier hearing by Senate Commerce Committee, there was debate whether bar fight in CBS comedy "Love and War" was violence or slapstick. In hearing last week, question was whether game "Night Trap" was violence against women or satire. Lieberman said game, in which hooded men invade sorority house, is "graphic depiction of violence against women, with strong overtones of sexual violence." He called game "deeply offensive" and said it should be taken off market. Game's creator, Tom Zito, pres. of Digital Pictures, said in statement that game was spoof of vampire films, that goal was to keep players from turning into vampires and that video clips of games were taken out of context. Sega Vp William White, whose company publishes game, took most of heat on "Night Trap" from Lieberman. White said not all videogames are written for children, this one was labeled for use by players over age 17, and "Night Trap" was issued as CD-ROM game, which has older audience than games for Genesis cartridge system. White said that Sega, ahead of industry, already had begun its own internal rating system.

But Sega's archrival, Nintendo, disputed White's explanation. Nintendo was praised by senators for keeping level of violence down, despite White's attempt to prove contrary view. Howard Lincoln, senior vp of Nintendo of America, said that statements of White, ex-Nintendo employee, weren't true. He said "Night Trap" didn't have rating when it was introduced, and could be purchased at toy stores without it. Rating went on only after politicians started "putting on the heat," Lincoln said. He said most videogames are bought for children, contrary to Sega's contention. White responded by chiding Nintendo for not having rating system already. But Lieberman noted that Sega, with ratings, had more violent games than Nintendo, which didn't have any.

**SOUTHWESTERN BELL BUYS INTO COX CABLE:** In 7th major cable deal by telcos this year, Southwestern Bell (SWB) agreed to buy 40% interest in Cox's 21 cable systems for \$1.6 billion. Agreement doesn't include Cox broadcast or programming interests or SWB's newly acquired Hauser cable systems, although some programming and international assets, as well as Cox's stake in Teleport Communications, could be added to package later. Deal means that telcos will have interests in cable systems with 38.8% of all U.S. subscribers (22.2 million of 57.2 million).

Deal values Cox's cable assets at \$4.9 billion -- more than \$3,000 for each of 1.62 million subscribers. It also sets price at 11.4 times last-quarter cash flow. Both per-subscriber figure and cash-flow multiple are among highest in years, especially for noncontrolling interest in cable systems. SWB also has option to increase its stake to 50%. SWB officials said price is justified because Cox systems have (1) high value since they're larger (average about 77,000 subscribers per system), (2) higher than average revenue per subscriber, (3) high percentage of fiber. Cox gets \$1 billion in preferred partnership holding, which is similar to preferred stock, in addition to 60% interest in cable joint venture, under agreement. Officials said \$1 billion of preferred will be only debt carried by joint venture.

Companies said they plan to use cash from SWB, plus borrowing, for aggressive campaign to buy additional cable assets. New company could expand to as many as 4 million subscribers, they said, figure that would rank new MSO behind only TCI and Time Warner. Cox Cable Pres. James Robbins, who will be CEO of joint venture, said first "targets of opportunity" are likely to be systems contiguous to Cox systems.

None of Cox programming assets nor its stake in Teleport is immediately included in memorandum of understanding, although officials of companies said talks about them will continue and they could be included in final agreement to be signed by end of first quarter 1994. Deal also doesn't include 2 Cox systems in SWB service area -- Oklahoma City with 93,188 subscribers and Lubbock, Tex., with 37,083. Companies said Hauser systems with 232,000 subscribers, which SWB recently bought for \$650 million, also aren't included because "that's the way the negotiations resulted."



SWB was first to do cable deal, buying Hauser systems for \$650 million (TVD Feb 15 p1). In other telco/cable deals this year: (1) U S West bought 25.5% of Time Warner's video operations for \$2.5 billion (TVD May 24 p1). (2) Bell Atlantic agreed to acquire TCI for more than \$21 billion (TVD Oct 18 p1). (3) BellSouth bought 22.5% of Prime Cable for about \$200 million same day (TVD Oct 18 p5). (4) Nynex agreed to invest \$1.2 billion in Viacom as part of MSO's plan to take over QVC (TVD Oct 11 p5). (5) Bell Canada purchased 30% of Jones Intercable for \$275 million (TVD Dec 6 p1).

**HUNDT REINVENTS CABLE BUREAU AT FCC:** Coming back into cable and broadcasting's immediate future will be standalone Cable Bureau at FCC in spinoff from Mass Media Bureau. Commissioners are expected to approve upgrade of existing Cable Div. at meeting today (Dec. 13), at request of new Chmn. Hundt; it will be his first meeting as chmn. He also reduced agenda for that meeting from expected dozen items to 4. Among those deleted were 6 on cable (see below) and several on common carrier matters because, sources said, chmn. wasn't ready to vote after less than 2 weeks on job. Others said it also wasn't clear that all items would be ready for vote.

"You've got to admit it [independent Cable Bureau] makes sense... but I don't like it," we were told by broadcast practitioner before FCC. Added Commission official: "Hundt wants to fashion cable in a new way as a model for reinventing government." In interview with our affiliated publication Communications Daily before his Nov. 29 swearing in, Hundt told us that administration of Cable Act would be his No. 1 priority (TVD Nov 29 p1) and that he planned vigorous enforcement of Act, which he said could be made into model for Administration's "reinventing government" initiative.

Comr. Barrett told us: "If that's the way the chairman wants to restructure it, that's the way it should be structured... I will be supportive." However, Barrett expressed concern that EEO functions at FCC not be "fragmented," saying he wants that program for cable and broadcasting in one office.

FCC is delaying action on most other major cable items. At least half dozen had been expected on agenda, including cost-of-service rules, reconsideration of rate benchmarks, relief for small cable operators. Remaining on agenda is report by staff to commissioners on FCC's plans for enforcing cable rules.

Old FCC Cable Bureau was merged into Best. Bureau in 1982 to form Mass Media Bureau. Henry (Jeff) Bauman, now NAB exec. vp-gen. counsel, was deputy chief then. Current Mass Media Bureau Chief Roy Stewart, who originally opposed separate bureaus, was given job of selling idea to other commissioners; Stewart, we're told, will stay in his present job as chief of scaled-down bureau. Current head of Cable Div., Alexandra Wilson, is expected to remain acting chief of new Cable Bureau.

Only appointment Hundt has made at FCC, outside of his personal staff, has been William Kennard as gen. counsel. However, Susan Sallet has been added to Office of Public Affairs and is handling Hundt's press contacts, and Lyndon Boozer has been assigned to Office of Legislative Affairs, both placed in those posts before Hundt was sworn in. And, except for acting bureau and office chiefs, sources said he's expected to take time to "get to know people" before making other changes. Same sources said White House has sent Hundt about 2 dozen names that Administration would like to receive jobs, but not necessarily at FCC.

Hundt is getting kudos from agency staff for way he has conducted first 2 weeks in office. "It has been all cable so far," staffer told us. Chmn. spends part of each working day visiting various floors at FCC, starting with Cable Div. at 2033 M St. On his first day on job, he sent memo to Washington-based FCC employees saying he was "excited" and that this "is truly a historic time for our agency. I think it is safe to say that never before has the FCC been involved in so many issues of critical importance to our country's economic and social well-being... I know that I come to an agency with a great team in place."

Gaggle of lobbyists are seeking appointments with Hundt, but so far he hasn't responded. He missed party last week for Kennard because he was attending management class at Harvard Business School in Cambridge, and he hosted lunch for bureau and office chiefs in his office Dec. 10. In mostly humorous speech at Dec. 9 FCBA dinner honoring him, he promised FCC will "successfully implement" 1992 Cable Act: "We'll be tough, we'll be fair, and we're going to do it right... We will help to fashion a regulatory environment that stimulates private investment, leading to robust economic growth and challenging new jobs in the communications sector... The goals are achievable, and they are in reach, largely due to the leadership of [ex-] Chairman Jim Quello and my colleagues... and the hard work of the entire staff of the FCC."



**FCC WINS FAIRNESS CASE:** FCC acted properly in refusing to apply fairness doctrine to 1990 Ark. ballot referendum, en banc 8th U.S. Appeals Court, St. Louis, ruled 7-5 Dec. 7. In 1982, Commission, on 3-2 vote, had denied AFL-CIO complaint against KARK-TV Little Rock that station had covered ballot issue unfairly. In ruling, Commission said that since doctrine had been repealed in 1987 (in decision upheld in court), fairness no longer applied to ballot issues. Ruling by 8th Circuit also affirmed that Congress hadn't codified doctrine into law in 1959 when it exempted regularly scheduled news programs from fairness doctrine, position to which dissenters took exception.

Court said "posture" of case is "somewhat confusing" in citing legal history of doctrine and 1959 amendment to Communications Act exempting news programs was "facially ambiguous," but legislative history "makes it clear that the amendment does not codify the fairness doctrine." All the more confusing, Court found, was fact that FCC (after its members had dropped to 3 from 5) voted 2-1 to ask that case be remanded. Court majority also rejected argument that case was "moot" since election was over, saying that same situation already had recurred and was likely in other cases.

FCC decision reasonably interpreted requirement that stations operate in public interest, court ruled: "As long as the FCC's interpretation is consistent with its prior analysis, or cogently explains any change, the FCC may alter its interpretation [of public interest] to meet the changing realities of the broadcast industry." Court said it disagreed with plaintiff's contention that Commission "advanced no explanation for its decision and therefore we find remand to be unnecessary... The FCC is free to reasonably interpret this statutory mandate [public interest] as it sees fit... Regulatory agencies do not establish rules of conduct to last forever. They are supposed, within the limits of the law and fair and prudent administration, to adapt their rules and practices to the nation's needs in a volatile, changing economy... We will not require the FCC to reinvent the wheel in each case and engage in endless repetitions of its reasoning."

In dissent written by Judge John Gibson, 5 judges said 1959 amendment stating that licensees aren't relieved "from the obligation imposed upon them... to afford reasonable opportunity for the discussion of conflicting views of public importance" confirms, along with 1959 conference report, that fairness doctrine is codified into law. Gibson also said U.S. Supreme Court's Red Lion decision set forth "a stronger view of congressional intent" on doctrine. Dissenters also said case should have been remanded to FCC: "The Court today, in refusing to remand, defies the teachings of the Supreme Court."

In concurring statement, signed by 2 other judges, Chief Judge Richard Arnold said majority and dissenting opinions "seem to me very nearly evenly balanced... For me, the balance is tipped by the First Amendment."

**Major obstacle** to finalization of General Agreement on Tariffs & Trade (GATT) world trade agreement has become sharing of revenues for European use of U.S. movies and TV programs. Negotiations face Dec. 15 deadline, and U.S. is said to be holding tough on demands that American programmers receive more money from overseas exhibitors. U.S. producers are seeking "fair access to revenues that are their due as owners of intellectual property rights," U.S. Trade Representative Mickey Kantor said. Movies and TV programming constitute 2nd largest American export, totaling \$3.7 billion in 1992; airplanes are No. 1.

**PARAMOUNT'S KTXH FINED \$80,000:** FCC ruled that in 1992, KTXH (Ch. 20 independent) Houston exceeded commercial limits in children's programming 132 times and aired 73 program-length commercials (which aren't permitted in children's shows). Commission said violations were "particularly egregious," fined station licensed to Paramount record \$80,000 for violation of children's rules and ordered licensee to report quarterly on its compliance with limits on commercial time (10-1/2 min. weekends, 12 min. weekdays) in children's shows. Licensee has 30 days to seek reconsideration.

Mass Media Bureau of FCC had renewed station's license unconditionally because it "inadvertently" didn't consider violations, Commission said in Dec. 6 order. KTXH brought violations to FCC's attention, blaming them on traffic mgr. who no longer is with station. However, agency said violations were of "an unusually high number [and] willful and repeated," and said they were "easily identifiable and with ordinary diligence" by licensee could have been avoided. In response, KTXH said it had formed new procedures to assure "rigorous compliance" with FCC rules.

That wasn't good enough for FCC, which found station's lack of "effective monitoring program" was "egregious misconduct." Earlier, Commission fined 3 stations \$25,000-\$30,000 each for violating children's time standards, and Barbara Kreisman, chief of FCC Media Services Div., warned that more fines for children's violations were on way (TVD Nov 1 p4).

In concurring statement, Comr. Quello said fine was too high. He said that while sanction imposed on KTXH "deters others from similar lapses in judgment... I believe that our public interest goals would have been served to the same extent with a lower fine." Chmn. Hundt didn't participate.

**In move that could open Japanese cable market to U.S. suppliers,** Japanese telecommunications ministry has proposed deregulating cable industry, including opening it to foreign ownership. Govt. is expected to make final decision by March, officials said. NCTA Vp Wendell Bailey, who's heavily involved in foreign cable, said it appears likely that deregulation will go ahead, since ministry making proposal is same one that will act on it. Action would deregulate cable rates, ease regulation of cable programming and allow increased foreign ownership of cable. Current rules limit foreign ownership to 20%, but proposal would allow increase to as much as 100%. Plan also reportedly would allow cable operators to provide telecommunications services. Japan has 30,000 cable systems, although most are similar to U.S. SMATVs. It's unclear how much impact Japanese deregulation would have on U.S. companies. Cable programmers that we contacted generally said they don't believe it would affect them. Bailey said opening Japanese market could be important for U.S. equipment makers, since they supply 75% of world cable market and majority of consultant expertise. Whether U.S. companies will invest in Japanese systems is tougher question, Bailey said: "Americans usually are unwilling to invest unless they can be sure it will be done their way. They want some measure of control." He said Japanese sometimes can be difficult for Americans to deal with because of language and cultural differences: "This is a very strange market, compared with Europe."

**Pulitzer Publishing** said it's buying 1/3 interest in interactive educational programmer RXL Communications for \$5 million. RXL operates in Northwest, plans expansion into other areas, Pulitzer said.



**ACCESS COMPLAINT FILED:** Court TV should be forced to sell programs to Liberty Cable, even though Liberty is overbuilding Court TV parent Time Warner in N.Y.C., Liberty said in complaint filed with FCC Dec. 9. Complaint, believed to be first under new program access rules that took effect Dec. 6, asks that Commission force Court TV to provide programming to overbuilder on same terms and conditions as Time Warner systems, and impose "additional sanctions."

Court TV can't sell programming to Liberty because of its exclusivity agreement with Time Warner, according to letter to Liberty Dec. 2 signed by Court TV Chmn. Steven Brill. Network said question whether such exclusivity agreements are allowed under FCC's program access rules should be determined by Commission, he said. Brill pointed out that Time Warner itself had asked FCC for ruling on whether exclusivity agreement is allowed. Liberty said it has been trying to get permission to carry Court TV since 1991, including seeking help of N.Y.C. Dept. of Telecommunications, N.Y. State Cable Commission, N.Y. Attorney Gen. Liberty Pres. Peter Price told us that Court TV is only network denying Liberty carriage rights, and that network is particularly important on his system because of high percentage of lawyers, media personnel and Wall St. officials living within Liberty's service area.

Exclusivity agreement is "completely at odds with the 1992 Cable Act and blatantly anticompetitive," Liberty said in complaint to FCC: "Time Warner's advertising campaign flaunts the fact that Time Warner carries Court TV programming on its cable systems, while Liberty's systems do not." Price said complaint targets Time Warner, rather than Court TV: "Steven Brill is not the enemy, he is the hostage." He said most other competitive cable operators have been reluctant to file program access complaints because of fear of offending programmers and because of cost -- he estimates getting final decision on complaint will cost Liberty more than \$100,000. Court TV has 30 days to respond to FCC complaint, then Commission has 30 days to make decision.

**BellSouth plans to overbuild InterMedia cable system** with 11,745 subscribers in Williamson County, Tenn., as soon as it gets approval from courts and FCC, it said in letter to Brian Sweeney, mayor of Brentwood. Telco expects to file appeal in U.S. Dist. Court, Nashville, in bid to overturn telco-cable cross-ownership ban in that district, following lead of several other telcos after Bell Atlantic's victory in U.S. Dist. Court, Alexandria, Va. "Upon receiving appropriate relief from the court, it is BellSouth's intention to apply for any necessary authorizations" from Brentwood, RHC said in letter. "It is our understanding that the city's existing franchise is nonexclusive and if BellSouth were successful [in removing ban] the city would process BellSouth's application." Telco said its plan calls for South Central Bell to build video dial tone (VDT) system in Brentwood that would include interactivity and other advanced services. Local telco would rent capacity on VDT to newly formed subsidiary of BellSouth, which would provide cable program service, as well as to other programming providers on common carrier basis. BellSouth said it will apply to FCC for Sec. 214 approval. Letter cited results of city-conducted survey that showed that "a clear majority" of residents favored competition for cable operator.

**Data Investments Inc.** has been fined \$150,000 by FCC for unauthorized construction and operation of 2 stations in Mo. in Public Land Mobile Service band.

**NAB DRIVE AGAINST MANDATORY WARNINGS:** NAB expects early action on bill by Sen. Thurmond (R-S.C.) (S-674) to require warnings in all beer and wine TV-radio commercials when Senate returns in Jan. "It's a call to arms," NAB Pres. Edward Fritts told us. "We expect a full-sized street fight... I see it as a significant threat."

Thurmond has several senators and more than 200 citizens' groups supporting legislation. They range from PTA to Center for Science in the Public Interest and many medical groups. On NAB's side are advertisers and First Amendment advocates. Stating that alcohol-related traffic deaths are down more than 20% in last 3 years, Fritts said: "Obviously, broadcasters' ongoing public service campaigns to combat alcohol abuse and drunk driving have been effective. New government mandates are not the answer... Broadcasters now must work hard to defeat this anti-advertising legislation."

NAB has scrapped telco entry into cable as subject of its Dec. 17 Telejournal satellite feed to member stations. Instead, it will focus on S-674, providing stations with material for responses. Assn. also is sending out "grass-roots" lobbying kit on issue. Advertisers and broadcasters argue that mandatory audio warnings in all commercials for alcoholic beverages would kill all such advertising, which could cost broadcasters hundreds of millions. Broadcasters were urged to contact members of Senate Commerce Committee, which is expected to mark up bill in late Jan. or early Feb.

**Del. Supreme Court** upheld lower court decision reducing Paramount's takeover defenses against QVC. After oral argument Dec. 9, 3-judge panel of court agreed that stock option provisions that would add hundreds of millions of dollars to QVC's acquisition cost are improper. Lower court had upheld separate provision guaranteeing Viacom \$100-million payment if its bid fails. Meanwhile, SEC is investigating trading in stock of Viacom during its bid to take over Paramount, Wall St. Journal said, citing unnamed sources. Viacom and SEC refused to comment. SEC reportedly is investigating claims that firm partly owned by Viacom Chmn. Sumner Redstone bought 20% of Viacom stock traded during period shortly after takeover bid began, apparently boosting Viacom stock price and therefore value of its part-stock offer for Paramount.

**Number of U.S. cable subscribers** grew 3.5% in 1993 to 59 million, representing 62.5% of TV households, vs. 61.5% year ago, NCTA said in end-of-year report. Citing various sources, including Warren's TV & Cable Factbook, report said number of operating cable systems increased to 11,385 from 11,075 year ago, number of homes passed to 91.4 million from 86 million in 1990, total revenue will be \$22 billion in 1993, vs. \$17.8 billion in 1990, average number of basic channels grew to 40 from 33.6 Jan. 1, 1990, and average basic cable rate was estimated \$20.75, up from \$17.58 in 1990. Report, Cable TV Developments, is available from NCTA -- 202-775-3680.

**WBLS(FM) N.Y.C.**, which programs to black urban residents, announced last week it no longer would play records with lyrics advocating violence, use of drugs, demeaning women or involving hard-core forms of rap music. Station said it would begin in-house screening of all songs it plays. Several other stations around U.S. have adopted similar policy. WBLS didn't single out any songs it would refuse to play under new policy. Station, owned by Inner City Bestg., was founded by black leaders including Percy Sutton and N.Y. Mayor David Dinkins.



**PROGRAMMERS vs. REREGULATION:** By all rights, Golf Channel should be buried in sand trap, Military Channel should be in retreat and Fashion & Design (FAD) TV relegated to rag bin. Before Cable Act passed, industry warned that reregulation would dry up money for new services and dampen creative spirits. But informal survey of programmers, particularly developing services, at recent Western Cable Show found opposite situation -- some networks actually have been aided by regulation and relatively few admit to being hurt seriously.

Some programmers said they actually have prospered under reregulation, while others said they realized that there were big obstacles to overcome. Controversial elements of regulatory scheme, such as retransmission consent and must-carry, along with pricing benchmarks, haven't hurt cable uniformly -- some networks were helped, and even those hurt haven't been injured as badly as expected. Beverly Harms, senior vp-new business ventures at Communications Equity Assoc. (CEA), said she constantly hears that this is bad time to start new service because of shortage of channel capacity. At same time, however, MSOs still are interested in seeing new services develop. Contradiction is because operators want to guard channels they now have, but want networks available when digital compression makes channels available.

Retransmission consent hurt some programmers by using up limited available channels, but other channels got boost because broadcasters started their own cable channels by cutting deals with cable operators. Cable-only services in later stages of development, such as Military Channel, ready to launch next year, found itself bumped from first or 2nd in line for next opening to lower in order, Military Channel Pres. Douglas Keeney said.

But current situation works well for programmers that have TV affiliates. At reregulation, 4 of 7 partners in TV Food Network backed off, Pres. Reese Schoenfeld said. Chmn. Jack Clifford, head of parent Colony Communications, said that if reregulation's circumstances had been clear when service was starting to develop, backers might have ditched project. One of its partners, Tribune Co., came to rescue by requiring its TV stations to carry TV Food Network on retransmission deal. Similarly, Robert Higley, national cable mktg. dir., Trinity Bestg. Network (TBN), said new regulatory structure has been good for his operation: "This has been our best year ever, in affiliate acquisition and subscriber growth." TBN has added 10 million subscribers so far this year, Higley said.

While causing squeeze now, situation may force some programmers such as FAD to make alternative distribution arrangements and to look for alternative revenue sources such as transaction fees. Dan Davids, gen. mgr. of History Channel, owned by A&E, agreed that industry is "looking at a totally different economic structure for new services," with majority of revenue coming from fees and less from ads.

Some existing services have prospered during reregulation, taking advantage of benchmark and retiering. Bob Padalino, Lifetime vp-affiliate relations, said his service, which reaches 93% of cable subscribers, picked up "a nice piece of business" amounting to "a few hundred thousand" subscribers when some cable operators reconfigured tiers to meet benchmark rates. Court TV gained 3.5 million under reregulation, Senior Vp Bob Rose said: "We've come out really well, somehow." Comedy Channel Vp Tony Fox said his service had attracted 30 million viewers since reregulation began: "The next 30 million will be a challenge." Travel Channel Pres. Roger

Williams said his service got short-term boost of 2.1 million subscribers when cable systems rushed to add product to raise benchmark rates. But he said FCC has hurt long-term growth by not acting on rules for adding new services to regulated tiers, situation he said was "creating a paralysis" in marketplace. A la carte offering isn't realistic option, Williams said, because he has seen projections that services would achieve only 20-25% penetration through that means, figure that "makes it very impractical to build a solid business."

Despite confusion, CEA is backing new FAD service, which is run by Anthony Guccione, son of Penthouse Publisher Robert Guccione. Harms said she likes high-fashion, high-tech concept, which she described as "upscale, Vogue-like" image. She said Guccione is willing to obtain exposure for new service by agreeing to partial carriage deals, offering services for several hours per night on another programming network or on a la carte basis. Harms said she sees many business plans from would-be programmers that are based on service's being included in basic packages, view of world that she warned is unrealistic.

Two channels targeted to upscale audience, Golf Channel and Ovation, said their investors are sticking with their projects despite reregulation. Golf Channel Exec. Vp Robert Sutton said his company is talking about offering itself as minipay tier at \$5 monthly, or on DBS delivery with Hughes. "Reregulation was tough on cable systems, too," Sutton said, but his company is "feeling very positive" now.

NCTA and EIA are more likely than in past to reach agreement on joint comments on FCC's cable/consumer electronics compatibility rules, which are due in Jan., NCTA Vp-Technology Wendell Bailey said. Groups reached agreements on joint comments on compatibility twice before, but only after difficult negotiations. Bailey said most of contentious issues have been worked out, although there still could be difficulties on interference susceptibility that should be required for tuners. Among points still to be worked out are details of alternative to EIA/ANSI 563 multiport standard, but Bailey said latest EIA proposal, received last week, "is 95% of what I would agree to." Groups are likely to have difficulty with FCC proposal to require TV tuners to be able to handle up to 1 GHz, frequency difficult to handle under current technology, he said, and proposed rule that cost of equipment be bundled into basic cable rate. Bailey said FCC rate rules require unbundling of service and equipment costs, so he's "not sure" how that would work. He said tour of recent Western Cable Show in Anaheim indicated that "a lot of digital things are for sale. They're being rolled out and money is being spent on them." He said prices appear to be about what industry expected -- \$250-\$300 for set-top converger, for example: "That is where they start, but they've got to come down in price to make them useful for basic service, or to empower some important new service." Vendors said converger prices eventually could drop to \$150 in volume production, but Bailey said others are doubtful price ever could fall that low. Other big new item on display at show was electronic program guides, Bailey said: "This speaks to the belief that the 500-channel world is not far away." When pressed about difference in function of various program guides, he said only substantive difference from consumer point of view appeared to be "touch and feel."

France Telecom (FT) subsidiary France Cable et Radio said it has taken "minority but significant" stake in U.S.-based Keystone Communications, and companies have formed alliance for satellite TV.



**PBS SETS PILOT 'READY TO LEARN':** July 1994 pilot launch of PBS's Ready to Learn Service was announced at National Press Club in Washington Dec. 8. Under effort, called PTV, 10 public TV stations plus Ga. state public network will air 9 hours of weekday programming simultaneously, with goal of encouraging active learning by children 2-12 years old. Slate includes Sesame St. and Barney & Friends, along with 3 new series: Puzzle Works and Storytime, both produced by KCET L.A., and The Magic School Bus by S.C. ETV, PBS's first fully animated show. PTV fare will be "seamless" in that it will be programmed with breaks containing educational messages, many delivered by PBS's recently unveiled "P-PALS" animated characters.

Of perhaps greater importance to project, according to PBS and news conference participants, will be supplemental nonbroadcast local efforts such as activity books, program guides, newsletters and calendars distributed by stations to parents and other caregivers, such as day care facilities. PBS has raised \$2 million to date from CPB, stations and interactive TV firm EON and is seeking another \$5 million that would enable it to provide \$50,000 grants to participating stations. Grants would be earmarked for hiring of station coordinators who would work with social welfare agencies, health departments and other community organizations to offer related training to parents and caregivers.

Second wave of PTV, scheduled for Jan. 1995 debut, calls for signing of 29 additional stations and 4 more state networks, with entire initiative reaching more than 50% of TV households. PBS is projecting it would cost \$50 million per year for full national implementation of PTV, down from earlier estimates of \$68-\$72 million. Congress recently approved FY 1996 appropriation for CPB that includes \$7 million for pilot launch of Ready to Learn.

Programming component of PTV in some respects resembles seamless weekday morning children's block Ready, Set, Learn that made debut on cable's Learning Channel several years ago. But news conference participants stressed public TV's far larger audience reach and fact that, according to recent CPB study, cable reaches only 4 of 10 low-income homes, which will be among primary targets of project. Also, unlike cable, PTV is "actively equipped" for local outreach, CPB Pres. Richard Carlson said.

**Discovery Channel** is top-ranked basic cable network in terms of overall consumer interest, according to Beta Research Cable Network Study released Dec. 9. Annual study, which is purchased by more than 25 cable companies, was based on 1,000 cable subscribers and includes such factors as overall importance of network to viewers and percentage interested in viewing each. Discovery's overall rating was 78%, followed in large-network ratings by ESPN (70%), Headline News (69%), Weather Channel (62%), Arts & Entertainment (60%), American Movie Classics (58%), Nickelodeon (56%), Family Channel (55%). Among midsized networks, Learning Channel had 69%, Sci-Fi Channel 50%, Comedy Central 46%. Survey also said 52% of subscribers wouldn't pay 50¢ for average broadcast channel and 35% wouldn't pay anything. On cable side, 73% said they wouldn't pay 50¢ for average basic cable network.

**Zenith** previewed digital cable decoder system that it said could expand system capacity to 1,000 or more channels. Decoder is based on Zenith's 16-VSB compression system compatible with MPEG. It said decoder could allow single 6-MHz cable channel to carry as many as 23 movies, 9 live programs or 2 HDTV channels.

**HUGHES PROPOSES SPACEWAY SYSTEM:** Hughes Communications filed application with FCC for proposed "state-of-art" Ka-band satellite service to offer on-demand high-speed data and video telephony. Hughes' \$660-million "superhighway in the sky," called Spaceway, would complement terrestrial services and could be considered competitor to fiber telephony.

Spaceway, which Hughes said could be operational by 1998, will offer desktop video telephony and videoconferencing, telecommuting, medical and technical tele-imaging, CAD/CAM data transmission. Company said technology, which will be faster and less expensive than VSAT networks, is aimed at small to midsized businesses. High-data-rate services aren't available or affordable to all, spokesman said, but digital technology will allow Hughes to market service, including 26" dish, for maximum initial investment of \$1,000. He said per-call charges would be competitive with terrestrial systems.

Bandwidth-on-demand feature will allow videoconferencing from desk without prior planning, and will make telecommuting more feasible, quicker and less expensive, spokesman said. Consumers could use system for personal video telephony, high-speed personal computer access to on-line services and access to electronic CD-ROM and other interactive multimedia services. Spokesman said many potential applications still are being determined, such as whether videoconferencing would be done with supplied camera or customer's camera, and whether TV or computer screen would be used.

Filing seeks FCC authority for 2 satellites at 101° W. Uplink and downlink would use 1,000 MHz, even though only 500 MHz are available now for satellite use in Ka-band (18-31 GHz). Hughes spokesman said FCC will have to decide whether to allot company extra 500 MHz for 2nd satellite. Company said frequency needed probably wouldn't overlap with other services using Ka-band, such as cellular TV, which operates in 28 GHz, since uplink would be around 30 GHz band and downlink around 19 or 20 GHz.

**Mariga Communications**, 50%-owned by LuxCel Group, Paramus, N.J., has signed agreement with Union of Russian Cities to provide commercial FM broadcasting to up to 500 cities for next 10 years. Mariga will provide equipment, technology, music library, management and ad revenue; Russian partner will provide studios, transmitters and antennas, licenses, personnel and, in some instances, working capital. Mariga Pres. Richard Bernstein said company is seeking financing. LuxCel also has joint paging venture in Poland in 10 cities.

**CompuServe** joined cable bandwagon of on-line services, announcing it would conduct 3-month technical trial with dozen subscribers in Exeter, N.H. CompuServe will use Zenith's Home Works modem that offers bidirectional 500 kbps access. David Eastburn, CompuServe vp-product marketing, said higher speeds allowed by cable open new areas for company, which is text-based service. Test seeks to determine how cable access functions and what types of services at higher speeds would be attractive to consumers.

**MSTV** moves to Suite 310, 1776 Mass. Ave. NW, Washington 20036, effective Dec. 13; new telephone is 202-861-0344, fax 202-861-0342.

**SMPTE** will hold advanced TV and electronic imaging conference Feb. 3-5 at Chicago Marriott Hotel -- 914-761-1100.



**Implementing Cable Act** is "creating major difficulties" for operators because "rules are being written and rewritten on a continuous basis," CATA said in letter to Senate Commerce Committee Chmn. Hollings (D-S.C.). Letter was partly in response to claims that cable operators were evading Cable Act. "Some of the rules we are accused of evading, such as those relating to a la carte tiering, have not yet been written," CATA Pres. Stephen Effros said. "No definition of a la carte program offerings exists." He said inflation adjustments for benchmarks are another example -- 40 days after FCC issued forms and information for computing benchmarks, Dept. of Commerce changed its inflation calculations. As result, Effros said, "rates computed using the [FCC] form will be slightly high." Even though problem is govt.-caused, he said, cable operators will have to bear burden of changing rates again, including mailing millions of notices to subscribers. Effros also attacked benchmarks themselves, saying 2 of "competitive" cable systems used to set benchmarks have been forced out of business because they couldn't cover costs with "price war" rates. "The uncertainty alone is doing severe damage, particularly to smaller entrepreneurs," he said. "The rapid consolidation of the industry going on right now is due, in part, to the inability of business people to make necessary long-term business decisions." Effros said "vast majority" of cable industry is trying to comply with Act, and FCC is "making valiant efforts" to de-bug rules, but "it will not happen overnight."

**Must-carry increases** speech diversity rather than limiting speech, backers said in briefs to U.S. Supreme Court, which is hearing appeal of lower court decision upholding must-carry. Cable groups appealed ruling, saying it limits operators' speech. NAB said must-carry "protects the millions of Americans without cable from losing over-the-air television broadcasting" and doesn't prohibit any speech based on content or viewpoint: "Appellants should not be permitted, in the name of an attenuated claim of editorial discretion, to silence other speakers in order to reap monopoly profits." Without carriage on cable, many marginal TV stations will be at risk, consumer and union groups said in joint brief, and reduced carriage will cause possibly fatal reduction in ad revenue: "While the economic damage to these stations will be great, the First Amendment consequences to the viewing public will be immeasurable. Absent must-carry, smaller stations will either be forced to decrease local programming or go dark, leaving cable subscribers with less local programming. The harm is particularly concentrated on less-advantaged segments of the audience." Groups, headed by Consumer Federation of America, said stations affected by must-carry are those most likely to advance FCC policy of promoting broadcast diversity. Brief also said there are "important distinctions" between cable and newspapers, including that newspapers don't need access to rights of way.

**GTE doesn't have to file** its compliance plan for end of Cerritos, Cal., waiver until Jan. 10, FCC decided, but agency refused further stay of earlier decision withdrawing waiver to allow telco to operate cable system there (TV D Nov 15 p8). FCC originally ordered GTE to file plan for complying with end of waiver by Dec. 9, but said extension would provide more orderly planning and transition for Cerritos. Commission said, however, that GTE's motion for stay of main order failed to demonstrate that company would suffer irreparable harm if stay weren't granted.

**Discovery Communications** has signed 3-year "multimillion-dollar" contract with MCI for videoconferencing and data exchange services among Discovery's offices.

**Telcos will either own**, hold interest in or merge with 8 of top 10 MSOs within 3 years, Salomon Bros. Managing Dir. Eduardo Mestre said at Washington Cable Club lunch Dec. 7. He said current trends toward convergence will snowball as telcos and MSOs harness "fundamental change" from video transmission to 2-way interactive future. With high penetration of cable and telco services, Mestre said industries face "growth problem" that will be overcome by cooperation. "We see some of the same synergies" between cable's experience in video transmission and that of telcos as switched service providers, he said. Prospect of 500 channels will push industries increasingly into programming as they "hedge their bets" to take "financial stake" in both, Mestre said. In other predictions, he said that in next 3 years: (1) Market will whittle RHCs to 6 or 5 from 7 and all of those left will have cable holdings. (2) All telcos will have former cable executives in senior management. (3) No major long distance companies will own stake in cable. (4) About half of telcos will have programming interests and holdings outside U.S. (5) Cable stock values will hold, even though capital investments of "next 2 or 3 years will be tough" because of long-term expectations. (6) About 10% of all cable subscribers in U.S. will be able to receive switched service through cable system. (7) About 5% of telco market will be able to receive cable from switched service provider. Ultimately, he said, quality of management will decide fate of companies whose success or failure "is not in our view preordained."

**Nashville Network (TNN)** and CNN clones are on list of applicants to provide new cable services in Canada. Of 68 applicants, 5 are for country music channels similar to U.S.-based TNN and Country Music TV, which are being carried on Canadian systems. Applicants include MuchMusic, which runs Canadian MTV clone, MH Radio/Rawlco Partnership, 2813327 Canada, CMC TV Services, Standard Radio. There are 5 applicants for all-news channel similar to CNN, which is carried by majority of Canadian systems. "Canada First" policy means cable operators would have to give Canadian services preference over U.S.-based services in position and price. Systems without extra capacity would be forced to drop U.S. services if similar Canadian program is available. Also proposed are 4 channels for shopping, 3 for seniors, 2 for women. Canadian Cable TV Assn. (CCTA) said CRTC is likely to license only 9 or 10 new services because of limited channel capacity. Commission, along with CCTA, is conducting channel capacity study to be completed later this month, and CRTC is expected to make licensing decision next summer after month-long hearing in Feb.

**NCTA appointed Neal Goldberg** as gen. counsel, replacing Michael Schooler, who recently went into private practice. Goldberg, currently partner at Hopkins & Sutter, will join NCTA Jan. 1, reporting to Daniel Brenner, vp-law and regulatory policy. He's former law clerk at U.S. Appeals Court, was special counsel to Dukakis-Bentsen campaign, was legal adviser to FCC Comr. Tyrone Brown 1978-1981.

**NBC News** and Japan's Nippon TV (NTV) have entered global newsgathering partnership. Effective Jan. 1, NTV will be able to use NBC News crews in Cairo, Frankfurt and Tel Aviv; NBC will have use of NTV resources in Beijing, Seoul, Tokyo. NBC named Kiko Itasaka Tokyo bureau chief, based at NTV hq, and Lucy Severson as Asia correspondent.

**FCC employee Timothy Lee** was shot to death Dec. 6 in Seat Pleasant, Md., police said. Lee, 31, had been electronics engineer in Common Carrier Bureau for about year, previously was in Navy. No immediate arrests were made; witnesses said they saw 3 men flee scene.



It won't be necessary for every cable company to team up with telephone company, but it will be essential for cable to have access to new core capabilities, Bell Atlantic Chmn. Raymond Smith said at recent Western Cable Show in Anaheim. He said more flexible arrangements could be made because there were "other kinds of co-op arrangements." He said telcos also will need to develop expertise in entertainment, whether they merge or buy into cable company or whether they plan to offer cable over their own advanced networks. Bell Atlantic has said it wants to make video available to 50,000 customers in its region by end of this year, 125,000 to 250,000 by end of next year, 1.5 million by 1995. Smith said he didn't expect any problems having TCI deal approved, hoped for definitive agreement by end of year. He also said he didn't expect any layoffs at TCI as result of merger.

**Boston U. is buying** its 3rd commercial TV station, dark WNHT (Ch. 21) Concord, N.H., within year. Station is being acquired from Wilson Hickam, price not announced. Earlier this year, University purchased WQTV (Ch. 68) Boston (now WABU) from Monitor TV and in Oct. acquired dark WCVX (Ch. 58) Cape Cod. Other recent purchases: (1) WAKC-TV (Ch. 23 ABC) Akron, by ValueVision International for \$6 million from Roger Berk. ValueVision owns 3 other TVs, also is buying KRTW Baytown, Tex. (2) WKFT-TV (Ch. 40 independent) Fayetteville, N.C., from Delta Bestg. to Allied Communications for \$4.3 million. (3) WTWS-TV (Ch. 26 independent) New London, Conn., from R&R Media to VVI Inc. for \$2 million.

**First Amendment** allows govt. to distinguish between anticompetitive speakers and those who are victims of "monopolistic abuse," INTV said in brief to U.S. Supreme Court in must-carry case. Broadcast group said must-carry rule, which court is considering, "reflect[s] Congress' direct effort to halt and prevent classic abuses of monopoly power by cable operators." Failure to uphold must-carry could hamstring govt. regulation of information industries, INTV said: "The information producing and transmitting industries pose an increasing range of traditional anticompetitive risks, which Congress and the FCC must remain free to address."

**FCC has ordered** rehearing on FM grant in Lenoir, N.C., to Foothills Bestg. because of allegations in petition for reconsideration by losing applicant Maria Ochoa, whose disqualification on character grounds was upheld. Commission ruled that Ochoa had lied at original comparative hearing; she claimed that ruling was procedurally improper and based on erroneous assessment of evidence. However, Foothills was ordered into 2nd hearing to determine whether applicant had misrepresented or concealed facts, as Ochoa charged.

**William Grimes** has resigned as pres.-CEO of Multimedia because "differences existed" in management philosophy, Chmn. Walter Bartlett said. Bartlett will resume post of CEO and Donald Sharra, chmn. of Multimedia Cablevision, will become COO. Grimes, former pres. of ESPN and Univision, said he will pursue other opportunities. He joined Multimedia in 1991, was named CEO last April, succeeding Bartlett.

**French govt.** will seek international regulations to control violence on TV, said Communications Minister Alain Carignon. He told Parliament that law banning violent programming 6 a.m.-10:30 p.m. has been widely ignored but will be enforced. "It is our duty to avoid what happened in the United States, where by the age of 6 a boy has already watched 6,000 crimes and offenses on television," Carignon said.

**FCC will have Internet** access by Jan. 10; personnel, including commissioners, will be available to public through E-mail by mid-Feb. Commission currently has internal E-mail system, but it doesn't operate on agencywide basis, spokeswoman said. FCC recently bought hardware and software for Internet access, including security system that will "act as a firewall," protecting it from hacker intrusion, said Michael Gilbride, acting assoc. managing dir. for information management. Public also will be able to get FCC documents via Internet, he said. Commission just last week began talking about types of information that will be made available, spokeswoman said -- probably its daily digest and news releases first.

**China plans to rely** on cable, rather than satellites, for bulk of its video service for foreseeable future, Wei Xuexing of Chinese Institute of Electronics told recent Asia-Pacific Cable & Satellite Summit in Hong Kong. He said govt. is working hard to expand cable networks because of high demand and likelihood that cable would be distribution network of future. Officials said 6-10 Chinese cities either have or soon will have more than one million cable subscribers, including Shanghai, whose fiber network is being rolled out to 5 million subscribers. Another 30 cable systems have more than 500,000 subscribers, they said, and another 100 are in 50,000-300,000 range.

**FCC Chmn. Hundt** went to Capitol Hill Dec. 9 for breakfast with congressional staffers. About 40 Democrats and Republicans showed up from committee and personal staffs of representatives and senators. One staffer called Hundt's appearance "a very positive gesture" and said none of Hundt's predecessors in recent memory had done same thing. Meanwhile, Hundt will speak Jan. 24 at joint lunch of INTV and NATPE conventions, Inter-Continental Hotel, Miami. There also are unconfirmed reports that President Clinton plans to address NATPE. Other FCC commissioners are scheduled to appear on INTV panel that morning.

**About 25%** of those attending opening session of Western Cable Show in Anaheim don't subscribe to cable, according to live interactive poll taken there. About 2,000 participated, including 2/3 of audience. Despite telcos' new interest in cable, few from that industry were present, or at least were in right seats at opening panel, and live poll showed only 5% of audience came from telephone companies. In addition, despite intense industry interest in interactive TV, there was no great demand for it. Poll showed 36.3% of audience would be interested in interacting with TV programs, 28.1% said no, 35.7% "maybe."

**Armed Forces Radio** stations will be given option of carrying hour of Rush Limbaugh's 3-hour daily program. Move came after he complained over air on several occasions that his show wasn't available to troops overseas. He was joined by several members of Congress, led by Rep. Dornan (R-Cal.). Pentagon countered that survey showed there was little demand for his program among military personnel overseas.

**Cox Cable** said it will use General Instrument electronics for 1,250-mile upgrade of its Omaha system. Equipment, valued at about \$5 million, will include 750-MHz amplifiers, minibridders, taps, passives. Upgrade begins this month, will continue for 2 years.

**Philips will incorporate** StarSight Telecast on-screen program guide into Magnavox and Philips TVs and VCRs, companies said last week. VCRs including interactive guide will be available by end of 1994, and TVs beginning in 1995, Philips said.



## Personals

**Howard Paster**, asst. to President Clinton for legislative affairs, rejoins Hill & Knowlton as chmn.-CEO... **Roy Neel** will assume duties as pres. of USTA March 1. He will leave job as White House deputy chief of staff Dec. 31, then work with USTA officers part time until start date... **James Gray**, Time Warner Cable vice chmn., leaves at end of first quarter 1994, to "move on to some new challenges"... **Diane McCauley** promoted to vp-advertising and promotion, Turner Program Services... CBS Entertainment advancements: **Trevor Walton** to vp-Motion Pictures-for-TV & Miniseries, **Joan Harrison** to vp-miniseries.

**Larry Wangberg**, Times Mirror Cable pres.-CEO, named senior vp-Times Mirror Co... **James Burke** appointed WTTG Washington vp-gen. mgr., succeeding **Thomas Herwitz**, who resigns to launch TV acquisition company... **Kenneth McQueen**, ex-Palmer Communications, appointed pres.-gen. mgr., KTVI St. Louis... **Quinn Koontz**, ex-WGHP-TV High Point, N.C., joins WRAL-TV Raleigh Dec. 27 as gen. sales mgr... **Duane Mathias**, ex-WTVH Syracuse, appointed vp-promotion and programming, KWQC-TV Davenport, Ia... **Teresa Gray** promoted to mgr.-community relations, KCOP L.A... **Cristina Carrera** advanced to local sales mgr., WFLX W. Palm Beach... **Liz Stobart** promoted to vp-gen. sales mgr., KJAC-TV Beaumont/Port Arthur... **Su-Lin Cheng**, ex-MCI, named dir.-publicity for news and public affairs, WETA-TV Washington, new position... **Jay Rabin**, ex-WHTM-TV Harrisburg, Pa., appointed vp-sales and mktg., WHP-TV Harrisburg... **Jerry Nichols**, ex-KBSP-TV Salem, Ore., joins KMTR Eugene as chief engineer.

**Robert Hammer** named vp-gen. mgr., Cable Health Club network... **William Thomas**, ex-Nielsen Media Research, joins TV Guide On Screen as vp-product development... **Sheldon Altfeld**, Silent Network founder and former CEO, has formed consultancy Cable Maven Enterprises... Promotions at Astral Bestg. Group: **Len Bramson** to corporate vp; **Lisa de Wilde** to pres.-CEO, First Choice Canadian Communications Corp. and Canal Premiere/Viewer's Choice Canada; **Stephen Tapp** to exec. vp-Canal Premiere/Viewer's Choice Canada... **David Woodman**, ex-Fox International, named dir.-international business development, USA Networks International... **Robert Levy**, NBC Ad & Promotion Dept., moves to dir.-current comedy programs, NBC Entertainment.

**Peter Sturtevant**, CNBC vp-business news, also named managing editor-national and international business programming... **Farrell Reynolds**, ex-pres., Creative Development for Conduit Communications, Atlanta, named head of New World Sales & Marketing, owned by New World Entertainment... **Michael Helfand**, Cap/ABC dir.-corporate accounting and asst. to controller, advanced to vp-asst. controller.

**Sam Chisholm**, British Sky Bestg. CEO, elected to board, News Corp... New at Encore: **Elisabeth Glass**, ex-HBO, as vp-programming acquisitions; **Jim Skinner** as dir.-on-air promotions... **Ed Frazier** promoted to pres.-Liberty Sports, subsidiary of Liberty Media.

Appointments at ESPN: **Lynn Picard** promoted to vp-business development; **Lauren Fishman**, ex-Peacock Touch promotional company owner, named dir.-special events... Appointed to NAB radio board: **Charles Hillier**, WKQX(FM) Chicago, for Dist. 17, replacing **Wayne Vriesman**, Tribune Bestg. and current NAB joint board chmn.; **Mike Tyler**, Jones Satellite Networks, succeeds **Roy Simpson**, who left Jones.

# TELEVISION DIGEST

With Consumer Electronics

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Elected to board, Radio-TV Congressional Correspondents Galleries: **Dave McConnell**, WTOP(AM) Washington; **Kenan Block**, MacNeil/Lehrer News Hour; **Elizabeth Arnold**, NPR; **Jackie Judd**, ABC News... **Roger Cooper** returns to Best. Management Plus (BMP), ratings software company he founded in 1984, as co-owner-CEO; BMP is being purchased from U S West by Cooper, **Saul Rosenzweig**, others... **Rob Walther**, ex-Playboy TV, joins Adam & Eve Channel as dir.-special markets.

**Kathleen Levitz**, FCC Common Carrier Bureau acting chief, addresses "Competition, Cooperation and Choice in Communications Markets," Institute of Public Utilities 25th Annual Conference, Dec. 13, 1 p.m., Williamsburg, Va... FCC Comr. **Quello** is luncheon speaker at San Diego Communications Council -- San Diego State U., Dec. 16, Hyatt Regency, San Diego... **Brian Fontes**, senior adviser to Quello, addresses PCS and related issues, Wireless Communications Conference Group, Dec. 16, 12:30 p.m., Rialta Royal Hotel, N.Y... **Charles Helein**, **Julia Waysdorf**, **Michael Mandigo**, **Donald Manley** and **Robert McDowell**, formerly of Galland, Kharasch, Morse & Garfinkle, Washington law firm, and **Richard Waysdorf**, formerly of Waysdorf & Van Bergh, have formed Helein, Waysdorf & Mandigo, 1850 M St. NW, Washington -- 202-466-0700.



# 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 Nov. and year to date:

	NOV. 20-26	1992 WEEK	% CHANGE	NOV. 13-19	11 MONTHS 1993	11 MONTHS 1992	% CHANGE
TOTAL COLOR....	1,007,569*	692,401	+45.5	725,236	22,639,873**	20,098,593	+12.6
DIRECT-VIEW..	990,328*	678,356	+46.0	711,263	22,241,074**	19,744,568	+12.6
TV ONLY.....	783,957*	635,481	+23.4	686,051	20,763,641*	18,910,957	+ 9.8
TV/VCR COMBO	206,371**	42,875	+381.3	25,212	1,477,433**	833,611	+77.2
PROJECTION...	17,241*	14,045	+22.8	13,973*	398,799*	354,025	+12.6
VCR DECKS.....	546,087*	414,568	+31.7	297,078	11,219,436*	11,152,028	+ 0.6
CAMCORDERS....	177,972*	140,693	+26.5	64,556	2,823,064*	2,553,082	+10.6
LASERDISC PLYRS#	6,744*	6,344	+ 6.3	4,371	190,864*	188,442	+ 1.3

Direct-view TV 5-week average: 1993--759,685\*\*; 1992--620,379 (up 22.5%).

VCR deck 5-week average: 1993--364,147; 1992--374,181\* (down 2.7%).

Camcorder 5-week average: 1993--104,413\*; 1992--90,345 (up 15.6%).

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

**PHILIPS PULLS BACK FROM CONSUMER WIDESCREEN:** Philips, citing limited consumer market for widescreen TV, said it has shifted focus of 34W" direct-view model from consumer to professional market.

Change took place quietly this fall when Philips' commercial and professional sales group assumed responsibility for set that's being sold to broadcasters and other businesses at \$6,000 for use in conferences and as monitors, Philips spokesman said. Philips had said it would ship 34W" to consumer market in Aug. (TVD May 10 p15).

Company has sold "a few hundred" models through professional market and is weighing shipments to consumer electronics channels in 1994, officials said. "At some point, we will have a 34-inch set for the consumer market, but we had such interest from the broadcasters that we decided to go through professional group," said Sales & Mktg. Senior Vp Ralph Palaia. Set was displayed at NAB convention in Las Vegas last April.

Philips officials said 34W" features have proved attractive for business uses. Set has internal sync adapter that automatically distinguishes between 525-line interlace and 1,050 progressive-scan transmission, expand and zoom modes for displaying letterbox formats, and picture outside picture function for monitoring 2nd channel on right side of screen.

Decision to pull back from consumer channel also was prompted by prospect of limited sales this year, company said. While Thomson has projected industry shipments of 10,000 for 1993, most vendors expect figure to come up well short of that. Sales have been hampered by price and by lack of widescreen programming, industry observers have said.

Shift of widescreen TV from consumer to commercial market reflects similar move Philips made 2 years ago with its high-performance LCD projector that originally was targeted at consumer market in \$6,000-\$7,000 range (TVD June 10/91 p14), but that eventually was offered only on commercial market because of high cost.

**RECORD NOV. SETS STAGE FOR BEST YEAR EVER:** There may be complaints about mix and profitability, but there's no denying fact that 1993 will go down as volume record setter, probably in all



major video categories. Through first 11 months, all categories we track on monthly basis were running at record pace.

In fact, 1993 passed full-year records in Nov.'s last week for overall direct view and color TV categories -- mainly on resounding strength shown by TV/VCR combos, which chalked up best-ever week and best-ever month, having long ago passed last year's record, and are headed well past 1.5-million mark. Final Nov. week was only 3rd in history when total color TV sales exceeded 1 million -- other 2 occasions having been final weeks of Sept. and Oct.

Color TV business has been gaining momentum in last 2 months, particularly when seasonal factors are applied. Seasonally adjusted annualized rate in Nov. was 27.5 million sets, 2nd highest of any month this year, exceeded only by Oct. rate of 28.5 million. Through first 11 months, rate stood at 24.875 million, highest cumulative average this year. Projection TV business had record Nov., and undoubtedly will pass full-year record of 404,303 in first 2 weeks of Dec. Seasonally adjusted rate actually slipped back a bit in Nov to 431,300, lowest in 4 months, bringing 11-month rate to 464,000.

Despite record-setting final week, in which nearly half of month's volume was reported, VCR deck sales to dealers trailed last year's record month by 7.5%. Seasonally adjusted rate of 11.7 million in Nov. was 2nd lowest of year, trailing only March performance, pulling 11-month rate to 12.8 million, which would be about 4% ahead of record set in 1992.

Camcorder sales set record for 3rd straight month, with more than 55% of 4-week total reported in final week. Seasonally adjusted rate of just under 3 million in Nov. dropped 11-month rate slightly to 3.2 million -- which still would represent industry's first crossing of 3-million threshold. Here are EIA's figures on sales to dealers for Nov. and first 11 months of year:

Product	Nov. 1993	Nov. 1992	% Change	Nov. 1991
Total color.....	2,713,898*	2,421,482	+12.1	2,128,065
Direct-view...	2,665,970*	2,380,950	+12.0	2,087,028
TV only.....	2,372,512*	2,267,205	+ 4.6	2,022,704
TV/VCR combo.	293,458**	113,375	+158.7	64,324
Projection....	47,827*	40,532	+18.0	41,037
VCR decks.....	1,207,673	1,305,320*	- 7.5	1,078,919
Camcorders.....	320,468	307,808	+ 4.1	320,778*
Laserdisc players	17,002	18,149	- 6.3	22,168

\* Record for any Nov. \*\* Record for any month.

**STARSIGHT SIGNS PHILIPS, NEW GEMSTAR PRODUCTS:** StarSight Telecast signed 2 more licensing agreements last week as rival Gemstar said it would ship universal remote in Jan. that includes VCR Plus with CallSet functions along with new videocassette indexing system.

Philips and Uniden reached agreements with StarSight, for TVs and VCRs, and satellite integrated receiver descramblers (IRDs), respectively. StarSight licensing of Philips was predicted in these pages last spring (TVD June 14 p15). Meanwhile, Gemstar said it would deliver Control Tower 4-function remote at \$79 in Jan. and for first time would offer Index Plus VCR system on floor of Consumer Electronics Show (CES). Index Plus was shown first in private screenings at 1992 Winter CES, as detailed in TV Digest (TVD Jan 18 p11)

Licensing pacts and new products come as companies battle in court and at retail for share of growing multichannel programming market. While Gemstar has licensed its VCR Plus technology to most consumer electronics (CE) manufacturers, StarSight has gained ground in recent months by signing agreements with General Instrument, Goldstar, Mitsubishi, Samsung, Scientific-Atlanta, Zenith. StarSight's on-screen program grid service covers 80% of U.S. (via PBS vertical blanking interval), with rest expected on-line by time of Zenith launch in first quarter, said Brian Klosterman, senior vp-consumer electronics mktg. Philips will market StarSight-equipped 4-head mono and hi-fi VCRs starting in spring 1994 and TVs in 1995 under Magnavox and Philips brands, Senior Vp Sales & Mktg. Ralph Palaia said. TV screen size hasn't been set and pricing wasn't available immediately.



As for Gemstar agreement that Philips signed in May, officials said negotiations are continuing. When it reported agreement, Philips said license would be used for VCRs in Europe. "Right now, we're going with StarSight, but that does not preclude us from doing something with Gemstar in the future," Palaia said.

With its license, Uniden plans to introduce 2 IRDs with StarSight technology in Jan. at \$1,499 and \$1,299, Uniden Exec. Vp Hide Kanakubo said. StarSight modules, which will be available by late Jan., will add \$150 to retail, Uniden said. SQ series IRDs will be first to offer StarSight guide to satellite TV market. IRDs are part of limited distribution series introduced last July. Uniden will have shipped about 10,000 SQ IRDs by time StarSight modules are available in late Jan., Kanakubo said. StarSight technology replaces Triple D Publishing's SuperGuide system that Uniden first used with IRD in July 1992, he said: "The SuperGuide system was too complicated for retailers and consumers. StarSight is a much easier method."

Gemstar's Control Tower will ship in Jan. and combine one-touch recording of VCR Plus with CallSet feature that allows consumers to program VCR using phones. CallSet, introduced with VCR Plus unit in June, permits users to dial phone number, identify their zip code, cable system, VCR, cable box brand, model. A tone is transmitted over phone to VCR Plus setting it up for use in seconds. Remote also can be upgraded by phone to add new products and can store up to 24 programs. Bronze-colored unit has built-in LCD display and rounded base that allows it to stand up. About 3,000 were to be shipped to catalog retailers this month, Gemstar Sales Vp Jeffrey Conway said.

Company also is expected to present first public demonstration of Index Plus, which uses standard extended data service (EDS) signals -- extension of closed-caption technology -- to be transmitted by broadcaster or cable channel, and "smart chip" built into VCR to provide automatic indexing of videocassettes. EDS signal is standard and is designed to add information-on-demand feature to TV sets -- extension to VCR is Gemstar's application. Plans of broadcasters and cable operators, if any, haven't been revealed.

**YANKOWSKI EYES BIGGER ROLE FOR SONY U.S.:** Increasing importance of U.S. to Sony's global operation is underlined by choice of Carl Yankowski as pres. of Sony Electronics. That was made clear in first interview since his appointment to top operating post at company's U.S. electronics engineering, manufacturing, sales and marketing arm (TVD Nov 29 p12).

Surprise appointment of former Polaroid Asia-Pacific Group vp recognizes Sony's desire to bring in "different set of skills [to] add value to the culture that already exists here," Yankowski told us. Asked to comment on our quote from unnamed former Sony executive that his appointment could signal more changes, particularly possibility of bringing in more outsiders, he replied "that's always a possibility," adding: "Frankly, I think the best business progress is made when you use the best of an organization and complement it with... new thinking in areas where the organization can benefit. Over time, we'll probably see some activity in that direction."

Yankowski's first priority will be "focusing on leveraging the importance of the U.S. market in Sony's global portfolio," he told us. U.S. operation is Sony's largest by far, and he said he hopes to "make the U.S. the example of Sony's opportunity to generate exciting new products, to use the technical competencies available here [to] integrate these units profitably in the consumer electronics area." There will be larger emphasis on creating products here, tailored to American needs, differentiating Sony from other brands -- as well as developing products here for world market, he said.

As marketer and engineer, Yankowski has broad background in developing and popularizing unique approaches to market and tailoring products to consumer needs or, as he put it "adding value to the marketing approach, increasing sensitivity to the needs of the end user and the retail trade." As gen. mktg. mgr. for GE Housewares Small Appliance Div., he followed up research showing homemakers' desire to keep kitchen counter space uncluttered -- resulting in development of popular "Spacemaker" line of undercabinet products. Although he gives Leo Burnett Agency full credit for slogan "Is It Live Or Is It Memorex," as that company's Audio Div. product mgr., he directed campaign that put Memorex on audiotape map.

One of Yankowski's duties, as expressed by Sony America Pres. Michael Schulhof, will involve "cross-marketing initiatives" with company's software operations. While Yankowski will spend most of his time at Sony Electronics' Park Ridge, N.J. hq, he will live in Manhattan and work with Schulhof on "cross-positioning." As example, he cited "help from creative people on product nomenclature" and joint marketing of digital audio systems and Sony music business.



Asked about position of John Briesch, whose title is deputy pres. of Sony Sales & Mktg. of America (SSMA), he replied: "I value John's skills highly, will work closely with him to make sure that he continues to make a strong contribution and that his career develops in a way that satisfies him." His view of MiniDisc vs. DCC controversy reflects preoccupation with consumer benefits: "I think the random access feature of MD is a major plus for consumers. From an end-benefit point of view, most consumers have great difficulty differentiating the audio quality of DCC vs. MD," while quick access is instantly recognizable advantage.

Asked which of his skills in marketing, engineering, operations and international management he expects to lean on most heavily at Sony, Yankowski described himself as "a business person first," and said he hoped all of his background would merge "to bring skills as a good general business manager and help cultivate those broader skills in all our people here." As part of all-around business management, "it's important to have functional excellence in sales, marketing and R&D, to bring together the skills which are already here. That's the value I hope to bring to Sony."

**CES MEETING PLANNED ON VIDEOGAME CONTENT CODE:** Trying to stay step ahead of posse of senators threatening regulatory mayhem, coalition of software developers, system proponents and others plans to meet at next month's Consumer Electronics Show to begin formulating system to deal with violence and sexual content in computer and videogame software. At our deadline, meeting was scheduled for 8:30 a.m.-12:30 p.m. Jan. 8, in Las Vegas, although details could change. Session probably will be open to all industry parties, organizers said.

Meeting is intended as first step in determining rating standards, methodology, logistics, enforcement procedures. It probably will be followed by general industry forum in 1994 first quarter. Industry executives for most part said they wanted system that would be uniform, consistently applied from company to company, understandable to industry and consumers and enforceable. Issues to be discussed include whether programs would be reviewed by central independent board, or applied by companies to their own games.

Hour before hearing on bill proposed by Sens. Lieberman (D-Conn.) and Kohl (D-Wis.), group including Sega, Atari, 3DO, Sony Electronic Publishing and Electronic Arts announced intention to take steps "to establish a uniform rating system on the contents of interactive videogames." In news release, coalition members echoed stance taken by Sega when it established on-package rating system earlier this year, saying industry now was serving increasingly large number of adult players and, in words of Atari Mktg. Vp Terry Valeski, "their tastes and expectations from interactive media entertainment are far different than those who are 7 and 8 years old." Effort is being coordinated by Software Publishers Assn. (SPA), and has pledge of support from such retail entities as Video Software Dealers Assn. (VSDA), Blockbuster Entertainment, Sears and Wal-Mart, organizers said.

SPA General Counsel Ilene Rosenthal, acknowledging group has had little involvement in cartridge-based videogame business, said proposed legislation doesn't differentiate among storage media, so it "directly impacts more than 600 of our members." She said group was called by Sega of America Pres. Thomas Kalinske within last 2 weeks to act as coordinator, shortly after Lieberman and Kohl held news conference announcing their intention to introduce bill. SPA polled members on whether it should get involved, and got 130 positive responses within 2 days, Rosenthal said.

Nintendo, notable absentee from group that made joint announcement, seemed to be making every effort to distance itself from rest of industry, maintaining Disney-like stance of dedication only to entertainment appropriate for entire family. However, Nintendo spokeswoman later said company "hopes to have a major role in constructing" system. In its testimony, company cited its content guidelines, and positioned its lockout system as instrument that "enabled us to review and approve the content of all videogames played on Nintendo's hardware." In his testimony, Nintendo of America Senior Vp Howard Lincoln said any action should include "the entire entertainment software industry," citing "the hundreds of companies that make all sorts of floppy disc and CD games for play on computers. There is violent and pornographic software available right now for play on IBM and Apple PCs that would shock this Committee and parents all over the country."

"Rating games will not make them less violent," Lincoln said. "Only manufacturers acting responsibly can do that by controlling game content and by keeping outrageous games like <I>Night Trap<F255D> off the market." Sega's <I>Night Trap<F255D> and, to lesser extent, Acclaim's <I>Mortal Kombat<F255D> were main lightning rods for senators' criticism of industry.



In virtual replay of disputes on TV violence (TVD Sept 20 p1 et seq.), senators said they would introduce bill to create violence rating for videogames, despite actions of industry toward self-regulation. Companies' announcements did little to soften criticism from Kohl and Lieberman, who said at joint hearing of Kohl's Juvenile Justice Subcommittee and Lieberman's Govt. Regulation Subcommittee that legislation would be introduced anyway to keep pressure on industry. Bill they envision would set up 5-member bipartisan council with responsibility for creating notification system that could involve ratings, warning labels or some other indicator.

Issue isn't likely to fade into background. Rosenthal pointed out that Lieberman plans to hold further hearings in Feb. (Further details are in Warren Publishing's <I>Consumer Multimedia Report<F255D> -- sample copy on request to our N.Y. office.)

**LOW-COST U.S.-MADE LCDs?** Video-quality color LCDs using low-cost process could be built in U.S. and Japan under agreement between Motorola affiliate and Sanyo. Motif Inc., 50-50 joint venture of In Focus Systems (IFS) and Motorola, has signed 2-way deal with Sanyo to make possible mass production of its active-addressing LCDs in both countries.

Motorola last summer bought 20% of IFS and they formed Motif to produce LCDs in U.S. (TVD Aug 24 p16). IFS has developed active-addressing system that gives low-cost passive matrix LCDs many of advantages of more expensive, reject-prone active matrix devices (TVD Feb 17 p14). IFS claims its development eventually could result in displays that surpass active ones in contrast, speed, resolution.

Deal calls for Sanyo to buy Motif's active-addressing chips and supply Motif with liquid crystal cells. Both companies could turn out active-addressing displays, in which complexity is removed from display system and put in associated electronics.

Tom Mills, mktg. mgr. of Motif, based in Wilsonville, Ore., told us process could lead to much larger LCDs at practical price. He declined to give eventual applications in U.S., but said chips could be suitable for video speed (or TV) direct view or projection. Motif showed 9.4" LCD at recent Comdex in Las Vegas.

Mills said first application undoubtedly would be as computer display -- use that generally "validates new technology," but he specifically cited videogames and PDAs as possible uses. Asked about TVs, he said he wasn't free to discuss plans. Wall St. Journal quoted Motif Co-CEO Henry Lowensohn as saying alliance with Sanyo would help Motif begin large-scale production of advanced LCDs in U.S. and promote active-addressing technology as standard for video LCDs. He expressed confidence that Motif could become major market factor in 18 months.

**Laser Disc Assn.'s** first quarterly report on disc software puts total number of laserdiscs shipped by participating companies in first 3 quarters of 1993 at 4,942,166 for retail value of \$192,129,194, average retail price \$38.88. Next report will contain totals for year. Twelve companies participated, including Columbia TriStar, FoxVideo, Image, MCA/Universal, Pioneer LDCA, Warner. Group is asking others to contribute. LDA has moved from N.Y. to West Coast: 309 Santa Monica Blvd., Suite 205, Santa Monica 90401, phone 310-319-9119, fax 310-319-9138.

**JVC dedicated** 1/4-ton segment of Berlin Wall as permanent exhibit at U.S. Naval Academy in Annapolis. JVC said it represented effort to enhance its presence in military market and recognize U.S. military in its efforts to bring about Wall's downfall.

**After 3-month delay** due to software problems, Videonics said it will start shipping its digital video mixer later this month. Unit was scheduled for Sept. delivery, but company said last week that software difficulties including real-time sequencing pushed back shipping date of mixer that will sell for \$1,199. Mixer, which uses 4 custom chips and 8-bit video, is capable of generating 240 special effects with 9 different speeds. It also features "preview monitor" that enables user to review 4 video sources along top of TV screen and chroma key that allows image to be shot against solid background that can be replaced. Distributors will sell product in Argentina, Czechoslovakia, Hungary and Poland starting in Jan. Production at Campbell, Cal., plant will be 500 per day and eventually will shift to Mexico, Pres. Michael D'Addio said. Meanwhile, Blaupunkt has begun selling Videonics' low-end Thumbs Up machine in Europe under Time Code Editor banner, D'Addio said.

**Former Polly Peck** shareholder may receive \$11,037 as default judgment against former Chmn. Asil Nadir who fled U.K. in May after being charged with stealing \$63 million from company. Polly Peck, which is operating under U.K. equivalent of Chapter 11, was dismissed from lawsuit involving Nadir. U.S. Dist. Judge John Keenan, N.Y., entered judgment for Nathan Zeidenberg, who bought 1,000 shares of Polly Peck in July 1990. Zeidenberg, who sued company in May 1991, would receive \$8,502 in damages and \$2,535 in interest. About 2,000 former shareholders have sued Polly Peck. Nadir, while free on £3.5 million bail, fled U.K. for self-proclaimed Turkish Republic of N. Cyprus, country with no extradition treaty with U.K. Mark Levine, Zeidenberg's lawyer, conceded it would be difficult to collect from Nadir because his "possessions are hard to find." Levine said he would continue to try to have suit certified as class action.

**Sales & Acquisitions:** Samsung Corning, Korean joint venture, has acquired Fernsehglas Tschernitz, manufacturer of glass for color TV in former Eastern Germany. Price is expected to be about \$30 million, but won't be finalized until valuation of company's assets is completed early next year... Fuji Photo has bought BASF's 50% share in B&F Microdiscs, Bedford, Mass., manufacturer of computer discs, for undisclosed amount. Plant, employing about 230, makes 10 million discs monthly and has been joint venture of Fuji and BASF.

**News Corp. has withdrawn** proposed offering of new class of "supervoting shares," announced Oct. 12, because Australian Stock Exchange hasn't approved plan and won't for "many months," News Corp. Chmn. Rupert Murdoch said.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 109 yen = \$1, except where noted.



**MECA FORMS NEW CE GROUP:** Matsushita Consumer Electronics Co. (MCEC) will be formed April 1 as new division of Matsushita Electric Corp. of America (MECA) "to oversee consumer electronics sales and service operations in the U.S.," MECA announced last week. Ted Inoue will become pres. of MCEC while continuing to serve as Panasonic pres.

It was indicated that most Panasonic officials would have similar responsibilities at MCEC, but Inoue and Senior Mktg. Vp Michael Aguilar denied that Quasar would be consolidated as another brand under what, in effect, would be Panasonic's wing. In answer to question whether Quasar would be brand or continue as company, both said it would continue as latter.

However, they said greater attempt would be made to differentiate Panasonic and Quasar products and distribution, although details were yet to be worked out. In answer to our question, Inoue said new company would involve no reduction in staff. At annual "Matsushita Meets the Press" dinner in N.Y., MECA Pres. Richard Kraft said "MCEC will expand opportunities for both Panasonic and Quasar products and will enable us to reach out to more market segments, to strengthen our distribution channels and to provide even better products and services to our customers."

Formation of MCEC presumably was one of first major actions by new MECA Chmn. Kirk Nakamura, who succeeded Andy Imura this year.

Kraft told journalists at N.Y. event that MECA expects 5% increase in sales for 1993, presumably for fiscal year ending March 31, and projected N. American sales exceeding \$6.1 billion of last year "if the current trends hold." He credited consumer products -- particularly VCRs, VHS-C camcorders, home audio and cordless phones -- with helping push company toward "very significant increases" in sales and helping it meet its "profitability targets."

Prospects for 1994 are "mixed," Kraft said, and he warned that despite encouraging reports from dealers, "there is adequate justification for maintaining a cautious attitude." He cited "the cyclical nature of the consumer electronics business in the U.S. and the prospects for selective increases in price due to the increase in the value of the yen" as presenting "formidable challenge... in the year ahead." He said company has initiated measures to "eliminate waste and contain rising costs" and is continuing this year's hiring freeze.

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**Parent Matsushita Electric** in Japan, meanwhile, announced major restructuring last week, aimed at transferring 6,000 employees (30%) of its 20,000-member administrative staff at Osaka hq to jobs closer to field in production, sales and new business development -- presumably aimed at reducing what has been criticized as top-heavy and bureaucratic superstructure.

Osaka hq functions and structure will be revamped, Pres. Yoichi Morishita said. He said move was made necessary by severe economic climate. Company's business hq and division system will be abolished, eliminating business hq for TV, air conditioners, electrical apparatus, information and construction electronics and substituting new system vesting control of each operation in specific executives.

**ATARI CITES JAGUAR PROBLEMS:** Blaming "certain startup production and supply problems," Atari last week said it would ship only about 20,000 Jaguar videogame systems in current quarter ending Dec. 31. As recently as middle of last month, when system was launched, Atari said it would ship 40,000-50,000 machines for system launch in London, N.Y., Paris, San Francisco.

Retailers in N.Y. and San Francisco report demand for system has been high, driven by heavy TV campaign, but availability on store shelves has been uneven at best. Company spokesman said major "problem" was discovery of inadequate shielding on cable connecting control deck to TV set, causing electrical interference on screen. Trouble was found on 28 units, caused halt in production, limiting shipments.

Delay could be especially damaging to Atari, which was attempting to use successful launch in N.Y. and San Francisco to show developers and retailers in rest of country that it once again could be major player in videogame market. Atari Pres. Sam Tramiel said he continued "to believe that we will ship approximately 500,000 Jaguar systems during 1994, subject to market acceptance of the product, availability of key components and the transition to volume production."

Announcement of Jaguar shortfall was tucked into bottom of news release announcing Atari 3rd-quarter earnings, which showed sales plunged 87% to \$4.4 million, with net loss of \$17.6 million (see financial table). Company conceded loss was "substantially larger than expected," blaming it on \$7.5-million writeoff on finished goods inventory of older computers and videogame systems, \$6.4 million in restructuring costs on Australian operations, lower value of certain European real estate.

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**SEGA TO SHOW PORTABLE GENESIS/CD UNIT:** Sega will use upcoming Consumer Electronics Show to take wraps off transportable game player that will accept Genesis cartridges and Sega CD discs. Although company declined to comment on price, it's expected to be available in March at \$349 suggested retail, slightly below what it would now take to buy Genesis (commonly \$99) and Sega CD (\$229) at retail.

Called Genesis CDX, player measures 7.8x5.5x1.8" (slightly larger than clamshell packaging common with Disney videocassettes), and weighs 1-1/2 lbs. Sega literature refers to it as "the next level in portable multimedia entertainment," but device can't be used as game machine on-the-go unless user happens to be traveling with AC outlet. CDX can be used as portable CD player with 2 AA batteries, but game play, whether cartridge or CD, requires AC adapter.

Sega said unit will come packed with 3 CDs -- "Prize Fighter" boxing game, "Sega Classics Arcade Collection" and "Sonic CD" -- as well as 6-button arcade controller, AC adapter, stereo video cable.

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**Uniden will ship 4 new integrated satellite receiver descramblers (IRDs)** in first half, including one at new low \$399 retail. Price for Ultra IRD doesn't include module, which runs around \$300. Ultra will anchor low end of new USD IRD line priced at \$649 and \$849 and available in April. USD units will replace UST lineup introduced in 1992. Company also will expand President line of IRDs with \$699 model. Most models will have subcarrier audio tuning, volume control, numeric display.



**GO-VIDEO WIRELESS SURROUND PACKAGE:** Go-Video plans to test-market instant home theater setup consisting of dual-deck hi-fi VCR with built-in Dolby Pro Logic Circuitry, packaged with 2 wireless speakers sourced from Recoton. Transmitter for speakers would be built into VCR.

Mktg. Vp Edward Brachocki said company has shown package to selected dealers and will use booth in Mirage Hotel home theater exhibits at upcoming Consumer Electronics Show (CES) to gauge wider dealer reaction. He said company sees unit as "a nice niche product" for selected high-end distribution, with added appeal for "catalog market, which is an important part of our business."

Company will demonstrate preproduction model at CES. It will include two 4-head hi-fi decks with on-screen programming at expected price of \$1,499. Go-Video's highest priced deck in current line carries \$899 minimum advertised price.

Meanwhile, Go-Video reported first-quarter net income was more than 6 times higher than in last year's quarter as sales soared 89% to \$11.6 million (see financial table).

**Differing paths for VCR production:** Toshiba will shift all VCR mechanism production back to Japan in \$19-million remodeling of Fukaya plant, Nikkei Weekly said. It will start production of redesigned drum that incorporates IC preamplifier within head cylinder. In addition to cost savings, Toshiba claims system produces clearer recording and playback. Final assembly of VCRs for export will be shifted from Japan plant to Singapore facility owned jointly with Thomson Consumer Electronics, but will use new Japanese-made head drums. JVC, meanwhile, said it plans to increase VCR production at Malaysia joint venture with Philips by 20% in year ending March 1995. Current annual production is 2 million. JVC also plans to add VCR output to joint color TV venture in China, mostly for domestic market there.

**Accessories for RCA Direct Satellite System (DSS)** will be introduced at Consumer Electronics Show by Thomson Accessories & Components Div. Line will consist of 5-outlet surge suppressor, installation kit with instructional video, chimney mount, universal remote and 13dB in-line amplifier for rural areas, available in March, retail prices not set. Accessories will be first for DSS, scheduled for retail launch using RCA hardware in April. DSS accessories will be sold to dealers with kiosk display. Thomson also will show 44-item GE phone accessory line, first for GE in several years. They were test marketed in 15 Lowe's Home Center stores Sept.-Dec. and will roll out nationwide in first quarter. Thomson also will add first 3-product surge suppressor line at \$9.95-\$19.95 and cassette CD adapter for car.

**Battery One-Stop** will have about 100 retail locations by end of fiscal year April 30, nearly doubling size, company said. Future locations include Union Station, Washington, and Kings Plaza, N.Y., plus several airports, including one under negotiation in Raleigh-Durham. Chain, which sells batteries and personal audio products, operates 48 stores in 11 states.

**Retail battles in Chicago** have dropped tag on 13" TV/VCR to industry-low \$299 advertised price. Sears recently advertised LXI brand 2-head unit at \$299 and 4-head 13" Zenith model at \$399. Best Buy also carried 13" at same low price. Dealer cost on 2-head 13" typically ranges \$270-\$285, vendors say.

**STEREO TV RATIO DROPS:** Sales of color TV sets with stereo sound were up 14.1% in Oct. from same 1992 month, while total direct-view color TV sales increased 16.2%, EIA reported. In Oct. 1993, 42.6% of color sets sold had stereo, lowest since May 1993 and below the 43.4% of Oct. 1992. Record percentage for any month, 46.4%, was set in Aug.

In 1993's first 10 months, 41.4% of sets were stereo, up from 40.2% in same 1992 period. Thus stereo TV sales rose 13.7% in period when all direct-view TVs were up 10.5%.

In Oct., 1,052,421 sets out of total 2,468,550 were stereo, compared with 922,595 out of 2,123,743 in Oct. 1992. For year's first 10 months, stereo was feature of 7,604,764 of 18,391,124 sets, vs. 6,686,888 of 16,643,752 in same 1992 period.

**GATT negotiators skirted sensitive issue of tariffs on consumer electronics (CE),** deciding to leave that to bilateral negotiations among countries involved. One CE-related issue has become major sticking point: U.S. has been insisting that American performers and copyright holders have right to share in taxes levied by France and Germany on blank audio and video tapes, while European Union negotiators say that since there's no such U.S. tax on all tapes, there's no opportunity for reciprocal arrangement. Although future of entire agreement is in doubt, significant tariff cuts were negotiated on scientific equipment, semiconductors, semiconductor production equipment, computer parts, peripherals.

**Sanyo will export 25" color sets to Japan** from Forrest City, Ark., plant, according to Japanese reports, confirmed by Sanyo sources there. Report said sales of the U.S.-made sets in Japan will start in March. Nikkei reported last week that 500 sets had been shipped and will be followed by "tens of thousands" next year. Sanyo will discontinue production of low-end 25" sets in Japan, concentrating on high-end sets there. It currently is importing all sets in 13-19" range to Japan from other Pacific Rim countries, and only 50% of its sets sold in Japan are made there. Industry estimates that Japan's color imports will exceed exports in 1993 for first full year.

**Circuit City's Nov. sales** jumped 25% to \$410 million as comparable-store revenues increased 6%. For 3rd quarter, overall sales rose 26% to \$1.02 billion on 5% comparable-store gain. Pres.-CEO Richard Sharp said 3rd-quarter performance "met expectations despite a highly competitive retail environment and continued economic challenges in Southern California." Company opened 17 stores last month, including 2 in Boston area (raising total there to 14) and 9 around Chicago, doubling count there to 18. At end of month, it had 253 superstores, 7 smaller Circuit City outlets, 37 mall stores.

**Lowe's Home Centers** has entered cellular phone business with opening of 115,000-sq.-ft. stores in Greensboro, N.C., and Indianapolis. Retailer said it's carrying 16 SKUs of phones from AT&T, Audiovox, GE and Motorola and accessories in 5,000-sq.-ft. consumer electronics departments in 3 stores and will expand merchandising in 1994.

**Ads & Promotions:** JVC has launched program tying sales of its 55" widescreen TV to \$150 in Blockbuster gift certificates. In promotion, which runs through Dec. 31, purchasers of widescreen set at \$4,999 will receive Blockbuster gift certificates good for rental movies and other merchandise sold through chain's 3,000 outlets.



**MUSIC PUBLISHERS vs. COMPUSEVE:** In litigation billed as first of its kind in new age of digital delivery and interactive on-line services, group of music publishers has filed class-action suit against CompuServe charging infringement of more than 500 copyrighted musical works.

Suit, filed in U.S. Dist. Court, Southern N.Y., by publisher Frank Music Corp. on behalf of 140 members of Harry Fox Agency (HFA), charged that CompuServe "permits, facilitates and participates in" willful acts of copyright infringement by encouraging unauthorized reproduction of musical works through its "bulletin board" services.

In complaint, publishers take "particular" issue with CompuServe bulletin board called "MIDI/Music Forum," in which it said PC subscribers can upload or download recordings from consumer database. National Music Publishers Assn. (NMPA) Pres. Edward Murphy said HFA, licensing subsidiary of NMPA, is lending financial support to plaintiffs in suit. He said copyrighted musical works at issue are being retrieved either in form of on-screen version of sheet music or actual songs downloaded for playback through PC's multimedia sound board.

Complaint charged CompuServe with more than 690 "willful and intentional acts of infringement" and sought damages of \$100,000 per infraction, plus attorneys' fees. CompuServe Gen. Counsel-Secy. Kent Stuckey responded by saying his company takes copyright infringement issue "very seriously." MIDI/Music Forum is but one of 1,700 bulletin board services carried, but not owned or managed by CompuServe, he said. Such services are owned and managed by 3rd parties from whom CompuServe obtains "warranties" against copyright infringement, he said. As soon as CompuServe learns of dispute brought by disgruntled copyright owner, he said, "we do what we can to bring the parties together and almost always the issues are worked out."

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More "cooperative and forthcoming" on copyright issue, according to Murphy, was OmniBox, Conn.-based firm planning to launch electronic music home delivery system, which "voluntarily" contacted music publishers in course of startup. OmniBox announced licensing agreement with HFA. Service will be ready for launch possibly by year-end 1994, CEO Thomas Bush told us. It will permit consumers to preview, purchase and download "digital quality" albums via cable, satellite or telephone "onto any available consumer audio recording format."

Murphy called Omnibox "a secure, single-copy-only system that tracks each and every purchase electronically." Consumer receiver, similar to cable converter, will incorporate recorder mechanism and provision for credit card "swipe" or debit card for billing. Payments will flow electronically to major bank with which OmniBox expects to announce agreement within 30 days. Qualified copyright holders will be able to draw royalty payments directly from account.

Bush sidestepped questions about source of receiver, but said OmniBox has held preliminary talks with manufacturer that's familiar name in consumer electronics industry. Murphy said terms of licensing deal with OmniBox are identical to those of existing music licensing agreements based on music product sold at retail. Bush said OmniBox now plans to pursue agreements with record companies, but wanted to approach publishers and songwriters first because they're more "diverse" group.

**NEW 'CD ROT' SCARE:** Five years after European CD factories fended off reports that inks used in CD labeling were eating through discs' protective coating, Philips' PDO plant in U.K. finds itself in damage-control mode over new CD "rot" scare involving 5" singles pressed in late 1980s.

Latest alarm on CDs' longevity surfaced Nov. 24 when British entertainment weekly Time Out ran story headlined "Slipped Discs" in which it reported some CD collectors "are discovering that some of their most prized possessions are simply rotting away." Article documented plight of avid CD collector who reportedly found many of his old CD singles were unplayable and showed signs of discoloration.

Magazine said problem was traced to CD singles pressed by PDO in 1988 for PolyGram and A&M. Investigations by PDO and PolyGram identified cause as release of sulfur from cardboard sleeves used then in packaging discs. But PolyGram and PDO apparently don't agree on whether problem extended to other CDs manufactured by other factories.

PDO plant uses wet process, similar to that in making mirrors, to deposit silver reflective layer on CD. Many other factories sputter aluminum to fashion disc's reflective layer. Cor van Dyke, PolyGram international marketing vp, said he believes problem was unique to PDO because silver is more susceptible than aluminum to damage from exposure to sulfur. But Dave Wilson, PDO technical services mgr., said he believes aluminum will degrade in much same way as silver when exposed to cardboard sleeves with high sulfur content.

Although Philips' CD standards specified such elements as sleeve size, they made no mention of materials to be used in sleeves. PDO analysis of sleeves supplied by client record companies showed that some were made of high-quality processed "solid sulphite" paperboard. Others, however, were made of untreated wood pulp that readily released sulfur later found to have eaten through protective layer on label side of discs, extending in worst cases into metal reflective layer.

To naked eye, Wilson told our London correspondent, the 2 sleeve types look identical. By 1989, Wilson said, PDO had begun working with Philips on standards for cardboard sleeve chemistry, but record companies already had started converting to plastic jewelboxes for singles.

Wilson said PDO today routinely checks all cardboard packaging for sulfur content as well as chemical makeup of paper liner notes that press against disc's protection layer when box is closed. He said PDO shared technical information on sulfur risk with other CD factories. PDO finds it difficult to get reliable estimate of number of discs that might be at risk, he said, but company believes only few dozen titles were packaged in high-sulfur sleeves and many of those were given away for promotional purposes to radio stations.

**Sanyo will expand** production of CD laser pickups in China, setting goal of 9-10 million annually by 1995. It already has started construction of 2nd factory in Shenzhen for portable CD players and mechanisms. Sanyo's annual production of CD mechanisms is to be doubled to 6 million next year from current 3-million rate, and portable player output to grow to 400,000 next year and 600,000 in 1995 from this year's 130,000. All products it now makes in Shenzhen are allocated for export, but it plans to start selling goods in domestic Chinese markets starting in 1994.



**FUNAI CHARGES SONY PLOT:** Sony suit against Funai is move to destroy competition rather than protect its VHS patents, latter argued in documents filed in U.S. Dist. Court, San Francisco.

In response to patent infringement suit (TVD Nov 8 p12, Nov 1 p12), Funai said Sony had "contrived" licensing disagreement to hamper its "growth and expansion." Sony is seeking injunction to block Funai from marketing VHS products in U.S., including VCRs, TV/VCRs, VTRs, camcorders.

Disagreement stemmed from anonymous letter Sony received from former Funai employee in Nov. 1992 alleging Funai had underreported manufacturing and sales of products under licensing agreement. Sony filed suits in Japan in June charging patent infringement and seeking \$17 million in licensing fees. It sued Funai in U.S. for patent infringement in Oct. Funai had been Sony VHS licensee since 1984.

"The source of the letter has never been identified," Funai attorney Robert King said in motion to dismiss U.S. patent infringement suit. "The sender could have been anyone -- even somebody at Sony. Funai was very concerned that the baseless allegation would damage its reputation with Sony or Victor [JVC]." (JVC said questions arising from letter had been settled after "formal reply" from Funai.)

Funai is seeking to have U.S. suit dismissed or delayed pending outcome of case in Japan. It said patent infringement claims couldn't be resolved until status of licensing agreement, which it contended Sony didn't end "properly," was determined. Because dispute involves Japanese companies and executives, Funai said case should be tried in Japan. However, Sony attorney William Trautman has said Japanese law will have no bearing on U.S. case, which is subject to U.S. patent law. Hearing on Funai request to dismiss American suit is scheduled for Jan. 11 in U.S. Dist Court, San Francisco.

When Japanese court ruled in Oct. that it would decide licensing issue before it reviewed patent issues, Funai said Sony responded by filing U.S. suit. Company charged U.S. action was "motivated by a desire to evade another court's jurisdiction."

Funai officials said in court documents that company tried to resolve dispute with Sony, meeting with it in Dec. 1992. But Sony asked to audit Funai records in Jan. 1993 when company already was undergoing internal audit, Funai said. Audit began Feb. 18 and after 2 days Sony found 1992 ledger was "basically perfect," court documents state. Sony officials left after taking 10 documents, but never resumed audit, Funai said. Sony has contended, however, that Funai indicated that records for 1984-1988 had been destroyed.

**Sima Products** will unveil Video Ed/it editing system at Winter Consumer Electronics Show. Unit, to be available in Feb. at \$474, can store up to 30 edited segments, features wipes and fades in 8 colors and one-touch editing. Video Ed/it also can be attached to camcorders with L-control. Company will introduce 120-item cellular phone accessories line, including battery eliminators, chargers, bags. New line will be delivered in first half.

**Chinese TV production** in year's first 10 months was down 1.4% from last year to 22,738,000. Color TVs, at 10,550,000, were down 2.7%, State Statistical Bureau reported.

**QUICKER UL CERTIFICATION:** Underwriters Labs (UL) has launched program to expedite process for bringing products to market.

Total Certification Program (TCP) was created to speed up design-to-ship cycle by reducing paperwork, but still maintaining test regimen for product safety certification, UL spokesman Timothy Montgomery said. Samsung, first manufacturing company to participate in TCP, said new program would shorten its cycle 4 months.

"It's designed to compress the steps for certification a little bit more," Montgomery said. "The program has also been modified to meet global standards." TCP was modified last summer and Samsung qualified this fall for certification for microwaves, radios, audio systems, accessories, TVs, video equipment.

While program is restricted to products designed for U.S., UL staff trains employees of overseas companies to incorporate its safety evaluation steps into design and manufacture. Training should allow companies to win more rapid approval for UL Mark signifying product safety. Typical authorization process may run several weeks to year, industry officials said. While program also gives companies more control over evaluation, UL will continue to review data and vendor-developed product reports and conduct unannounced factory visits.

UL evaluates 14,000 products from 40,000 companies at 4 facilities, including Northbrook, Ill. hq. More than 6 billion UL marks appear on products each year.

**Recoton will introduce** 150-item line of cellular accessories at Consumer Electronics Show next month, ranging from connectors at \$4.99 to 1,100 milliampere nickel-metal hydride battery for Fujitsu phones at \$198. Company also will extend 900 MHz wireless component category it entered 3 years ago with 8 new products. Recoton previously sold wireless speakers, intercoms, stereo headphones. Also being unveiled will be 8 headphones under EarGear and EarGear Plus brands at \$3.99 for ear buds to \$29.99 for lightweight models. Videogame accessories will be added, including control pads, magnifiers, cleaning kits.

**TDK will consolidate** Japanese production of blank audio and videocassettes in one factory by shifting manufacturing of audiotapes to Oita plant -- its Japanese videocassette production base -- from present facility in Chikumagawa. TDK has been seeking to shift more production overseas to cope with costs of stronger yen. Chikumagawa factory produces 60 million audiocassettes monthly. Nikkei newspaper said all production at Chikumagawa except cassette loading and assembly would be phased out so factory can concentrate on blank MiniDiscs, write-once CD-R discs, computer floppies.

**DirecTv has signed** agreement with Encore Media to carry its 6 movie channels as part of DBS service scheduled to launch in April. Encore features movies from 1960s, 1970s, 1980s. DirecTv's 150-channel service is expected to be available nationwide by Aug. and will use Thomson's Digital Satellite System (DSS) that features 18" dish. So far, DirecTv has signed agreements with 30 cable channels and 40-50 movie services. First Hughes satellite, which will provide 70 channels including Encore for DBS system, is scheduled for Dec. 17 bow, with 2nd expected on-line by midsummer.



## Consumer Electronics Personals

**Ted Inoue** will become pres. of new Matsushita Consumer Electronics Co. being established April 1 as division of Matsushita Electric Corp. of America (MECA)... Shuffle in Philips' overseas management was prompted by naming of **J. van Dijk** to head negotiating team with Russians for Philips takeover of combined color TV and picture tube project in Ekaterinburg. Succeeding van Dijk April 1 as gen. mgr. of Philips Russia will be **H. T. Guezing**, gen. mgr. of Philips activities in Turkey. **A. Ilhan**, gen. mgr. in Malaysia, will take over post in Turkey March 1, while **R.D.M. Monfils**, who heads Venezuelan activities, succeeds Ilhan in Malaysia Feb. 1. New chief for Venezuela will be announced soon, Philips said... **Eugene Bankers**, Ames vp, promoted to senior vp-mktg... **George Fischer**, Voice Powered Technology dir. engineering and manufacturing, named vp engineering and operations... Montgomery Ward Pres. **Harold Kahn** resigns, plans unknown.

International Jensen appointments: **Donald Cowie** shifts to group vp-OEM, new post, from vp-finance and administration, former duties assumed by **Marc Tanenberg**, ex-AAR Corp., who joins as vp-finance and chief financial officer; **David Marinello** advances to senior vp-mktg. and sales for branded products... **Jay Berman**, RIAA pres.-CEO since 1987, promoted to chmn.-CEO... Digital Audio Disc Corp. Chmn.-CEO **Jim Frische** is winner of Outstanding Leadership Award given by Ind. Electronics Mfrs. Assn.

At Software Toolworks: **David Gronewtzki**, senior vp-chief technical officer, advanced to exec. vp and head of product development, succeeded by **Michael Duffy**, vp-software development... **William Thomas**, ex-Nielsen Media Research and Zenith, named product development vp, TV Guide On Screen... **Ron McMillin** appointed Western regional mgr., Sight & Sound Distributors, based in new branch facility in Salt Lake City... **Mary Ann Flalkowski** advanced to vp-mktg. and business development from vp-business development, Rank Video Services America.

**Meetings & Conventions:** **NARDA/NASD** convention at Opryland Hotel, Nashville, March 6-9 will feature presentation on selling and merchandising home theater by **V.C. (Chuck) Dawson**, former retailer who is editor of Home Theater Magazine... **ITA Annual Seminar**, March 9-13 in Tucson, will have theme of "The Digital Millennium: Planning for Changes in Technology, Economics and Marketing." Keynote talk will be by NBC's John Chancellor, who will discuss information superhighway and global marketplace.

**Sony's movie operation** has contributed creative ideas to ads for its new Handycam Snap print campaign that breaks this week, Wall St. Journal reported. Sony America Pres. **Michael Schulhof** is credited with bringing Sony Pictures into hardware ad picture and, article said, "Sony Electronics is in discussions with Sony Pictures for its advertising thoughts on campaigns for other electronic products next year."

**Space assigned for Winter Consumer Electronics Show** has moved past one-million-sq.-ft. mark for first time, EIA reported last week. Milestone was achieved by expanding space allotted in multimedia pavilion, spokeswoman said.

**Correction:** Combined sales of Fretter and Silo were misstated in last week's issue. For 1992, last year available, they were around \$950 million.

## 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
Atari Corp.			
1993-9 mo. to Sept. 30	20,280,000	(26,294,000)	---a
1992-9 mo. to Sept. 30	101,873,000	(51,714,000)	---a
1993-qtr. to Sept. 30	4,411,000	(17,633,000)	---a
1992-qtr. to Sept. 30	34,529,000	1,882,000	.03
Go Video			
1993-qtr. to Oct. 31	11,564,643	174,159	.02
1992-qtr. to Oct. 31	6,121,001	21,173	--
National Semiconductor			
1993-26 wk. to Nov. 28	1,141,300,000	117,800,000	.90b
1992-26 wk. to Nov. 29	964,300,000	57,200,000	.44
1993-13 wk. to Nov. 28	582,400,000	60,700,000	.46
1992-13 wk. to Nov. 29	491,900,000	35,300,000	.27
United Video Satellite			
1993-9 mo. to Sept. 30	76,700,000	3,003,000	.18c
1992-9 mo. to Sept. 30	49,300,000	4,024,000	.24c
1993-qtr. to Sept. 30	30,300,000	1,700,000	.10c
1992-qtr. to Sept. 30	17,200,000	773,000	.05c

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

**Federal judge entered default judgment against CCC** Entertainment and ordered N.Y. retailer to pay \$228,108 fine for pirating Nintendo videogames. U.S. Dist. Court Judge Kevin Duffy, N.Y.C., filed judgment in late Nov. after CCC failed to appear for hearing. Nintendo sued CCC in April charging copyright and trademark infringement and claiming company was selling pirate cartridges containing up to 1,500 Nintendo Entertainment System (NES) 8-bit games. CCC also was accused of selling cartridges with 105 Game Boy titles and marketing UFO Super Drive that allowed copying of 16-bit Super Nintendo Entertainment Systems (SNES) games. Super Drive attached to either SNES or NES enabled cartridge to be copied onto computer disc. Nintendo officials didn't return phone calls for comment. CCC Entertainment declined to comment.

**EIA and NCTA are close to agreement on joint comments in FCC's cable/consumer electronics compatibility rulemaking (TVD Dec 6 p13), NCTA Technology Vp Wendell Bailey said. He said most of contentious issues already had been worked out in past meetings, although there still could be problems on interference rejection standards for tuners. Among decisions remaining is decoder interface standard, although Bailey said new EIA proposal, received last week, "is 95% of what I would agree to." There's likely to be more difficulty with requirement that TV tuners process frequencies up to 1 GHz, frequency difficult to handle under current technology. Further details are in Best./Cable Section.**

**Sharp's first portable MD recorder** will go on sale in Japan Jan. 14 at equivalent of about \$700 -- same Japanese price as nearly identically sized Sony Walkman recorder, which made debut there 2 weeks ago. Sharp said it projects sales of 10,000 monthly at start in Japan, with shipments to U.S. and Europe set to begin in March or April at rate of 3,000-4,000 monthly. Spokeswoman said pricing hadn't been established for spring U.S. launch. Company projects cumulative shipments of MD hardware worldwide at 500,000 by March. Using alphanumeric characters and symbols, customer can add text to recordable homemade MDs for display on LCD readout. It also has editing functions such as move, erase, divide, combine.



# TELEVISION DIGEST®

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DECEMBER 20, 1993

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VOL. 33, NO. 51

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**MALONE DEFENDS TCI** at Senate hearing, says it's swamped by information superhighway. Metzenbaum goes easy on biggest MSO, but Markey raises tough questions about Bell Atlantic/TCI merger. (P. 1)

**CONRAD SEEKS VIOLENCE 'HARBOR'** 6 a.m.-10 p.m. Recommendations sent to Reno. 'Tough, voluntary' anti-violence code sought. Canadian example cited. NBC denies gratuitous violence. (P. 2)

**FCC 'REINVENTS' CABLE BUREAU** separate from Mass Media Bureau. Hundt highlights 'reinventing govt.' role. Way cleared for accelerating Cable Bureau expansion toward 240-person authorization. (P. 4)

**GATT DROPS TV** and film from world trade agreement in last-minute bid for okay. Future deal possible, but doubted. MPAA blames European protectionism. (P. 5)

**BELL ATLANTIC SETS VDT ROLLOUT:** Commercial service slated to start late next year for 250,000 subscribers in Washington area. (P. 5)

**FREE TV CALLED SAFE** in information superhighway because of programming it provides. San Diego group is told cable reregulation was 'colossal mistake.' (P. 5)

**CABLE-TELEPHONY TRIAL PLANNED** for Moscow. General Instrument and First Pacific Networks will provide gear for 300,000 homes. (P. 5)

**MALONE DEFENDS TCI AT SENATE HEARING:** TCI CEO John Malone defended his company against allegations that it was predator of cable industry, portraying it to Senate Antitrust Subcommittee Dec. 16 as relatively small, hardworking firm that finds itself swamped trying to compete to construct information superhighway. TCI, Malone said, was "a big fish in a small pond about to merge with the ocean." Meanwhile, House Telecom Subcommittee Chmn. Markey (D-Mass.) said in letter to Bell Atlantic (BA) Chmn. Raymond Smith that Bell Atlantic-TCI merger could be anticompetitive and "sweetheart deal."

Subcommittee Chmn. Metzenbaum (D-O.) said he still opposes merger. Long-awaited confrontation between Metzenbaum and Malone generally was cordial. Malone, who said after hearing he had been prepared for harsher treatment, said Metzenbaum had been "uncharacteristically nice." While Malone in his oral testimony sounded generally diplomatic tone, his written statement was considerably tougher, as he used terms such as "unprincipled and undeserved accusation" to describe charges made against him in other hearings. He saved some of harshest comments, in written statement, for Viacom Chmn. Sumner Redstone, for example calling one of Redstone's allegations "a particularly silly complaint." Redstone's name didn't come up in oral testimony.

### Consumer Electronics

**CIRCUIT CITY TO ADD 200 STORES** in next 3 years, entering all big markets except N.Y.C. Circuit City and rival Best Buy post strong earnings. (P. 10)

**DOMESTIC COLOR TV** production rose faster than imports, U.S. factories turning out 52.1% of supply in 3rd quarter. U.S. output up 26.4%, imports 7.1%. (P. 11)

**WIDESCREEN TV PRICE CUT** \$500 by TCE, which also throws in laserdisc player, adds new RCA 16:9 model, previews ProScan line featuring flat profile tubes. (P. 12)

**ZENITH TO 'RESTRUCTURE'** by cutting back monitor output, increasing TV tubes, 're-engineering' TV production, resulting in \$30-million special charge. (P. 13)

**NEW EUROPEAN TV MAKER,** British company buys Grundig's French operation, plans million-unit annual production under Edison and Minerva brands. (P. 14)

**SONY WILL CUT PRICES** on 3 camcorders in Jan. by up to \$100 in move to spur sales. (P. 14)

**VIDEOGAME VIOLENCE ISSUE** maintains high profile, as senators ask FTC to examine advertising. Toys 'R' Us drops 'Night Trap' from stores. (P. 15)

**GATT WORLD TRADE PACT** effects on consumer electronics seen minimal, although new dumping rules could make punitive levies more difficult to assign. (P. 16)



Deal with BA is needed because TCI is highly leveraged with relatively small staff, Malone said, and by itself wouldn't be able to fight off challenges from telephone companies. Much of his testimony was devoted to asserting how small and relatively uninfluential TCI is in cable world. TCI revenues amounted to only \$3.7 billion last year, far less than AT&T, any RHC or Time Warner, he said. TCI serves about 22% of cable subscribers, perhaps 25% of households in country, Malone said, and that wasn't big enough to influence rest of cable industry in developing program choices. He said TCI's financial interests didn't control programmers, and particularly QVC Chmn. Barry Diller.

Malone also denied that memo leaked just before Metzenbaum's last hearing, in Nov., in which a TCI official suggested price increases should be blamed on cable reregulation, represented company policy. Memo was "very unfortunate," he said, and "contradicted company policy" that directed managers not to blame govt. for increased charges.

In written statement, Malone elaborated on arguments, saying that many stories written about TCI's alleged control over industry "are either completely untrue or wildly inflated by business competitors who seek [Senate] help in gaining commercial advantage." TCI has no control over any program distributors, he said, and most allegations of control "have come most loudly from those competitors who have refused to invest in new programming and instead would simply like to ride free on significant investments made by TCI and others."

In criticizing Redstone, Malone said Viacom head had "political or competitive agenda" to put before Subcommittee and had distorted figures on TCI's subscriber coverage. Redstone's complaints about loss of exclusive film rights to TCI/Liberty also must be taken in context, Malone said, noting that Viacom signed exclusive deal for films with MGM. He said Redstone's complaints "are nothing more than sour grapes from a losing bidder."

Markey, in 8-page letter to BA's Smith Dec. 15, said parts of Bell Atlantic-TCI merger could be anticompetitive. He said he wanted answers to batch of questions by Jan. 3. Questions, all in response to Letter of Intent signed by companies, generally involve relationships between BA's telephone network and TCI's cable systems. Markey also questioned whether legal documents carry out stated intent of Smith and Malone to sell off TCI cable systems within BA's service territory. For example, he asked whether BA would sell cable operations if it wins lawsuit allowing company to provide cable service within its operating territories. He also asked whether fine print in deal would allow Malone to repurchase in-region systems, saying BA "should cleanly dispose of any in-territory cable assets."

Markey suggested that TCI, in new corporate structure, could exercise considerable degree of influence over BA's plans to roll out new services in ways he said might be anticompetitive. For example, he said that Newco, entity created to sell in-region cable systems, would be owned by BA and TCI. Newco also would be required to subscribe to half of available channels in its service area: "This provision strikes me as a 'sweetheart deal' that would establish Newco as the overwhelmingly dominant video programmer in its markets. It appears to give Newco not only 100% control of the cable system it operates (the in-territory cable systems), but it also would have 50% of the system that was built ostensibly to compete with it."

Arrangement also would "seem to preclude any real competition to BA in its markets," Markey said. According to details of deal, he said, BA's video dial tone (VDT) network would have to meet specifications that Newco would establish. He asked for details on how much influence Newco would have on operations of BA networks. He also suggested that deal would give TCI power to control where BA could build VDT networks, noting language in Letter of Intent that said companies would agree where "VDT networks would be deployed for Newco's use." Would TCI have ability to veto location for VDT network that might compete with one of its cable systems? Markey asked. He also wanted details on how much of VDT network would be reserved for nonaffiliated parties, BA's view of its common carrier obligations, how privacy of customers would be protected.

**SEN. CONRAD SEEKS VOLUNTARY 'SAFE HARBOR' ON VIOLENCE:** Broadcasters, cable industry and govt. should come up with new guidelines to restrict portrayal of violence on TV, Sen. Conrad (D-N.D.) and Citizens Task Force on TV Violence said Dec. 15. Code should restrict "gratuitous, dramatized violence" 6 a.m.-10 p.m., they said.

Conrad and supporters sent recommendations to Attorney Gen. Janet Reno, who had asked for suggestions when she met with group Nov. 22. Suggestions embody many ideas proposed in last few months.



In addition to blocking off time when violence shouldn't be shown, group suggested that govt., industry, advertisers and public interest groups join to come up with "tough, voluntary" antiviolence code. Conrad said code should include agreement "not to program gratuitous violence, and to exercise severe restraints on violence with respect to children's programming." It should be voluntary, but Conrad said that if TV industry "refuses to cooperate in developing the code, we suggest that the FCC, in consultation with Congress, design regulations to protect young viewers." Conrad declined to call suggestion of FCC involvement "threat," saying he doesn't use that terminology. He called discussion of issues "an opportunity to improve our country."

Other points in group's proposal: (1) Parents should have power to control what TV shows children are watching, using electronic or other devices. Viewer warnings should be displayed before and during violent programs and rating system should be developed. (2) FCC should hold hearing on TV violence to determine how to define term and to gather information to support TV violence code drawn up by group. (3) FCC should strengthen enforcement of Children's TV Act. (4) Violent programming shouldn't be available to prisoners. (5) White House should hold summit on violence generally, including segment on media violence. (6) Industry discussions under antitrust exemption should continue. Violence code would apply to cartoons as well as to other entertainment programs, but not to news or sports, Conrad and others said.

Conrad said he and supporters acknowledged that violence in society comes from many sources, but media violence is issue "most easily addressed." He hasn't considered attaching legislation on media violence to crime bill that will develop in next session of Congress, he said, but he wouldn't rule it out. Conrad noted that broadcasters in Canada have agreed to broad voluntary code restricting violent programs, and said their U.S. counterparts shouldn't be held to "a lower standard than Canada."

Canadian code, which bans violent programs before 9 p.m., has stiff rules governing children's TV, applies guidelines to news, sports and other shows that generally are left out of discussion in U.S. Industry observers said that codes already agreed to by U.S. broadcasters contain many of same provisions as Canadian code, but said there are significant cultural differences between that country and U.S. One is that media there have no First Amendment protection, and generally are seen as complying more easily with govt. directives, such as current order not to publicize trial of multiple murder case. One observer, noting that Canadian code also applies to sports, asked rhetorically how it would apply to Canadian national sport of hockey, which has its share of violence.

Conrad and his group said their plan would pass First Amendment muster in U.S., even though U.S. Appeals Court has thrown out "safe harbor" rules intended to bar broadcast of indecent programming. William Abbott, head of National Foundation to Improve TV, said Appeals Court ruling was based in part on fact there was nothing in FCC record to indicate harm as result of indecent programming. Abbott, who participated in news briefing with Conrad Dec. 15, said there are about 3,000 studies documenting harm of televised violence that could be introduced in any FCC proceeding to justify rules that would be acceptable in court. Conrad also said plan has been reviewed by John Killian, senior legal adviser in Congressional Research Service, and quoted Killian as saying it wouldn't infringe on First Amendment. Killian wasn't available for comment, and his opinion was delivered orally to Conrad's staff, spokesman for senator said.

One example Conrad cited was CBS movie in which young woman shot several children in elementary school. CBS Vp Martin Franks said that although movie started at 9 p.m., violent acts to which Conrad referred took place after 10 p.m. -- allowable under Conrad's proposed guidelines. Franks reflected frustration of industry when he said in interview that networks and others have reduced gratuitous violence, lessened amount of violence generally and broadcast advisories -- all actions asked by antiviolence advocates.

Conrad also criticized NBC for scene of execution in upcoming movie. He made allegation based on news reports. NBC denied that it's using violence to boost ratings in movie "Witness to the Execution," to be broadcast in Feb. NBC said movie has no scenes of violence, other than brief glimpse of fictionalized execution. Network said "a corrosive atmosphere of censorship" is being created.

Also last week, Sen. Dorgan (D-N.D.) released report of study of violence on TV conducted at his request by Concordia College, Moorhead, Minn. Study, which surveyed TV shows for one week, found that Fox was most violent network, with 352 acts of violence, followed by ABC, 224; NBC, 187; CBS, 172. Study covered prime time. Most violent show was Fox's "Adventures of Briscoe County Jr.," with 117 acts of violence, with movie "Beverly Hills Cop 2," on ABC, 2nd with 44, followed by Fox's "Out on a Limb," with 36.



**FCC 'REINVENTS' CABLE BUREAU:** FCC at open meeting Dec. 13 set up Cable Services Bureau as entity distinct from Mass Media Bureau, as expected (TVD Dec 13 p3), saying that new Bureau could be model for nationwide effort to "reinvent government." Decision on cable bureaucracy clears way for Bureau to accelerate its expansion from current 50-60-person level toward 240 authorized by Congress, according to Alexandra Wilson, who was named acting bureau chief.

Actions at Chmn. Hundt's first meeting were more symbolic than substantive. One agenda item was "report" on enforcement activities, which included announcement of redesigned form for filing rate complaints and statement that 35 more letters were being sent to cable systems accused of violating rules. Previous round of enforcement letters was handled by news release (TVD Nov 22 p4), as have previous announcements of new forms.

When asked after meeting about real-life impact of separating Cable Services Bureau, Mass Media Bureau Chief Roy Stewart said first difference is "perception. It sends a clear message to the industry, the American public and the Congress that we will carry out the mandates of the Cable Act." But it may be somewhat more substantive than that, some in industry said. They said it could be significant in future that Cable Bureau chief has same clout as other bureau chiefs when dealing with Commission.

Hundt again signaled that much of his attention will be on cable, saying that "successful implementation of the Cable Act can do much to stimulate economic growth" and create jobs. He said latest round of letters to cable systems showed that Commission was "taking enforcement seriously." Hundt stuck close to messages of the day throughout his first Commission meeting, mentioning likely impact of FCC actions on boosting economy at least 5 times, possible jobs growth at least 3 times, plan to be "tough but fair" (same line he has used in virtually every media interview) twice, and plan to use Cable Bureau as model for reinventing govt. several times.

Cable "has contributed much to the economy and will continue to contribute more," Hundt said. He said communications soon will be trillion-dollar industry, and FCC can have major role in "expediting and expanding that growth." Cable in particular will be growth industry, benefiting public with lower per-channel costs and jobs growth, Hundt said. In opening statement, he also said one of Commission's goals must be to assure that everyone has access to communications, information, networks. NCTA Acting Pres. Decker Anstrom said he's "encouraged by the priority" that Hundt has given to cable: "As cable companies continue to work hard to implement and comply with the Act, they need to know what all the rules will be."

In his opening statement, Hundt called former interim Chmn. Quello "the heart and soul of the FCC" who made "remarkable" contributions to expanding nation's economy. Quello said FCC was fortunate to have new chmn. with antitrust experience as technologies merge. Having lawyer at top also is good, he said, because "the FCC is a legal ballgame." Comr. Duggan said FCC "collegiality is alive and well under the Hundt chairmanship."

Organizational structure of Cable Bureau will "enhance the ability of the Commission to react quickly to complaints," Hundt said. Bureau will include small "front office" with chief and handful of staffers, plus 3 divisions. Largest will be Consumer Protection Div. responsible for processing complaints, enforcing rate regulation, carriage, customer service, indecency, technical standards, home wiring, consumer electronics compatibility, other rules. FCC Managing Dir. Andrew Fishel said Div. will provide "one-stop shopping" for public by combining proactive consumer information functions with enforcement and technical assistance.

Competition Div. is expected to be relatively small and largely advisory since FCC has no direct antitrust authority. Div. will analyze data on competition in general, and on proposed mergers and joint ventures. Wilson said unit will "keep the Commission aware" of antitrust problems and advise on things such as license transfers needed to implement mergers. It also will "coordinate with other agencies," such as FTC and Justice Dept., she said. Third unit is Policy and Rules Div., which will draft rulemakings and prepare studies.

Structure will be "flatter" than most in govt., for example eliminating branches that are used in other FCC bureaus. Instead, Div.-level staff will be divided into "fungible teams" to work on specific projects, providing flexibility to move team members easily to other projects as work load changes, Stewart said. Change won't occur immediately because it has to be cleared with House and Senate Appropriations Committees, which Fishel said might take 7-10 days after Congress returns, and with employee unions. Fishel said plan is easier to implement in newly forming bureau than in established bureaucracies, but Stewart said "if this works in this bureau it could work in the rest of the Commission, and the rest of the government."



Cable Bureau also will increase its interface with state and local govts., Hundt said. Among other things, he said, Bureau will work with state attorneys gen. to "explore ways of encouraging local governments to take part in regulation." He said regulation should be local-federal partnership.

**GATT DROPS FILM:** World's largest trade deal was completed Dec. 15, but audiovisual (AV) and telecommunications sections were dropped from final draft of General Agreement on Tariffs & Trade (GATT). Agreement now must pass muster with lawmakers in 117 nations. Failure of U.S. and European Union (EU) to resolve issues of AV portion of GATT left U.S. film industry as biggest loser. Hollywood failed to win agreements that it would get access to European cable, satellite and other new technologies, thought to be worth billions annually by end of century.

How U.S. will be able to negotiate open access to markets such as telecommunications and AV isn't known, specialists said. Agreement does provide 20-year protection for intellectual property of patents and trademarks, vital to software and film industries. "The EC's refusal to negotiate seriously in audiovisual is blatant protectionism unmasked," MPAA Pres. Jack Valenti said. U.S. Trade Representative (USTR) Mickey Kantor said he and EU's chief negotiator Leon Brittan had "agreed to disagree" on TV and film issues. President Clinton said decision to drop AV segment was "breakthrough" that put U.S. "on the verge of an historic victory to open foreign markets to American products."

RIAA was no kinder than MPAA in blaming EU negotiators. RIAA Chmn. Jay Berman said EU delegation "steadfastly refused to consider a series of U.S. proposals aimed at reducing unfair barriers to market access and securing for U.S. rights-holders revenues derived from the use of their works." He said EU delegation in last phase of talks "held fast to the position that it should be free to discriminate against U.S. producers and performers." He said U.S. didn't relinquish right "to address these blatantly unfair European practices through unilateral and bilateral trade actions" and Clinton Administration "has committed itself to do so."

Valenti said MPAA wasn't seeking end to EU's quota system on programming or end of subsidies: "We remained flexible." EU, led by French, claimed protections were needed to keep U.S. films from diluting its culture. Valenti said negotiations had "nothing to do with culture... This is all about the hard business of money." U.S. made several last-minute proposals for compromise on AV issues, but all were rejected by EU. U.S. especially wanted to ensure it would have open access to future technologies, such as pay-per-view, video-on-demand, cable, interactive TV.

**Bell Atlantic** said it will deploy video dial tone (VDT) in 25 central offices in Washington, D.C., suburbs beginning at end of 1994 if it gets FCC approval. Telco filed Sec. 214 petition Dec. 16 for permission to begin (up to 250,000-subscriber) VDT service. Area would include Montgomery County, Md., and Northern Va. suburbs. BA affiliate, Bell Atlantic Video Services, will use VDT to provide video-on-demand, and capacity also will be available to nonaffiliated programmers. Service would use existing copper wires and asymmetric digital subscriber line (ADSL) technology, BA said. Telco asked FCC last month for authority to upgrade ADSL technical trial in Alexandria, Va., to larger 6-month market test and hopes to roll out full commercial service by end of 1994. BA Pres. James Cullen said about 6 programmers have signed up to use system during market trial, "and we expect to hear from more."

**BROADCAST TV CALLED VIABLE:** Even in era of information superhighway and cable/telco mergers, broadcast TV will remain "very much alive and well" because of programming it provides, Discovery Chmn. John Hendricks told San Diego Communications Council last week. Speakers disagreed often on likely impact of superhighway, and even whether it's currently technically feasible.

"Reregulation of cable was a colossal mistake," said Harry (Chip) Shooshan, co-founder of Strategic Policy Research and former gen. counsel of House Communications Subcommittee under Chmn. Van Deerlin (D-Cal.) when it attempted to rewrite Communications Act: "To hire 240 lawyers [at FCC] to reregulate cable is going the wrong way." Much better solution, Shooshan said, would be to provide competition. He said regulation would have major impact on development of superhighway. However, he said, some "of the artificial partitions [regulating telecommunications] will be coming down." He cited MFJ restrictions and telco-cable cross-ownership ban, among others. News "is not so good" on regulation of program content, he said, and new regulatory issues are emerging "which should cause concern," such as televised violence and music videos.

FCC Comr. Quello said Cable Act has provided "economic security for all the communications lawyers in Washington." Repeating call for less violence on TV, he said: "Television cannot be entirely blamed. But broadcasters, who are licensed to serve the public interest and who hold licenses to use the public airwaves... cannot stand by doing nothing to help combat America's most pernicious problem." As for superhighway, he said programmers "are in the catbird seat." Discussing pending cable-telco mergers and combinations, Quello set forth his credo: "My basic requirements would be a competitive marketplace with sensible safeguards against cross-subsidy and a socially conscious company. In fact, government may need to develop a more positive attitude toward mergers in order to expedite development of the electronic superhighways by private industry rather than government."

"If we build it [superhighway], will the consumers pay for it?" asked consultant Leonard Matthews. He said money to support superhighway will come from ad and promotion budgets, and consumers have shown they're willing to accept ads in 500-channel system.

**General Instrument (GI)** and First Pacific Networks (FPN) will provide technology for 15,000-home pilot broadband cable/telephony network in Moscow, under agreement with Mostelechnic and Fla.-based Global One Telecom. Work on fiber/coaxial hybrid star network is to begin in first half 1994. After test, group expects to expand to more than 300,000 homes by 1996. GI will provide all basic network equipment, with FPN integrating telephony into network. Mostelechnic is partnership of Moscow city govt., All-Russian TV & Radio Bestg. Co., several private investors.

**Former Trakker Interactive** executive Mark Brenner is forming company to develop interactive TV programming for niche markets. Most of funding for company, not yet named, is from United Video Satellite Group and Prevue Networks.



**Sealed bids** for Paramount are due today (Dec. 20) under process set by board. Single-bid procedure was set after Del. Supreme Court overturned most "poison pill" provisions in earlier Viacom-Paramount deal. When it does evaluate bids, board said it would prefer (1) bid with "cash and securities with a fixed income stream," (2) bid be "unconditional," (3) bid be "subject to as few regulatory uncertainties as possible." QVC objected to some conditions. Among other things, QVC said board's ability to change deadline for bids and to negotiate one company's bid with other could favor one bidder. QVC also said procedure would delay payment to stockholders too long. "The past record of the board in this matter certainly does nothing to inspire QVC's confidence that the board will be objective in exercising the unbridled discretion it has reserved itself," QVC attorney Martin Lipton said in letter. WMS Industries shareholders filed suit in Del. Chancery Court, charging that company officials improperly helped Viacom bid for Paramount by buying Viacom stock. SEC reportedly is investigating similar charges. Suits claim that WMS purchase of \$27 million in Viacom stock artificially inflated price and that Viacom Chmn. Sumner Redstone bought WMS stock, inflating its price so WMS Pres. Neil Nicastro could sell most of his WMS stock at profit. Meanwhile, Paramount said its net profit for 2nd quarter ended Oct. 31 dropped to \$96.8 million from \$102.4 million year ago. Revenue was up to \$1.39 billion from \$1.2 billion. It said TV operating profit was up, but results from USA Networks dropped because of startup costs of Sci-Fi Channel.

**U.S. Attorney** in Philadelphia filed civil suit against Suburban Cable and parent Lenfest Communications, alleging companies had defrauded copyright holders of more than \$2.4 million since at least 1988 by underreporting cable receipts. Suit in U.S. Dist. Court, Philadelphia, seeks injunction prohibiting further violations, plus injunction requiring MSO to reimburse copyright holders, with interest, without affecting cable rates. Suburban operates 12 cable systems in Eastern Pa. and Southern N.J. Complaint, which also involves 2 Lenfest systems in San Francisco area, claims that Suburban told copyright officials that it was charging lower basic cable rates than it actually was, reducing revenue attributed to basic cable. Copyright fees collected for broadcast programmers are percentage of basic cable revenue, so lowering reported revenue reduced Suburban's copyright liability. U.S. Attorney said Suburban's Pottstown, Pa., system, for example, told copyright officials that it charged \$7.95 per month for basic from 1988 through 1991, although actual rate increased to \$17.45 from \$11.95. Reported rate was \$8.95 in 1992, vs. actual \$18.95, and \$10.95 in 1993, vs. actual \$20.95, complaint charged. Hearing is scheduled for early Feb.

**FCC's management** integration preference for grant of broadcast licenses is "peculiarly without foundation," U.S. Appeals Court, D.C., said in decision Dec. 17 overturning grant of FM for Selbyville, Del., to Anchor Bestg. Same court earlier rejected policy of granting preference to licensees that would combine ownership and management, causing Commission to launch rulemaking on whether it should continue policy. In latest appeal, court said FCC didn't adequately defend policy in case of Susan Bechtel, who lost comparative process for Selbyville to Anchor. Court overturned that grant and remanded case to FCC to decide whether Anchor still would be winner without integration preference: "We agree with Bechtel that continued application of the integration preference is arbitrary and capricious... Despite its 28 years of experience with the policy, the Commission has accumulated no evidence to indicate that it achieves even one of the benefits."

**FCC should lower MSO ownership limit** to 10-20% of U.S. cable subscribers, rather than current 30-35% (TVD Sept 27 p3), and should include all telephone subscribers to merged telco-cable company, consumer groups said in petition to Commission. Consumer Federation of America (CFA) and Center for Media Education (CME) also said FCC should limit to 20% number of channels that cable system can fill with programming in which it has financial interest, instead of 40-45%. Commission originally proposed 25% limit on number of U.S. subscribers in which MSO can have interest, but later increased that to 30%, plus up to 5% more if systems are minority-controlled. CME Exec. Dir. Jeff Chester said FCC rules "would allow 3 or 4 companies to control the entire cable TV industry." CFA and CME also petitioned FCC to lift its stay on ownership rules, which were ruled unconstitutional by U.S. Dist. Court, D.C., on ground that court itself had stayed effectiveness of decision pending appeal. In pushing for including telco subscribers in ownership limit, petition pointed out that Bell Atlantic-TCI merger would increase TCI's homes passed to 40% of U.S. population from current 27%: "The Bell Atlantic/TCI merger is just one of many proposed cable-telephone company mergers."

**Administration's National Information Infrastructure (NII)** plan is overlooking role of over-air broadcasting in future infrastructure, according to white paper by Bestrs.' Caucus and distributed to Commerce Secy. Ronald Brown, NTIA and others in govt. NII raises concerns about universal service, Caucus said, "which broadcasting serves with unique effectiveness. Over-the-air television is not a medium that divides us into a country of information haves and have-nots." Paper said that broadcasting is "enormously efficient and economical" compared with other technologies: "The NII proposes to sweep away many of the restrictions imposed on other media, but remains silent on how broadcasting will be affected." Caucus seeks 2 main policy goals for NII: (1) FCC should be encouraged to make quick decisions on advanced digital TV, preserving sufficient spectrum for broadcasters, allowing broadcasters to use old and new channels for digital TV, helping broadcasters introduce interactive services. (2) Govt. shouldn't be in "inappropriate role" of mandating switch to all-progressive scanning for HDTV.

**Telco-cable cross-ownership ban** failed to meet its main goal of preventing local media monopolies, BellSouth said in complaint filed with U.S. Dist. Court, Nashville. Like other RHCs, BellSouth is asking courts to follow lead of U.S. Dist. Court, Alexandria, Va., and declare ban unconstitutional, opening local cable markets to telcos. Alexandria court rejected telcos' pleas to make its ruling apply nationwide, forcing each of RHCs to file separate cases in their service areas. Only Southwestern Bell hasn't done so. BellSouth complaint said Congress admitted in 1992 Cable Act that cable industry remains "highly concentrated," despite telco-cable ban in 1984 Cable Act that was supposed to prevent that. RHC said FCC itself and Justice Dept. have said that ending restraint would improve competition, although both said they would continue to enforce it as long as law remains in effect. BellSouth plans to overbuild InterMedia system with video dial tone system, leasing some of capacity to affiliate programmer, rest to other programmers.

**U.S. Office of Consumer Affairs** will address privacy on information superhighway at hearings Jan. 10-11 at Cal. Dept. of Consumer Affairs in Sacramento and Jan. 26-27 at U.S. Commerce Dept. in Washington. Hearings conducted by Office's Privacy Working Group will be chaired by Patricia Foley, acting dir. of Office -- 202-634-4344.



**Health & Human Services (HHS) Secy. Donna Shalala** joined TV violence debate with strong comments in Dec. 9 speech to American Trauma Society meeting in Washington. After deploring availability of guns, Shalala said: "This is not another attack on Beavis and Butt-head" on MTV because problem of violence "goes way beyond the networks. There is too much violence on cable." She also criticized violence in movies, music, music videos, videogames: "It's clear to me that the constant repetition of violent images in the media sends a powerful and dangerous message: It tells people that life is cheap; that brutality is standard; that violence is a solution to life's problems; and that reason and compromise have no role in the resolution of conflicts." Shalala said she doesn't want "more restraints on creative freedom," she wants fewer: "The answer is to challenge the creative community to replace the tired old formula of bloodshed and retribution with more videogames, shows, movies and music that convey positive messages."

**Followup hearings** on videogame violence (TVD Dec 13 pl) are "in planning stage," probably for early Feb., by Senate's Juvenile Justice and Govt. Regulation Subcommittees, aide to Sen. Lieberman (D-Conn.) said. Videogame hardware and software developers, retailers and others under leadership of Software Publishers Assn. plan to meet morning of Jan. 9 during Winter Consumer Electronics Show in Las Vegas to formulate first plans for rating system for videogames. Companies said that would produce rating system in 12 months. Sens. Lieberman and Kohl (D.-Wis.) said they plan to offer legislation mandating rating system, despite industry's pledge to develop its own, to keep heat on companies to follow through.

**Vice President Gore** and FCC Chmn. Hundt will be key speakers at day-long session on information infrastructure Jan. 11 in L.A., sponsored by Academy of TV Arts & Sciences. Others confirmed for participation at session include Bell Atlantic Chmn. Raymond Smith, TCI CEO John Malone, Ameritech Pres. Richard Notebaert, Disney Chmn. Michael Eisner; Walt Disney Studios Chmn. Jeffrey Katzenberg; Black Entertainment TV Pres. Robert Johnson; ABC TV Group Pres. Robert Iger; Comcast Pres. Brian Roberts. Session will be in Royce Hall, UCLA campus -- 818-763-2975. Gore also is speaking Dec. 21 at National Press Club, may well discuss same issues.

**TV Guide founder Walter Annenberg** pledged "challenge grant" of \$500 million over 5 years to aid school education programs. In White House ceremony announcing grant, 85-year-old Annenberg said continued school violence could "not only erode the education system, but will destroy our way of life." President Clinton said money will promote "standard of excellence" for education. Grant brings Annenberg's gifts for educational purposes to about \$1 billion.

**House Information Systems (HIS)** has drawn up plans to provide, at beginning of next Congress in 1995, full-fledged Internet access along with databases that supply information on bills, voting records, other material. Plans, presented to House Administration Committee, have yet to be approved formally. Committee Chmn. Rose (D-N.C.) said he supports expanded on-line capabilities if funds can be found or transferred from other programs. HIS officials wouldn't release details on cost.

**FCC refused to reconsider** decision granting Rupert Murdoch waiver allowing his News Corp. to own WNYW N.Y.C. and N.Y. Post. Reconsideration had been sought by Caucus for Media Diversity, but Commission said petition raised "no substantial and material question of fact."

**Journalists need to participate** in establishment of policy for information superhighway that Clinton Administration hopes to foster, participants said in 2-day conference at Poynter Institute in St. Petersburg, Fla., on future of TV news. Input is necessary to ensure preservation of journalistic values, ethics and standards, they said. Participating journalists and academicians asked Poynter Institute to host national debate with leaders of telco, cable and broadcast industries in which reporters would take part. Eric Rabe of Bell Atlantic (BA), member of task force on planned merger with TCI, said BA would be interested in taking part in such meeting. "It's important to do it before the [channel allocations] are available" for superhighway, he said, "because by then it would be too late."

**FCC waived duopoly rules** and approved sale of WOI-TV Ames-Des Moines (Ch. 5, ABC) to Capitol Communications, whose owner also controls ABC affiliate KCAU-TV Sioux City. Stations' Grade B contours overlap, but FCC said overlap is minimal, and separating WOI-TV from 3 noncommercial radio outlets also owned by Iowa State U. would increase number of separately owned voices in Ames. Prof. Neil Harl led group opposing sale, saying it would reduce educational opportunities for students. FCC Comr. Barrett concurred in decision, but said he's "troubled" by way Commission is using waiver process to carve out exceptions to ownership policy: "Our rulemaking proceeding is the proper forum for considering modifications to the Commission's pending multiple ownership rules."

**Southern New England Telephone (SNET)** asked FCC for okay to expand its video dial tone trial. Original plan, approved by FCC Nov. 12, was to conduct test serving "very small number of expected subscribers" in W. Hartford, Conn. Expanded plan would include 2 more areas of Conn. and provide year-long VDT to 20,000 subscribers. SNET said expansion would offer better opportunity to test "operating procedures and systems needed to offer a VDT service on a large scale, to assess the actual costs for service delivery and operation, to develop detailed marketing data and... appeal to programmer-customers who cannot do an effective test in the current service trial."

**Producer of some of most popular children's cartoons** announced new "code of standards" that it said will guide writers toward more positive messages for youngsters. DIC Entertainment, which produces about 200 TV cartoon shows per year, has "always tried to be sensitive," Pres. Andrew Heyward said. "The code is going to help us be more diligent." He said code, for example, will urge producers to resolve plot problems in positive, nonviolent manner.

**Diocese of L.A.** is seeking at least \$500,000 damages from HBO, USA Network and 21st Century Film, which produced TV movie *Virgin High*. Suit in L.A. Superior Court claims that producers used church property as setting for "morally objectionable" sex scenes that undermine church teachings and could reduce financial contributions. In addition to damages, diocese wants injunction against distributing movie.

**Address Changes:** **Aerospatiale** Washington offices have moved to Suite 800, 1101 15th St., N.W., Washington, D.C. 20005. Telephone and fax numbers are unchanged... **Columbia Communications** Washington Offices now are at 4733 Bethesda Ave., Suite 610, Bethesda, Md. 20814, 301-907-8800, fax 301-907-2420.

**Local radio ad spending** was up 9% for first 10 months of 1992, and national spot up 7%, according to Radio Ad Bureau.



**SMATV operator** in Charlottesville, Va., can't prohibit Adelphia from continuing to provide cable service to 4 apartment complexes, despite exclusive contract with owners, U.S. Magistrate Vaughn Crigler ruled in granting preliminary injunction. Charlottesville Quality Cable negotiated exclusivity with 4 apartment complexes that franchised cable operator Adelphia had been serving for years, and owner denied Adelphia access to property. Crigler said that apartment owners violated Va. Residential Landlord Tenant Act by accepting kickbacks from SMATV operator and that exclusivity interfered with Adelphia's legitimate expectation of continued business. Ruling essentially preserves status quo, in which both companies can compete for apartment business, pending hearing scheduled for spring.

**FCC upheld Review Board** decision renewing license of KTTV L.A. (Ch. 11, Fox) and denying competing application of Rainbow Bestg. Although it upheld Board decision that Rainbow lacked financial qualifications and Fox-owned station's record gave it renewal expectancy, Commission said Board erred on several points: (1) Fox didn't violate law by failing to report interests involving cross-interest policy because interest was of no decisional significance. (2) Board was wrong in saying that Fox had violated law by failing to report pending lawsuits, because Commission rules don't require such reports. (3) Board shouldn't have diminished Fox's renewal expectancy because record didn't disclose pattern of noncompliance with FCC rules.

**Owner of 6 wireless cable** systems netted \$49.6 million in public stock offering. American Telecasting (AT) said it sold 3 million shares (22% of those outstanding) at \$18. AT said proceeds will be used for acquisitions and expansion. It has completed \$28.2-million purchase of Choice TV Group, which operates wireless cable in Elkhart, Ind., and has licenses for 10 more. AT plans to complete systems in 17 cities in 2 years. It operates Colo. Springs system with 10,100 subscribers, plus 5 others in Colo., Fla., Mont. and Ohio with total of 13,000. AT is controlled by Alexandria, Va., partnership headed by Donald DePriest.

**House Telecom Subcommittee** Chmn. Markey sent letters Dec. 16 to heads of largest telephone and cable companies asking for information on plans to connect schools to "information superhighway." He asked telcos for details on plans to provide services to schools, whether companies would oppose providing such free services, whether cable companies should have similar obligations. Letters went to chmn. of RHCs, Sprint and GTE, and to cable companies Cablevision Industries, Cablevision Systems, Comcast, Continental Cablevision, Cox, Jones, Newhouse, TCI, Times Mirror, Time Warner, Viacom.

**Tiger Communications** acquired stock giving it 24.3% stake in Nostalgia Network, which is considering several takeover bids. Nostalgia issued 4.6 million new shares to Tiger, which exercised warrants and traded in subordinated promissory notes in return for stock. Deal reduced Nostalgia's long-term debt about \$8.3 million and increased shares outstanding to 19 million. Nostalgia has promoted Frank Jett to pres.-COO from senior vp-programming, replacing Charles Bush, resigned.

**FCC Chmn. Hundt** and Bell Atlantic Chmn. Raymond Smith will headline NAB convention March 20-24 in Las Vegas. Hundt will keynote opening general session March 21, and Smith will speak at lunch same day sponsored by TV Bureau of Advertising. NAB also will induct sportscaster Harry Caray into Hall of Fame at convention, which drew 64,000 last year.

**FCC's program access** rules may be "fatally flawed" because they fail to say that wireless cable and other multichannel service providers have standing to file complaints, Wireless Cable Assn. (WCA) said in petition for reconsideration. Rules are silent on who has standing, WCA said, but "an argument can be made that the new rules... limit standing to programmers.... Logic dictates, and history has proven, that if an MSO has sufficient market power over a programmer to coerce exclusivity, the MSO will be able to employ the same market power to coerce that programmer's silence."

**Public Radio International** will be new name of American Public Radio (APR), effective next July. APR's 10-year plan also calls for increasing number of non-U.S. voices in its programming, as well as increasing its distribution beyond U.S. Pres. Stephen Salyer said he's optimistic that APR will reach agreement with NPR on development of joint overseas radio service and that, separately, APR is engaged in program distribution discussions in "a number of places around the world."

**CPB plans to invite** "every advocacy group we can find" to Jan. 12 Open to the Public (OTP) session in Washington. Fred DeMarco, CPB senior vp-system and station development, cited liberal Fairness & Accuracy in Reporting (FAIR) as well as conservative Committee on Media Integrity (COMINT) and Accuracy In Media (AIM) as types of groups that will be invited to give brief (5 minutes or so) oral testimony and submit written material.

**Mariga Communications** said it has agreement with Union of Russian Cities to provide FM to at least 50, and possibly 500, Russian cities over 10 years. Mariga and Union intend to establish 50/50-owned company by Feb. 28. Mariga will provide broadcast equipment, music library, management, international ad revenue. Cities will provide locations for studios and equipment, licenses, personnel, some capital.

**Cable viewing** continued to grow during Nov. sweeps, according to Cable Ad Bureau (CAB) analysis of Nielsen data. Cable's total day rating/share climbed to 7.9/25.2 from 7.8/24 year ago, CAB said. Four broadcast networks' rating/share was unchanged at 20/63.6, and independent stations were unchanged at 3.4/10.8. Cable prime-time rating/share was up to 13.9/22.4 from 13.6/22 year ago.

**TCI** signed letter of intent to buy up to 300,000 digital compression set-top converters from Scientific-Atlanta. Companies wouldn't disclose price, but it could reach \$60-\$90 million. S-A will provide model 8600XD units compatible with MPEG-2 standard. First units are expected to be available next year.

**Time Warner** said it completed major construction on first stage of Orlando full-service network. Work on central facility included Silicon Graphics video servers, AT&T-built ATM switch, operating software. It also has begun installing Scientific-Atlanta set-top converters. TW also demonstrated PCS system in Orlando to be completed in spring. PCS vendor is Qualcomm.

**NCTA unveiled conference center** at Washington hq. Facility will be available to member companies and to industry-related and nonprofit entities. Facilities include 77-seat theater, conference room, anteroom, state-of-art audio and video equipment.

**Evergreen Media** is buying KIOI(FM) San Francisco from Bay Bestg. for \$45 million cash.



## Personals

**John Symes**, ex-Paramount Pictures TV exec. vp-creative affairs for network TV, named pres., MGM/UA Worldwide TV... Promotions at Tribune Media Services: **Michael Silver** to vp-editorial and development, **Barbara Needleman** to vp-dir.-advertising and database products... **Victoria Gregorian**, New Line TV sales exec., named vp-national sales mgr... Named to NAB Radio board: **Charles Hillier**, WKQX(FM) Chicago vp-gen. mgr.; **Mike Tyler**, Jones Satellite Networks gen. sales mgr... **Jean-Pierre Elkabbach** appointed chmn., state-controlled France TV, succeeding **Herve Bourges**, named France's ambassador to Unesco.

**John Dawson**, ex-WSFA Montgomery, Ala., named gen. mgr., WVTM-TV Birmingham... **John Cottingham**, ex-WTOL-TV Toledo, named gen. mgr., WFIE-TV Evansville, Ind... **Jim Prather**, WTMJ-TV Milwaukee news dir., elected dir. and vp-news, WTMJ Inc... **Ronald Klayman**, ex-WMC-TV Memphis, appointed gen. mgr., KTBC-TV Austin.

**Scott Danielson**, ex-PMC Design, joins PBS as assoc. creative dir., new post... Additions at WETA-TV-FM Washington: **Polly Wells**, former producer for Washington Post Co. and CBS News, as program development dir.; **Lisa Lindstrom**, ex-Washington law firm King & Spalding, as deputy gen. counsel... **Marcia Knutson**, ex-American Educational Research Assn., joins APTS Jan. 3 as education lobbyist, succeeding **Ann Young**... **Eugene Tyksinski**, govt. affairs consultant and former secy. of N.Y. State Senate Finance Committee, named exec. dir., Assn. of Public Bestg. Stations of N.Y.

Comcast promotions: **Arthur Block** to vp-deputy gen. counsel, **Robert Pick** to vp-corporate development... **Ted Shaker**, ex-CBS Sports exec., named SportsSouth exec. producer-Coca Cola BIG TV... Home Shopping Network appointments: **Peter Kern** promoted to senior vp-strategic development and corporate finance; **Kevin McKeon** advanced to senior vp-accounting and finance; **Nory LeBrun**, ex-TV Food Network, named exec. vp-affiliate sales and mktg.; **Brian Feldman** promoted to controller... **Frank Jett** advanced to pres.-COO-treas., Nostalgia Network, succeeding **Charles Bush**, who resigns Jan. 3 for "another business opportunity"... New at Turner Bestg. Systems: **Robert Morretta**, ex-MCI, joins Information Systems/Telecommunications Div. as vp-chief systems architect; **Scott Teissler**, ex-U. of Chicago, named vp-information technology infrastructure... **George Babick**, ex-Tribune Bestg., named senior vp-ad sales, TV Food Network... **Roger Keating**, ex-Mercer Management Consulting, named W. Fla. area vp, Comcast Cablevision.

**Norman Goldstein**, FCC Mass Media Bureau Enforcement Div. trial attorney, named chief-Enforcement Div. Complaints & Investigations Branch... **Kelly Yaksich**, ex-Fisher, Wayland, Cooper & Leader Washington law firm, moves to FCC Mass Media Bureau Audio Services Div. AM Branch as attorney adviser... **John Hurley** promoted to vp-bestg., Freedom Forum... **Kevin McLaughlin** promoted to vp-editorial and production control, DIC Entertainment... National Rural Telecommunications Cooperative appointments: **William Dorran** promoted to COO; **Jeffrey Almen** advanced to senior vp-communications; **Sarah Kiely**, ex-NetExpress, named vp-support services; **Brian Gieseler** promoted to dir.-equipment... **Susan Blumenthal** named deputy asst. secy. for women's health, new position at U.S. Public Health Service. She's married to House Telecom Subcommittee Chmn. Markey (D-Mass.)... **Toni Bush**, Senate Commerce Committee counsel, reportedly will join law firm Skadden Arps Slate Meagher and Flom.

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## OBITUARY

**Robert Lewine**, 80, former vp-programming at ABC, CBS and NBC, died Dec. 13 in Beverly Hills, Cal. He had been suffering from respiratory ailment. In addition to being responsible for such shows as original Disneyland and Mickey Mouse Club, Lewine was past pres. of Academy of TV Arts & Sciences. He's survived by wife, son.

**FutureVision of America** licensed its software for controlling video and information services to Bell Atlantic (BA), companies said. BA will be able to use software itself and market it to 3rd parties. It plans to use system in Toms River, N.J., video dial tone system. Terms weren't disclosed.

**Providence Journal Co.** completed agreement to buy TR 4 on Hughes Galaxy 1R, to be launched Feb. 9. It will transmit Northwest Cable News, which debuts in Sept., and TV Food Network. Journal said it will use General Instrument's DigiCipher.

**Multimedia firm 3DO** postponed \$30-million common stock offering, citing unfavorable stock market. It said it would reevaluate after Jan. 1.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

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

	NOV.27- DEC. 3	1992 WEEK	% CHANGE	NOV. 20-26	48 WEEKS 1993	48 WEEKS 1992	% CHANGE
TOTAL COLOR....	609,237	467,367	+30.41	1,007,569*	23,249,100**	20,565,960	+13.0
DIRECT-VIEW..	593,912	457,912	+29.7	990,328*	22,834,976**	20,202,480	+13.0
TV ONLY.....	463,947	436,530	+ 6.3	783,957*	21,227,588*	19,347,487	+ 9.7
TV/VCR COMBO	129,965*	21,382	+507.8	206,371**	1,607,388**	854,993	+88.0
PROJECTION...	15,325*	9,455	+62.1	17,241*	414,124*	363,480	+13.9
VCR DECKS.....	251,748	229,522	+ 9.7	546,087*	11,471,184*	11,381,550	+ 0.8
CAMCORDERS.....	31,433	49,592	-36.6	177,972*	2,854,497*	2,602,674	+ 9.7
LASERDISC PLYRS#	7,617	6,587	+16.6	6,744*	198,481*	195,029	+ 1.8

Direct-view TV 5-week average: 1993--651,976\*; 1992--567,772 (up 14.8%).

VCR deck 5-week average: 1993--291,884; 1992--306,968 (down 4.9%).

Camcorder 5-week average: 1993--70,380; 1992--71,480 (down 1.5%).

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

**CIRCUIT CITY--200 MORE STORES IN 3 YEARS:** Even as both companies reported solid 3rd-quarter earnings increases, Circuit City (CC) turned up heat on Best Buy (BB), announcing it will step up expansion plan to reach to "all major metropolitan markets in the U.S., with the exception of N.Y." within 3 years. Program involves opening of about 180 superstores and 20 edited stores for smaller markets, including 60 in CC's next fiscal year, beginning in March.

CC also is preparing to do battle with BB on another crucial front -- extended warranties. BB has gained significant marketing edge with low-priced and in some cases free, extended warranties, and by publicizing fact that its salespeople don't aggressively sell them. CC last week said that new policies backed by Virginia Surety, (which CC noted "carries an A.M. Best Co. rating of superior") "will gradually be introduced in highly competitive markets." Company also said it has begun selling 4-year in-home service contracts for personal computers, backed by GE. Pres.-CEO Richard Sharp said new programs "reinforce the superior quality and financial security of Circuit City's warranty options. They further differentiate our products from free or low-cost competitor warranties, which may carry a higher fulfillment risk for the consumer." BB and, until now, CC, have run self-insured extended warranty programs. CC wouldn't say how it plans to promote new policies.

Allen Lenzmeier, exec. vp-chief financial officer of Best Buy, said he expects CC to "get more competitive on pricing" warranties in markets where they compete, fueled in part by fact that CC will be able to fully recognize revenues from those policies immediately (since liability is held by 3rd party), rather than holding portion back over life of policy. He said CC until now "has lowered" its extended warranty prices, "but they haven't matched" BB's in competitive markets. He said CC's new computer policy was "nonevent," since CC, he said, does only about 3% of its business in computers. In most recent fiscal year, "home office" electronics accounted for 7% of overall revenues, according to annual report.

Expansion of 1994 store-opening plans -- company earlier said it would add only about 40 outlets next year (TVD April 12 p13) -- now includes Seattle and Portland, Ore., in addition to previously announced entries into Kansas City, Little Rock, New Orleans and Minneapolis -- last being BB's home market. Smaller cities to be entered next year include Amarillo, El Paso and Lubbock, Tex.; Chico, Cal.; Lafayette, La.; Columbia, Mo. Primary consumer electronics retailers in Seattle and Portland now are Magnolia Hifi, Silo, Smith's Home Furnishings, Sears, Fred Meyer, dept. Bon Marche. Greater Portland also is served by Incredible Universe, which opened year ago in southern suburb of Wilsonville (TVD Sept 21/92 p16).



Major markets that CC apparently will be entering by end of 1996 include Cleveland, Columbus, Denver, Detroit, Indianapolis, Pittsburgh, upstate N.Y. Reluctance to do battle in N.Y. dates back to bad experience in early 1980s, when company purchased Lafayette Radio stores, attempted to run them as Lafayette/Circuit City, withdrew within 4 years, shutting chain down in early 1986, citing difficulty of making profit in N.Y.

Best Buy, meanwhile, has made no secret of intention to become national retailer. This year, it opened its first stores in Southeast -- CC stronghold -- with 7 outlets in Atlanta, with distribution center due to go on line next year (TVD April 26 p14) to support quick growth in region. Company also has made its closest approach to West Coast by opening 4 stores in Phoenix this year. Lenzmeier said BB wouldn't disclose any further expansion plans until Jan.

CC expansion announcement made no mention of 37-store mall-based operation that company debuted late in 1988 under "Impulse" banner (other than to note its existence in pro forma description of its business at bottom of news release). Spokeswoman confirmed that vast majority of those stores have been renamed "Circuit City Express," and said company has no plans to grow that business. In annual report last spring, CC said it would continue "testing and refining" mall-store concept.

\* \* \* \* \*

Circuit City and Best Buy reported major earnings increases for 3rd quarter, although both said hot competitive environment prevented even better performance.

Circuit City earnings rose 17% to \$19.5 million in 3rd quarter ended Nov. 30 (see financial table). As we have reported (TVD Dec 13 p17), sales in period jumped 26% to \$1.02 billion, with comparable-store sales up 5%. Pres.-CEO Richard Sharp said results "reflect an increasingly competitive retail climate that includes discount merchants, warehouse clubs and other specialty competitors." Third-quarter gross profit margins dropped to 25.8% from 27.5% in year-earlier period, in part reflecting higher percentage of computer sales, Sharp said.

Best Buy reported 3rd-quarter earnings soared 114% to \$11.2 million on previously reported 70% sales increase to \$808 million. Operating income in quarter increased to 2.6% from 2.1% year earlier. Chmn.-CEO Richard Schulze said results "reflect increasing market share by existing stores, successful entry into several new major markets and improved operating margins, despite a more competitive industry." Schulze said "sales trends experienced since Thanksgiving indicate that the holiday season and 4th quarter will be highly successful."

Gross profit margin of 15% was dragged down from 16.4% year earlier by combination of promotional costs for new store openings (although those have been constant with BB), increased percentage of sales drawn from personal computer category and "a more competitive retail environment." Lenzmeier said computer products -- everything except software -- accounted for 33% of chain's business in quarter, compared with 25% in same period last year. On other hand, ratio of selling, general and administrative expense to sales dropped 1.9 points to 12.4% for quarter.

**DOMESTIC COLOR TV RISING FASTER THAN IMPORTS:** As large-screen color TV sets grow as percentage of total mix, so does percentage of sets assembled in U.S. That's one possible conclusion based on our quarterly analysis of total color TV supply, derived from EIA and Commerce Dept. figures.

In 3rd quarter, 52.1% of U.S. total color TV supply was manufactured or assembled in this country -- complete reversal of situation in last year's same quarter, when 48% of sets were assembled in U.S. and 52% imported (TVD Dec 14/92 p14). In this year's quarter, total color TV supply rose 14.1%, but domestic product was up 26.4%, imports only 7.1%. Thus, domestic output represented 77.3% of increase in total supply.

Second quarter this year was sluggish, with imports in majority (TVD Sept 20 p14). That probably was due to plant shutdowns for vacation in U.S., while imports, principally from Mexico, maintained steady stream.

Year's first 3 quarters showed pattern similar to 3rd quarter -- just under 52% domestic production, with U.S. assembly rising 19.6%, while imports were up only 9.5% from same 1992 period. Sales of monochrome sets, all imported, rose in both 3rd quarter and first 9 months. With monochrome sets factored in, imports represented 52% of total TV supply in both first 9 months and 3rd quarter.



Our domestic output figures are derived by subtracting Commerce Dept. import figures from EIA's "production" (total supply) figure, in units. Here's scorecard on domestic vs. import assembly for Jan.-Sept. and July-Sept. 1993 vs. 1992:

## TOTAL TV SUPPLY, FIRST 9 MONTHS 1993 vs. 1992

		U.S.- Assembled	% Change	% of Total	Imports*	% Change	% of Total	Total Supply	% Change
Color TV	1993....	9,590,000	+19.6	51.9	8,884,000	+ 9.5	48.1	18,474,000	+14.5
	1992....	8,018,000	+15.0	49.7	8,116,000	+28.1	50.3	16,134,000	+21.2
B&W TV	1993....	0	--	--	1,519,000	+ 8.1	100.0	1,519,000	+ 8.1
	1992....	0	--	--	1,405,000	- 0.8	100.0	1,405,000	- 0.8
Total TV	1993....	9,590,000	+19.6	48.0	10,403,000	+ 9.3	52.0	19,993,000	+14.1
	1992....	8,018,000	+15.0	45.7	9,521,000	+22.9	54.3	17,530,000	+19.1

## 3RD QUARTER

Color TV	1993....	3,682,000	+26.4	52.1	3,382,000	+ 7.1	47.9	7,064,000	+16.4
	1992....	2,914,000	+ 6.2	48.0	3,157,000	+36.1	52.0	6,071,000	+19.9
B&W TV	1993....	0	--	--	600,000	+14.3	100.0	600,000	+14.3
	1992....	0	--	--	525,000	+13.3	100.0	525,000	+13.3
Total TV	1993....	3,682,000	+26.4	48.0	3,982,000	+ 8.1	52.0	7,664,000	+15.9
	1992....	2,914,000	+ 6.2	44.2	3,682,000	+32.3	55.8	6,596,000	+19.9

\* Imports include assembled sets and unassembled but complete kits (chassis with tubes).  
 U.S.-produced sets include those made from imported chassis.  
 Figures include TV/VCR combinations, but not projection TV.  
 "% change" is comparison with same period of preceding year.

**THOMSON DROPS 16:9 TV PRICE, ADDS NEW MODELS:** Thomson Consumer Electronics (TCE) dropped price of its 16:9 TVs -- new RCA console and carryover ProScan model with matching storage base -- to street price of \$3,999, and promised new ProScan widescreen model in spring. Suggested list price will be \$4,499, cut of about \$500 at retail. Buyers also will have choice of \$500 worth of laserdiscs (up from \$200 earlier this year) or free RCA laserdisc player valued at \$749 retail.

In press preview at Ft. Myers, Fla., TCE showed "2nd-generation" 4:3 ProScan sets it will introduce in spring and revealed it will have models with its own "flat profile" invar mask picture tubes in 27" and 35". The 27" will be version of company's European "square planar" (SP) tube made at TCE's tube plant in Agnani, Italy, while 35" will be built in Marion, Ind. Tubes command high premium ("couple of hundred dollars").

TCE officials conceded that they didn't reach 10,000-15,000 widescreen sets this year that Exec. Vp Joseph Clayton had said would make him "happy" just year ago (TVD Dec 21 p10), but noted that availability was too low to support "sufficient retail activity" until Oct. Fire at tube warehouse in Marion (TVD July 26 p11) made TCE dependent on European tubes to make up shortage of conventional types and cut down number of widescreen tubes that could be imported, Clayton said. TCE will continue to import 34W" tubes from Italy throughout 1994. Company has no plans for smaller widescreen sets -- "bigger is better, and I would rather go bigger than smaller," Clayton said. He said he thought 40W" was biggest widescreen tube that could be made, giving rise to speculation that first widescreen tubes made in TCE's Marion plant will be larger than 34W".

Asked about Philips' decision not to enter consumer market with its widescreen set (TVD Dec 13 p11), Clayton replied: "It's a tough sell -- let's be honest -- but you can build a market. If I were trying to [promote] DCC, CD-I and 16:9 [simultaneously], I'd probably say my plate is full."



RCA widescreen console has some new features, including drawers in base for cassettes and remote, color logos of 35 TV networks and cable channels in storage for on-screen identification, adjustable picture outside picture (POP) capability from one to 15. Sleep timer has unique feature -- in last minute before shutoff, animated cartoon sheep bounds across screen, volume dims and picture shrinks gradually to nothing.

Speakers at news conference were effusive about 3-year-old ProScan line which Senior Vp-Product Management James Meyer called "a huge success" and "the one clear winner" in high-end market, elevating sales of RCA brand as well. Brand Management Vp Gilbert Ravelette said ProScan has grown to 90 dealers with 800 locations today from 14 dealers with 87 stores in 1991. ProScan models due in spring will be completely redesigned, Meyer said, "based on new, innovative cabinets and new, high-performance electronics." Clayton promised it's "going to blow the Japanese competition out of the water."

New line will feature 2 flat-faced sets plus one 20", two 27", one 31" and one 35" conventional direct-view models, 34W" widescreen set, along with 52" and 60" projection sets. Projection models will have center channel speaker for Dolby ProLogic surround built into decorative area atop screen, plus built-in screen-height right and left speakers, side-mounted subwoofer. Direct-view models are uniquely designed with flush-mounted picture tubes, clean surfaces and sculpted back covers, combined with wood accents at base. Remote controls will feature new 4-button navigation system (plus additional 50-button universal remote) designed as "predecessor of interactive TV," Design Operations Gen. Mgr. Louis Lenzi said.

In addition to Ft. Myers event, TCE held news conference in N.Y. last week as update on Direct Satellite System (DSS), whose Hughes DBS-1 satellite was scheduled for launch from French Guiana after our deadline last Fri. (Dec. 17). Despite delays in development of encoder crucial to powerful new digital direct home broadcast system, Thomson officials expressed confidence they would meet April date for marketing of receivers and start of programming (see separate report in this issue).

At Ft. Myers session, Clayton said TCE will become increasingly involved with telecommunications and interactivity. "We have a lot of things in the fire," he said cryptically in answer to question, adding that Thomson is "in active discussion with several Bell operating companies." Asked about working with cable operators, he said: "We're further along with the telecommunications people. They are more like us. They're businessmen, they deal the same way we deal, as opposed to the cable companies -- we're not a member of that fraternity." He said TCE hopes to deal with cable operators, too, conceding "relationships are better today after the Cable Act of 1992, dealing with the cable-ready situation. We're quite pleased to see the way the [cable/consumer electronics discussions] are going."

Clayton obviously was irked by what he called "propaganda" about communications superhighway, which has overshadowed coming DSS launch. "I'd like to poke a stick in the eye of the cable guys and say, 'you're telling people this is 3 years down the road -- we're here and you'd better get ready... Everybody's talking about [digital superhighway], and still the first thing you're going to see is DBS... Let's be honest about it -- the cable industry's 500 channels of MPEG-2 compressed video ain't gonna happen in 1994' [as a regular service]. They have to find somebody to build it first -- but we're going to be the first with MPEG-2" via satellite.

Asked about Video CD in N.Y., Clayton noted that Thomson has close working relationships with Toshiba and Samsung, both deeply involved in that technology. (TCE is partner with Toshiba in big VCR plant in Singapore and is longtime OEM customer of Samsung.)

**ZENITH TO 'RESTRUCTURE' AND 'RE-ENGINEER':** In major attempt to restore profitable operation, Zenith last week announced it plans to "re-engineer its core consumer electronics and cable business" and "restructure certain product areas" -- moves it said would contribute to \$50-million reduction in costs in 1994. Action will result in 4th-quarter special charge of as much as \$30 million.

Although announcement gave few details, it presumably referred to numerous separate projects, some of which had been revealed earlier. Spokesman said re-engineering would involve complete redesign of TV production lines in Mexico, "improving logistics and flow, reorganizing the factory floor, more automation, resulting in an increase in capacity and productivity." Zenith also will continue redesigning TV sets for better producibility, he said. That regrouping, including elimination of non-value-added functions, was reported here last month (TVD Nov 29 p14).

Restructuring mainly involves downsizing of computer monitor facilities to bring them in line with sales levels. It's understood that far too much space is being devoted to those products considering actual



demand. Main benefit will be converting FTM monitor tube line in Melrose Park, Ill., to produce TV and monitor tubes, as previously reported here, resulting in increase in TV tube capacity to 4 million annually. Company already has left monochrome monitor business and will consolidate color monitor production with TV assembly in Mexico.

Zenith is leaving some smaller unprofitable businesses, including lighting-related operations (fluorescent ballasts, etc.) and consolidating plant operations in Chihuahua, Mexico, where it has been making power supplies.

The \$30-million special charge was described in announcement as being "primarily for noncash fixed asset and inventory write-downs, as well as severance costs." Spokesman indicated major impact on employment will be in Mexico, with only "modest" effect in U.S. "We expect overall U.S. employment to rise in 1994, as result of NAFTA," which should increase demand for American picture tubes. These and other cost-reducing actions were said to be result of long study by Pres. Albin Moschner, who joined company in 1991 as senior vp-operations.

**NEW EUROPEAN TV MAKER:** Taking over Grundig plant in France, one of Thomson's brand names and \$8.5-million subsidy from Thomson's parent (French govt.), new privately owned British company indicated it hoped to double production to million TV sets annually by 1996.

Gooding Consumer Electronics (GCE), based in Wales, said it's paying equivalent of \$27.3 million for Grundig Electronique in Creutzwald, France. Plant was targeted to close early in 1994 by Philips, which has management control and 31.6% ownership of Grundig. GCE is owned by Alfred Gooding and Koen van Driel, chmn. and CEO, respectively.

Gooding is chmn. of 2 Wales companies, contract manufacturer RACE Electronics and Gooding Sanken, power supply manufacturing joint venture with Japan's Sanken Electric. Van Driel, who recently was commercial dir. of Astra TV-radio satellite, is a former managing dir. of Grundig U.K. who earlier held posts with Philips, including mktg. dir. of Thailand operation.

GCE will market sets under 2 brand names -- Continental Edison, which it's buying from Thomson and will use primarily in France, and Minerva, acquired from Grundig, for use throughout Europe. GCE said Creutzwald plant makes 500,000 TVs annually, mainly large screen, but company "will be going for a volume market" and will concentrate production in 14", 20" and 21" areas (U.S. 13", 19" and 20" equivalents).

French Industry Minister Gerard Longuet is quoted as saying some 350 of 550 Grundig workers will be retained, with possible addition of 100 by end of 1995. GCE subsidiary Minerva Sales & Mktg. will be established to sell sets. Van Driel predicted company would produce TVs "efficiently and cost effectively [and would] become the most advanced and proficient TV manufacturer in Europe."

French govt. has been seeking buyer for Grundig business among European and Asian manufacturers and reportedly nearly concluded deal with Samsung in fall. Presumably, \$8.5-million govt. grant and Continental Edison brand name helped clinch deal with GCE. New company indicates it will manufacture and sell satellite equipment as well as TVs.

**SONY CUTS CAMCORDER PRICES:** Sony will cut minimum advertised prices up to \$100 on 3 of its "family" series camcorders in Jan., as it seeks to spur sales. According to retail sources, price cuts will cover FX-series of 8mm Handycam camcorders and lower CCD-FX420 to \$749 from \$799, CCD-FX520 to \$849 from \$899 and CCD-FX620 to \$899 from \$999, retail sources said. Sony spokesman confirmed price drops, but declined further comment.

FX420 has 10x zoom and 3-mode auto exposure dial, while FX520 adds 12x variable speed zoom and digital fader. FX620 also has 12x zoom along with stereo recording and LCD display. First models shipped in April.

"Those prices ought to accelerate sales -- the market has been stale recently so maybe this will juice it up," said video buyer at east coast retailer. Moves come after year of relative stability with low-end advertised prices starting at \$499-\$599. Market is expected to top 3 million in unit sales to dealers this year for first time.

**Korea's electronics manufacturers** last week forecast major increases in sales and earnings for 1993. Samsung predicted 107% jump net profits to equivalent of \$185 million, on 38% sales gain to \$10 billion, major factor being strong demand for DRAM chips, of which it's world's largest supplier. Goldstar sees 126% increase in profits to \$74 million on 16% sales increase to \$5.9 billion, attributing rise to improved competitiveness in consumer electronics due to rise in Japanese yen's value vs. Korea's won. Daewoo forecast 26.5% gain in net to \$25.9 million, with sales up 19% to \$2.53 billion, keyed primarily to domestic sales of new model TVs and washing machines.

**More than 70% of consumers** will buy at least one battery-powered product this Christmas, according to survey commissioned by Gates. When shoppers were asked about gifts they wanted to get rather than give, about 40% asked for camcorders, 25% chose cellular phones.

**China imported 60,000 TV sets** in Oct., up 200% from Oct. 1992, and 700,000 picture tubes, down 5.4%, State Statistics Bureau said.

**Sharp has begun marketing 3" TFT active matrix LCD** color TV in Japan at \$500. Set, which has low reflection and high brightness, will be available Dec. 25. Monthly production will be 10,000. When folded, portable is 1.25" thick.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 110 yen = \$1, except where noted.



**VIDEOGAME VIOLENCE, CONT'D.:** Shots still were being exchanged last week over violence in videogames.

Sens. Lieberman (D-Conn.) and Kohl (D-Wis.), whose subcommittees earlier this month held hearings on subject (TVD Dec 13 ppl & 14), wrote to FTC Chmn. Steiger declaring they had found "substantial evidence that the videogame industry, including retail outlets, may not be advertising its products in a manner consistent with the representations contained in the rating labels." Senators charged that "marketing a videogame which is labeled as appropriate only for teenagers or adults in a manner which would suggest it is appropriate for younger children is an unfair method of competition and an unfair or deceptive trade practice." Letter urged FTC to "take immediate action" to stop ads.

Letter cited several examples of broadcast and print ads in which "Mortal Kombat" is advertised alongside "Alladin" and other games in which no mention is made of former's MA-13 rating under Sega's system. They excoriated retailers such as Toys 'R' Us (TRU) and Kay-Bee Toys for ad tactics, along with Sega for depicting "a boy who appears to be under age 13 gaining self-confidence and popularity as a result of playing 'Mortal Kombat.'" Letter never mentioned Acclaim Entertainment, which markets game.

Sega of America Pres.-CEO Thomas Kalinske said he was disappointed that Liberman and Kohl "believe it necessary to initiate action with the FTC, as Sega has been attempting to lead the industry to tighten its advertising guidelines." He said Sega's rating system is relatively new "and both software publishers and retailers are still learning how to communicate it properly," reasserting company's commitment to "uniform industrywide rating system." FTC spokeswoman said letter would be considered in same manner as any other that goes before Commission.

Meanwhile, late in week several newspapers reported that TRU had announced it had pulled "Night Trap" -- game most often cited by anti-violence forces -- from its 500-plus stores. Spokeswoman for retailer said company had issued no announcement, and in fact "was discussing it with Sega several weeks ago, and we made a decision to pull it with their full knowledge." She said she had no idea why story was being reported now, since company hadn't issued news release of any sort. However, Lieberman issued statement congratulating TRU for beginning "to show the kind of self-regulation that others in the videogame business should follow if we are to reestablish a sense of control in our society."

Tom Zito, pres. of "Night Trap" developer Digital Pictures, responded in article on Op-Ed page of Washington Post titled "Senate Demagoguery: Leave My Company's Videogame Alone." Zito recounted sitting in Senate hearing room earlier in month "listening to my company and my product being pilloried." He noted that Sen. Dorgan (D-N.D.) during hearing expressed regret that Zito couldn't attend, and that he was ignored when he announced he was there. As he has in past, Zito defended "Night Trap" as "a low-budget parody of vampire films" from which Senators pulled 30 sec. of incendiary material out of 100 min.

Zito said he doesn't think "Night Trap" is appropriate for children -- "frankly, we don't want anyone under the age of 17 to buy it," he wrote -- but interactive entertainment market now ranges far beyond children. "I'd hate to have the government tell me that the only thing I can watch is 'Barney,'" he wrote. "Then I might condone violence." He ascribed much of reaction to "Night Trap" to "the shock of

the new," akin to crowds running in fear from Edison's first films of trains rushing toward camera.

Zito said he "respects" TRU decision, which he called case of deciding whether to reorder title as its supply ran down. He noted that company has sold about 20,000 copies of newly issued 3DO version of "Night Trap" to retailers, impressive "considering the amount of hardware that's out there." He said company has shipped 50,000 units of Sega CD version to Japan in last 2 weeks. U.S. sales, he said, reached 100,000 in first year.

**EMERSON SHOWS NEW PRODUCTS:** Emerson's new sales and marketing team previewed its first major line under new organization last week in new hq in Parsippany, N.J., where reporters heard optimistic report on prospects on its bankruptcy reorganization. Exec. Vp Eugene Davis outlined victories won so far, including permission from court to conduct business as usual -- latest action being authorization from judge to pay year-end bonuses to employees (TVD Nov 29 p16).

Davis said Emerson expects its disclosure statement to be finalized and approved by court by early Jan., and said company could emerge from bankruptcy earlier than March 31 deadline. He noted that management proposal, okayed by bank creditors, would "take \$180 million in debt off our balance sheet," commenting wryly that amount is "roughly half what our major competitors have been losing annually."

Company said orders so far have been better than expected, with collections in Oct. best for any month in 15 months.

New products were displayed by new team, all with major consumer electronics background -- Mktg. Vp Gerald Calabrese and Sales Vp Merle Eakins, both ex-Philips; Video Product Mgr. Michael Strange, ex-Sony, and Audio and Microwave Oven Mktg. Dir. Barry Light, ex-Sharp. Line is short and will be augmented later in year after dealer reaction at Consumer Electronics Show is tabulated, they said.

New TVs in line have trilingual on-screen menus and extended data system using 2nd field of closed-caption frame of vertical blanking interval. In TV/VCR combos, Emerson specialty since 1988, company has models in 9", 13", 19" and 25" sizes, with addition of 9" AC/DC model at suggested list of \$450 and 25" at \$700, due in March and April, respectively. New VCP is \$200, 2-head VCR \$220 and 4-head hi-fi stereo at \$240.

New color TVs include 9" AC/DC at \$250 and 13" at \$200. Biggest color sets in line currently are holdover 25" models, but it was indicated that larger models would be added in 1994.

Audio line has been broadened with addition of one-piece CD-cassette boombox, 5 headphone stereos, unique waterproof detachable bicycle radio, 4 minicomponent systems and 2 new series of clock radios -- one with CD player at \$150.

Emerson has redesigned packaging, adding color, with feature benefits noted on box that also contains illustration of product. Since Emerson's biggest dealers are Wal-Mart, Service Merchandise and Target -- all "nonselling floor" operations -- Eakins said product boxes must tell entire sales story.



**GATT PLUSES AND MINUSES:** Final agreement on new world trade pact won't result in much change in consumer electronics trade. Decision to drop audiovisual sector from GATT package attracted many critics, including Motion Picture Assn. of America (MPAA) and RIAA (see report in Bst./Cable Section).

RIAA Chmn. Jay Berman said European Community (EC) negotiators "steadfastly refused to consider a series of U.S. proposals aimed at reducing unfair barriers to market access and securing for U.S. rights-holders revenues derived from the use of their works." Berman said EC delegation in last phase of talks "held fast to the position that it should be free to discriminate against U.S. producers and performers," position that "led directly and predictably" to breakdown in talks. Berman said U.S. didn't relinquish right "to address these blatantly unfair European practices through unilateral and bilateral trade actions," and Clinton Administration "has committed itself to do so."

Among terms proposed by American delegation -- but tabled when audiovisual sector was dropped from final GATT package -- was plan to give U.S. artists and producers "their fair share" of levies raised on sale in Europe on blank audiotapes and videotapes in return for pledge by U.S. industry to invest more money in European audiovideo programming.

Some U.S. tube and component manufacturers presumably were part of lobbying group that succeeded in persuading U.S. negotiators to fight against substantial weakening of antidumping laws, despite developing countries' efforts to curtail their use. However, it's not clear how agreement on antidumping rules will affect dumping moves involving consumer electronic products in U.S.

Compromise dumping agreement provides for more detailed rules for determining whether product is dumped, but U.S. prevailed in its insistence that GATT not have power to veto any country's dumping determination, except where improper procedure was used. Agreement sets new rules for finding dumping margins and on how long antidumping actions can remain in force and provides for immediate termination of antidumping probes if dumping margin is less than 2% of export price of product or when import of dumped goods represents less than 3% of imports of product in question.

As for "sunset" provision specifying how long actions can be in force, longevity of some U.S. antidumping findings has been brought into question. For example, antidumping rules against Japanese color TVs have been in force well over 20 years, first duties having been levied in 1972, covering sets exported since 1970 (TVD Dec 4/72 p8). Most recently, dumping findings against Japanese TVs have been used to assess high penalties against imports of LCD TVs from Japan.

Although tariffs were reduced or eliminated on some products, negotiators early decided to leave subject of consumer electronic products to bilateral negotiations between countries directly involved. Agreement is subject to approval by all member countries of GATT.

**"Pixels, Pictures and Perception -- the Differences and Similarities Between Computer Imagery, Film and Video"** is title of all-day tutorial sponsored by SMPTE's N.Y. Section March 5 in N.Y.C., led by Sun Microsystems' Charles Poynton -- Linda Young, SMPTE, 212-757-4580.

**FRETTER TO CLOSE STORES IN 2 STATES:** Fretter will close its stores in Indianapolis and most of L.A. by end of Jan., eliminating about 200 jobs in apparent first round of moves aimed at trimming overhead \$40 million, industry officials said. Plans disclosed to vendors at meetings in Philadelphia last week comprise first action Fretter has taken since completing \$45-million purchase of 182-store Silo chain from Dixon's earlier this month.

Fretter will close 17 of 19 Silo stores in L.A. area, keeping outlets in San Bernardino and Riverside, Silo source said, adding that L.A. stores had been drag on earnings, posting \$12-million loss for 1992. Silo stores in San Diego will remain, but 3 Fretter outlets in Indianapolis will close, it's understood. Fretter officials didn't return several phone calls seeking comment.

When deal to buy Silo was completed, Fretter said ultimate goal was to create 220-store chain. Projection immediately raised speculation about impending store cutbacks, given fact that companies together had more than 700 stores -- several competing in same markets. Fretter last week was telling vendors that combined operations would generate \$1.2-\$1.3 billion in annual sales and that it would be profitable within year. Sales forecast would put Fretter among top 5 U.S. consumer electronics retailers alongside Circuit City, Best Buy, Sears.

Stores will operate under Fretter, Silo and Fred Schmid banners, with focus on strongest format in each market. In Chicago, Fretter will retain 24 Silo stores and close large percentage of 19 Fretter outlets. In Denver, Silo stores will be closed and some converted to Fred Schmid outlets. Silo's Your Electronics Store (YES!) format launched in Upstate N.Y. earlier this year may be abandoned, said executive familiar with discussions.

Fretter Pres.-CEO John Hurley will retain post, with regional vps reportedly heading offices in Chicago, Denver, Philadelphia. Ex-Silo exec. Daniel Hourigan reportedly has joined Fretter as senior vp-operations to direct regional vps. Buying staffs are being revamped. Ex-Luskin's exec. Charles Palko has been named vp-merchandising for consumer electronics products, while Fretter Vp Lawrence Dunst directs major appliances. Several categories will have co-buyers in short term, combining Fretter and Silo personnel, vendors said. Many Silo buyers have been offered jobs with merged chain, but only handful have accepted, former Silo official said. Advertising will be combined and handled by Fretter ad department, vendors said.

Fretter reportedly will cut distribution centers to 8 from 11 in first half of 1994 and move to 6 by year-end in Boston, Denver, Livonia, Mich., Philadelphia, Phoenix, Seattle.

Possible revenue generator could be sale of Silo credit card and service contract businesses to GE, deal that was in works at time of Fretter purchase, Silo source said. Sale, which could bring \$10 million, was contemplated by Silo as means of heading off what was projected to be \$21-million loss for fiscal year ending April 1994, Silo source said. "With the close of the L.A. market, we felt we could have been profitable ourselves," former Silo executive said.

**Luks Industrial Co.,** Hong Kong-based company that makes Etron brand and private label color TVs in Shenzhen, China, is first Chinese TV manufacturer to receive quality certificate from Lloyd's Register Of Quality Assurance in U.K., China Daily reported.



**TCE SAYS DSS WILL MEET TARGET:** Conceding that development of crucial encoder and uplink systems is "behind schedule," Thomson Consumer Electronics (TCE) officials expressed confidence that it would meet April target for delivery of Direct Satellite System (DSS) hardware to retail.

Encoders, being developed by Compression Labs (CLI), were to be ready for testing by Nov.-Dec., but start of one-month beta test has been pushed to Jan., TCE said. Test most likely will be in U.S. Southeast or Southwest, sources said.

"To be honest, this assignment has proved to be much more difficult than originally projected, and as of today we're behind," James Meyer, TCE senior vp, product management, said at N.Y. news conference last week. He quickly added that he expects DSS to debut in April achieve nationwide marketing starting in Aug.

Meyer said Hughes and Thomson are devoting "significant new resources" to encoder problem and CLI has tripled staff on project. Problem has been "primarily a planning issue," said Linda Brill, spokeswoman for DirecTV Div. of Hughes Communications working with Thomson and U.S. Satellite Bestg. (USSB) in developing DBS. Meyer said: "There has been no one specific area. I think CLI may have underestimated the complexities of it, but we had a lot of margin built in so the dates remain unchanged."

Volume production of DBS system's 4 custom ICs and 18" dish (about 100,000 per month, according to one TCE official) has begun. Low-volume manufacture of "several thousand" integrated receiver descramblers (IRDs) is under way and will continue through first quarter at TCE's Juarez, Mexico, plant. Second assembly line is expected there by midsummer, boosting monthly IRD production to 100,000 by 3rd quarter, TCE said. Price will be \$699 for IRD, dish, low-noise blocker (LNB) and remote, and \$899 with dual output LNB and universal remote.

Although IRDs will be equipped from start with MPEG-2 decoders, first transmissions will be encoded in MPEG-1, upgraded to MPEG-2 in late 1994, Thomson officials said. They stressed that transition will be transparent to consumers.

Meyer and TCE Exec. Vp Joseph Clayton conceded competition from interactive cable and telco-based systems would be formidable, but Clayton said "they won't be first, on a national scale." Meyer said TCE "is not naive enough to believe cable is going to go away," but believes DSS offers enough advantage in performance and programming choice to be attractive as replacement for cable or adjunct to "lifeline" service mandated by Cable Act to bring standard local broadcast stations into home at minimal monthly fee.

Meyer said that even if system "does well [only] in noncable markets, we'll still be okay." He said that although TCE is putting every effort behind DSS marketing, it already has gained major benefit from involvement by increasing its expertise in technologies in such areas as compression and digital set-top boxes.

Hughes DirecTV is expected to offer 3-4 program packages including sports, pay-per-view and "best of" cable programming for monthly or annual fees. Brill declined to comment, saying packages still were being put together. Negotiations are continuing with ESPN, last major programmer holdout, company said. USSB Pres. Stanley Hubbard said he was "100% confident" that ESPN and its 2nd service, ESPN 2, would be available by April.

USSB will offer 3 premium packages and several low-priced alternatives, Hubbard said. Premium Plus will sell for \$35 per month or \$400 a year; HBO Plus and Showtime Plus will be \$23-\$25 per month or \$280-\$300 yearly. Less expensive options range from \$7.95 for 6 channels including Nickelodeon and MTV to \$34.95 for 6 channels plus HBO, Cinemax and other premiums, he said. USSB has 5 transponders on first satellite, will broadcast 20-40 channels from them, Hubbard said.

TCE executives said key programs differentiating DSS from standard cable will be out-of-market sports, perhaps priced on "season ticket" basis. For example, N.Y. Jets fanatic living in Indianapolis would be able to watch team, either on pay-per-view or perhaps "season ticket." USSB has no plans to offer service, but DirecTV is working on one, sources said.

Thomson will ship 25 sq.-ft.-hardware and merchandising kiosks to "several hundred" dealers during regional rollout in April and expand to 2,000 by 4th quarter, said Gilbert Ravelette, Thomson brand management vp. TCE said earlier this year that 2,000 dealers would be on line by April, limited by availability of IRDs.

Dealers will begin training in first quarter via 14-chapter laserdisc instructions ranging from installation to zoning issues. Program will evolve in 2nd half into ProScan-style training with off-site sessions, Ravelette said. Thomson along with DirecTV and USSB will support product with \$50-million ad and promotion campaign, most of it in 2nd half.

Clayton said DSS offers retailers 4 profit streams -- hardware, programming, warranties, installation. Although TCE originally promoted DBS as consumer installable product, company conceded that only 10-20% of purchasers would install systems themselves. Company has set up national network of installers that will expand to 3,000 locations by 3rd quarter from 1,800 at launch. About 20 field service managers will oversee installers, who must undergo one-day training. TCE is advising dealers to charge \$149 for installation, but self-install kit will be available at \$69 under RCA brand.

Echoing prediction last summer by TCE Chmn.-CEO Alain Prestat (TVD Sept 6 p9), Clayton said DSS project could lead TCE into software business. "I'm not talking about buying studios or anything like that," he said, "but DSS will put us in the business of marketing both hardware and software in a unified package. And who knows where that may lead?"

"Economic recovery... continued but did not particularly accelerate" in U.K., British Radio & Electronic Equipment Mfrs. Assn. (BREMA) said in reporting sales to dealers for 3rd quarter. Large-screen color TV sales were up just 2% over same 1992 period, far below 13% increase of 2nd quarter, but BREMA said change probably reflected inventory adjustments rather than weakening of demand. Domestic U.K.-made set sales grew faster than did imports. Small-screen color set sales were up 3% and VCR sales 5%, but camcorders declined 20%.

Sanyo will ship industry's first LCD projector with built-in VHS videocassette player in Japan this month. Priced at \$3,300, system can project pictures up to 100" and will be built at 500 units per month, company said. In addition to consumer market, Sanyo plans to target businesses.



**COMPTON PATENT CASE REOPENED:** Patent & Trademark Office (PTO) will undertake unusual "reexamination" of controversial patent issued to Compton's NewMedia (CNM) for multimedia search and retrieval system. PTO said procedure was ordered by Patent & Trademark Commissioner Bruce Lehman "following PTO discovery of new information not considered by the patent examiner before issuing a multimedia patent." All claims will be reconsidered as to whether Compton's invention is "new" and "nonobvious" -- key considerations in awarding patent.

Case also is leading to general review of practices for issuing patents relating to software. That was hope expressed by such groups as International Multimedia Assn. and Software Publishers Assn. as CNM claim came to light last month at Comdex trade show (TVD Nov 29 p16, Nov 15 p16). PTO said it plans public hearings Jan 26-27 in San Jose, Cal., and Feb. 10-11 in Arlington, Va., to address software patent issues.

In statement, Lehman said PTO is "taking a 2nd look at a patent that has prompted a strong and concerned reaction in a particularly dynamic and changeable industry." Lehman, Clinton appointee who took post in Sept., formerly was lobbyist for Software Publishers Assn. and was counsel for House Judiciary Committee, principal legal adviser in drafting of 1976 Copyright Act and 1980 computer software amendments.

Spokesman for Tribune Co., CNM's parent, said company would cooperate in process, which would "probably be more efficient, less costly and probably a lot quicker" than round of legal challenges that undoubtedly would follow CNM's attempt to enforce patent. Tribune spokesman said company will give written response within 2-month deadline. CNM's claim of sweeping rights over multimedia programming and retrieval system under patent 5,241,671 had provoked outcry in industry, opposition claiming CNM hadn't disclosed vast amount of "prior art" in field. Executives also complained that CNM controversy spotlighted problem with PTO's expertise and processes relating to software.

**Duracell has settled** suit against SLM International claiming packaging on alkaline battery charger carried "unauthorized" photo of Duracell batteries, terms undisclosed. Duracell filed suit Nov. 10 in U.S. Dist. Court, N.Y., charging that packaging for Super Charger infringed 3 of its trademarks and conveyed "false impression" that company endorsed product. Duracell contended that SLM admitted to unauthorized use of trademarks and that some retailers including Wal-Mart and Costco displayed charger alongside Duracell batteries. Suit, which sought injunction, claimed that use of trademarks "confused" consumers. N.Y.-based SLM introduced what it billed as industry's first alkaline charger earlier this year at \$29. Job Taylor, Duracell attorney, declined to comment on settlement. SLM Vp & CFO Kenneth Bloom didn't return calls seeking comment.

**Key America/West** and Selective Consolidated Dealers Co-op (SCDC) are creating new Key Div. in northern Cal. Organizations will have some independence, but will pool resources for promotional and educational programs. Key Pres. Martin Wolf and SCDC Exec. Dir. William Gemini will retain posts. Deal will give Key access to Cal.-based SCDC's 80-90 retailers in northern Cal. with \$100 million in combined sales. Key America/West has 65 retailers in 14 states with sales around \$150 million.

**3DO POSTPONES STOCK OFFER:** Citing "unfavorable stock market conditions," 3DO postponed planned public stock offering of one million shares, saying it intends to "reevaluate the timing" after Jan. 1. In announcing proposed offering early last month, 3DO said it would use proceeds from sale for general corporate expenses and to mitigate expected losses (TVD Nov 8 p13).

In prospectus accompanying proposal (TVD Nov 22 p18), 3DO also said it would use \$37.3 million in estimated proceeds partly "to develop technology" for previously announced broadband trial with U S West and "other network platforms." It also said it expected existing financial resources, including proceeds from stock offering, "will be adequate to satisfy" its capital requirements "for at least the next 18 months." However, 3DO shares lost nearly half of their value over 6 weeks, plummeting to 22-3/4 at end of last week from 40-1/4 day before offering was announced.

In statement Dec. 16 announcing postponement of offering, 3DO said software community "acceptance" of its technology "continues to grow," with more than 500 software companies having signed licenses. Company said it believes licensee count "indicates its technology is being adopted as a consumer electronics standard." Statement quoted Pres.-CEO William (Trip) Hawkins as saying that "we've met every milestone we set for 1993" and company is "well-positioned as we head into 1994."

According to licensor, Panasonic multiplayers have been shipped to 2,000 storefronts nationally, supported by 13 "currently available" software titles. 3DO said it "anticipates there will be about 20 titles available for distribution by year-end" -- slightly below 24-30 titles quoted by Panasonic executives in early Nov. as those that would be on store shelves by Christmas.

**TCE PLANS FOR 1994:** Thomson Consumer Electronics expects to increase market shares of "existing brands and product categories" in 1994 "while introducing the nation to a completely new digital era of video communications" through high-powered DSS satellite system, Exec. Vp Joseph Clayton told news conference in Ft. Myers, Fla., last week.

RCA brand has become "dominant player" in very large screen TVs with growth of ProScan, he said. In projection TV, he said, TCE has 25% of market through ProScan, RCA and GE brands. GE next year will add new TV products in "Spacemaker" line.

Discussing TCE's increased role in accessories market, Clayton said components and accessories industry "generates \$1.5 billion in annual sales and it's growing in quantum leaps." He said TCE is marketing products developed by others, including Super Shield projection TV screen protector, which he called "runaway best seller." For 1994, TCE accessories will feature redesigned packaging -- adding new packaging was "primary factor in a 25% increase in our blank tape sales this year."

In custom home theater, TCE products are handled now by 400 retail furniture outlets, and "we're currently in discussions with another manufacturer that could result in further expansion of both the built-in and furniture markets" next year. (RCA last week introduced series of built-in Video Acoustics wall speakers.)

**"Flat Panel Display Manufacturing Costs"** is new report by Stanford Resources at \$2,950 -- 415-322-0247.



**HITACHI STUDIES INDEX-PLUS VCR:** Hitachi is considering possible introduction of industry's first VCR with Index Plus next year and will add direct-view TVs in high-end UltraVision series, retail sources said.

New Index Plus 4-head Hi-Fi VCR and 27-35" UltraVision sets would head lineup expected to include 7 other VCRs, 8 full-size and 8mm camcorders, 3 UltraVision projection models and low-priced 46" Maxus projection TV, said retailers who attended recent meetings.

Index Plus VCR, which could be available in July at \$499, would be major boost for Gemstar's fledging technology shown privately at 1993 Winter Consumer Electronics Show and will be demonstrated at 1994 WCES Jan. 6-9 in Las Vegas. Index Plus uses extended data service (EDS) signals -- extension of closed-caption technology -- to be transmitted by station or cable and "smart chip" built into VCR to provide automatic on-screen indexing of videocassettes.

Hitachi Exec. Vp Gary Bennett said stumbling block to Index Plus VCR is finding broadcaster to supply EDS signal on VBI. "We're arguing back and forth whether we should or shouldn't go with the Index Plus," Bennett said. "To use [VBI] you have to get a broadcasting partner. If that doesn't happen, what use would the product be?"

Gemstar Pres. Henry Yuen said that in addition to Hitachi, company has had discussions on Index Plus with JVC, Matsushita, Thomson. He said many broadcasters already are using EDS for program titles and have been "receptive" to Index Plus and Gemstar plans to handle some negotiations on behalf of manufacturers.

Other Hitachi VCRs include 2-head, pair of 4-head models and three 4-head hi-fi models including S-VHS unit, at \$219-\$499. Four-head hi-fi VCRs start at \$329, although retail sources indicate price may go to \$299. Units will ship March-June.

UltraVision direct-view TVs include 27" table model, 31" table and console, 35" table and console. High-end 35" sets feature 750 lines of resolution, velocity scan, advanced PIP and favorite channel preview that allows consumer to program up to 32 channels for use in PIP mode. TVs also will have UltraBlack invar tubes, sculptured cabinet, 2 remotes. Pricing hasn't been set for July-Aug. delivery.

In projection, 46," 50" and 60" UltraVision TVs will be introduced with velocity scan, new bass reflex speaker system, favorite channel preview. Top-of-line 60" will have 1,000 lines resolution and Dolby Pro Logic sound, pricing not set. Maxus TVs will add new low-priced 46" set at \$1,799 minus PIP and with standard remote, retailers said.

Camcorders will consist of 3 full-size and four 8mm models due May-June at \$599-\$1,799. Line will start with full-size with 12x zoom and move to 24x zoom at \$849 with color viewfinder. In 8mm, Hitachi will start at \$799, also will include \$1,299 Hi8 model designed to compete with Sony model. Hi8 unit will have color viewfinder, image stabilizer, 24x zoom, wind filter, high-speed shutter, fuzzy logic system. Top-end piece will be weather-resistant 8mm ultracompact that has features of Hi8 model and adds multibrand remote for camcorder and TV at \$1,799 retail.

**Goldstar introduced** its first 14" TV/VCR for Japanese market and plans to add 21" by spring.

**CONSUMER REPORTS ON REPAIRS:** Survey of readers on product repairs is major feature of Jan. Consumer Reports, which shows all of highest priced repairs are for electronic items.

Highest average repair costs, as compiled from reader survey, were for camcorders (average \$100), 25-27" TVs (\$100), 19-20" TVs (\$80), VCRs (\$80), 13-14" TVs (\$78). Lowest were for vacuum cleaners and midsize microwave ovens (\$40) and stereo receivers and lawnmowers (\$50).

Some 35% of readers with product repairs (excluding warranty or do-it-yourself service) had problems with major electronics service as opposed to only 19% with major appliance repairs. Major complaints about repairs, in order of percentage, were that they took too long (more than 2 weeks), weren't fixed right first time, cost too much, didn't work well after repair, too inconvenient to repair, hard to get parts, hard to find repair shop.

Commenting on extended warranties, magazine said they make little economic sense when "most of the premium goes into profits rather than into payments" for repairs.

Also, Consumer Reports' 1994 Buying Guide summarizes brands with best repair records (smallest percentages of repairs required), based on responses of 35,000-231,000 Consumer Reports readers: VCRs, Magnavox and Sylvania, in that order; 13" TVs, JVC, Hitachi, Sears (tie); 19-20" TVs, Panasonic and JVC (tie); 25-27" TVs, JVC and Panasonic (tie); CD players (single play), JVC, Panasonic, Kenwood, Technics, TEAC (tie); CD changers, Sony and Technics (tie); compact camcorders, Sony and Canon; VHS camcorders, Quasar and Panasonic (tie).

**Hanny Magnetics paid \$64 million cash** for Tandy's Memtek products operations and Memorex trademarks (TVD Nov 15 p19) in deal that closed last week. Tandy retains \$60 million in accounts receivable. When transaction was announced, Hanny was to pay partly in cash, partly in notes due 90 and 180 days after closing, but deal was changed to all-cash. Amount of Memtek receivables retained by Tandy also was doubled from previously announced \$30 million. Tandy spokeswoman said new figure is based on "seasonal increase" in receivables. Tandy statement quoted Hanny Exec. Dir. Eugene Kuo as saying deal would give his company "ability to enter the audiovideo tape and certain consumer electronics products businesses with one of the best-recognized trademarks in the world."

**Biggest joint ventures in China**, as listed in special section of Dec. 10 Wall St. Journal: No. 1, Shanghai Volkswagen, 1992 sales 7.1 billion yuan, profit 715 billion. No. 7, Huaqiang Sanyo Electronics, 1.4 billion and 25 million. No. 10, Shenzhen Kangja Electronics (Kong Wah, Hong Kong), 1.213 billion and 120 million. No. 12, Beijing Matsushita Color CRT Co., 1.142 billion and 320 million. No. 18, Fujian Hitachi, 848 million and 47 million. No. 20, Sanyo Electrical Machinery, 675 million and 7 million. In official exchange, 5.8 yuan = \$1.

**Underwriters Labs** has signed agreement with Asociacion Nacional de Normalizacion y Certificacion del Sector Electrico (ANCE) in Mexico to help with safety standards and product certification process. UL and ANCE jointly will operate product testing lab formerly run by govt. in Mexico City. UL will provide manufacturers with data needed to meet Mexico's safety standards. Also, UL reached pact in Quebec making UL mark officially recognized in Canada. UL entered Canada in 1992.



## Consumer Electronics Personals

**Eric (Ric) Halstead**, recently northeast regional vp—Mitsubishi Audiovideo Div., joins Yamaha as eastern regional sales mgr... **Daniel Scanlon** retires Dec. 30 after 31 years at Sony, recently as mgr.—market planning, Sony Electronics... **Charles Palko**, ex-Luskin's, named Fretter vp—merchandising for consumer electronics... **Victor Sholls**, ex-Tandy Name Brand Group pres., appointed exec. vp, mktg., Handy Andy, midwestern home center chain.

**Tom Cumberland**, ex-Luxman and Harman International, joins Soundstream Technologies as dir.—strategic product development, new post, assigned to "spearheading the growth of new and innovative products" for company's Home Electronics Group... New FCC Chmn. **Reed Hundt** delivers keynote speech March 21 at opening ceremonies of NAB convention in Las Vegas... **Osmo Hautanen**, former vp-gen. mgr., Nokia Mobile Phones, in Latin America and S. America, appointed vp-gen. mgr., new Personal Communication Services unit at Dallas-based subsidiary.

Elected by International Tape/Disc Assn. (ITA): Chmn., **Donald Winquist**, Magnavox; pres., **Donald Rushin**; new vps: **James Ringwood**, Maxell; **Donald Patrican**, Polaroid; **Bruce Allan**, Thomson; **Emmet Murphy**, Technicolor Video; European vp, **Andrew Bourne**, Rank Video; treas., **Larry Finley**, Larry Finley Assoc.; exec. vp, **Henry Brief**, ITA; new ITA board members: **Ed Havens**, SKC America; **Robert Loranger**, Loran Audio Cassettes; **Scott Bartlett**, Sony Music; **Timothy Reese**, Du Pont; **F.E. Hull**, International Packaging.

A-Pix Entertainment announced new personnel: **Steven DeMille**, ex-Triboro Entertainment mktg. mgr., as dir.—mktg.; **Anne McKeahan**, ex-Smith Barney Shearson, business affairs; **Marni Goltsman**, former pres., Best Page Forward desktop publisher, mktg. coordinator; **Alicia Reilly**, ex-Social Secretary computer software firm., asst. to pres... Promotions at Cabin Fever Entertainment: **Andrew Chapin** to vp—administration, **Carmen LaRosa** to vp—sales, video/audio; **Susan Steele** joins as contract administrator... **Howard Kropf**, ex-West Coast Video Duplication, named vp, L.A. duplicator Matrix Video... **Marcelle Abraham** promoted to dir.—PR, Buena Vista Home Video.

**Ads & Promotions:** **Saft** will launch series of promotions in 1994 for its rechargeable batteries. "Catch the Action" runs April 1–July 31 offering \$5 rebate on camcorder batteries costing \$49–\$69. Second campaign runs Oct. 15–Jan. 31, 1995, with \$5 and \$10 rebates for camcorder batteries. "Earth Day -- Again & Again" April 1–July 31 has \$1 rebate on 2-packs of AA, AAA, C, D and 9-volt batteries at \$6.99–\$8.99. Meanwhile, **Saft** will introduce Sega Game Gear battery pack at Winter Consumer Electronics Show for delivery in first quarter at \$39.

**Video Magazine** announces "Best Product of Year" awards in 20 hardware and software categories in Jan. issue. In break with past, it honors specific products as "best" in their class, including: Direct-view TV -- ProScan 27" PS27152; Projection TV -- Panasonic 50" 16:9 PT-50WXFT; 8mm Camcorder -- Sharp VL-HL100U Hi8 Viewcam; VHS Camcorder -- Panasonic SVHS AG-455; VCR -- JVC S-VHS HR-S6900. Presentations will be made at reception at Winter Consumer Electronics Show.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
<b>Best Buy</b>			
1993-39 wk. to Nov. 27	1,813,375,000	19,846,000	.98 <sup>a</sup>
1992-39 wk. to Nov. 28	1,006,353,000	9,079,000	.53 <sup>b</sup>
1993-13 wk. to Nov. 27	808,476,000	11,161,000	.52
1992-13 wk. to Nov. 28	474,442,000	5,220,000	.30 <sup>b</sup>
<b>BET Holdings</b>			
1993-qtr. to Oct. 31	23,655,000	3,803,000	.18
1992-qtr. to Oct. 31	17,312,000	2,913,000	.14
<b>Circuit City Stores</b>			
1993-9 mo. to Nov. 30	2,723,679,000	64,657,000	.66
1992-9 mo. to Nov. 30	2,171,517,000	49,466,000	.51 <sup>b</sup>
1993-qtr. to Nov. 30	1,018,051,000	19,460,000	.20
1992-13 wk. to Nov. 29	805,426,000	16,632,000	.17 <sup>b</sup>
<b>Paramount Communications</b>			
1993-6 mo. to Oct. 31	2,743,500,000	217,200,000	1.81
1992-6 mo. to Oct. 31	2,266,400,000	216,700,000	1.82 <sup>a</sup>
1993-qtr. to Oct. 31	1,391,800,000	96,800,000	.80
1992-qtr. to Oct. 31	1,202,500,000	102,400,000	.86 <sup>a</sup>
<b>Silver King Communications</b>			
1993-qtr. to Nov. 30	11,458,000	(2,908,000)	-- <sup>a</sup>
1992-qtr. to Nov. 30	11,538,000	(1,989,000)	--
<b>Tektronix</b>			
1993-26 wk. to Nov. 27	607,235,000	21,186,000	.69
1992-26 wk. to Nov. 28	638,109,000	17,915,000	.60 <sup>c</sup>
1993-13 wk. to Nov. 27	317,165,000	11,455,000	.37
1992-13 wk. to Nov. 28	333,485,000	8,433,000	.28

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

**Matsushita will increase** color TV production 40% to 10 million by 1997 as part of effort to take 10% share of TV business, Dempa newspaper said. Annual overseas production will increase 10% in 1994 to 4.9 million from 4.3 million. Matsushita will move to boost sales of Gao TVs overseas to 500,000 this year, one million in 1994 and double that to 2 million by 1997. TV/VCR combos will be marketed more aggressively overseas in 1994, company said. Overall, Matsushita projected worldwide demand for color TVs would be 87.5 million this year, reaching 100 million by 1997. Company has about 8% share of worldwide TV business.

**EIA is looking for contributions** to defray \$600,000 in expected costs of DAB tests, scheduled to begin Dec. 31 at NASA Lewis Research Center, Cleveland. EIA Engineering Dir. Ralph Justus, in memorandum to members of Digital Radio Subcommittee and National Radio Systems Committee (NRSC) DAB subgroup, said Assn. expects DAB system proponents to shoulder half of testing costs, with rest to come from members of 2 Subcommittees. On latter point, Justus said that "with few exceptions," Subcommittee members "have not yet contributed to the extent anticipated." He didn't specify amount of cash shortfall, but said EIA was seeking contributions from each member in \$10,000–\$40,000 range "to ensure" that testing program is completed. In memo, Justus described start of DAB tests as "critically important." Tests "will examine inherent system quality, performance with impairments and compatibility with existing [radio] services," he said. Under "memorandum of cooperation" signed in March ending 8-month political rift on DAB standardization, EIA and NAB agreed to move oversight of tests on in-band on-channel systems favored by broadcasters over NRSC, although responsibility for tests remains in EIA Subcommittee.



# TELEVISION DIGEST®

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DECEMBER 27, 1993

VOL. 33, NO. 52

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**Gore calls for open communications markets:** Speech outlines policy positions Administration has offered in past papers. Most reaction favorable. (P. 1)

**NBC wins rights to AFC games,** after CBS loses Sun. NFC to Fox's \$1.58-billion bid. ABC Mon. night contract renewed. TNT and ESPN keep Sun. night games. (P. 3)

**Paramount board recommends QVC offer,** but analysts say fight with Viacom for control of company is far from over. Both can increase offers. (P. 3)

**Public interest groups ask for study of TV commercial practices,** charging repeal of time standards in 1984 opened 'floodgates' to overcommercialization. (P. 4)

**Response to antiviolence bills set:** Media groups to oppose TV censorship in campaign starting when Congress returns. Legislating of 'culture and values' fought. (P. 5)

**DBS operators in final stretch:** After successful launch of satellite, they turn to issues on ground including decoders, programming, marketing. (P. 5)

**Publishing model for PBS suggested by Ottenhoff.** Multidistribution seen as one of few options for boosting revenues for programming. (P. 6)

**International PTV venture supported** in study, if key funding, other issues can be resolved. (P. 7)

**Gore outlines Clinton's telecommunications goals:** Vice President Gore opened Administration's campaign for changes in telecommunications regulation Dec. 21 by announcing that President Clinton "will support removal over time and under appropriate conditions of judicial restrictions on all types of telecommunications companies -- cable, telephone, utilities, television and satellites." At same time, Gore said Administration would "steer a course between the shoals of suffocating regulation on one side and the rocks of unfettered monopolies on the other."

In address at National Press Club in Washington, Gore stayed generally at broad policy level, saying more details would be revealed in his speech Jan. 11 in L.A. and in Administration legislative package promised for end of Jan. Press Club speech wrapped up many themes Administration has expressed in last few months in position papers and in comments by policy-makers at assorted conventions, panels, workshops.

Gore also reached out to key congressional leaders, making specific note of bills: (1) HR-3626, introduced by House Judiciary Committee Chmn. Brooks (D-Tex.) and Commerce Committee Chmn. Dingell (D-Mich.), to set conditions on lifting of MFJ rules. (2) HR-3636, by House Telecom Subcommittee Chmn. Markey (D-Mass.) and Rep. Fields (R-Tex.), along with Reps. Boucher (D-Va.) and Oxley (R-O.), to open

### Consumer Electronics

**Another CES--in Mexico** announced by EIA. Will be in Mexico City Oct. 4-6 on much smaller scale than Brazil version, with outside producer. (P. 9)

**Game ratings meeting set for CES,** although role of Software Publishers Assn. is questioned by some who remember 1990 battle on game rental bill. (P. 10)

**Far East shrinks as source** of color TV as Mexico increases dominance. Only 35% of sets came from Orient in Jan.-Oct., Commerce Dept. says. (P. 11)

**Goldstar 8mm-VHS deck coming to U.S.** in April, but Go-Video says it will challenge it as patent infringer, ask ITC to block importation. (P. 12)

**Trinitron/VCR combos** -- not from Sony, but from Aiwa -- to be displayed at CES in 13" and 20", scheduled for delivery in Feb. and May. (P. 12)

**JVC unveils Sega-compatible** combo to hit market in spring at \$499. Stepup features to make it integral part of home entertainment package, JVC says. (P. 13)

**Can France compete with China?** Head of new British firm buying French Grundig thinks it can, plans 13" and 20" low-cost sets, satellite receivers. (P. 13)

**Analog DCC hardware** seen designed as 'future-proof' product, even if system fails as digital medium. (P. 14)



local competition and lift cable-telco cross-ownership ban. (3) S-1086, by Sens. Danforth (R-Mo.) and Inouye (D-Hawaii), that combines elements of both House bills. Gore said Administration has started talks with lawmakers on bills, will continue.

Goal is to create widely accessible network in which consumers would be sources of information as well as receivers, Gore said. He said that could be achieved through lifting of many legal restrictions and imposition of tight rules allowing access to whatever networks information suppliers choose at affordable rates. Problem with today's system, Gore said, is that "the 2-lane information roads built for telephone service are no longer adequate."

"Fast and flexible" information network is needed for U.S. to have continued economic growth, Gore said: "There are obstacles that lie in our path. Many of them are there in the system we have created over the last 60 years. Systems of regulation that made sense when telephones were one thing and cable another may simply limit competition in a world in which all information can flow interchangeably over the same conduits."

New network of highways that Administration envisions would be governed by 5 principles, Gore said: (1) It would be financed by private investment, which Administration has said before. (2) Network would "promote and protect competition," making certain there were no bottlenecks or "unfair cross-subsidies" that could lead to monopoly control. That standard would apply to RHCs as well as to cable companies, Gore said. (3) Open access to network would be provided at "fair and equitable price." Without open access, Gore said: "Companies that own the networks could... ensure that their customers only have access to their programming. We have already seen cases where cable company owners have used their monopoly control... to exclude programming that competes with their own programming. Our legislation will contain strong safeguards against such behavior." He endorsed concept of "open platform" for network advocated by Electronic Frontier Foundation.

(4) There would be no division of information "have's" and "have-nots." Gore said competition should lower price for services while expanding new services, although "regulatory safety net" still would be needed. In particular, he said, schools shouldn't be "most impoverished institution" in society when it comes to access to information. "We cannot relax restrictions from legislation and judicial decisions without strong commitments and safeguards that there will be a public right of way on the information highway." (5) Network should "encourage flexibility" in services and regulation.

Gore declined to reply to question from audience on Bell Atlantic/TCI merger, saying Administration wouldn't interfere with analysis of deal conducted by Justice Dept.

Nynex Vp Thomas Tauke said speech generally reflected industry consensus that has emerged over last 18 months on issues such as opening local loop. Although some telcos still object, most believe that path will have to be taken, he said. Tauke said that beyond general principles Gore outlined, key issues yet to be decided are timing of transition from current regulatory structure, expansion of universal service concept to include broadband technology and public interest considerations (and who will pay for it), move to regulatory parity.

AT&T said it supported principles outlined by Gore. Company was "pleased" that Administration "sees private industry, and not the government, as the catalyst for ensuring" that benefits of advanced services reach public. Fact that industry "is still operating under policies that in many ways look backward rather than forward" must change, as Gore suggested, AT&T said. Administration can ensure that public gets full benefit of advanced services by "eliminating existing subsidies and directing explicit subsidies only to those who need them" to gain access to new services, company said.

Boucher also praised speech, saying he was "gratified" Gore supported his legislation. He said recent increases in cable rates had "a great effect on lawmakers" and Administration. "The conduct of many cable companies has been outrageous," Boucher said. Cable companies "have shamefully raised their rates, gouged customers by restructuring their service offerings and then blamed it all on the federal government," he said. "These practices are clearly unacceptable, and our legislation is the proper response."

NCTA Acting Pres. Decker Anstrom hailed Gore's comments as "solid, comprehensive principles" that should help "pave the way" for infrastructure. He said cable systems "hope to be a major component." CATA Pres. Stephen Effros said that "apparently the Vice President wasn't briefed" on cable industry's actions in providing free service to schools when he discussed education. Effros cited industry's "Cable in



the Classroom" that he said has wired more than 62,000 schools with "commercial-free, copyright-cleared educational programming," and he invited competitors, including telcos, "to join us in similar efforts."

USTA Vp-Govt. & Public Relations Ward White said Administration "obviously understands the changing nature of the telecommunications marketplace." Any legislative or regulatory initiatives "must take into account the impact of competition on universal service," he said. White also said he was sending letter to FCC Chmn. Hundt "urging him to act on a long-pending proposal" that would allow rural telephone companies to offer cable.

**CBS LEFT ON BENCH IN NFL TV BIDDING:** With renewal of NBC TV rights to American Football Conference (AFC) Sun. afternoon games, parent National Football League (NFL) will receive record of about \$4.5 billion over next 4 years from ABC, ESPN, Fox TV Network, NBC, TNT. Left on bench is CBS after 38 years of carrying NFL games (later National Football Conference after merger of 2 leagues in 1970).

CBS was outbid for NFC games by Fox, then Dec. 20 lost to NBC for AFC games even though CBS bid of nearly \$1 billion for 4 years topped NBC's bid of \$868 million (\$217 million per year). In current 4-year contract that ends with 1994 Super Bowl in Jan., NFL is being paid \$3.6 billion, with new contract about 20% increase. New contract will pay each NFC team about \$39.2 million per season, vs. \$32.5 million for last 4 years. Fox is paying \$1.58 billion for next 4 years of NFC Sun. games, ABC \$1.09 billion for Mon. night games. TNT (paying \$496 million) and ESPN (\$524 million) renewed their rights for Sun. night games, with ESPN getting additional weekly Thurs. night game.

Sources said NFL stuck with NBC because of "gentlemen's agreement" made before CBS put in its higher bid after it had lost rights to NFC games to Fox. CBS said "we are profoundly disappointed." Network said that over years, it had worked "with creativity and enthusiasm to make our coverage of the NFC the industry standard. We made more than a reasonable effort to continue our NFC relationship but there was no way we could match the competing offer" by Fox.

Fox CEO Rupert Murdoch said: "We will bring to [NFC coverage] our unique, high-energy perspective in creating a new and better viewing experience... We regard this NFC franchise as the crown jewel of all sports... and will give it our complete commitment... It makes us a network in the real sense of the word... You can have 500 channels but no one will have this but Fox." Meanwhile, Fox started preparing immediately for its takeover of NFC telecasts next fall. Company hired David Hill, pres. of Sky Sports in U.K., as pres. of newly formed Fox Sports. He'll be responsible for creating Sports Div.

**PARAMOUNT BOARD FAVORS QVC BID:** QVC won biggest round yet in battle with Viacom for control of Paramount Communications as Paramount board, after 2 days of meetings, recommended to shareholders Dec. 22 that they accept QVC's increased offer of \$10-billion plus. Viacom also made new bid, terms not disclosed. Companies have been battling over Paramount for more than 3 months, with QVC winning 2 decisions in Del. courts that resulted in new round of bidding (TVD Dec 13 p5).

Viacom has right to submit counteroffer, under rules set by Paramount board, and N.Y. analysts expect it to do so. Viacom's latest public bid was for \$9.6 billion. Paramount originally signed merger agreement with Viacom in Sept. despite higher bid pending from QVC. That was deal negated by Del. court. Trading in shares of all 3 companies was halted afternoon of Dec. 22 with Paramount unchanged at \$80.25; Viacom class A stock was up \$4.62 to \$54.50, class B up \$4.12 to \$49.25; QVC was down 75¢ to \$41.25.

Wall St. Journal said Viacom has asked for more time to submit new bid and expects increased support from Nynex, which already had pledged \$1.2 billion. QVC also reserved right to submit higher bid, so battle isn't over. Under Paramount board rules, each side must keep its latest offer open for 10 days and either Viacom or QVC can submit counter bid during that period.

**BellSouth (BS) filed 2nd suit** seeking to overturn federal ban on cable-telco cross-ownership, this one last week in U.S. Dist. Court, Birmingham, Ala. It filed first suit Dec. 15 in U.S. Dist. Court, Nashville. New case echoes first, alleging certain provisions of Cable Act are unconstitutional because they violate BellSouth's rights to free speech. If successful, BS said, it will offer video dial tone in Birmingham suburb of Vestavia Hills and will overbuild local telephone system. It said its new company, Interactive Media Services, would carry programming, which also would be available to other providers. BS officials appeared before Vestavia Hills City Council Dec. 20 asking for permission to provide cable services. Council adopted resolution "expressing its intent to process" BS application for authority to provide competitive cable if suit is successful, company said. It filed 2nd suit "rather than lose time waiting for the outcome of the first," spokesman said. "We didn't want to take a chance that a [favorable] ruling in one federal jurisdiction would automatically carry over to another."

**Pacific Telesis** filed video dial tone applications with FCC Dec. 20 to introduce service in L.A., Orange County, San Diego and San Francisco by end of 1996. Service would cover 1.3 million homes, with construction starting in 1994 2nd quarter. Pacific Telesis said it's proposing "unique channel allocation that will allow for a number of video competitors."



**FCC STUDY OF TV AD PRACTICES SOUGHT:** FCC should conduct study of commercial practices of TV stations, 4 public interest groups said in response to Commission's inquiry into whether it should reinstate commercial limitations. Earlier rules were repealed in 1984. On other hand, broadcasters told agency that it should rely on marketplace to control commercial practices and that reinstitution of time standards would violate First Amendment and would be unfair because commercial time on cable isn't regulated.

Public interest groups -- Center for the Study of Commercialism, Center for Media Education, Consumer Federation of America and United Church of Christ -- charged that FCC's repeal of commercial limits (generally 12 min. per hour) had opened "floodgates to the excess of commercial matter which is being broadcast today. The Commission's rationale for dropping the limits [marketplace forces] has not proven correct."

Commission also was asked by groups to: (1) Require broadcasters to open records to public. (2) Update sponsorship identification rules on infomercials and product placements "to require meaningful public disclosure." (3) Revise definition of program-length commercials directed to children. "Product placement in programs has become a big business," groups told FCC. "Product-related programs for children, which were unheard-of before the 1980s, have squeezed out other programming for children."

In "joint parties" filing, Station Reps Assn. (SRA) and 5 group owners said it's "vitally important that the FCC avoid eroding the one video service available free to all Americans by imposing needless, inherently unfair regulations that would stifle competition, innovation and free speech." When it abolished informal time standard curbs, FCC said that costs of govt. intervention were unnecessary and unjustified in view of safeguards provided by competition, and that "cogent cost-benefit regulatory analysis remains just as valid today," parties said. "The FCC does not identify in its [inquiry] any development which it classifies, even on a tentative basis, as a commercial excess or abuse" by TV stations. Signing petition, in addition to SRA, were Chronicle Bestg., LIN Bestg., Midwest TV, Providence Journal, Spartan Radiocasting.

NAB told FCC that reimposition of time limits on ads would give unfair advantage to cable over TV stations because cable would have no such restraints. Commission should continue to rely on market to curb excessive commercials, NAB said, and rules can't be readopted unless agency shows that deregulation has failed. Assn. said TV advertising serves "a particularly important public purpose" because it pays for free, over-air TV. Also, it said, development of infomercials "has advanced the public interest by providing consumers with more information about product choices than other types of advertising."

INTV said restrictions "would have devastating and lasting effects not only on broadcasters but also on the millions of Americans who rely on this form of free speech. It is competition, not rules, that is the most effective regulator of commercial time... A broadcaster will tread no less carefully when subject to the economic penalties of the marketplace as when subject to discipline from the Commission." INTV also said renewed restrictions on TV advertising would give unfair advantage to cable and, like NAB, it charged that time limits would violate First Amendment.

In joint filing, Meredith Corp. and Northstar TV Group said limits on TV ads are "unnecessary and unconstitutional..."

superfluous and trespass on the First Amendment..." Rationale behind 1984 deregulation "remains valid," they said, and "level of competition in the video marketplace makes redundant the proposed time limits." Filing submitted data to show that, on average, TV stations air fewer commercials per hour than was allowed (12 min. per hour) under old rules and "significantly fewer minutes than cable networks, which are not under threat of regulation." Said Meredith Pres. Philip Jones: "The FCC has no business second-guessing a decision that the video marketplace has already made. American television viewers will not tolerate overbearing commercial intrusions in the programming they receive and advertisers won't buy time on overbooked shows."

In another joint filing, 23 state broadcaster associations said earlier rules were eliminated "for a variety of sound reasons," and "forbearance is even more compelling today." Elimination of 1984 rules "and other events have led to explosive growth, not only in the number of TV stations, but also in the number of other competitors in the video marketplace..."

Community Bestrs. Assn. (CBA) said that "in today's extremely competitive video services environment, there is no need for governmental regulatory intervention."

**GTE filed stay request** Dec. 17 with 9th U.S. Appeals Court, San Francisco, asking that company be allowed to continue operating cable system in Cerritos, Cal., until court rules on earlier GTE petition challenging cross-ownership ban. Move came after FCC denied similar request Dec. 6, which stemmed from Nov. 9 decision to rescind its waiver of ban for Cerritos project, on ground company had "failed to demonstrate it would suffer irreparable harm." FCC's action "doesn't make sense" because court has yet to rule on issue, said Geoff Gould, GTE vp-regulatory and govt. affairs. Pending court decision, GTE must present to FCC plan to comply with cross-ownership rules by Jan. 10.

**Ninth U.S. Appeals Court**, San Francisco, has denied request by Hollywood programming coalition for stay of L.A. Dist. Court ruling repealing consent decrees signed by Big 3 networks with Justice Dept. pending decision by same Circuit on appeals. At same time, Appeals Court granted motion to combine 6 appeals, saying they would be "briefed and heard together." First briefs (by appellants) are due March 7, responses April 4. Case is important because FCC's new finsyn rules are due to sunset 2 years after consent decrees expire.

**ACS Enterprises**, Philadelphia wireless cable operator, said it will acquire Cleveland-based MetroTEN for \$16 million. ACS estimated that MetroTEN's wireless reach extends to 750,000 line-of-sight households out of one million in signal range, with about 13,000 current MetroTEN subscribers. Deal is subject to completion of due diligence and financing arrangements, for which ACS sold 150,000 shares of unregistered common stock to Del. Group Trend Fund for \$1,890,000 to pay for \$1 million escrow deposit.

**Ariane rocket** successfully placed Hughes/U.S. Satellite Bestg. DBS and Thaicom I satellite into geostationary transfer orbits Dec. 17. Service from DBS-1 is scheduled to begin in April from 101° W. Hughes and USSB own transponders on DBS-1, and each will offer programming packages, including financing of user premises hardware, at price close to typical monthly cable bill, companies said.

**Public TV's 1994 annual meeting** will be June 3-7, Marriott World Center Hotel, Orlando -- 703-739-5001.



**RESPONSE TO ANTIVIOLENCE BILLS:** Opponents of legislation to curb violence on TV have been largely silent up to now as congressional sponsors of bills to deal with problem, and their supporters, have taken center stage. That's expected to change next month after Congress returns from winter recess when full-fledged opposition will attack measures while urging industry to find voluntary solution.

About 50 groups, expected to include broadcasters, publishers and others under umbrella of N.Y.-based Media Coalition, are planning to make their First Amendment concerns heard. Groups are planning full-page ads, as well as news conference in Washington, to make point that violence-related bills have expanded from original intent and now are threatening constitutional rights. Group's "Statement of Principles on TV Violence Legislation" acknowledges concerns on "rising tide of violence" and that its members "share a desire for actions that will make a difference." However, it said: "We do not support government restrictions or mandates that could limit television content. Indeed, we view all of the current legislation on TV violence, however well intentioned, as steps toward censorship which infringe upon the First Amendment right to free speech, and urge lawmakers and the Administration to abandon pursuit of them."

Debate so far on violence on TV demonstrates "many of the difficulties and dangers inherent in government action," group said: "Already the debate has moved far beyond the protection of children from 'gratuitous' TV violence. While policy-makers raised this concern initially, in recent weeks the debate has expanded to include concerns about sex and language, as well as the satiric treatment of violence, soap operas, TV talk shows and news." Calls for govt. intervention have turned "legitimate and important dialog" about violence into "a vehicle for legislating taste, culture and values." Media Coalition warned: "As threatening as violence in our society is, we cannot allow fear and the urgent need for action to erode free speech, the most fundamental freedom upon which our nation was founded." It will urge cable and broadcast programmers, TV stations, film producers, videogame makers and others to eliminate gratuitous violence and "safeguard our essential freedoms at the same time."

First Amendment concerns have become staple of debate on violence-related legislation. Any lawmaker who proposes bill in violence area is asked about issue, and generally responds that it's within traditional First Amendment restrictions. In some cases, such as proposal by Sen. Dorgan (D-N.D.) for FCC to issue quarterly report card on violence, he contends bill has no First Amendment implications. Supporters of technological control over TV violence, such as "V chip," say proposal would give parents more rights over what children watch.

**Limits may be needed** on amount of investment foreign purchasers can make in U.S. cable systems, House Telecom Subcommittee Chmn. Markey (D-Mass.) said. In Dec. 23 letter to Jones Intercable Chmn. Glenn Jones, Markey said Bell Canada's purchase of 30% of Jones "raises serious policy issues regarding foreign investment in and control of the U.S. telecommunications infrastructure." Markey said that foreign ownership in broadcasting and telephone properties generally is limited to 20-25%, but that if foreign investors are prepared to make greater investments in cable, "limits will be needed." He said same rules should apply to cable as to telephone and broadcasting. Markey asked Jones to reply by Jan. 10 to questions on deal, including letters of intent, potential collaborations, etc.

**APRIL DBS DEBUT FIRMING UP:** Reality of American DBS is step nearer after successful launch of Hughes DirecTV (HD) and U.S. Satellite Bestg. (USSB) DBS-1 satellite. Companies said they were confident service will begin in April as planned. However, several issues must be resolved first, including development of in-home hardware, installations, programming agreements, marketing plans, finalization of business structure.

Conceding that development of crucial encoder and uplink systems is "behind schedule," Thomson Consumer Electronics (TCE) officials expressed confidence that company would meet April target for delivery of Direct Satellite System (DSS) hardware to retail. Encoders, being developed by Compression Labs (CLI), were to be ready for one-month beta testing by Nov.-Dec., but start has been pushed back to Jan., TCE said.

Test most likely will be in U.S. Southeast or Southwest, sources said. "To be honest, this assignment has proved to be much more difficult than originally projected, and as of today we're behind," James Meyer, TCE senior vp-product management, said at recent N.Y. news conference. DirecTV spokesman said of delay: "There are some things that should have been done by now, but that will not affect the start of service in April."

Meyer said Hughes and Thomson are devoting "significant new resources" to encoder problem and CLI has tripled staff on project. Problem has been "primarily a planning issue," said spokeswoman for DirecTV, which is working with Thomson and USSB. Meyer said: "There has been no one specific area. I think CLI may have underestimated the complexities of it, but we had a lot of margin built in so the dates remain unchanged."

Price will be \$699 for integrated receiver decoder (IRD), dish, low-noise blocker (LNB) and remote, and \$899 with dual output LNB and universal remote for additional sets. Although IRDs will be equipped from start with MPEG-2 decoders, first transmissions will be encoded in MPEG-1 and upgraded to MPEG-2 in late 1994, Thomson officials said. They stressed that transition would be transparent to consumers.

DirecTV has "just about filled" all 55 channels available on its 11 transponders on DBS-1, spokesman said, while USSB official said company has filled all but 2 of 25 channels on its 5 transponders. DirecTV spokesman said company now is concentrating on 3 areas: (1) Finalizing programming arrangements. (2) Testing business infrastructure, including billing, telemarketing, etc. (3) Resolving marketing and distribution. He said DirecTV is considering offering SMATV-like service to apartment buildings in 2nd year. Now that satellite is in orbit, USSB spokesman said, "most important thing is bringing the product to market."

**Video Games Challenge** interactive home program will be aired Dec. 27 on 4 Paramount-owned stations -- WDCA-TV Washington, KTXA Ft. Worth-Dallas, KTXH Houston, WTXF Philadelphia. Program will permit viewers to win prizes by using Touch-Tone phones. Similar program has been airing in Europe for 2 years. Meanwhile, FutureVision of America said it will test Big Entertainment's interactive comic strip on digital fiber network being deployed in Dover Twp., N.J., by N.J. Bell.

**Chronicle Publishing** of San Francisco said it's putting Cable Div., Western Communications, on market for about \$750 million. Western has 321,925 subscribers in Cal., Hawaii, N.M.



**PBS 'PUBLISHING MODEL' URGED:** Future "publishing model" for organizing PBS program development was suggested by Exec. Vp-COO Robert Ottenhoff at last month's public TV (PTV) PTV fall planning meeting. He urged station managers and others to "break [the] mold and start thinking of broadcasting as just one of the many possible pathways to end users." While stressing that plan is simply idea meant to spur discussion, Ottenhoff suggested that 5 or more years from now PBS be organized "around intellectual content, independent of the eventual distribution modes. Instead of a chief program executive, we should have a chief editorial executive. In this design, the starting place is a piece of intellectual property rather than a TV show."

Speech came amid apparent growing support for restructuring of PTV, particularly among its national organizations. Recent developments include: (1) Establishment of "business consulting teams" to help PTV stations become integral local institutions and upgrading to full-service telecommunications providers. (2) Proposal for "public bandwidth" on all technologies for possible legislation next year. (3) Ad hoc station managers' group to "better articulate what services stations will need in the future and which of those services PBS ought to provide."

Under "publishing" approach, PBS's Ottenhoff said: "Instead of thinking solely about television programs, you start with a sound idea -- for example, a carefully researched and well-written story about the Great Depression -- and then figure out how many different ways the value of the intellectual property can be exploited, in the best sense of the word." In addition to creating TV show, he said, model could result in development of home video, CD-ROM, radio series, audiovisual version, revised edition for high schools, adult learning, trade book, textbooks, board game. He compared approach with recent National Geographic Society focus on water, which spawned PTV special, radio co-production with NPR, major magazine section.

Ottenhoff stressed in interview that approach would apply to limited number of projects, and that majority of PBS projects probably would continue only as broadcast series. He also emphasized that proposed new approach would be "moot" unless PTV system decides how to fund adequately PBS's signature National Program Service.

PTV has limited resources for multimedia approach, Ottenhoff said, but he saw it as "a direction we need to head in." By contrast, he saw no prospect for "major" increases in station fees and, in terms of corporate underwriting, said NPS producers "are still many millions shy of the \$60 million in [such funding] it will take just to maintain our 2-dozen continuing series". He saw reexamination of national underwriting credits -- presumably with eye toward possible liberalization -- as "surely a Pandora's box."

**Satellite Bcstg. & Communications Assn. (SBCA)** said registration of SkyTrends, SkyReport and SkyForum marks are under way. SkyTrends will replace SkyData name for market research and information distribution. SBCA said SkyTrends will develop database on industry activities. Database will collect monthly data on Direct-to-Home (DTH) business, report findings monthly in SkyReport, newsletter to be produced by SkyTrends and Media Business Corp. SBCA said name SkyForum will be used for DTH business conferences. First SkyForum, March 15 at N.Y. Sheraton, will consist of 5 seminars aimed at financial and investment community.

**Quotes from FCC Chmn. Hundt** at his first breakfast with reporters Dec. 22: "I love this job. This is absolutely great. I'm having a good time." Implementing Cable Act is "an important and interesting task." FCC "is a newswriters' gold mine." He's seeking "true competition in mobile telephony," and PCS "offers the opportunity for true, vigorous competition." Hundt praised fellow commissioners, said ex-Chmn. Quello "has been like a father to me... giving parental advice since last summer." Hundt said he spends at least hour each day on "walkarounds" to FCC offices and had visited 19 of 25 floors in FCC buildings (he added 2 same day as press breakfast). Since being sworn in 3 weeks ago, Hundt had avoided sessions with lobbyists and licensees but last week began such meetings (NAB was in Dec. 22). Of Vice President Gore's speech (see separate story, this issue) at National Press Club on informational superhighway, Hundt said: "I didn't hear any message to the FCC." Chmn. introduced staffers he has added to FCC, plus holdover office and bureau chiefs, confirmed for first time publicly that Roy Stewart would remain as chief of scaled-down Mass Media Bureau, which will lose Cable Div. after latter becomes bureau, pending approval by Congress. Making much of formation of Cable Bureau, to be headed by Alexandra Wilson on acting basis, Hundt said proposal by Comr. Duggan for formation of Mobile Services Bureau (to include MMDS, ITFS and similar services) is on hold until Cable Bureau is up and running. But, he said, that doesn't mean he's against such bureau.

**FCC should establish** rules on access to nonterminated in-home cable wiring because current absence of rules "leaves the door open to anticompetitive conduct" and gives existing cable company "monopoly" over its use, INTV said in filing Dec. 21. Although Commission allows competitors to use wires if subscriber terminates existing service, INTV suggested those rules be extended to time of installation to "remove a great barrier to entry into the market: wiring an already wired home." Cable companies' sole access to wires already gives them "great advantage," INTV said, and "to allow them monopoly control over the existing wires makes their advantage insurmountable." Citing FCC's Cable Home Wiring Order, INTV said that 1992 Cable Act's "time constraints" didn't give agency enough time to "properly address this issue... It is clear from the order that it was lack of time rather than lack of interest."

**Hindu social reform group** launched campaign Dec. 18 against what it called invasion of Indian homes by sex-and-violence culture beamed by western TV networks, wire reports said. Reuters said 100 members of reformist National Aryan Youth Council, shouting slogans against western TV, were stopped by police while marching to Parliament in New Delhi. Protest came week after newspaper reported killing of 3 people in Calcutta by teenagers who had watched American program showing similar incident. Group's spokesman asked: "If the small city-state of Singapore can ban satellite and cable TV, why can't the mighty sovereign government of India stop this onslaught?"

**FCC's program access** rules may be "fatally flawed" because they fail to say that wireless cable and other multichannel service providers have standing to file complaints, Wireless Cable Assn. (WCA) said in petition for reconsideration (MM 92-265). Rules are silent on who has standing, WCA said, but "an argument can be made that the new rules... limit standing to programmers... Logic dictates, and history has proven, that if an MSO has sufficient market power over a programmer to coerce exclusivity, the MSO will be able to employ the same market power to coerce that programmer's silence."



**PUBLIC TV LOOKS ABROAD:** Prospective international feed of U.S. public TV (PTV) regional and local programming is "appropriate, timely and useful," said CPB-commissioned feasibility study conducted by Neb. Educational Telecommunications (NET) and Central Educational Network (CEN). Hundred-page report, recently submitted to Corp., said there's "sufficient high-quality" programming from such sources to mount service, called Heartland USA, which would consist of 6-hour program blocks offered 4 times daily.

Project "is especially timely," study said, because "countries around the world are exploring the democratic form of government, and a nonintrusive way of sharing America's experience of a dynamic, ever-changing democracy might be very well accepted; American culture, business and life-styles are of interest around the world; technological changes are on the horizon which will make distribution of an international service financially and technically feasible; public television has the programming available to share; and there are several funding options that could be developed for long-term support."

CPB recently approved 2nd-stage funding for NET/CEN to develop 15-min. videotape and other marketing materials to better gauge interest in Heartland. CPB management informed board recently that in addition to marketing service to potential funders and internally within PTV, 2nd phase of project will include development of "a detailed prototype service, including potential [rights] stepup costs, rights acquisitions, interstitial materials development, marketing and staffing." Management also said that "further study will be needed to determine how much revenue such a service could generate."

Meanwhile, preliminary finding of separate study on feasibility of U.S. public broadcasting co-productions with newly independent broadcasters in Eastern and Central Europe is that there's "a crying need" in region for such programming and related training, consultant Michael Pack said. Key issue, Pack suggested, is finding funding to pursue such ventures since media in region have little capital. He suggested examining ways to tap such unconventional funding sources as \$6 billion in technical assistance expended annually by U.S. govt. Pack said U.S. is looking for nongovernmental mechanisms to aid development of democracy in region. Constraints would be attached to some direct govt. funding, he said, noting that support from USIA by law would preclude airing of resulting programming in U.S.

At CPB board meeting earlier this month at which both studies were discussed, member Victor Gold again questioned CPB mandate to pursue international activities. CPB Pres. Richard Carlson acknowledged that Corp. didn't have specific mandate in area, but said it wasn't precluded by law and that "number of" members of Congress are aware of Corp.'s interests in area. Earlier this year, CPB proposed consolidation of U.S. govt.-funded international broadcasting activities under CPB.

**Continental Cablevision** told FCC that it shouldn't set rules for competitive access to in-home cable wiring before cable service is terminated. Rules would be outside scope of 1992 Cable Act, company said, and would "implicate a complex set of ownership issues" that don't arise as long as rules apply only after termination of cable service, as currently. Rules also would "substantially expand... theft-of-service problems," Continental said, adding that petition to establish rules is "blatant attempt to rewrite" Cable Act.

**Public TV is developing proposal** for mandated "public bandwidth" on "information superhighway" and all new communications technologies. Phrase was coined by incoming PBS Pres. Ervin Duggan in speech to regional PTV group 2 months ago. Representing APTS at recent NTIA universal service hearing in Albuquerque, KNME-TV Albuquerque Gen. Mgr. Jon Cooper said purpose of proposal "will be to assure a toll-free place on the information highway for public television programming and services and for comparable video, voice and data services provided by other government-supported nonprofit institutions like public schools and libraries." Plan "will assure a certain minimum capacity at an affordable price for services originated from these institutions," he said. Cooper stressed need for govt. help, saying "nonprofit public interest groups and their audiences will not have affordable access to a base level of educational services without government intervention."

**Distribution of radio programs** via Internet is planned on trial basis by Canadian Bestg. Corp. (CBC). Working with New Best. Services Lab of Canada's Communications Research Centre and Industry Canada's Communications Development Planning Branch, CBC will store shows as 8-bit, 8-kHz audio files that Internet users can access on demand. Programs will be split into segments so that small portions can be downloaded. Test involves Stories for Christmas with Fireside AI and The Idea of Canada, as well as samples of weekly series Quirks & Quarks, Sunday Morning, Basic Black. List of CBC products will be available via Internet, it said, as will complete transcripts of Idea program. "More programs will be added," it said. CBC solicited feedback on test at Internet address [cbc@debra.dgbt.doc.ca](mailto:cbc@debra.dgbt.doc.ca).

**FCC gave 3 companies** early Christmas present Dec. 23, awarding American Personal Communications (APC), Cox Enterprises and Omnipoint Communications pioneer's preferences for 2-GHz PCS. Commission turned down 47 others. Each company was awarded prized 30-MHz block A license in Major Trading Area (MTA). MTA 30-MHz licenses are expected to bring highest bids when Commission auctions PCS spectrum next year. In related action, FCC said it would continue to apply its existing preference rules to 3 proceedings in which it has issued tentative decisions. Decisions were 3-0 (Comrs. Quello, Barrett and Duggan), with Chmn. Hundt not participating.

**CableLabs plans** to fill 9 new positions: Mgr.-telecommunications projects, mgr.-wireless data projects, engineer-video and telephony, engineering aide, project dir.-network operations, project mgr.-software architecture-related projects, asst. publications editor, 2 administrative assts. Current vacancies: RF and digital signal processing engineer, project mgr.-multimedia projects, administrative asst.

**Lebanese President Elias Hrawi** and Prime Minister Rafik al-Hariri reportedly have reached compromise on bill to regulate satellite-transmitted programming by Lebanese TV stations. They agreed that state-run Tele-Liban would have right to transmit via satellite to Arab countries and that Hariri-owned Future TV would stop broadcasting to Gulf Arab countries via Arabsat.

**Newspaper advertising** totaled \$7.68 billion for 3rd quarter 1993, up 2.9% from 1992, Newspaper Assn. of America (NAA) reported. NAA COO Len Forman said: "We are pleased with the continued recovery of newspaper advertising... We could expect around 4% growth for the year."



## Personals

ABC News Pres. **Roone Arledge** will be inducted into NAB Bestg. Hall of Fame March 21 during NAB convention in Las Vegas; receiving NAB Engineering Achievement Awards at convention will be **Thomas Vaughn**, pres. of PESA Micro Communications, and **Charles Morgan**, senior vp-engineering, Susquehanna Radio... Promotions at KTVT Ft. Worth-Dallas: **Brian Jones** to station mgr., **Max Robinson** to national sales mgr... **Steve Barbour** advanced to vp-southeast sales, MGM TV... **Jerry Offsay**, ex-ABC Productions, named pres.-programming, Showtime Networks... **Kim Pressman**, Price Communications senior vp, elected to board.

**Pat Griffin**, former aide to Sen. Byrd (D-W.Va.), named President Clinton's chief Capitol Hill lobbyist... Appointed by USIA Dir. **Joseph Duffey** to panel to advise on Radio & TV Marti: **Robert Leiken**, exec. dir.; **Peter Straus**, chmn.; **William Doherty** and **Sydney Lipset**, members... **Harold McCombs** named of counsel in Washington office of Duncan, Weinberg, Miller & Pembroke law firm... **Peter Katz**, MCA Universal Pictures senior vp, appointed exec. vp-mktg... **Jeffrey Mortensen**, ex-Advertising Development Group, named Adam & Eve Channel vp-sales and mktg.-eastern region.

**Richard Shiben**, chief of Land Mobile & Microwave Div. of FCC Private Radio Bureau, retires Jan. 3 after 31 years at Commission; he spent most of his career in old Best. Bureau and in 1979-1981 was its chief... **Eric Krauss** promoted to treas., Continental Cablevision, succeeding **Nancy Hawthorne**, now chief financial officer... **Hillel Gedrich**, ex-Time-Life Video, appointed dir.-legal and business affairs, Arts & Entertainment Network... **William Schereck** promoted to exec. vp, QVC International... **Jerome Kern**, senior partner in law firm Baker & Botts and principal outside counsel for TCI, appointed to TCI board... **Frank Pereira**, ex-U S West, named group vp-mktg., Jones Intercable... Gannett promotes senior legal counsels **Kristin Kent** and **Barbara Hall** and Labor Relations Dir. **Wendell VanLare** to vps... Advancements at Saban Entertainment: **Peter Schmid** to vp-gen. sales mgr., **Mark Lieber** to vp-cable/syndication sales.

**Larry Moscow**, CNBC Washington bureau chief, named dir.-news programming, NBC, succeeding **Beth Tilson**, now vp-programming, NBC's planned cable channel America's Talking... **Carl Vassia** promoted to product mgr.-digital audio, Jerrold... **Robert Allbritton** elected to boards of Allbritton Communications and parent Perpetual Corp... **Richard Taylor**, ex-Warner Cable, and **Sidney Topol**, Topol Group Inc., elected to board, Primestar Partners.

**Jeffrey Hoagg** resigns as special adviser to FCC Comr. **Barrett** after less than 8 months to return to telecommunications staff of N.Y. PSC... **David Needham** promoted to gen. mgr., KFAA Rogers, Ark... **Steve Richer**, ex-WVUE New Orleans, appointed news dir., KATC Lafayette, La... **Alexander Yakovlev**, architect of former Soviet Union Glasnost policy, appointed chief of new Russian agency Federal TV & Radio Service... **Robert Sternberg**, ex-TRT Communications, named pres., Bottom Line Telecommunications.

**MCI signed contracts** totaling \$175 million with 5 multinational companies: AMR, Cap/ABC, Comdisco, Marubeni America, Siemens. MCI said that 7 years ago it had "little presence" internationally, but that alliance with British Telecom had positioned it to compete abroad.

**Financials: Silver King Communications**, owner of TV stations spun off by Home Shopping Network, said it lost \$2.9 million in quarter ended Nov. 30, vs. \$2 million loss year ago. Revenue dropped to \$11.45 million from \$11.53 million... **Granite Bcstg.** announced public offering of \$38 million of convertible preferred stock, proceeds to be used in acquisition of 2 Meredith TV stations and to repay bank debt... StarNET/CEA Partners took control of **Video Jukebox Network**, under previously announced agreement in which StarNET converted debt into 1.5 million shares of common... Seagram's said it holds 9.3% of **Time Warner**, valued at \$1.54 billion. Earlier, it had said it would buy up to 15% on open market... **E.W. Scripps Trust** began public offering of 4 million shares of Scripps Class A common at \$26 and will diversify Trust's holdings... Major **Oak Industries** shareholders are selling 1.6 million shares of common at \$14.50... **Multimedia** consolidated operating revenues fell 12.9% in Nov. 1993 because of Entertainment Div.'s 44.9% decline, which company attributed to paying \$9.5-million license fee for 4-hour miniseries, Shattered Vows, and Donahue 25th Anniversary Special. Multimedia Cablevision said revenue rose 10.6%, much of that from Bowe-Holyfield boxing match on pay-per-view that yielded 5,000 buys and more than \$185,000 in revenue.

**House Telecom Subcommittee** plans to mark up legislation on local competition (HR-3636) and MFJ revision (HR-3626) in late Feb., after Congress returns from break, and wants full Commerce Committee to clear both bills by March before debate starts on health care reform. Subcommittee Chmn. **Markey** (D-Mass.) outlined schedule in letter to senior Commerce Committee Republican **Moorhead** (R-Cal.). Markey said hearings will begin on both bills in Jan., continue until Feb. 11, when Congress leaves. Congress returns from winter recess Jan. 25. Markey said he wanted 5-6 hearings, each on single topic. He said ambitious schedule was needed because Commerce Committee wants to start work on health care in early March. He said Commerce Committee Chmn. **Dingell** (D-Mich.) and senior Subcommittee Republican **Fields** (R-Tex.) have agreed to quick timetable. House Judiciary Committee is expected to hold hearing on MFJ legislation soon after Congress returns.

**Nynex said it had sold BIS Strategic Decisions** to Friday Holdings, price not given. BIS, subsidiary of Nynex Worldwide Services Group, has 300 employees in 7 countries providing market research on technologies. Friday Holdings was founded in May 1993 to invest in media and information companies. Pres. **Norman Pearlstine** is former Wall St. Journal exec. editor, and partners include Paramount, QVC, investor **Richard Rainwater**.

**Cable operator Adelphia** has registered with SEC to sell 6.5 million Class A common shares, with Pres.-CEO **John Rigas** and his family agreeing to buy 4.5 million. Adelphia said proceeds would be used to reduce debt. **Salomon Bros.** is underwriter.

**Daniels & Assoc.** will represent Gaylord Bestg. in proposed sale of its cable systems in Pasadena and Riverside, Cal.; Lenoir, N.C.; Greer, S.C. Systems serve 175,000 subscribers, Daniels said.

**TCI and Home Shopping Network** may form Home Shopping Network International, which they said would expand TV retailing to global markets. Companies signed letter of intent Dec. 21.

**Ex parte presentations** are prohibited in connection with letters of inquiry on subscriber rates that FCC has sent to 51 cable operators.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

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

	DEC. 4-10	1992 WEEK	% CHANGE	NOV. 27- DEC. 3	49 WEEKS 1993	49 WEEKS 1992	% CHANGE
TOTAL COLOR....	614,873*	478,375	+28.5	609,237	23,863,973**	21,044,335	+13.4
DIRECT-VIEW..	602,551*	466,172	+29.3	593,912	23,437,527**	20,668,652	+13.4
TV ONLY.....	475,608*	447,171	+ 6.4	463,947	21,703,196*	19,794,658	+ 9.6
TV/VCR COMBO	126,943*	19,001	+668.1	129,965*	1,734,331**	873,994	+98.4
PROJECTION...	12,322*	12,203	+ 1.0	15,325*	426,446**	375,683	+13.5
VCR DECKS.....	216,720	258,911	-16.3	251,748	11,687,904*	11,640,461	+ 0.4
CAMCORDERS.....	49,501	59,412*	-16.7	31,433	2,903,998*	2,662,086	+ 9.1
LASERDISC PLYRS#	3,652	3,400	+ 7.4	7,617	202,133*	198,429	+ 1.9

Direct-view TV 5-week average: 1993--692,120\*; 1992--586,586 (up 18.0%).

VCR deck 5-week average: 1993--307,591; 1992--311,905 (down 1.4%).

Camcorder 5-week average: 1993--73,830; 1992--78,167 (down 5.5%).

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

**EIA ANNOUNCES ANOTHER CES--IN MEXICO:** "CES Mexico '94" will be held Oct. 4-6 in Mexico City, EIA Consumer Electronics Group (CEG) announced last week, pointing out that N. American Free Trade Agreement (NAFTA) gives Mexico great importance as consumer of industry's products.

Exhibition is being organized by International Trade Information Inc. (ITI), Cal. trade promotion company that specializes in Latin America, and action in lending official EIA imprimatur and "Consumer Electronics Show" name was seen as part of trade group's strategy to explore many different show venues and types. Source close to CEG board said "the show won't be nearly as large" as CES South America Aug. 3-7 in Sao Paulo, Brazil, nor is EIA's involvement as deep. It's seen more as endorsement than actual sponsorship.

Mexico show apparently is no-lose proposition for EIA. By giving it official stamp, EIA assures best possible rates on space and gives EIA members good chance to test market there. For ITI and U.S. marketers, EIA affiliation differentiates Mexico show from among many trade shows vying for exhibits. "It helps us determine where the Latin American action is," said representative of member company. "Is Mexico better than Brazil? If we don't do it, someone else will. This way, we have control on behalf of our members. If it's a bust, it's not the end of the world," because EIA has little actual stake in show.

Mexican show, like far more elaborate Brazil CES, means important exposure to growing Latin American market, which some marketers expect to explode. Chile and Argentina already are rapidly growing markets, Brazil is said to be on brink and NAFTA will increase importance of Mexico. CEG Vp Gary Shapiro said that except for border area there's very little consumer electronics manufacturing in Mexico and NAFTA gives U.S. companies competitive edge there. In addition, "because of other trade agreements there are joint venture opportunities for companies wanting to expand their sales" into other Latin American countries, he said.

Shapiro cited growth of U.S.-based retailers -- such as Wal-Mart, Dillards, J.C. Penney and Sears -- throughout Mexico, and fact that more than 50% of electronic products are sold through smaller stores there, giving many local retailers "their first exposure to the myriad of products available" from CES exhibitors. He said show also will give U.S. manufacturers opportunity to test that market and talk with potential agents and distributors there.



In addition to Winter and Summer Consumer Electronics Shows, EIA/CEG now is involved with 3-4 others (depending on whether you consider Personal Communications & Computing Show part of Summer CES). There are these others: Recently announced Mobile Electronics Show April 29-May 1 in Atlanta (TVD Nov 8 p14), CES South America Aug. 3-7 in Sao Paulo, now CES Mexico.

**WRANGLING PRECEDES VIDEOGAME RATING MEETING:** Industrywide meeting to begin defining and creating videogame rating system (TVD Dec 13 p14) has been scheduled for Jan. 8, 2 p.m., Room N-231, Las Vegas Convention Center, during Winter Consumer Electronics Show. It will be first formal step toward implementing rating system within year.

Most controversial aspect of process to this point is level of participation by Software Publishers' Assn. (SPA), Washington-based trade group whose membership consists overwhelmingly of companies involved in publishing floppy disc-based programs, rather than cartridge programs for videogame platforms. Spokeswoman for Nintendo, which has continued to keep its distance from organized process, said her company isn't SPA member and "[Exec. Vp] Howard [Lincoln] does not think they are the best group" to coordinate process. "There's lots of discussion about who's going to lead it," she said, acknowledging that Nintendo and Sega have discussed issue. "The bottom line is that everybody agrees we need to work together" on process.

Other videogame publishers also were hesitant. "We also feel they're not the most appropriate group to do it," said spokeswoman for Acclaim Entertainment, whose "Mortal Kombat" game has drawn particular fire. Joseph Morici, senior vp of Capcom USA, which publishes "Street Fighter" series, said bluntly that "the SPA really has never been a supporter of the videogame industry." He said that when Capcom was SPA member, "there was no focus on videogames at all. They just kind of forgot about us." But, he said, "putting that aside, there really is no other organization" to coordinate rating effort.

Bad feeling toward SPA is rooted primarily in videogame industry's unsuccessful fight in 1990 to have cartridge rentals banned under same bill that prohibited rental of floppy disc-based programs. SPA Exec. Dir. Kenneth Wasch said that "if their only complaint" is that Assn. didn't support videogame industry on rental issue, "I'll plead guilty to that." But, he said, provision that would have included cartridge-based software under protective umbrella that banned computer software rentals was major legislative roadblock. "Politics is the art of the possible," he said. "There's no way that bill could have gotten passed" if videogames were included because of organized opposition from "6,000 small businesspeople" who already were in videogame rental business and "whose livelihood depended in large part" on being able to rent games. Video Software Dealers Assn. threw its weight behind provision, saying its members would lose 10-15% of their business if rentals were banned.

Wasch noted that SPA has made concerted effort to bring videogame publishers back into Assn. -- Electronic Arts and Capcom formerly were members, and Sega recently rejoined as rating issue was emerging. He said SPA in Oct. modified dues scale (under which payments are scaled to members' revenues) to reduce amount videogame maker would have to pay. He said SPA is willing to create distinct videogame section within SPA, which currently has special interest sections devoted to business, consumer products, education.

Meanwhile, several members of coalition (which one participant stressed is nonformal alliance that should be referred to "with a lower-case 'c'") of publishers, licensors and other groups, held preliminary meeting last week in San Francisco. Those attending included Acclaim, Capcom, Children's Advertising Review Unit (CARU) of Council of Better Business Bureaus, Electronic Arts, Interplay, Maxis, Philips, Sega, Spectrum Holobyte, 3DO, SPA, Virgin, VSDA. Meeting also was attended by representative of Motion Picture Assn. of America (MPAA) which Capcom's Morici said was "invited because they have a track record of implementing a rating system in the movie industry." MPAA spokeswoman downplayed significance of attendance, saying that "at this stage of the game, [MPAA is] simply responding to their request for advice."

\* \* \* \* \*

Federal Trade Commission (FTC), responding to concerns raised in letter from Sens. Lieberman (D-Conn.) and Kohl (D-Wis.) protesting ads that didn't clearly differentiate among suitability of videogames for young children (TVD Dec 20 p15), last week issued consumer advisory cautioning parents to "be aware that some games appropriate for older children or adults may be advertised and marketed together with games for younger ones." It advised shoppers to look for ratings "that now appear on some games," or to seek advice from salespeople or in magazines. It alerted consumers that game content occasionally differs according to platform, and said that "the industry is now moving to establish an industrywide rating system."



**FAR EAST SHRINKS AS SOURCE OF COLOR TV:** Look at Mexico's increasing dominance of color TV import market another way: In first 10 months of 1993, only 35.1% of imported TVs came from Far East. That percentage continued to shrink through year -- in Oct., it was down to 31.5%.

Commerce Dept.'s import figures show color TV's old Far East standbys declining, and in some cases virtually dropping out of picture. In Oct., for example, fewer than 1,000 sets came from Taiwan, less than 5% of year-earlier figure. Korea was down 68.8% in Oct. and 49.8% in 10 months, as even Korean manufacturers stepped up production in Mexico and elsewhere. Philippines, which enjoyed flurry in 1992, apparently has been abandoned -- only 200 sets came from there in Oct. Even China was down 39.8% in Oct. (14.6% in 10 months), while increasing its leadership as b&w source. Malaysia, which had been skyrocketing through 1992 and part of 1993, has leveled off, leaving only Thailand with any substantial increase among Far Eastern sources.

While color TV imports in Jan.-Oct. were up 727,000, those from Mexico rose nearly twice that figure, representing 64.2% of total in 10 months and 68% of all color imports in Oct. For year to date, China passed million monochrome sets, giving it 65.2% of total b&w imports -- no other country showed increase as b&w source in either Oct. or 10 months, although total shipments are holding their own vs. last year.

In VCRs, Japan continued to lose dominance, shrinking to 27.6% of total imports in Oct., with Korea mounting stiff challenge, up 85.5%. All source countries except Thailand, Taiwan -- and Japan -- showed increases for Oct. and 10 months. Japan dropped 25.7% in full period, while Korea, Malaysia, Indonesia and Singapore vied with one another for leadership. Millionaires club -- countries supplying more than million VCRs so far this year -- has risen to 4: Korea, Malaysia and Indonesia, along with Japan.

Japan does continue to dominate camcorders, supplying 93-94% in both 10-month and Oct. periods. Camcorder imports began to reverse year-long trend of larger increases in VHS and VHS-C than 8mm, with 8mm up 21.5% in Oct., other formats up only 13.1% but still in majority. In addition to Japan, Korea is only country that currently matters as camcorder source.

VCP shipments in Oct. doubled last year's month, Korea supplying almost half of them. Flat-panel TV imports soared 89.1% in Oct., Malaysia suddenly displacing Japan as primary source -- but presumably shipping products with Japanese-made LCDs. CD players -- finally -- showed major increase over last year in Oct., after many months of declines, but still trail 1992 in 10-month figures. Here's summary table of imports derived from Commerce Dept. figures:

Product	Oct. 1993	Oct. 1992	% Chg.	10 Mo. '93	10 Mo. '92	% Chg.
Color TV.....	1,323,100	1,314,800	+ 0.6	10,156,800	9,429,800	+ 7.7
Monochrome TV....	287,300	257,700	+11.5	1,623,700	1,662,800	- 2.4
Flat panel TV....	93,500	49,400	+89.1	574,900	322,500	+78.3
VCR decks.....	1,631,300	1,842,900	-11.5	11,748,600	12,685,100	- 7.4
Camcorders.....	394,300	338,000	+16.3	2,750,400	2,372,800	+15.9
8mm.....	158,100	130,100	+21.5	1,021,200	1,004,400	+ 1.7
Other.....	236,100	208,800	+13.1	1,729,300	1,368,400	+26.2
Videocass.players	130,900	60,800	+115.2	828,700	509,600	+62.6
CD players.....	975,800	836,300	+16.7	6,853,400	7,703,600	-11.0

**Matsushita will propose special dividend** for current fiscal year to mark company's 75th anniversary "in appreciation of shareholder support of the company over many past years." Special dividend of one yen per common share, subject to approval at annual stockholder meeting, will be in addition to ordinary 6.25-yen dividend, making total dividends for current fiscal year 13.5 yen (1.23¢), compared with 12.5 yen (1.14¢) last fiscal year.

**Three tuner manufacturers** have agreed to standardize dimensions of broadcast tuners used in TVs and VCRs and to submit proposals to other tuner makers in March. Companies involved are Philips and Japan's Alps and Matsushita Components. Proposal originated with Philips. Alps said it will be possible to integrate more than 10 parts thanks to standard design.

**Franklin Electronic Publishers** will unveil its first electronic bilingual dictionary with voice-synthesized technology. Spanish Master/Maestro Ingles, which will ship in March at \$129, allows user to listen to words pronounced in English or Spanish. Unit contains 250,000 words from Collins Spanish/English Dictionary. French and German versions will be available by late 1994. CD-ROM version of Spanish dictionary will be available for Digital Book System (DBS) by April, price not set.

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 110 yen = \$1, except where noted.



**GOLDSTAR 8mm-VHS DECK TO U.S.:** GoldStar said last week it expects to begin selling 8mm-VHS dual deck VCR in U.S. in April at \$899 suggested retail. Model to be imported from Korea is NTSC version of unit that GoldStar is selling in Europe (TVD Aug 9 p16) and that it demonstrated at Summer CES.

GoldStar's plans were challenged by Go-Video which, in response to our inquiry, issued strong statement reiterating policy of prosecuting "infringers of Go-Video's proprietary rights," claiming patents on "all formats of dual-deck technology." Go-Video said its attorneys "will be asking [International Trade Commission] to take immediate actions to block the import of GoldStar products."

"It is outrageous to think that GoldStar, who entered into a nondisclosure confidentiality agreement with Go-Video when they were soliciting an opportunity to OEM a dual-deck VCR for us, would attempt to violate and infringe this agreement and our patents," Go-Video said. "After our 10-year battle to bring this category to the marketplace we will not allow any company for any reason to violate our rights and disrupt our potential in the marketplace."

Philip Petescia, GoldStar mktg. dir. for TV and VCR, said company "had our patent people closely study and scrutinize their patent," and they offered opinion that GoldStar's deck doesn't infringe on Go-Video's patents. Key factor, he said, is that decks in GoldStar's machine aren't operable independently; for example, consumer can't record program on VHS deck while watching 8mm tape.

GoldStar configuration includes 2-head 8mm playback-only deck and 4-head VHS record-playback deck with flying erase head. Other features are one-touch recording, index search, front A/V jacks, on-screen programming. Petescia said he expects dual deck to have street price of \$799.

Go-Video has talked of plans to introduce line of 2-3 models of 8mm-VHS decks in 2nd half of 1994, with opening model at \$999 street price. Shipping schedule presumably could be moved forward in event of change in competitive environment.

**Multimedia Software:** Playmates Toys, which created toy industry juggernaut with "Teenage Mutant Ninja Turtles," among others, enters videogame business with "Star Trek: Deep Space Nine" and "Exo Squad," both being developed for fall release on Super Nintendo and Genesis. Games are created by Novotrade International, which has developed "Ecco The Dolphin" and "Richard Scarry's Busytown."... **Virgin Sound & Vision** is newly created division of Virgin Communications that will focus on "entertainment products with educational and special-interest content for children and adults, and interactive music products." Company will "work closely" with affiliated companies Virgin Interactive Entertainment and Virgin Publishing.

**Sony drew kudos** in New York magazine's annual issue highlighting "The Best of New York," but not for MiniDisc, Trinitron or any of its movies, music or videogames. Instead, it was cited for having best corporate dining room at its Madison Ave. building that houses Sony Plaza retail complex, Sony Music, other units. Magazine waxed poetic over views from dining rooms "stretching as far as LaGuardia and the George Washington Bridge" and "their own private sushi room with a granite counter and a river that runs through it."

**TRINITRON TV/VCR FROM AIWA:** First combination TV/VCRs with Trinitron tube will be displayed at Consumer Electronics Show (CES) Jan. 6-9 in Las Vegas -- but there's no evidence any will be shown by Sony, developer of Trinitron. Entering hot combo market is Sony affiliate Aiwa with 13" and 20".

Although Aiwa has shown Trinitron TVs before at CES, it never actually marketed any in U.S. However, in Las Vegas next week it will be promising delivery in Feb. and May for 13" and 20" versions, respectively. Both feature MTS stereo sound, 181-channel tuners, closed captioning, one-touch playback, remote control that can operate A/V system, front panel inputs, on-screen display, auto power, repeat play.

New 13" carries suggested \$750 list, with 20" not priced by our deadline. Aiwa said they will be sold as standalone units and as part of mini A/V systems when combined with audio products.

Aiwa reentered video last year with 2 multistandard VCRs, at \$600 with tuner and \$500 without. Last summer, Aiwa added 4-head VHS Hi-Fi with bilingual display, front input panels and VHS index search at \$450 suggested retail.

**Shareholders sued Kodak**, charging company released "materially false and misleading information" on earnings projections. Suit, filed by Robert and Mark Mayers in U.S. Dist. Court, N.Y., also said Kodak Exec. Vp-Chief Financial Officer Hamilton Michael had "aided and/or abetted in the wrongful conduct" described in suit. They said Michael allegedly sold 9,700 of his 11,104 Kodak shares Nov. 30, 2 weeks before new Chmn.-Pres. George Fisher said that while 1993 financial results would be "essentially level" with 1992, in 1994, "I see consensus estimates of Kodak's earnings well above what I believe we will be able to deliver." After Fisher statement Dec. 15 that 1994 earnings growth would be limited to "mid-single digit range," stock fell \$7 to \$55.75 on volume of 9.5 million shares. Mayers purchased 300 Kodak shares Dec. 3 at \$62.50. Kodak had reported \$68-million 3rd-quarter net loss Oct. 27 tied to \$387 million after-tax restructuring charge. Daniel Krasner, attorney for Mayers, declined to comment on suit. Kodak spokesman Ronald Roberts said company had done "nothing inappropriate" and "clearly had met all [SEC] disclosure requirements."

**"Customer Day"** will be celebrated by Philips throughout Europe Jan. 10, dedicated to making that brand "first choice of customers by 1995," in words of Pres. Jan Timmer. Event is designed to motivate Philips employees. Day won't be celebrated in America or Far East, Timmer said: "In North America, the people are very much more customer driven and the level of services is very high -- far higher than in Europe. This is because Americans place far higher demands on the supplier of goods and services. So... I don't see the need for the kind of Customer Day that we are holding in Europe." In Far East, Timmer said: "They have far less of the [history of] the denial of the customer that is often found in Europe... They naturally think of the customer anyway..."

**Professional Service Assn. (PSA)** will release 2nd annual survey of extended-service contract providers in late Jan. Report has been expanded to cover 50 companies from 32 and seeks to verify insurance and reserve funds backing contracts. Report is based on questionnaire to manufacturers, retailers and service contract companies in fall and covering methods used for paying claims.



**JVC UNVEILS SEGA-COMPATIBLE COMBO:** U.S. version of "WonderMega" console that combines Genesis and Sega CD, along with several stepup features, was unveiled last week by JVC. Company plans to begin shipping it to retail in April at \$499 suggested price.

Console will be called "X'EYE," to denote "exciting visual," said Kevin Weinchoft, national sales and mktg. mgr for JVC of America's Home Audio & Entertainment Div. In addition to Genesis and Sega CD compatibility, device will be able to play and display CD+G discs, standard audio CDs and, with adapter that plugs into Genesis ROM cartridge slot, Electronic Book format discs. Weinchoft said company would use existing distribution channels, expecting to sell 100,000 by end of 1994. JVC is developing merchandising kiosk.

JVC "would like to market it as a multihome entertainment system," rather than merely as game machine, said JVC of America Exec. Vp Harry Elias. "We realize the customer is not looking for the same product from JVC as from Sega," he said. X'EYE's stepup performance features include JVC's one-bit Pulse Edge Modulation (PEM) D/A converter, 8X oversampling digital filter, microphone input for karaoke. Although JVC is positioning it as unified home entertainment device, it has no capability of being adapted for Video CD compatibility, and officials said they have no plans for such product in U.S. Company demonstrated WonderMega console with built-in Video CD capability at Japan Electronics Show earlier this year (TVD Oct 11 p12).

X'EYE will come bundled with CD+G karaoke disc, undetermined Sega CD game, and new Sega CD version of Compton's Interactive Encyclopedia (CIE), which will be available only as part of X'EYE package for 8-10 months. After that, it will be marketed independently to rest of Sega CD base. Thomas McGrew, senior vp, market development and product planning for Compton's NewMedia (CNM), said Sega CD version of CIE won't have as many entry paths into data as have previous versions for other platforms. CNM news release referred to disc to be bundled with X'EYE as "initial version," said later that "updated editions will be provided to registered users at no cost."

Sega of America (SOA) Vp Shinobu Toyoda said company doesn't plan to introduce integrated Genesis/Sega CD console other than transportable Genesis CDX unit to be unveiled at Consumer Electronics Show (TVD Dec 13 p16). He said Sega "truly welcomes JVC coming in and broadening our spectrum," stressing that Sega is concentrating on forcing down prices for its hardware, rather than aiming for upper tier of gaming market. Sega earlier this year stopped selling version of WonderMega in Japan, saying price point was too high (equivalent of about \$700) to be merchandised successfully through its toy channels; only about 10,000 were sold in 9 months. JVC has been selling own version through consumer electronics channels for more than year in Japan, and earlier this year introduced 2nd-generation player at equivalent of about \$560 there (TVD June 14 p16).

**DBS satellite** to providing first 70 channels of U.S.'s first high-powered DBS system was launched Dec. 17 from Kourou. DBS-1 satellite was expected to reach orbit Dec. 24 and be tested in first quarter before going on line in April. Second satellite is expected to be launched in midsummer. Satellites owned by DirecTv Div. of Hughes Communications and U.S. Satellite Bcstg. (USSB), will be heart of system to be available in Aug. Hardware, including 18" dish, will be sold under Thomson's Digital Satellite System (DSS) RCA brand at \$699 and \$899.

**CAN FRANCE COMPETE WITH CHINA?** Alfred Gooding, chmn. of Gooding Consumer Electronics (GCE), which has purchased Grundig TV factory in France (TVD Dec 20 p14), aims to produce low-cost 13" and 20" TVs there in direct competition with Asian plants.

Interviewed in Dec. 21 Financial Times (FT), he's quoted as saying "with a well-managed labor force we can compete head-on with East Asia, which has to ship the stuff halfway round the world." GCE, founded in Wales by Gooding and Koen van Driel, Philips and Grundig veteran, could merge with other Gooding enterprises, he hinted in interview. He also heads Race Electronics, Welsh contract manufacturer that makes 10,000 satellite TV receivers weekly for such retailers as Dixons, Cirry, Comey.

FT article quotes Gooding as saying he plans to put together satellite and TV packages to sell under store brands or GCE's 2 brand names, Minerva and Continental Edison, acquired from Grundig and Thomson, respectively. "We're putting together a group," Gooding said, that aims at sales of \$220 million in 1994. "We will be able to go to the big store groups with satellite receivers and TVs which are in the same family." He's quoted as saying he "already [has] spoken to big store chains like Dixons. There's no doubt that if we can come up with a competitive product, they won't think twice about buying a European set."

As part of deal brokered by French govt., factory will continue to make sets for Grundig until end of 1994, when it will switch to lower end TVs, with goal of doubling capacity to million sets annually within 3 years. Gooding noted that GCE plant in Creutzwald in northeast France is in coal mining region similar to south Wales where Gooding operates other plants (and such manufacturers as Sony make TV sets). "People in a mining area have a work ethic," he said, that will make it possible to compete with Asia.

**Video Aid and Fla.** insurance officials have reached tentative agreement that could allow company to sell extended service contracts. Details weren't available immediately but were expected to be finalized by mid-Jan. Video Aid had sold contracts in Fla. until 1990, when state issued notice of nonrenewal, said Alan Leifer, attorney with State Insurance Dept. He said Video Aid didn't answer notice and license expired. Video Aid started new entity earlier this year, but state denied application for license. Although Video Aid has office in Tampa, it has sold contracts through Miami-based American Bankers, its insurance company, arrangement that Insurance Dept. also is reviewing, state officials said. Video Aid Senior Mktg. Vp Charles Romano said license "gives us the right to do it, but we probably will not." "Because of the insurance regulations we're probably going to continue to do a large majority of the work through American Bankers. With the insurance requirements, it's better doing it through an insurance company than on your own. We just wanted to have a license."

**New Sony laserdisc player** to be introduced in Japan in Jan. and scheduled for availability in U.S. in spring is lowest priced dual-side player from company. Selling at equivalent of \$635 in Japan, \$180 less than current cheapest model, it features new "C Quick" reverse mechanism that changes disc sides in less than half time of older models. Quick Start LSI starts reading basic information when disc's rotation speed reaches half of playing speed. Another unique feature is ability to locate exact point where disc was stopped by merely pushing play button when machine is turned on next time.



**ANALOG DCC HARDWARE?** DCC inventor Philips, faced with organizational problems and stagnant worldwide DCC hardware sales, is planning strategy shift for 1994. It's designed to get beleaguered format back on track as low-cost replacement market with hardware that will record as well as play back analog and digital cassettes, according to report Dec. 13 in our affiliated publication Audio Week.

Newsletter quoted informed sources as saying strategy is designed to position DCC products as "future-proof," meaning that hardware will function as full-featured analog cassette recorder even if DCC ultimately fails in marketplace.

However, Audio Week pointed out that while prerecorded music cassette business is managing to hold its own, home cassette deck market is suffering double-digit declines and is gravitating more and more toward "tonnage"-grade hardware with bargain-basement pricing. Month ago, Philips told small group of U.K. journalists on visit to Eindhoven hq that it expects more companies to join DCC key components business -- 3 to market thin-film heads, 4 to market chips. Insiders believe Sharp is one such dark-horse candidate -- surprising in view of fact it has demonstrated aggressive preference recently for MiniDisc (MD).

Sharp's possible involvement could be explained by patent that company filed in Japan in Feb. 1992 and year ago in Europe for cassette record and playback device "compatible with software of different formats." Patent described "cassette holder" on which analog tape and DCC cassette are placed one upon another. Cassette tape player with such mechanism "has separate magnetic heads for analog and digital signals, thereby lengthening the life of the magnetic heads and achieving faithful recording and reproduction," according to patent. Secondary aim of dual-cassette holder is to lower costs, patent said.

Philips already has shown European audio trade minicomponent system to be marketed in May or June next year at about \$750. Ensemble has CD player and double cassette deck. Although superficially similar to conventional analog dubbing deck, new hardware will have one transport mechanism for analog cassette, other for DCC. Obvious dubbing potential will be exploited next year as warning to record companies not to pull support for prerecorded DCCs, because to do so would thereby promote use of DCC exclusively as home digital recorder for copying CDs.

Meanwhile, it's believed Matsushita is working on single-transport DCC deck containing all heads necessary for analog record and playback. But technical difficulties and high costs are expected to delay introduction until late 1994. Difficulty, as explained in Sharp patent, is that analog recording requires separate erase head, while digital recorder operates on "overwrite" principle. Trouble is that there's physically very little space to accommodate extra heads needed for analog recording in digital deck.

**Hitachi denies** portions of our report last week quoting retail sources on spring model introductions (TVD Dec 20 p19). Specifically, Sales Vp Gary Bennett writes: (1) "We do not intend to build a full-size or 8mm camcorder at [\$599] retail price point." (2) "A Maxus projection TV without PIP at a suggested retail of \$1,799... was not discussed or planned." (3) "We are not expecting to hit \$299 M.A.P. [minimum advertised price] for 4-head hi-fi [VCR] or introducing a \$499 Super VHS model."

**AUDIO UPSWING IN OCT.:** There wasn't minus sign to be found in factory audio dollar sales report for Oct. and first 10 months of year as released by EIA Mktg. Services Dept. As industry entered final 2 months of year and stood at brink of crucial Christmas selling season, modest increases were posted in all 4 broadbased categories on which Assn. reports monthly figures publicly.

Overall Oct. factory audio dollar volume rose 7.9% to \$851.32 million from \$788.92 million in same 1992 month, EIA said. Monthly gain was noticeably higher than 4.8% upturn in Sept. and seemed at least partly attributable to turnaround in portable audio. Category, which dipped 0.1% in Sept., rebounded in Oct., rising 9.8% from year earlier and thus was month's most successful category in terms of percentage increase and raw dollar volume.

Next highest increase was in Oct. systems sales, up 8%, followed by aftermarket autosound, with 7.1% upswing. Components also put in respectable Oct. showing, climbing 5.4%, although monthly dollar volume still fell short of \$200-million threshold.

Relatively strong Oct. performance spurred 4.4% dollar volume gain through year's first 10 months, although Jan.-Oct. sales fell \$100,000 short of reaching \$6-billion level. Overall volume of \$5.9 billion for 10 months was marked rise from \$5.65 billion in same 1992 period, spurred by 10-month increases in aftermarket autosound and systems sales. Branded car audio volume was up 8.1% in Jan.-Oct. as systems climbed 5.9%, with components and portable audio also in plus column, albeit more modestly than increases in systems and autosound.

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

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

Product	Oct. 1993	Oct. 1992	% Chg.
Portable audio*.....	\$327,446	\$298,203	+ 9.8
Components.....	199,136	188,966	+ 5.4
Systems.....	193,284	178,979	+ 8.0
Autosound (aftermarket)	<u>131,443</u>	<u>122,766</u>	+ 7.1
TOTAL.....	\$851,320	\$788,915	+ 7.9

  

Product	10 Mo. '93	10 Mo. '92	% Chg.
Portable audio*.....	\$2,030,813	\$1,997,366	+ 1.7
Components.....	1,342,665	1,294,924	+ 3.7
Systems.....	1,177,992	1,112,130	+ 5.9
Autosound (aftermarket)	<u>1,349,012</u>	<u>1,248,015</u>	+ 8.1
TOTAL.....	\$5,900,483	\$5,652,435	+ 4.4

\* Includes home radio.

**Enhanced Electronics Corp. (EEC)**, Dallas, which last Oct. bought Curtis Mathes (TVD Oct 18 p11), has acquired Advanced PC Products Inc., private brand assembler of PCs and network computers, which has been supplier to EEC. EEC Exec. Vp Phillip Scheldt predicted acquisition would add \$20 million to company's sales and about 6¢ per share to earnings this fiscal year. "While continuing to supply computers to the parent company," Scheldt said, "Advanced PC will gain a foothold in new markets through the national retail electronics dealer network of our Curtis Mathes subsidiary." EEC also owns marketing rights to products of ID Logic.



**GOOD GUYS STOCK UPROAR:** Good Guys Pres.-CEO Robert Gunst expressed strong irritation last week at article in Wall St. Journal that cast questioning eye on recent sale of company's shares by Chmn. Ronald Unkefer and Vp William Curley same day as price was boosted by favorable report from Goldman Sachs. Investment firm reversed field 2 weeks later, returning stock to previous rating, which sent price back down.

Dec. 22 article reported that once Goldman, Sachs upgraded Good Guys from "moderate outperformer" to "trading buy" on Nov. 29, "not wasting a moment,... Unkefer unloaded 211,000 shares, or 58% of his direct holdings, that day at an average price of \$14.02 a share..." Article said Curley sold all his 2,046 directly held shares at average of \$14.50; share price jumped about 9% that day. Good Guys stock closed Wed. at 12-1/2, off 3/8.

Unkefer, who is recovering from illness, and Curley couldn't be reached for comment, but Gunst said "the bulk of Ron's sales were made the day before" Goldman Sachs issued upgrade, and article also ignored stock purchases by other officials in same period.

Goldman Sachs analyst David Bolotsky, in raising rating Nov. 29, cited "our expectation of accelerating earnings momentum and the stock's modest valuation." Bolotsky said: "The improved profit performance in the just-reported 4th quarter... reflects the beginning of a trend. In the upcoming quarters, we look for strong earnings growth, driven by improved in-store execution, more aggressive marketing, increased focus on cost containment, some pickup in the California economy and competitive fallout." On other hand, he also noted long-term risk from "the pending entry of Best Buy into California in either 1994 or 1995, an event we regard as inevitable."

Two weeks later, Goldman analyst pulled back, writing that while he continued "to believe the company is in the early stages of a turnaround... timing and magnitude of recovery may be muted somewhat by competitive pressures..." He said: "Initial Dec. results are below strong trend of October/November, although there is plenty of time left before Christmas." Bolotsky declined comment on last week's article.

**Sony will offer** its first LCD projection TVs in Japan, with 2 models to be introduced in Feb. and March. Both are high-priced 3-LCD systems, using displays sourced outside company, with total of more than million pixels. Multistandard commercial model with computer input is priced at \$13,500. "Home" model, at \$11,000, is for NTSC only. Sony said it plans monthly output of 200 for former, 150 for latter and will export commercial model. Sony America spokeswoman said there are no plans "at the moment" to offer it here. Sony Japan said that while CRT-type projectors will be best for quality reproduction well into 21st Century, LCD will be employed for portability. Models weigh 50 lb.

**Production costs** for 25" sets at Sanyo's Forrest City, Ark., plant are cheaper than at its Japanese plant, Nikkei Weekly reported, quoting Sanyo officials in Japan. Company recently announced it would shift production of low-end 25" sets to U.S. from Japan, importing American sets for Japanese market (TVD Dec 13 p17).

**Videomaker Expo**, video production show for professionals and hobbyists, is scheduled for April 21-23 at Meadowlands Convention Center, Secaucus, N.J. Details from sponsor Videomaker magazine, 916-891-8410.

**BRANDSMART FOUNDER INDICTED:** BrandsMart founder Robert Perlman has been indicted on charges he "systematically" understated his income taxes over 3 years.

Seven-count federal indictment in Miami accused Perlman of falsifying 1988 tax return by saying he made \$1.28 million, when he received substantially more. While federal prosecutors declined to disclose how much Perlman owed, indictment said that "substantial additional tax" is due for 1985-1988.

Perlman, free on \$250,000 bond, said he's innocent. While only Robert Perlman was indicted, investigations are continuing, sources said. Neither BrandsMart nor Robert Perlman's son, Pres. Michael Perlman, were part of indictment. "We don't think we have done anything wrong," Perlman told Miami Herald.

Perlman disputed 1988 charge, saying that BrandsMart's earnings are reflected in his income tax returns because he's sole owner of company. Most of earnings were returned to business, he told Herald. He said he made \$50,000-\$60,000 in 1988. Asst. U.S. Attorney Martin Goldberg declined to comment.

Indictment grew from grand jury investigation. Company employs about 900 people in Miami area.

Donald Bierman, Perlman's attorney, said case stemmed from complaints by disgruntled employees. Robert Perlman had been aware of investigation since 1992, Bierman said. Federal prosecutors offered to settle case, but provided "nothing that was palatable," Bierman said. Michael Perlman declined to comment. "We're confident that we will be able to defend [against] these charges," Bierman said. "But as far as the industry is concerned, this has nothing to do with the day-to-day operations of BrandsMart or any accusations that the company did anything wrong."

**CAMPO MAPS EXPANSION:** Campo Electronics will open 8-12 new stores as it expands from La. base into Ala. in next 2 years, it said in annual report. New outlets will continue concept launched in 1991 -- 18,000-50,000-sq.-ft. stores with camcorders, appliances, video and home office dept. First "Campo Concept" store opened in Mandeville, La., in 1991, and 8 of chain's 22 locations feature new merchandising program.

Annual report is first since New Orleans chain went public with 1.7 million shares in Feb. Proceeds from public offering are being used for debt and expansion into Ala. and Lake Charles and Lafayette, La.

Chain, citing replacement of 5 existing stores with 3 new Concept models, said net income rose 45.8% to \$2.6 million in fiscal year ended Aug. 31. Net sales rose 36.3% to \$101.9 million on 18.4% gain in comparable-store sales. Revenues also reflected Campo's July purchase of Shreveport Refrigeration, which has 9 stores in northern La. and northeastern Tex. Video products accounted for close to 40% of Campo's sales, with major appliances getting 31.3%, annual report said.

**EIA Online** is new computer service to be available on CompuServe starting with opening of Consumer Electronics Show Jan. 6. It will be part of CompuServe Consumer Electronics Vendors Forum and will dispense information on EIA members and activities. Bozell PR, N.Y., will be administrator.



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## Consumer Electronics Personals

Thomas Edwards leaves as asst. gen. mgr. for  
Panasonic TV div., plans unknown... Jan Tollenaar,  
onetime chmn., Philips Domestic Appliances & Personal  
Care Products Div., appointed last spring as COO of Philips  
Consumer Electronics (TVD March 8 p18), selected to head  
Philips' new Sound & Vision Product Div., covering Audio,  
Video Equipment and TV groups as well as Marantz Japan  
and Philips regional sales subsidiaries; he will remain Philips  
exec. vp and member of management board, will continue  
reporting to Philips Consumer Electronics Chmn. Henk  
Bodt.

John Havens, ex-Sony and Toshiba, joins Samsung  
Consumer Electronics as national training mgr., new post...  
Ric Mancuso, ex-Monster Cable, moves to Spica, Santa  
Fe, speaker manufacturer recently acquired by Parasound, as  
sales & mktg. dir... Warren Flick, ex-Sears Mdse. Group,  
named chmn.-CEO, Sears Mexico, new post.

Len Levy resigns as pres., 21st Century Home Video,  
Jan. 3; he will reestablish Len Levy & Assoc. consultancy to  
video and related industries (818-905-1077, fax  
818-905-8287)... Nina Stern moves in-house at Paramount

Home Video as vp-publicity; she has been handling account  
through own firm, from which Ann Schwarz and Natalie  
Anderson join her... Marsha King, gen. counsel, Warner  
Home Video, adds senior vp-business affairs title...  
Appointments at Turner Home Entertainment: Norm  
Burrington, ex-Artec, to northeast regional sales mgr.;  
Ted Turner (son of chmn.) to southeast regional sales  
mgr.; Michele Wolbert, ex-Orion, to south central  
regional sales mgr.; Sally Seraphim to national accounts  
mgr. for eastern U.S.

**WORLD TAPE SALES STAGNANT:** World sales of blank  
videotape are expected to eke out 1% increase in 1994 after  
rising 2% in 1993, Japan Recording Media Industries Assn.  
said in annual forecast. Group predicted slight rise in unit  
sales (excluding duplicator tapes) to 1.078 billion from 1.071  
billion, with N. American and European sales up 1%,  
Japanese sales dropping 3%, other countries up 4%.

While compact camcorder tapes (8mm and VHS-C) are  
expected to show largest unit increases, their double-digit  
gains of 1993 should give way to single digits in major world  
areas, with N. American sales rising to 45 million from 40  
million, and European sales exceeding those of America for  
2nd consecutive year.

Audio tape sales, in terms of C-60 equivalents, should  
be static this year, tape group forecast, leveling off after  
1% drop in 1993. Here are 1993 estimates and 1994  
forecasts by Japan Recording Media Industry Assn. in  
millions of units (excluding duplicator tapes):

## 1/2" VIDEOCASSETTES (T-120 equivalents)

	1994 Forecast		1993 Estimate	
	Units	% Chg.	Units	% Chg.
North America.	352	+ 1	349	+ 1
Japan.....	226	- 3	232	+ 2
EC nations....	331	+ 1	328	+ 1
Others.....	169	+ 4	162	+ 5
TOTAL.....	1,078	+ 1	1,071	+ 2

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

North America.	45	+ 9	40	+14
Japan.....	44	+ 7	41	+17
EC nations....	50	+ 9	46	+10
Others.....	11	+10	10	+25
TOTAL.....	150	+ 9	137	+14

## AUDIO TAPE (C-60 equivalents)

North America.	408	0	409	0
Japan.....	336	- 5	355	- 6
EC nations....	439	0	438	- 1
Others.....	689	+ 2	675	+ 2
TOTAL.....	1,871	0	1,877	- 1

Philips will build \$333-million color monitor tube  
plant in Taiwan, Taiwan govt.'s Free China Journal said.  
Factory in Hsinchu Science Industrial Park, designed to  
produce 15" and 17" tubes, will have annual capacity of 1.2  
million tubes when production begins in Jan. 1996, scheduled  
to increase to 3.6-4 million in 1997, company projected.  
Philips has 4 plants in Hsinchu, including 23-year-old facility  
producing 2 million monochrome monitor tubes annually and  
14-year-old plant turning out 2.5 million color monitor tubes.

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