

TELEVISION DIGEST®

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

With Consumer Electronics

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CABLE BACKS VIOLENCE CONTROLS, BROADCASTERS MONITORING: Broadcasters and cable operators staked out different positions last week on politically charged issue of controlling TV violence. Some big players in cable said they could support broad program to combat violence, but broadcasters want to limit change to expanded monitoring.

About 2 dozen cable programmers endorsed broad plan to control violence in their programming and to provide parents with more information and control over material children can see. Programmers also said they backed "viewer discretion technology," which sounds like proposals from House Telecom Subcommittee Chmn. Markey (D-Mass.) and others that would require V-chip be installed in TV sets to allow parents to keep shows that networks themselves rate as violent. Cablers also agreed to set up independent monitor as check on system.

Cable programmers signing on to antiviolence initiative included American Movie Classics, Arts & Entertainment, Bravo, Cartoon Network, Cinemax, CNN and Headline News, Court TV, Discovery, Disney, ESPN, Family Channel, HBO, Learning Channel, Lifetime, MTV, Movie Channel, Nashville Network,

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Nickelodeon, Playboy, Showtime, Travel Channel, TNT, VH-1, Vision Interfaith, Weather Channel. More than dozen major cable networks haven't signed on yet. USA Network and Sci-Fi Channel object to concept of violence ratings. In addition to raft of smaller or startup networks not on list, those not signing include Black Entertainment TV, Comedy Central, CNBC, Country Music TV, C-SPAN, E! Entertainment, Encore, Flix, MOR Music TV, Nostalgia, SportsChannel.

Cable move, announced at news conference with Markey and other members of Congress, put pressure on broadcasters, who later held their own news conference with Sen. Simon (D-Ill.). But broadcasters said they would endorse only qualitative monitoring, with annual report to public, and raised possibility their monitor could be different from cable's.

Markey called cable announcement "dawning of a new era," with acceptance of ratings and V-chip. Showtime Chmn. Winston (Tony) Cox, who put industry compromise together, acknowledged that broadcasters would have to be part of package for ratings to be effective. Markey conceded that it would be up to broadcasters.

In addition to relatively familiar parts of plan such as ratings, monitors and support for V-chip, cable industry will undertake public service effort, Discovery Channel Pres. Ruth Otte said. That plan includes: (1) Educating viewers, effort that would target youth and "deglamorize violence," she said. That includes working with schools. (2) Addressing violence-related issues in regularly scheduled programs or campaigns, similar to MTV's "Rock the Vote" in 1992. Otte said one week would be designated as "Voices Against Violence" week, including programs dealing with violence issues. Cox said that week couldn't be scheduled before fall, given production schedules.

Cable officials shed little light on how ratings would be constructed, except that they would be imposed by industry, not by outside group. Included would be determination of what constitutes violence, and Cox raised possibility there could be several levels of ratings. In that case, V-chip would have to be sufficiently flexible to allow parents to block out specific programs, rather than all programs that carried V rating. Markey staff said flexibility that's part of on-screen VCR programming, for example, should allow for same flexibility so that parents don't have all-or-nothing choice. Cox said ratings could be in place in 6-9 months, with V-chip soon after. Sen. Dorgan (D-N.D.) introduced Markey's V-chip legislation (S-1811) in Senate Jan. 31.

Agendas clearly are very different, not only for cable and broadcast, but also for House and Senate. While House members advocated more aggressive steps, Simon said he was satisfied with annual monitoring reports that networks said they would support, calling agreement "a breakthrough." Monitoring would be sufficient to "keep the pressure on," Simon said. He said he hoped establishment of monitor could end his 9-year crusade on TV violence, but made no promises.

CBS Senior Vp Martin Franks said broadcasters oppose legislation, including bills that would prescribe V-chip, ratings or other steps because of constitutional questions, definitions of violence, logistics of rating thousands of hours of prime-time programming. NBC characterized cable's new program as same steps "that the broadcast networks have utilized for years, including most importantly program standards and more careful scheduling of programs."

Cox and Franks said they hope that voluntary plans would persuade Congress not to pass legislation. Cox said after news conference, however, that failure by broadcasters to support ratings would make pro-ratings legislation more likely. Even with agreement in some areas, much negotiating remains. While Cox said he would favor one overall industry monitor, Franks said he was "open to one" but not committed to it. There could be 2 or 3, he said. Franks said he hoped to have some type of program in place later this year, certainly for 1994-1995 season.

Networks also left themselves room to leave monitoring if necessary. NBC Exec. Vp Richard Cotton said in letter to Simon that network reserves right "to suspend the joint assessment program" if legislation is passed or if new regulations are drawn. Cap/ABC Chmn. Thomas Murphy told Simon that "this self-assessment program is intended to be a substitute for the various legal and regulatory evaluations being proposed legislatively and will not be undertaken if we are subjected to conflicting or additional mandated requirements."

TELCO ENTRY BILL MOVING, DETAILS UNDECIDED: There's little doubt Congress will approve telco entry into cable business, possibly by late summer, according to legislators and witnesses at House Telecom Subcommittee hearing on National Information Infrastructure (NII) Feb. 2. Details remain in dispute, however, with cable pushing for limits on telco entry, telcos pressing for "regulatory parity," lawmakers questioning role of local govts. in regulating infrastructure and broadcasters seeking must-carry and right to use new channels for digital ancillary services.

Telco entry legislation should eliminate barriers to cable entry into telephony, delay telcos long enough for cable to be competitive and place safeguards on telcos, NCTA Pres. Decker Anstrom told Subcommittee. Current draft, he said, would allow telcos into video before cable could enter telephony because of state and other rules. Telco entry should come in stages, Anstrom said, after telephony is "effectively competitive" or after 7 years. He said staged entry is needed because of telcos' financial strength.

Telcos won't be able to compete with cable "unless you eliminate the competitive advantages this bill confers upon cable," countered BellSouth Senior Vp William Reddersen, representing USTA. Reddersen said bill should: (1) Give telcos option of price regulation, similar to cable's, rather than rate of return or cost of service. (2) Not require video dial tone systems to build more channel capacity than needed since "cable operators do not operate under such economic burdens." (3) Not limit telcos to programming 25% of channels. Jeffrey Chester of Center for Media Education said telcos should be limited to 10% of channels. (4) Give cable same open access video platform obligation as telcos. (5) Deregulate telecommunications services when there's competition.

Subcommittee member Rep. Tauzin (D-La.) raised issue of one wire versus 2, saying van lines don't need 2 highways to compete as long as they're assured access to highway that exists: "Why should the nation pay for more than one pipeline?" Anstrom agreed that there's no technical requirement for 2 wires and that single wire should be allowed in some areas, but said 2 wires allow competition rather than regulation.

Role of local govts. in NII remains issue, said Subcommittee member Rep. Schaefer (R-Colo.). Citing possibility of 30,000 local govts. regulating NII, he said he's concerned about how long local regulators could "hold up the seamless network." Marilyn Praisner of Montgomery County (Md.) Council, representing National Assn. of Telecommunications Officers & Advisers and cities and counties, said local regulators have caused "no problems" for cable: "I think that will continue." Chester of Center for Media Education said local govts. must be involved in "designing the on ramps and off ramps."

Broadcasters need changes in NII legislation to become effective infrastructure participants, said McGraw-Hill Bestg. Pres. Edward Reilly representing NAB, including prohibition on discrimination in "gateways," limits on telco ownership of cable in telephone service area and on cross-subsidies, competitive wires into home, preservation of rules such as syndex and network nonduplication. In response to question from Markey, Reilly said must-carry and retransmission consent will be critical to broadcasters after infrastructure is built.

Information highway actually will be "information tollway," said INTV Chmn. Al Devaney of WPWR-TV Chicago-Gary. He backed NAB positions and said that broadcasters should receive "special tariff" for access to NII and that national station ownership rules should be relaxed or eliminated. Telco entry bill requires 2 wires to home, but Devaney said exceptions to rules make them "meaningless."

Small Cable Business Assn. (SCBA) made apparently unsuccessful pitch for increasing rural exemption, which allows telcos to own cable systems in communities with population of less than 10,000. Small systems worry they won't be able to afford network upgrades without partnership with telcos. Based on FCC definition of small local exchange carriers, SCBA Chmn. David Kinley of Sun Country Cable said exemption should apply for systems with up to 25,000 subscribers. House Telecom Subcommittee Chmn. Markey (D-Mass.) said 25,000 figure would include "every community in my district. That is clearly not the intent of anyone on the Subcommittee."

Other comments at hearing: (1) There's no need for additional limits on mergers or acquisitions, Anstrom said: "Antitrust laws are already in place." (2) Subcommittee member Rep. Oxley (R-O.) said it's "imperative that Congress regain the reins of telecommunications regulation from the courts." (3) Subcommittee member Rep. McMillan (R-N.C.) said proposed safeguards may "go too far" in protecting cable from telco entry.

BROADCASTERS IN SENATE BILL: New bill (S-1822) introduced Feb. 3 by leadership from Senate Commerce Committee is first to include broadcasters specifically in National Information Infrastructure-related legislation. Broadcast-related features aren't duplicated in House bill (HR-3636) that covers many of same issues on local telecommunications competition.

Broadcasters have complained for months that they have been left at rest stops along information superhighway while Clinton Administration and Congress focused most attention on telcos and cable. New bill, introduced by Commerce Committee Chmn. Hollings (D-S.C.), Communications Subcommittee Chmn. Inouye (D-Hawaii), senior Committee Republican Danforth (Mo.) and others includes at least some minor provisions that recognize participation by broadcasters.

Last section of bill would allow broadcasters to use their spectrum for other purposes, while giving FCC authority to collect from licensees fees equal to what spectrum would have been worth if it had been subject to auction. Other broadcast parts of bill direct FCC: (1) To examine cross-ownership rules on TV and radio stations to make certain broadcasters can compete "fairly with other media providers." (2) Review network nonduplication and syndicated exclusivity rules, considering applicability to cable or other video providers. Some broadcasters also could be eligible for special telecommunications rates, along with schools, hospitals, newspapers.

Key difference between Hollings measure and House bill sponsored by Telecom Subcommittee Chmn. Markey (D-Mass.), Rep. Fields (R-Tex.) and others, is that Senate version proposed to use existing regulatory categories for cable, telco and other service providers, while House would attempt to create new ones. For example, video services offered by RHC would be regulated under 1992 Cable Act rate regulation, while cable companies or others that offer telecommunications services would be considered common carriers subject to Title 2 of Communications Act, with responsibilities for contributing to universal service funds. House staff members said they were trying to be forward-looking in creating new regulatory categories, but Senate staffers said it would be premature to start establishing new categories.

Much of rest of Senate bill deals with issues related to Modified Final Judgment (MFJ), particularly under what conditions RHCs should be allowed into long distance business. Test is tougher under Senate bill than House version, but there's no waiting period in former as there is in House.

To show support for bill, Hollings was joined at news conference by co-sponsors Danforth, Inouye, Dorgan (D-N.D.), Exon (D-Neb.) and Gorton (R-Wash.), who are on Commerce panel, and Sen. Kerrey (D-Neb.), who isn't. Sen. Stevens (R-Alaska), who's in hospital, said in statement he would like broader definition of universal service and lifting of all cross-ownership restrictions. Other co-sponsors are Sens. Burns (R-Mont.), Pressler (R-S.D.), Robb (D-Va.), Rockefeller (D-W.Va.).

Hollings said he hoped for passage by end of year. He acknowledged that track in Senate isn't as fast as in House, but said he was "on track to hear from everybody." Hearings are expected to start after Congress returns from recess in late Feb. Hollings said hearings would be held at Committee level, rather than at subcommittee level, to show importance he places on bill.

Reactions to Hollings bill included: (1) NCTA Pres. Decker Anstrom said he's "pleased" with legislation, but cable will continue to press for staged entry of telcos into cable. (2) USTA Chmn. Gary McBea said it must maintain universal service, provide regulatory parity and make "realistic business opportunities" available. (3) AT&T said it supports long distance and local competition provisions, but was "disappointed" that bill wouldn't apply competitive provisions to determine whether RHCs should be allowed to manufacture equipment. (4) Sprint Govt. Affairs Vp James Lewin said company "enthusiastically supports" bill. (5) Newspaper Assn. of America said it's "extremely pleased" with bill, particularly proposed safeguards on electronic publishing by RHCs. (6) CompTel said bill includes "reasonable balance" of competition. (7) NBC said it applauded bill's recognition that broadcast industry must be "a main artery" of information superhighway.

Also last week, summary of responses to Markey request for information on what cable companies and telcos are doing for schools, telcos and cable companies produced mixed reaction. For example, Bell Atlantic said it would offer service free. BellSouth said it was "limited by regulation" but would work with schools to provide "customized solutions" while keeping from being put at "competitive disadvantage." Nynex said such costs shouldn't "fall on the local exchange carrier alone" or on its customers, while GTE said it would be "inappropriate" to burden telcos. U S West said problem "lies more in lack of readiness in schools." Many cable companies said they already were providing free service to schools, although they didn't want it to be mandatory. Survey found that schools used less than 1% of lines in most telco service territories.

FCC approved Infinity Bestg.'s \$110-million purchase of KRTH(FM) L.A. on 2-1 vote, despite strong concerns about alleged indecency by "shock jock" Howard Stern, but fined company another \$400,000 for indecency, raising fine total to \$1.6 million in 3 years -- none of which has been paid. Decision doesn't affect applications for permission to buy WPGC(AM/FM) Washington for \$60 million. Commission said it found Infinity's continuing "apparent misconduct in airing indecent programming to be troubling" and "future violations might provoke penalties more stringent than monetary forfeitures." It said recent court rulings limit enforcement of indecency rules, but said court "raised issues regarding the enforcement program that can most appropriately be addressed in a rulemaking proceeding." Comr. Quello dissented in 2-1 vote, saying Commission shouldn't allow Infinity to acquire more stations because "it is antithetical to the public interest to authorize additional stations for probable dissemination of gross indecency and possibly obscene broadcasts by Stern." Comrs. Barrett and Duggan (Chmn. Hundt didn't participate) reportedly also were concerned about alleged indecency but didn't believe they had legal right to hold up application further. Infinity officials said delayed action on KRTH(FM) already had cost it \$1 million because purchase price was based on cash flow, which has increased. Quello objected to relying only on fines, saying "previous FCC fines have not had a deterrent effect. Additional fines could merely be written off as a cost of doing business." Infinity, meanwhile, said its profit rose to \$9.1 million in 4th quarter, from \$2.5 million year ago, mainly on higher ad revenue. Overall revenue jumped 36% to \$61.2 million. Full-year profit was \$14.3 million, vs. \$21.8 million loss year ago.

Nielsen said it terminated talks on acquiring Hong Kong-based Survey Research Group, but said it will continue "aggressive growth strategy" in Asia.

FCC TO EXTEND RATE FREEZE: FCC is expected to announce today (Feb. 7) that it again will extend cable rate freeze that has been in effect since April, but has delayed action on further rollback of rates, at least until Feb. 22. Agency originally scheduled action on cable issues, reportedly including rollback, for Feb. 10 agenda meeting, but officials said staff still was working on "comprehensive approach" to rate regulation. Also at meeting, Commission is expected to vote on procedures for cost-of-service rate proceedings. Current rate freeze is to expire Feb. 15.

Many feel Feb. 22 date was dictated by House Telecom Subcommittee Chmn. Markey (D-Mass.), who has scheduled markup on cable bills for next day. Sources said Markey told FCC "I'm going to be very unhappy" if decisions aren't made before Feb. 23 markup, causing Commission official to ask: "Why should we have a meeting just to please Markey?" Comr. Quello wanted meeting Feb. 18 because he was due to participate in Mich. Assn. of Bstrs. convention Feb. 22 in Lansing. Chmn. Hundt was agreeable, but Comr. Barrett said he wouldn't have time to prepare (commissioners still haven't been told what will be on agenda Feb. 22 and no documents have been circulated), and he and Quello favored March 1 meeting.

FCC officials have said Commission will consider "fine-tuning" rate rules at meeting, based on results of its cable rate survey. Among options being considered is reducing weight given in setting benchmarks to low-penetration systems (those with fewer than 30% of households passed subscribing). Critics have claimed that giving full weight to such systems allowed benchmarks to be too high, and some FCC officials believe Commission has authority to de-emphasize them, effectively lowering benchmarks.

Many MSOs and telcos have been shuttling in and out of FCC hq to discuss rate freeze, agency officials said. Congress also has expressed interest. In response to question from Rep. Fields (R-Tex.), ranking minority member of House Telecom Subcommittee, at national infrastructure hearing, industry officials argued that FCC shouldn't reduce benchmarks. NCTA Pres. Decker Anstrom said he had "great concern" about cable's ability to raise money to build infrastructure if there are more rate cuts. He said a "top-15" MSO had planned equity issue in Jan., but shelved it because of reports of possible rate cuts. Anstrom said there's "no magic number" for when cuts would begin to hurt ability to finance infrastructure, but said cable already has lost \$2 billion in revenue. David Kinley of Sun Country Cable, chmn., Small Cable Business Assn., said simply enforcing current benchmarks and freeze "has been devastating" to small cable operators, who have been unable to raise capital.

FCC Chmn. Hundt has launched series of 11 meetings with employees of offices and bureaus, excluding supervisors. He met with employees of Common Carrier Bureau Feb. 4, earlier with those from Gen. Counsel's Office and Field Operations Bureau. Two such meetings per week are planned through March 7. Chmn. also has started sending E-mail to staffers, including daily digest of FCC releases, reportedly is getting good response. Commission also will go on Internet soon.

Cap/ABC said it's forming TV production company with Brillstein-Grey Entertainment. Venture will produce network programming, pay-per-view, videocassettes and interactive TV, said ABC TV Network Group Pres. Robert Iger.

NETWORKS PLAN NEW RATINGS: Coalition of ABC, NBC, CBS and NAB signed \$20-\$30-million agreement with N.J. research lab for TV ratings project that could compete with Nielsen by late 1995. Committee on Nationwide TV Audience Measurement (CONTAM) reported deal with Statistical Research Inc. (SRI) Feb. 3, setting stage for possible challenge to Nielsen's lock on TV audience ratings. Arbitron dropped out of TV rating business Jan. 1, leaving Nielsen sole supplier. Fox, syndicators and cable networks have been invited to join multiyear project.

Systems for Measuring & Reporting TV (SMART) calls for SRI to develop system based on barcode-like universal TV product code (UTPC) that would be embedded in video portion of program and could replace current method of monitoring channel tuning. Data would be sent via household wire or RF to storage device in home and transmitted through phone line to SRI. System is expected to be tested in 500 homes in one market by late 1995, with UTPC code possibly available in programming nationally by end of decade, industry officials said. SRI is licensing UTPC code from Metuchen, N.J.-based Berkeley Varitronics Systems.

While SRI officials deflected questions about possible head-to-head battle with Nielsen, Pres. Gale Metzger said: "We will be very happy to go to a test market in 1995 and take it from there." Company has been operating prototype field lab in Westfield, N.J., hq since June covering 100 homes in 5 N.J. counties. Prototype doesn't use UTPC and employs TV meter.

"We all know that when you're dealing with a monopoly, the likelihood is service will deteriorate to some degree and the ratings may not be as accurate as you would want them to be," said Peter Chrisanthopoulos, ABC exec. vp-research. "We're saying that we're not really comfortable with all that is going on with the Nielsen organization today." Nicholas Schiavone, NBC vp-media and marketing, said current research "is not good enough, not reliable enough."

Nielsen spokesman said company supports venture, isn't worried about possible competitor, saying that it continues research into "nonintrusive" means for ratings such as passive metering. "If SRI came up with a better mousetrap, then we're really interested in looking at it," Nielsen said.

State cable associations are taking up arms against telco efforts to overturn telco-cable cross-ownership restrictions, similar to successful action by Bell Atlantic (TVD Aug 30 p2). Cal. Cable TV Assn. (CCTA) and Cable TV & Communications Assn. of Ill. (CTC) filed petitions to intervene in federal courts, where telcos appealed cross-ownership ban. CCTA wants to intervene in Pacific Telesis suit in U.S. Dist. Court, San Francisco, saying "cable television companies are at greatest risk by Pacific's action." CCTA Pres. Spencer Kaitz said risk is shown by fact that PacTel alone is bigger than entire U.S. cable industry and "uniquely positioned to engage in unfair, predatory practices. Pacific's plans to use California ratepayer money to finance their entry into the video marketplace can, and will, enable them to price their video services below cost with the ultimate goal of driving competitors, including existing cable companies, from the video marketplace." CTC wants to intervene in Ameritech suit in U.S. Dist. Court, Chicago, saying that telcos would enjoy inherent competitive advantage over cable. "If Ameritech has enough excess revenues to build cable television systems that duplicate those which already exist, that money should be returned to its telephone customers," CTC Pres. Gary Maher said.

FOX PROFITS UP: News Corp.'s TV operating profit jumped 48.9% to \$93.9 million in quarter ended Dec. 31, primarily because of growth at Fox Station Group. Company said Fox Network profit was hurt by cancellation of Chevy Chase Show. For first half of fiscal year, parent reported net profit of \$546 million, vs. \$322 million profit year ago, partly because of \$103-million gain on sale of Hong Kong newspaper. Most other media companies also reported improved profits for quarter.

News Corp. TV revenue was up 58% to \$438.8 million for quarter, and 39.5% to \$755 million for 6 months. Six-month operating profit gained 27.1% to \$146.4 million. Addressing criticism of price that News Corp. paid for NFL football rights, report said games would provide "major boost" to network and stations. Filmed Entertainment Div., including 20th Century Fox, had 183% growth in operating profit, to \$72.4 million, largely because of success of Mrs. Doubtfire. Satellite operations in U.K. and Asia provided big boost to profitability, News Corp. said. BSkyB operating profit reached \$4.5 million per week by end of Dec., up 50% since Sept. Asian venture, Star TV, had "small" operating loss, News Corp. said, but is available to 42 million homes, up 280% in 10 months.

Other Financials: General Instrument profit jumped to \$39.5 million in 4th quarter ended Dec. 31, from \$7.2 million year earlier, mainly on growth in cable equipment sales. Sales in quarter were up 37% to \$408 million and operating profit 70% to \$62 million... Times Mirror had \$161.8-million profit in 4th quarter ended Dec. 31, vs. \$61.9-million loss year ago, mainly because of more than \$100-million drop in restructuring charges. Cable revenue was up 5% to \$121.9 million, and cable operating profit jumped 57% to \$28.1 million... McGraw-Hill broadcast revenue dipped 1% in quarter ended Dec. 31, but overall profit was up 4% to \$44.9 million... Tribune Co. TV revenue increased 9.6% to \$141.6 million in 4th quarter ended Dec. 26, and radio revenue 21.7% to \$15.6 million. Report didn't include net profit.

Knight-Ridder said financial growth of cable operations slowed for fiscal year ended Dec. 31, despite fact that pretax profits at TKR Cable, joint venture with Liberty Media, increased 38% to \$12.5 million. Parent's full-year net profit soared to \$148 million from \$41 million year ago, and to \$51.2 million for 4th quarter, from \$43.6 million... Century Communications loss in 2nd quarter ended Nov. 30 increased to \$11.05 million from \$10.5 million year ago. Cable revenue rose to \$81 million from \$75.4 million... Multimedia profit grew to \$21.8 million in 4th quarter ended Dec. 31 from \$19.2 million year ago. Broadcast revenue dropped to \$42.2 million from \$44.9 million; cable revenue grew to \$41.1 million from \$37.9 million. Cable cash flow was up 17% to \$85.5 million for year... Clear Channel Communications had \$4.8-million profit in 4th quarter ended Dec. 31, vs. \$1.6 million year ago. Revenue increased 50% to \$47.9 million, cash flow 65% to \$10.2 million.

Rogers Communications said it will make \$2-billion offer to buy 83% of Maclean Hunter. Rogers, which owns 8.3% of Maclean, is Canada's largest cable operator. Maclean, which has stock market valuation of \$2.85 billion, said it will consider Rogers' proposal. Rogers owns 14 Canadian cable systems with 1.8 million subscribers, national cellular network, part of Unitel long distance company. Maclean has 8 U.S. cable systems with 540,714 subscribers and Canadian systems with 700,000, as well as publishing, broadcast and cable interests in Canada. Rogers said it will consider selling Maclean's U.S. cable interests if deal is completed.

DBS FIRMS MERGE: DBS permittees EchoStar and DirectSat said they will combine licenses and create single entity to operate 2 satellites at 119° W and offer 100 channels. Under plan, which must be approved by FCC, EchoStar would hold licenses and operate system, DirectSat would have minority interest in EchoStar and satellites. Daniel Moore, CFO of DirectSat owner SSE Telecom, said stake in EchoStar would be "modest." First launch is summer 1995.

When deciding on application, we're told, FCC will balance apparent increased viability of proposed single permittee at 119° against potential reduction in competitive DBS services. Since DirecTV and U.S. Satellite Bcstg. have head start in DBS, predominant view is that sufficient competition exists. "This seems to be precisely the kind of transaction that would enhance the financial viability of DBS," source said.

"This maximizes the value of DBS opportunities for our shareholders," Moore said, "because [EchoStar's] plan for a 2-satellite fully operational DBS business is going to have the ability to attract millions of consumers." Any single-satellite DBS system "is suspect," he said, because it would have no backup. Also, he said, 2 satellites provide ability to offer more services and has "economies of scale." One economy-of-scale feature is plan to renegotiate satellite construction contract with Martin Marietta (MM), which is to build satellites for both companies. MM has begun construction of EchoStar's bird, but not DirectSat's.

In last 2 negotiations for new union contracts, NBC has "pursued a strategy of stalling... to the point of impasse," NABET-CWA charged in threatening to organize viewer boycott of network during May sweeps if it doesn't negotiate in good faith. Union (NABET and CWA merged last year, represent more than 2,000 employees at NBC and 4 of its owned stations) and network exchanged early proposals 10 days ago for negotiations that begin Feb. 8 in San Diego, with NABET-CWA charging NBC proposals are "devastating," would jeopardize jobs and would create "oppressive working conditions." Neither side disclosed its early proposals. NBC said: "This is the beginning of a long process of negotiating. We are optimistic that we will reach an agreement that is satisfactory to both sides." Union Pres. John Clark, on other hand, said: "We haven't reached a settlement with NBC before contract expiration in over 20 years, and relations have gotten worse in recent years." Current contract expires March 31. Boycott will take place, NABET-CWA said, if "this year's contract negotiations follow the difficult path of the past 2 rounds." Clark said union, in threatening boycott, is "signaling NBC that this year we're prepared to do everything we have to do to compel genuine collective bargaining... rather than let the network stall and try to take us to impasse once again." He charged that NBC is seeking right to employ unlimited number of daily hires (outside union's jurisdiction) and to "wipe out" NABET-CWA jurisdiction over technical issues. Also, he said, network wants to classify CNBC (cable news channel) as an "affiliate," enabling NBC to originate programming from CNBC's Charlotte studios, which also are outside union's jurisdiction.

Number of U.K. telephone lines installed by cable operators nearly tripled to 314,381 in 1993, govt.'s Independent TV Commission (ITC) reported. In 4th quarter, cable companies installed 69,000 telephone lines, vs. 34,000 year ago, ITC said. Number of cable franchises providing telephony nearly doubled, to 43 in Jan. 1994, from 24 year earlier.

FCC TOUGHENS EEO STANCE: In unanimous action, FCC last week issued what it called major policy statement on equal employment opportunity (EEO) in "get-tough message" to those it regulates, as agency official described it. At same time, Commission issued slew of fines and short-term renewals against stations, and designated renewal applications of KFUD-AM-FM Clayton, Mo., for hearing because of EEO violations. In another action, cable system owned by Adelphia Communications in Palm Beach County, Fla., was fined \$121,500 and denied certification for failing to comply with EEO rules "for years," Commission said.

Statement establishes guidelines that licensees and cable systems must meet to stay within EEO requirements and will "provide the Commission, licensees and the public with comprehensive guidance," Chmn. Hundt said. "It also reaffirms the Commission's commitment to tough but fair enforcement of [EEO] rules." FCC said guidelines are nonbinding and staff will continue to evaluate each case on its own merits, but "overall guidelines will give licensees and the public a better understanding of how EEO rules will be enforced."

Guidelines set base fine of \$12,500 for EEO violation and provide guidance on situations that would increase or decrease that amount. Short-term licenses will be used in addition to fines, FCC said. KFUD-AM-FM (owned by Lutheran Church/Mo. Synod) renewals were set for hearing to determine whether licensee submitted "untrue statements to the Commission," agency said. It said "substantial and material questions of fact" exist as to licensee's compliance with "EEO and candor rules."

Short-term renewals, fines of \$18,750-\$37,500, and reporting conditions were assessed against: Tex. stations KEGL(FM) Ft. Worth, KMND-AM-FM Midland, KTEM(AM)-KPLE(FM) Temple, KSAM-AM-FM Huntsville, KYKX(FM) Longview, KGNC-AM-FM Amarillo, KEBE(AM)-KOOI(FM) Jacksonville and KGVU(AM)-KIKT(FM) Greenville; KEZX-AM-FM Seattle; KRCB(AM)-KSLY(FM) San Luis Obispo; KTMS(AM)-KHTY(FM) Santa Barbara. KVI(AM)-KPLZ(FM) Seattle were fined with reporting requirements, but no short-term renewals, while KSPA(FM)-KOWF(FM) Escondido, Cal., were required to file annual EEO reports but weren't fined.

In his last statement as FCC member, Comr. Duggan said Adelphia's practices "reflect the near absence of any EEO effort and even suggest that outright discrimination may have occurred." He said Commission "would do well to consider a more creative, less rigid, remedial approach... Specifically, I believe the Commission should seek statutory authority to use consent-decree style enforcement" in EEO cases. Such approach "would do more to boost meaningful EEO performance... than our present system of exclusively punitive sanctions."

"Squash It!" TV antiviolence campaign has been launched by Jay Winsten, dir. of Harvard Center for Health Communication and creator of mid-1980s "designated driver" TV-radio spots. He has written 750 TV producers seeking participation. Winsten told producers that they could make "an important contribution by occasionally using the phrase 'Squash It!'... or to find other ways to communicate that's cool and smart... The cumulative effect of an occasional line or 2 of dialog, reinforced over time, can be very considerable." Pilot program in Kansas City this spring has support of civic leaders and U.S. Attorney Gen. Janet Reno.

CONVERTER BOXES DEBATED: Most witnesses at hearing of House Telecom Subcommittee last week endorsed idea that set-top box could be key to opening national information infrastructure, and that box shouldn't keep some providers from cable systems. However, General Instrument said proprietary standards could benefit consumers.

Hearing revived somewhat dormant notion of information infrastructure that resembles Internet, with many independent data bases accessible directly by consumers. Most of discussion so far has been on allowing producers entry to cable systems. With sophisticated host computers, however, video and other data could be sent directly to consumers from file servers, without need for cable system in middle. In reply to question from Rep. Boucher (D-Va.) on possibility of file servers becoming commonplace, Microsoft Senior Vp Nathan Myhrvold said technology exists in labs, and could be 5 years away from common availability. Key issue, he said, is when network will be available to support transfer of video from file servers.

Discovery Chmn. John Hendricks noted that 2 incarnations of cable will be availability of 200-channel systems in 2-3 years, composed of 160 channels digitally compressed into 20, and "file server world" that would "evoke eventually infinite choices." Hendricks demonstrated "Your Choice TV" as model for interactive arrangement and endorsed standardized transmission so that any service provider could have access.

Viacom Senior Vp Edward Horowitz also backed "open access" for programmers and said single program packager doesn't need to control access to programming. He said "any proprietary system must not have the effect of preventing or restricting the ability of programmers to gain access," and development of digital compression has become struggle between advocates of open universal standard and those who favor proprietary system.

Dissenter was Hal Krisbergh, pres. of General Instrument Communications Div., who argued that single standard imposed on all set-top systems would hamper development and raise privacy and security concerns. He said telephone companies use proprietary technology in their networks.

Ottawa-based Exxtasy TV, hard-core pornography programmer that has signed up 18,000 U.S. customers in last 2 months for satellite service, has become target of American Family Assn. (AFA), Washington-based lobby group. AFA threatened prosecution to stop Exxtasy from carrying X-rated programming and filed complaint with Justice Dept. last week to open investigation. CRTC has barred such transmissions in Canada. Exxtasy had operated in U.S., was closed down in 1990 after prosecution by govt. Canadian satellite companies refused to carry service, which costs \$220 per year and broadcasts 8 p.m.-4 a.m. Spokesman for AFA said that if service is found to be out of U.S. jurisdiction, another option is to prosecute U.S.-based satellite owner.

E.W. Scripps agreed to buy Bagwell Communications/Cinetel Productions, one of largest independent cable programming producers, companies said. Bagwell/Cinetel facility in Knoxville will become primary production center for Home & Garden TV, launching late this year. Cinetel produced 7 cable series and several specials in 1993. Customers include Arts & Entertainment, Discovery, Learning Channel, Nickelodeon, TNN.

PUBLIC PRAISES PTV: Public broadcasting received generally positive marks in survey commissioned by CPB as part of its first congressionally mandated report to Hill on objectivity/balance and other aspects of its programming. Some 82% of 1,000 adult respondents in poll, conducted last Oct. by 2 Washington-area research firms, described public TV (PTV) as "wholesome" -- vs. 37% for broadcast networks and cable. Only 13% found PTV biased, vs. 42% for network news, 17% for CNN. (Some 70% found network TV "very" or "pretty" violent, vs. 57% for cable, 14% for PTV.)

Some 65% of respondents felt that public broadcasting should be held to higher standards of objectivity/balance because it receives taxpayer support, and 45% felt it should be "more balanced and objective." CPB said in report to Congress that "no glaring or egregious pattern of bias, social slant or partisan predisposition has surfaced" in Corp.'s year-long probe, called Open to the Public. Pres. Richard Carlson acknowledged that Corp. to date hasn't taken remedial action in response to any individual programs found to have run afoul of Corp.'s program oversight mandate.

In report to Congress, however, CPB said it soon would convene quarterly examinations of programming that would include assessments of news, public affairs, cultural and children's fare by panels of "scholars, independent producers, station executives, cultural specialists, and media critics."

Strongest critiques of PTV in poll -- based on respondents being read list of 9 "criticisms that have been made" about its fare -- were that: (1) Its environmental documentaries "are slanted in favor of environmentalists and do not fairly represent the views of businesses or those who put jobs and the well-being of people first" (45% strongly or partly agreed). (2) Its documentaries on political movements in other countries "are often slanted to one side and don't accurately present the views of all sides" (44%). (3) It features programs "that mostly appeal to highly educated people" (36%).

Ad agencies should reposition themselves as information packagers and movers, not advertisers, to remain competitive in interactive multimedia, FutureVision Pres. Robert Schena said. He told Philadelphia Ad Club Jan. 28 that key to agency success will be marrying creative and selling skills with computer skills. When consumers can get virtually unlimited number of networks, "you can't make them watch anything anymore," Schena said. He said traditional ads still will have place on some broad-based networks and sports programming, but most of time advertisers will have to find way to entice consumers to watch and to develop dialog with them. For example, viewers could be offered discount on pay-per-view movie if they agree to watch ad tied to demographics of that film. New media will mean first "real-time accountability" on success of ads, since there will be immediate information on how many were tuned into ad, and often on how many were motivated to buy or at least get additional information, Schena said.

Channel One slightly improves students' knowledge of current events, according to last of 3 reports by U. of Mich. Study, commissioned by Channel One parent Whittle, found that high school students who watched ad-supported show last year scored average of 5% higher on test than did nonviewing students, and that middle-school viewers performed 8% better. But researcher Jerome Johnston said viewers learn "much more" if their teachers discuss news regularly: "Programming alone doesn't improve student learning of current events."

DirecTv sent letters to 2,000 satellite dealers authorizing them to sell subscriptions for DBS. Dealers are required to attend training sessions starting this month by distributors in 5 U.S. regions with DirecTv and Thomson, which is building hardware under RCA Digital Satellite System (DSS) brand. DSS hardware will be shipped in April to some satellite dealers along with "a few dozen" Circuit City, Sears and other consumer electronics retailers. Meanwhile, Compression Labs has delivered "some encoders," after delays last fall. "Development is not where we want it to be, [but] we have enough to work with and it won't delay the launch," DirecTv spokeswoman said. Thomson officials said in Dec. that encoder development was behind schedule and beta test planned for Nov.-Dec. had been delayed to March.

NAB told members of Senate Commerce Committee that Assn. would continue to oppose bill (S-674) that would require warnings in broadcast beer and wine ads, despite changes made by sponsor, Sen. Thurmond (R-S.C.). Proposed substitute would shorten wording of warning and drop requirement that it be read aloud during commercial; instead, warning would be shown on screen. In Jan. 28 letter to committee members, NAB Pres. Edward Fritts said that even though changes make bill "less intrusive, they in no way change our fundamental opposition to this proposal." NAB said it believes that "warnings in advertising are not the solution to the problem of alcohol abuse," that there's no scientific evidence linking ads with abuse and that warnings haven't been effective means of alerting public.

TV Nova went on air Feb. 4 as first privately owned national commercial TV station in Czech Republic. It's owned by Central European Media Enterprises Group (CEME), which won license over 25 competitors, including several U.S. companies. TV Nova can air advertising 20% of time, must program minimum of 40% Czech-produced programs within 3 years. Station reaches 98% of country, competes with 2 govt.-owned stations and private station in Prague, was built for \$45 million. CME Pres. Leonard Fertig is former ABC vp, has been consultant to several U.S. programmers and cable networks. CME also operates regional TV stations in Germany, is attempting to privatize govt.-owned TV networks in Central and Eastern Europe.

World Alliance of TV for Children (WATCH) has been formed by 11 international groups to advance quality youth programming in all TV-related media. WATCH plans to establish hq in Munich at Prix Jeunesse, which holds annual international children's festival in June. Participants include Chicago-based American Center for Children's TV, UNICEF, UNESCO.

Spring affiliate conventions of 4 TV networks, all at Century Plaza Hotel, L.A.: NBC May 22-25; CBS June 1-3; ABC June 7-9; Fox June 23-24. NAB spring board meetings are June 4-7 (over weekend for first time to take advantage of lower air fares with Sat. layover) at Ritz-Carlton Hotel in Washington suburb of Arlington, Va.

Fox TV affiliates agreed to provide network with up to \$30 million annually in dollars and air time to help it pay for rights to NFC games (\$1.58 billion over 4 years). Stations agreed to contribute money received from cable retransmission rights, plus 3 prime-time 30-sec. spots per week.

New Locations: Loral moved Washington office to 1725 Jefferson Davis Hwy., Suite 900, Arlington, Va. 22202, 703-416-5500. Iridium moves Feb. 7 to 1401 H St. NW, Washington, D.C. 20005, 202-326-5600.

Paramount board unanimously endorsed Viacom's bid to buy firm Feb. 4, though final decision will be up to stockholders who have until Feb. 14 to tender stock to Viacom or QVC (TVD Jan 31 p5). Meanwhile, BellSouth said it would invest additional \$500 million in QVC, raising its total investment to \$2 billion. Additional funding helped QVC boost cash portion of its bid \$750 million. Deal would make BellSouth QVC's largest stockholder. QVC increased its offer for 50.1% of shares to \$104 each and reduced its stock offer for remaining 49.9%. Viacom offer: (1) Raising offer of convertible preferred stock to \$17.50 per share, yielding 8%, from \$15.20, yielding 5%. (2) Adding warrant to buy Viacom stock for \$70 per share. (3) Improving terms of contingent value rights. Viacom said it had received tenders of about 21.65 million Paramount shares, QVC for 19.03 million (out of about 120 million outstanding). Paramount also said it expects to have net loss of \$35-\$40 million for quarter ended Jan. 31, mainly because of write-off of program inventory at USA Network and low movie attendance. USA Networks said it expects \$78-million pretax write-off on broadcast rights, resulting in \$18-million aftertax loss for Paramount. It said charge related to poor ratings performance of Major Dad on USA and underperformance of other series.

Sens. Kohl (D-Wis.) and Lieberman (D-Conn.) introduced bill last week that would give videogame industry year to come up with voluntary rating system on violent or sexual content. Bill would create 5-member National Independent Council for Entertainment in Video Devices to determine whether industry ratings system is sufficient. If rule doesn't pass muster, bipartisan council would begin rulemaking to draw up mandatory code. Bill would give panel until Dec. 31, 1996, to do so. In measure similar to antitrust exemption that allowed TV networks to work together on violence issues, bill proposes to grant videogame industry exemption to work on voluntary standard. Senators said they recognized that industry already had started to work on rating system, will hold March 4 hearing to check on progress. Kohl said: "The industry is running out of time to set up their own ratings system." Lieberman said: "If videogame makers won't exercise self-restraint and keep gore and sex out of the games, let's give parents the information they need to keep those games out of the home."

Nearly 75% of those surveyed believe there should be competition between telcos and cable in video, according to Harris study for National Consumers League released Jan. 31. Other findings: (1) 68% supported allowing telcos to enter cable, 19% were opposed, 13% not sure. (2) 73% favored telco-cable competition, 15% opposed. (3) 29% were aware of proposed bill (HR-3636). (4) 34% believed cable would provide best service, 32% said telcos. (5) Cost is primary reason for not subscribing to cable, although 22% said cable wasn't available, 16% said broadcast TV was adequate, 10% said they didn't watch enough TV, 8% were concerned about cable programming. National Consumers League favors allowing telcos into cable.

Broadcasting "more than ever needs the moral force of religious broadcasters and responsible citizens' groups to offset the effect of excessive glamorized violence and explicit sex flooding the airwaves today," FCC Comr. Quello told National Religious Bestrs. Assn. convention in Washington. "The power of religious and moral forces may be grossly underestimated" by broadcasters, cable and print media, he said. Above all, he said, religious programming must maintain its "integrity if its message is to be believable. It must not prey upon religious emotionalism to extract the last dollar from the faithful. It must self-police the cultists and the greedy charlatans."

Broadcasters' reluctance to accept V-chip could hurt their bid to use advanced TV channels for data and other services, said House Telecom Subcommittee Chmn. Markey (D-Mass.). McGraw-Hill Bestg. Pres. Edward Reilly, representing NAB, told Subcommittee hearing on National Information Infrastructure that ability of broadcasters to use channels for nonvideo purposes is important to infrastructure. Markey said it's "difficult for broadcasters to claim that they will use the new spectrum for the public interest when they're unwilling to use a scintilla of spectrum for V-chips." He said V-chip would be "a public interest use of the spectrum." Reilly attempted to interject that broadcaster opposition to V-chip is on First Amendment grounds, not spectrum grounds, but was cut off by Markey. NAB officials said later there's no contradiction between First Amendment problems with V-chip and responsible use of spectrum.

FCBA State & Local Practice Committee is sponsoring Cable/Telco Convergence luncheon Feb. 28, Sheraton City Centre Hotel, Washington. Participants include Kenneth Gordon, chmn., Mass. Dept. of Public Utilities; Lisa Rosenblum, deputy chmn. and member, N.Y. PSC; William Squadron, pres., National Assn. of Telecommunications Officers & Advisers; Pat Koch, Bell Atlantic exec. dir.-External Affairs; Daniel Brenner, vp-law and regulatory policy, NCTA; Craig Dingwell, dir.-state and regulatory affairs, Sprint. Sprint will sponsor free listen-in phone line for out-of-town registrants: Paula Friedman -- 202-833-2684.

Ex-FCC Comr. Duggan spent his first day on job as PBS pres. Feb. 1, but he had busy last day as FCC member Jan. 31, playing what we're told was key role in agency's adoption of major policy statement on EEO and as swing vote in 2-1 approval of sale of KRTH(FM) L.A. to Infinity Bestg. for \$110 million (see separate reports in this issue). His senior legal adviser, John Hollar, has joined Duggan at PBS as senior adviser-strategic and corporate planning, new post. Legal adviser Linda Oliver will become of counsel to law firm Hogan & Hartson, and confidential asst. Linda Botbyl has been named analyst in Cable Bureau.

CBS will put Winter Olympics on-line through Prodigy in what it said is first stage in "far-reaching program." For Olympics, Prodigy customers will be able to get program information, highlights, other material. Network personnel also will go on-line to field questions and comments, and provide "quotes, notes and anecdotes." Service also will include Winter Games bulletin board. Network said future interactive activities will aid information and marketing services to advertisers, as well as network promotional efforts. CBS is first broadcast network to post information on Prodigy; several cable networks have been on for months.

TCI signed definitive agreement for merger with Liberty Media and confirmed that final agreement merging TCI and Liberty into Bell Atlantic (BA) is about 2 weeks away. TCI said Liberty deal will be tax-free exchange of common stock, with holders of TCI and Liberty receiving shares in new holding company. Deal is subject to stockholder approval, and closing is expected in 2nd quarter. TCI and BA said they "have resolved all major issues" in their merger, and final financial terms will be "comparable" to previous announcement.

Radio ad revenue increased 9.3% in 1993 to \$9.56 billion, RAB reported. Local spot (which accounts for 75% of radio revenues) gained 9.2%, national spot 10.2%, network 8.1%. RAB Pres. Gary Fries said "early indicators" show that 1994 revenue growth will equal 1993's.

Personals

FCC appointments: **Karen Watson**, PBS Washington producer, appointed chief, Office of Public Affairs; **Donald Glps**, ex-McKenzie & Co., joins Office of Plans & Policy; **Linda Oliver** leaves as legal adviser to former FCC Comr. **Duggan** to become of counsel at Hogan & Hartson, Washington law firm; **Christopher Frøntrop**, FCC Tariff Div., leaves to join MCI; **Jorge Schement**, Rutgers U. assoc. prof., appointed dir.-Information Policy Project, FCC.

Jay Rakow advanced to senior vp-gen. counsel, Paramount Pictures... **Thomas Rowland**, ex-Cook County State Attorney's Office, Public Utilities Div., Chicago, joins NCTA Assn. Affairs Dept. as dir.-counsel, state regulatory affairs... **Chris McDonald**, ex-Morningside Asia, Hong Kong direct investment firm, appointed mktg. dir., ESPN Asia... **Mark Gray**, ex-Sony Corp. of America, appointed pres.-COO, Chyron... **Ted Turner**, Turner Bcst. Systems, **Robert Wright**, NBC TV pres.-CEO, and **Brendan Clouston**, TCI COO, will be among speakers at Feb. 8-9 ANA-sponsored TV Ad Forum, Waldorf-Astoria, N.Y., 212-697-5950.

Mary Frost, Cap/ABC vp-gen. mgr.-east coast network operations, elected pres., N. American National Bestrs. Assn... **Kathleen Kelly** promoted to press mgr., NBC Entertainment... State Dept. names **Raul Rodriguez**, Washington attorney, to head U.S. delegation to World Telecommunication Development Conference of ITU in Buenos Aires March 21-29... **Ellen Bloom**, former legislative dir. for Sen. Metzenbaum (D-O.), appointed dir.-legislative affairs, NTIA... **Frederic Salerno**, Nynex vice chmn., elected to Viacom board... **James Burnett**, ex-Dorna USA, joins Fox Bcstg. as vp-sports sales, new position... **Paul Nichols** and **Jan Fisher** promoted to senior vps, Lippin Group PR firm.

Promotions at WUSA Washington: **Chuck Cowdrey**, vp-gen. sales mgr., to vp-bcst., new post, replaced by **Richard Dyer**, local sales mgr., who's succeeded by **Pam Baratta**, ex-national sales mgr., WFMV-TV Greensboro-High Point... **Todd Wheeler**, ex-WPVI-TV Philadelphia, appointed gen. sales mgr., WABC-TV N.Y... **Sandy Montgomery** promoted to vp-TV broadcast operations, KOMO-TV Seattle, new post... **Dave Colson** ex-KCBA Salinas-Monterey, Cal., appointed promotion mgr., KREM-TV Spokane... **Claude Pelanne**, ex-Polestar Communications, named dir.-program development, WABU-TV Boston... **Phyllis Geller**, ex-KCET L.A., named senior vp-Md. Public TV National/International Production Div... **Wayne Daugherty**, vp-gen. mgr., WTVM Columbus, Ga., promoted to pres.-Southern Div., owner of American Family Corp. (AFC); **James Wareham**, ex-AFC's KFVS-TV Cape Girardeau, Mo., succeeds Daugherty at WTVM.

Audrey Bashkin, ex-House Govt. Operations Committee staff, joins staff of House Science Subcommittee... **Stephen Saville** promoted to vp-network engineering, USA Networks... **Tom Simon**, National Geographic TV vp-programming and production, resigns March 11, no successor named... **Paul Stern**, Forstmann, Little & Co., named to General Instrument board... **Bruce Dickinson** promoted to senior vp, Daniels & Assoc. Emerging Industries Group.

Michael Solomon resigns as pres., Warner Bros. International TV Distribution April 1, remains consultant through June to supervise transition... **Nancy Valentine**, TCI programming mgr., promoted to dir.-programming administration... **Robert Switz**, ex-Burr-Brown Corp., named ADC Telecommunications vp-chief financial officer.

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FCC Events: **Thomas Stanley**, chief engineer, speaks at Energy Telecommunications & Electrical Assn. Technical Symposium and Equipment Exposition, San Antonio Convention Center, Feb. 7, 9:30 a.m.; **Kathleen Levitz**, acting chief, Common Carrier Bureau, is panelist at "Responding to Competition II," USTA's 1994 National Issues Conference, L'Enfant Plaza Hotel, Washington, Feb. 9, 11 a.m.; **William Kennard**, gen. counsel, addresses Communications Task Force luncheon, Planet Hollywood, Washington, Feb. 11, 1 p.m. Comr. **Barrett** is luncheon speaker May 24 at Bcst. Cable Financial Management Annual Conference, May 22-25, Sheraton Harbor Island, San Diego.

OBITUARY

Bruce S. Longfellow, 83, FCC veteran of 37 years, died Jan. 30 of respiratory ailment in Alexandria (Va.) Hospital. An EE graduate in 1934 from U. of Me., he served in FCC Boston and N.Y. field offices before moving to Washington as engineering asst. to Comr. **Cross** in 1958, later held same post for Chmn. **Henry**. Longfellow was active in international negotiations, retired in 1975. Wife, son, 2 daughters survive.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	JAN. 15-21	1993 WEEK	% CHANGE	2 WKS. TO JAN. 14	3 WEEKS 1994	3 WEEKS 1993	% CHANGE
TOTAL COLOR....	321,838	362,662	-11.3	535,528	857,566	890,887	- 3.7
DIRECT-VIEW..	313,663	354,635	-11.6	525,788	839,651	870,755	- 3.6
TV ONLY.....	300,816	341,729	-12.0	496,885	797,701	843,803	- 5.5
TV/VCR COMBO	12,847	12,906	- 0.5	29,103*	41,950*	26,952	+66.6
PROJECTION...	8,175	8,027	+ 1.8	9,740	17,915	20,132*	-11.0
VCR DECKS.....	162,301	203,295	-25.1	258,228	410,529	505,407	-18.8
CAMCORDERS.....	36,065	38,535	- 6.4	49,303	86,368	89,338	- 4.4
LASERDISC PLYRS#	4,278	4,099	+ 4.4	4,145	8,423 ^r	7,316	+16.1

Direct-view TV 5-week average: 1993-1994--360,056*; 1992-1993--324,370 (up 11.0%).

VCR deck 5-week average: 1993-1994--185,581; 1992-1993--181,712 (up 2.1%).

Camcorder 5-week average: 1993-1994--40,987; 1992-1993--34,465 (up 18.9%).

* Record for period. # Includes combi players, excludes karaoke types. ^r Reflects revision of figures for first 2 weeks of Jan.

PHILIPS TO DROP SYLVANIA BRAND BY YEAR-END: Philips will end distribution of Sylvania brand products by end of 1994 to concentrate major marketing efforts on Magnavox line, with goal of doubling its sales by end of decade. With its earlier demotion of Philco to special-projects brand and earmarking Philips brand as limited distribution sophisticated value-added line, Philips in U.S. now has gone full circle from brand proliferation to being essentially single-brand company.

Philips last week notified Sylvania distributors of decision, saying "primary factor" was aim for "consistent emphasis on its primary consumer demand brand, Magnavox," which it said represents "greatest growth opportunity." Company said action supports "Philips' global philosophy of simplicity and efficiencies in all areas of business." Company said it "will supply Sylvania products, based on availability, to existing distributors interested in continuing with the brand during 1994," offering "full support and cooperation."

Sylvania brand is marketed by 21 distributors as well as Philips' own Corporate Sales Div., as value line to nearly 3,000 retailers (500-store Target chain is believed to be largest single customer). Company didn't say, nor did Senior Sales & Mktg. Vp Ralph Palaia detail, future of Sylvania distributors or dealers, but it was hinted elsewhere that independently owned distribution centers could serve some of same outlets with Magnavox or Philips products.

Sylvania brand name, one of oldest in TV -- it has been on TV sets since mid-1940s -- thus appears destined to go way of such other pioneers as Westinghouse, Hoffman, Capehart, Muntz, Stromberg-Carlson. Sylvania name originally was property of Sylvania Electric Products, which was sold to GTE in 1960s. GTE sold its consumer electronics (Sylvania and Philco lines and picture tube operation) to N. American Philips (NAP) in 1991 for \$120 million, but retained title to Sylvania brand, which it licensed to Philips for unspecified fee.

"Sylvania brand name may be on way out," we reported in 1981 (TVD June 1/81 p14), noting that NAP had rights to name for only 5 years, renewable for another 5, presumably at escalating payments. Since then, GTE has sold remaining Sylvania operation (including name) to Germany's Siemens, which has been licensing name to Philips on year-to-year basis. Although Philips has option to renew rights to name until 2000, it's believed escalations have priced name out of market, although that obviously wasn't primary

reason for dropping line. Palaia said Philips hasn't decided whether to exercise option after 1994.

If option isn't exercised, Siemens presumably could license name to another, unrelated, company. That has happened frequently in past as historic brand names crop up on products of companies unrelated to originators of brands. A few examples: Admiral, DuMont, Emerson, Packard-Bell, Pilot, Sentinel, not to mention Crosley (produced by Philips for private-label distributor).

"We are moving toward total focus on Magnavox", Palaia said, emphasizing "strategy of simplicity and efficiency" that he said would result in better return on invested dollars by funneling "new product creation, advertising and specialized marketing activities" into single brand. He said that company has made "no substantial investment in the Sylvania brand for some time" and that since decreasing investment, "the Magnavox brand has doubled in size."

Where does that leave Philips brand, once presumably destined to become flagship line as corporate namesake? Palaia told us it "will continue as a line of products selectively for retailers who have the time and resources to invest in growing that brand" -- continuing to feature "more advanced and sophisticated products." He specifically mentioned CD-I and 900 audio series (which includes DCC products).

As for Philco line, which was virtually dropped several years ago, it's being used as special event and mass retailer line, is featured prominently by K mart on audio and video products. It was prominence of Philco, as pioneering major U.S. consumer electronics brand, that kept Philips brand out of U.S. market for years because of similarity of names -- and caused NAP to use "Norelco" brand name on such products as cassette recorders, shavers, housewares. When Philips bought Philco name from GTE (which, in turn had acquired it from Ford), it was free at last to use own name on products.

MAJOR RETAILERS CONSOLIDATE, EXPAND: Major consumer electronics (CE) retailers expanded and tightened grip on lucrative markets last week with Montgomery Ward (MW) agreeing to buy New England powerhouse Lechmere and Circuit City (CC) buying leases of 18 former Silo stores in L.A. area. Details weren't disclosed, but moves should strengthen MW and CC and further consolidate CE retail market.

CC's multimillion-dollar purchase of Silo leases had greatest impact. Under agreement with Fretter, which bought Silo from Dixon's in Sept. (TVD Sept 20 p12), CC acquired leases for Silo stores that have 10-15 years to run. Most properties, owned by 8 different landlords, were opened in last 3-4 years, Fretter Senior Vp-Operations Daniel Hourigan said. Deal requires CC to administer "millions" of extended service contracts, which Fretter executive said was "prerequisite" to purchase. Each 20,000-sq.-ft. Silo store averaged \$10 million in annual sales, Hourigan said. Fretter reported in Dec. it would close 18 of 20 L.A. area stores by late Jan. (TVD Dec 20 p16). "We're delighted that a reputable retailer had sufficient funds to make the purchase and it's a good deal both for us and our customers," said Hourigan, whose chain will keep former Silo stores in San Bernardino and Riverside and dozen in San Diego area.

CC wasn't alone in its interest in Silo sites. Good Guys, Best Buy and Adray's were known to have been interested in certain of Silo's stores, but neither matched CC offer to buy all 18, said source familiar with negotiations. Best Buy was "extremely selective" in considering former Silo stores for its much-anticipated expansion into L.A., sources said. Market source termed CC deal "defensive move" designed to block competition from making purchase and noted that retailer may sublease some outlets since they're within mile of existing CC stores. CC's plans for newly acquired stores remain unclear, although Pres.-CEO Richard Sharp said "we're evaluating some unique opportunities for use of these stores." CC takes over leases immediately and administration of service contracts March 1.

In purchase of Lechmere, to be completed in April, MW will gain long-sought foothold in New England, where Lechmere has 24 stores clustered in Conn., Mass., N.H., Me. MW has 14 stores in Northeast, shares markets with Lechmere in several locations, including Poughkeepsie, N.Y., and Nashua, N.H. Move provides Lechmere, which is expected to register \$800 million in sales this year, with funds for expansion. Chain reportedly scrapped 2 proposed public stock offerings in 1993 when they failed to attract enough support. And Lechmere has been under increasing pressure from Berkshire Partners, Boston buyout specialist that financed its management-led leveraged buyout from Dayton-Hudson in 1989, said sources close to Lechmere.

"Berkshire Partners were looking for a way out and this gave them that way", former Lechmere executive said. "I think [MW] will allow them to run things for a while and there will be an evaluation process that will lead to a restructuring." MW said Lechmere "will continue to operate as a separate retail company under its own name," and quoted MW Chmn.-CEO Bernard Brennan as saying purchase "gives

Montgomery Ward the opportunity to capitalize on the synergies between the companies, while maintaining the individual identity and operations of both retail chains." Still, most electronics executives with whom we spoke said they expect companies eventually to merge several aspects of their operations, including buying, in pursuit of "synergies," as has been case in other retail combinations, most recently in Fretter's purchase of Silo business.

MW, whose 360 stores generated \$6 billion in sales in 1993, is making first major purchase since it was taken private in 1988 in \$3.8-billion leveraged buyout led by Brennan. Chain since has sought to define itself, introducing Electric Ave. consumer electronics store-within-a-store concept in 1989 and reporting plans this year for 6 "Electric Ave. and More" outlets that will open in secondary markets (TVD Jan 31 p17) and place greater emphasis on CE products.

Lechmere also has struggled in recent years, battling CE powers Circuit City and Fretter and proposing new Home Zone format that's expected to be launched this year in Milford and North Haven, Conn. (TVD Nov 22 p19). New 50,000-sq.-ft. stores will be minus juvenile furniture, seasonal products and sporting goods, but will sharpen focus on other categories such as housewares and CE. Lechmere is adding to traditional 60,000-sq.-ft. stores with opening of first Me. outlet in Portland and another in Saugus, Mass., spokesman said.

"I think they will be 2 different animals because Lechmere is one of the original brown goods/white goods retailers," said national accounts mgr. in Boston area. "I think because they're so different they will remain separate and you won't see a Lechmere store looking like a Montgomery Ward's. But at some point they may have to merge buying staffs." One difference between Lechmere and MW: Latter is active in private label electronics with such brands as Bell & Howell and Admiral, while Lechmere sticks with national brands.

Purchase by MW also raises question about Lechmere's future relationship with NATM Buying Corp., of which it's charter member. NATM officials declined comment, but others noted that MW competes with virtually all of NATM's other members, which would make free flow of information within group uncomfortable at best. Lechmere Chmn.-CEO Kent Flummerfelt is NATM vp.

Lechmere could benefit from Brennan's well-known ability to cut costs and reduce debt, and MW may gain because Lechmere is strong in fields where MW is weak, such as housewares, home office products, prerecorded music. Companies overlap in categories with combined sales of about \$4 billion, MW officials said.

MILLION TVs WITH 30" & UP TUBES SOLD IN 1993: More than million TV sets with tubes 30" and larger were sold last year, up some 46% from 1992, according to our analysis of EIA figures. If projection TV is included, total sales of TVs with giant screen sizes totaled well over 1.5 million.

Although change in EIA's basic screen-size categories makes exact comparisons difficult, figures for 1993 show sales of some 1,149,900 sets with tubes 29" and over, or 1,615,300 if projection is added. Data for 1992 indicate sales of 797,700 sets of 30" and over, plus enough projection sets to raise total to 1,202,000. We think direct comparison is permissible because virtually no 29" sets remained on market in 1993.

EIA didn't break out direct-view sets larger than 29" for 1993, presumably because of security requests by participating manufacturers with large market shares in specific sizes. For 1992, however, 35" set sales totaled 243,900, so it's reasonable assumption they ran about 400,000 last year.

Sets with screens 27" and larger came close to 5 million last year -- including projection, they totaled about 4,924,000 in sales to dealers vs. 3,877,300 in 1992. Direct-view sets with tubes 27" and larger totaled 4,458,300 in 1993, up 28% -- almost one million -- over 3,483,900 in 1992. More than 9 million sets with screens 25" and larger were sold last year, constituting nearly 40% of total TV sets (excluding TV/VCR combinations). Corresponding figures for 1992 were 7.73 million and 36%.

Once-dead 25" size continued to grow, 25" table models hitting 3,374,700, up 32.2% from 2,553,500 of 1992 and nearly 2-1/2 times total as recently as 1989. Another "obsolete" size revived by bargain prices is 19", which passed 20" category in sales last year; in 1992, 20" size eclipsed 19" by 770,000.

EIA breakdowns reveal that TV/VCR combo is increasingly small-screen product, indicating that it's rarely chosen as principal household set. Almost twice as many combinations were sold in 13"-and-under

size as in larger category, and trend to small sets is growing -- sales of under-14" sets were more than double those of 1992, while larger ones increased just 37.7%. In projection, trend continued to larger sizes, 50"-and-over rising 26.1%, while smaller sets were up just 6.2%. Biggest increase was in top size category -- 55" and over -- up 63.9%.

Here's table of sales to dealers by screen size category, 1993 vs. 1992, derived from EIA figures:

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

	1993	1992	% Change	1993 % Share*	1992 % Share*
Portable-Table Models	21,800,300	19,717,000	+10.6	86.9	88.0
[8" and under...	--	179,700	--	--	0.8]
[9-10".....	--	346,100	--	--	1.5]
10" and under...	530,500	525,800	+ 0.9	2.1	2.3
13-14".....	4,068,600	3,960,200	+ 2.7	16.2	17.7
19".....	4,800,500	4,241,300	+13.2	19.1	18.9
20".....	4,796,900	5,014,300	- 4.3	19.1	22.4
25".....	3,374,700	2,553,500	+32.2	13.4	11.4
26".....	447,700	652,500	-31.4	1.8	2.9
27-28".....	2,835,500	--	--	11.3	--
[27-29".....	--	2,145,200	--	--	9.6]
29" & over.....	946,000	--	--	3.8	--
[30" & over.....	--	623,900	--	--	2.8]
[30-34".....	--	464,000	--	--	2.1]
[35" & over.....	--	159,900	--	--	0.7]
Consoles.....	1,204,300	1,339,900	-10.1	4.8	6.0
[25" & under....	--	530,900	--	--	2.4]
[26".....	--	104,400	--	--	0.5]
26" & under.....	527,500	635,300	-17.0	2.1	2.8
27-28".....	472,900	--	--	1.9	--
[27-29".....	--	541,000	--	--	2.4]
29" & over.....	203,900	--	--	0.8	--
[30" & over.....	--	163,800	--	0.5	--]
[30-34".....	--	78,900	--	--	0.4]
[35" & over.....	--	84,000	--	--	0.4]
TOTAL TV-ONLY.....	23,004,600	21,056,300	+ 9.3	91.7	94.0
TV/VCR Combinations.	1,628,800	935,600	+74.1	6.5	4.2
13" and under...	1,049,400	515,000	+103.8	64.4#	55.0
14" and over....	579,500	420,700	+37.7	35.6#	45.0
TOTAL DIRECT-VIEW...	24,633,400	21,991,900	+12.1	98.1	98.2
Projection	465,400	404,300	+15.1	1.9	1.8
[44" and under..	--	41,600	--	--	10.3**]
[45-49".....	--	182,300	--	--	45.1**]
49" and under...	237,800	223,900	+ 6.2	51.1**	55.4**
[50" and over...	227,500	180,400	+26.1	48.9**	44.6**]
50-54".....	176,700	149,400	+18.3	38.0**	37.1**
55" and over....	50,800	31,000	+63.9	10.9**	7.7**
GRAND TOTAL.....	25,098,800	22,396,200	+12.1	100.0	100.0

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

** Percentage of projection TV only.

Percentage of TV/VCR only.

Bracketed figures are 1992 categories that were changed for 1993.

Totals may not add due to rounding.

EIA TREADS LIGHTLY ON 'V CHIP' ISSUE: TV manufacturers feel they're being asked to remedy problem that isn't of their making in legislation and debate on program violence -- but they're maintaining low profile on issue. Major cable programmers have endorsed compulsory inclusion of circuitry in sets to block out violent shows but haven't said how they plan to do it. Broadcasters oppose violence blackout, favoring voluntary ratings (see Best/Cable section).

EIA, as manufacturers' trade association, has chosen quiet background approach and probably won't testify further on pending legislation in Congress, although Consumer Electronics Group (CEG) Vp Gary Shapiro did appear at hearing last summer (TVD July 5 p16). Staff of Rep. Markey (D-Mass.), chmn. of House Telecom Subcommittee, came up with catchy name for automatic program censor -- "V-chip" -- which is likely to stick, despite fact that TV engineers say no chip would be involved.

Manufacturers are particularly resentful that proposed legislation specifically tells them how to design sets to respond to transmitted violence ratings -- use of field 2 of line 21 of vertical blanking interval, in TV's new "extended data service" (EDS) system. Entire subject comes at bad time -- when EIA is trying to get TV stations and cable programmers to use EDS system for program identification service in connection with on-screen navigation systems and programming services.

Mindful of black eye industry got when it first opposed closed-caption bill, EIA came out last week with statement "welcoming" cable and broadcast industries' "voluntary steps" to curb violence. It said EIA member companies have some 22 TV set models with channel blocking or time and channel lockout mechanisms to permit parents to block reception of unwanted programming.

As we reported last summer, automatic blackout of programs that carry identification signal transmitted by originating source is possible using EDS, but amount of space it would occupy on EDS would be determined by interval between transmissions of V signal. Standard for EDS as drafted by EIA Engineering Subcommittee contained codes for identifying MPAA ratings of movies, as transmitted by station or network and designed for on-screen display.

"Fact Sheet and Policy Statement" approved by EIA board but not formally presented to any legislative group, presents its official view: "Any receiver-based parental control mechanism should be: (1) Not unduly expensive or complicated for retailers to explain and consumers to implement. (2) Not resented by the consumers it is meant to serve. (3) Voluntary... to be selected by concerned consumers. (4) Not required on all TV models -- consumers should have a choice."

Congressional bills would mandate V circuits in all sets 13" and larger to block programs containing violent rating code, as well as system to block out specific time slots, programs or channels. EIA's fact sheet said that: (1) Two-thirds of American households have no children under age 18. (2) "It would take decades" for any such system to have appreciable effect, with 200 million TVs in use today. (3) "No circuitry which blocks specific programs is known to be technically feasible." (4) Congressional mandate would "impose confusing new features on TV set purchasers."

EIA said its EDS draft reserves space for "program content advisories." If programmers add encoded ratings, "manufacturers will offer consumers the option of an EDS-equipped set that responds to such encoding." Noting that sets on market already offer voluntary channel blocking, statement said "4 out of 5 consumers want to be able to purchase a TV without a parental control feature," but most or all TV manufacturers will offer special sets for those who want it.

Major meeting of Digital VCR Conference (DVC), developing consumer digital videocassette standards (TVD July 5 p12), will be general assembly in Tokyo in April. Meanwhile, 4 working groups have been named to develop various aspects of standard. Thomson denied report that it is responsible for fielding all inquiries about consumer standards (TVD Jan 31 p11), saying that probably was "misunderstanding." TCE official said each of 10 members is to speak for itself.

ABC Warehouse has installed home theater display in 25 stores in Mich. mixing 27" and 31" TVs with laserdisc players, receivers and surround sound speakers. Setup features red button that provides consumers with information on home theater via laserdisc. Board built above display also lights up with data on mono and stereo TVs and use of center channel speaker with subwoofer.

Federal judge is expected to rule in 10-30 days on Sony's request for injunction to bar Funai VCRs and TV/VCRs from U.S. U.S. Dist. Court Judge Sandra Armstrong, San Francisco, held hearing Feb. 1 on Sony's request, adjourned without decision. Sony filed suit in fall alleging that Funai had infringed on its basic VHS VCR patents and had underreported number of products sold under license (TVD Nov 1 p12). Funai has countered that Sony contrived licensing disagreement to hamper its "growth and expansion." (TVD Dec 13 p19).

THIS WEEK'S YEN RATE

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

PIONEER SHAKEUP: Insisting that "I'm not going to go away," and that he still will have at least supervisory hand in day-to-day marketing decisions, veteran Pioneer Senior Mktg. Vp Michael Fidler confirmed last week he shifted Feb. 1 to new post of senior vp for new technology and strategic planning.

Fidler and other Pioneer officials sought to depict new job appointment in most positive light -- completely divorced from acknowledgement same day that it was eliminating 5 national and regional sales training mgrs., whose duties will be transferred to Pioneer brand managers and other sales and marketing personnel. Spokeswoman said move was designed to streamline company in face of tough economy and challenges of consumer electronics market but denied that there were other layoffs.

Fidler told us idea for new post was developed by senior Pioneer management, which felt that company "needs to present a more focused, cohesive posture" on developments in multimedia and laser optics. He said his new responsibilities will include communicating Pioneer mission statement to dealers and journalists, improving communications between Pioneer's consumer and industrial divisions, and working with Japanese parent in spotting new business opportunities. Day-to-day responsibilities for current products will be relinquished to Mktg. Vp Kerry McCammon, but Fidler will continue to play strong supervisory role.

While laser and multimedia will be first areas under his authority, Fidler said, they will be joined by others. Top priorities include developments in multichannel digital sound through Pioneer involvement on AC-3-based Dolby Surround Digital software and achieving "real structure" in market for HDTV. Challenge in marketing new technology through grass-roots retailing networks, Fidler said, will involve training dealers to prevent consumers from adopting wait-and-see attitudes on current products because of innovations still years down road.

As for Pioneer's quest to build consensus within Laser Disc Assn. and other forums for AC-3-coded Laser Digital laserdiscs (TVD Jan 24 p14), Fidler reiterated that preliminary reaction from potential marketers has been positive. He forecast more news on AC-3 front "within the first 6 months of this calendar year."

Meanwhile, at Mitsubishi, where management structure has been in flux at least since fall when post of Exec. Vp Jim Bennisson was eliminated (TVD Sept 27 p14), company announced what it called "right-sizing" of its national and regional sales force.

Mitsubishi abolished regional manager titles, redesignating their former holders as account executives, although responsibilities will vary by individual. All will report either to Western Regional Vp Max Wassinger or his East Coast counterpart Howard Borsa. Pres. Jack Osborn said overall move involved elimination of about 10 jobs, but 7 of those employees have been transferred to other areas. He said company also is adding 2 employees to direct sales force with title of business manager, so net loss actually will be only one person. He said sales trainers have been moved under supervision of 2 regional vps. "We're simply changing the way we operate," Osborn said, and company plans to add, not reduce, staff in brand management, advertising, product service, consumer relations, parts, warranty backup.

Restructuring announced last week happened to coincide with sudden resignation of Mktg. Vp John Harris, who shifted

to that post in fall from Midwest regional vp, based in Dallas. Although Harris and Mitsubishi officials concurred that resignation decision was his and had nothing to do with latest "right-sizing" moves, there was disagreement about reasons for departure, Mitsubishi executives attributing it to his unwillingness to move to Cal. and Harris saying that "I want to move to a new phase in my life." Harris then told us that "I want to be in a company where I can make a significant contribution to the overall management of the business."

RETAIL SALES UP DESPITE DISASTERS: Despite earthquakes in L.A. and snow and ice that gripped Midwest and Northeast, retailers reported gains in comparable-store sales for Jan.

Circuit City, using what company termed "strong promotional activity" to overcome severe weather and earthquake, reported 6% rise in comparable-store sales in Jan. At same time, total sales increased 24% to \$357.5 million from \$287.9 million.

Sears, hard hit by quake that closed stores in Northridge and N. Hollywood, said it had 7.9% gain in comparable-store sales. Overall, for period ended Jan. 29, gross revenues increased 9.9% to \$1.66 billion.

Best Buy (BB), despite bad weather that cut into sales in 3rd week of Jan., posted 25% rise in comparable-store sales for month. Increase was down slightly from 30% jump in same period year ago. For month, 151-store chain had 78% gain in sales to \$264 million from \$148 million. For 48 weeks, BB said, sales rose 84% to \$1.48 billion.

Audio King announced 38.6% increase to record \$4.43 million from \$3.20 million year earlier. For 7 months, sales climbed 31.5% to \$27,429,538 from \$20,854,225. Chain earlier had reported net income gain in 2nd quarter ended Dec. 31 to \$366,363 from \$265,827 on 31.4% sales increase to \$13.58 million from \$10.34 million.

Rex Stores said Jan. sales climbed 30% to \$24.9 million from \$19.1 million. For 12 months ended Jan. 31, sales were up 28% to record \$289.9 million from \$225.7 million. Same-store sales climbed 5% in month, 8% in year.

Tandy said sales at U.S. retail operations rose 18% in Jan. to \$323 million from \$273.7 million year ago. Same-store sales were up 5%.

Kodak released list of 120 companies that have purchased Photo CD Imaging work stations and can produce either Photo CD master discs or Pro Photo CD master discs for customers. Many have more than one station and location. Kodak and Sir Speedy business printer announced agreement under which 313 Sir Speedy and Copies Now locations in 37 states can produce Photo CD Portfolio and Photo CD discs for business customers. Lazerquick, also multibranch copy company, issued list of 41 locations that can produce Photo CD Portfolio discs for customers.

Hi-8 version of camcorder-monitor combination was introduced by Sony in Japan last week. "Handycam Comics" appears to be stepup from model sold here as Handycam Snap. In addition to Hi8 capability it has AFM stereo audio and 1/3" 410,000 pixel CCD pickup, compared with mono sound and 1/4" 270,000 pixel pickup for Snap. With 3" active matrix color monitor, it's priced at equivalent of \$1,180, some \$90 less than Sharp's cheapest LCD ViewCam in Japan.

SOFTWARE PATENT HEARINGS: Patent & Trademark Office (PTO) hearings on potential changes in patent system for software unexpectedly veered toward consumer electronics (CE) market in testimony by Time Warner Cable Senior Vp James Chiddix, who used patent granted to StarSight Telecast as example of how patent system is "stifling progress."

More than 50 lawyers, software developers, academics and others presented opinions ranging from call to leave system alone to suggestion that PTO leave software protection to copyright laws. PTO spokesman said hearings produced "pretty much what we expected" in range of opinions and suggestions, and it would use testimony to "see how we can fix what's wrong" with process. Hearings were sparked by outcry over PTO's grant of basic multimedia patent to Compton's NewMedia. PTO is preparing for unusual "reexamination" of Compton's patent, which raised widespread protest that material included was obvious and that "prior art" hadn't been considered adequately when patent was granted Aug. 31.

Chiddix, TWC senior vp-engineering and technology, said that "what is needed... is not a new framework for software-related inventions, but a more rigorous application of the present standards." He criticized current system as "working against the development of an advanced communications infrastructure." He told PTO of number of inquiries received by TWC and its suppliers from patent claimants since company announced plans for Full Service Network (FSN). Many claims, he said, "cover basic, but to us obvious, elements of the information superhighway as well as of traditional cable systems." He said "the current patent system is out of balance and rather than promoting the progress of science and useful arts, that system is stifling such progress."

As example, Chiddix cited patent granted to StarSight Telecast for features of on-line TV electronic program guides (EPGs), specifically for ability to move cursor on screen to program listing, causing TV to switch to that channel, and for user to obtain listings of specific programs by highlighting 2 or more criteria (such as "sports" and "football"). Such uses, Chiddix argued, are "simple, straightforward and obvious computer applications" that shouldn't be granted patent protection. "If such patents are found to be valid, surely the patent system has gone too far in providing protection for what would seem obvious to a lay person, let alone to 'a person having ordinary skill in the art' [as specified in patent law]," Chiddix said.

Awarding such patents either adds cost or keeps consumers from "fully realizing the benefits of the technology, if a license cannot be obtained at an affordable price," Chiddix said. He said one of TWC's cable box suppliers decided to "de-feature" its boxes rather than challenge StarSight patent. "Even though they believe the StarSight patents are not valid, it is simply not worth the risk and cost of fighting them in court," he said.

Suggestions for reform included mechanical issues such as establishment of regional examination centers and increased hiring and training of examiners; greater availability of and attention to prior art; shortening of time from application to granting; publication of applications before patent is granted (as is done in Europe); modification of reexamination process to make it easier and less expensive. Some testimony criticized not only patent process, but also PTO's capabilities.

Patent system "has cast a cloud over our emerging industry," Interactive Multimedia Assn. Pres. Tom Lopez said. He called for publication of patent applications, which he said would alleviate host of problems for developers who might be working on parallel courses, or who independently incorporate similar processes into their work. "The secrecy of the present application process is an anachronism and a primary cause of the present uncertainty and insecurity," Lopez said. Point will be discussed at next PTO hearings Feb. 10-11 in Arlington, Va.

GAME RATINGS BILL INTRODUCED: Following through on pledge to keep heat on interactive entertainment publishers, Sens. Kohl (D-Wis.) and Lieberman (D-Conn.) last week introduced bill that would give industry year to come up with voluntary rating system on violent or sexual content.

"Video Game Rating Act of 1994" would create 5-member Interactive Entertainment Rating Commission to determine whether ratings system drawn up by industry is adequate. If industry efforts don't pass muster, bipartisan council would begin rulemaking to draw up mandatory code. Bill gives panel until Dec. 31, 1996, to do so. In measure similar to that permitting TV networks to work together on violence issues, bill would grant videogame industry limited antitrust exemption.

Senators recognized that industry already has started work on rating system and scheduled March 4 hearing to check on progress. But Kohl said: "The industry is running out of time to set up their own ratings system." He predicted public would demand Congress "enact meaningful protection for our children." Lieberman said: "If videogame makers won't exercise self-restraint and keep gore and sex out of the games, let's give parents the information they need to keep those games out of the home."

Jack Heistand, Electronic Arts senior vp who chairs 7-member Interactive Entertainment Ratings Systems Committee (IERSC), said introduction of bill was "consistent with the ongoing dialog between our industry and Senators Lieberman and Kohl." Prepared statement noted IERSC's efforts to evaluate "rating systems options" and said group is "preparing to recommend to both the industry and the public an effective plan" designed for adoption "for the 1994 Holiday Season."

Statement said that "based on our recent conversations with the senators, we believe our efforts will achieve the goals they have laid out in the proposed legislation [and] will obviate the need for the bill's enactment."

Cal. Public Employees Retirement System (Calpers) has withdrawn shareholder resolution calling for changes in Zenith board. Pension fund said it was "particularly pleased" with board's "independent, energetic and effective leadership." Decision came after Calpers, which owns 282,000 shares, met with Zenith officials in early Jan. Zenith was among 10 companies, including Kodak, identified by \$80-billion pension fund as "poor long-term performers" (TVD Jan 24 p17). Calpers has scheduled meeting this month with Kodak board and new Pres.-CEO George Fisher. It owns 2.2 million shares of Kodak.

New series of chips incorporating closed captions and extended data service (EDS) with TV control has been developed by Sanyo for large-screen TVs. Company plans to produce 300,000 monthly by midyear, mostly for export to U.S., along with tools to program them.

SHARP TO MAKE ACTIVE LCDs HERE: First mass-production plant for active matrix LCDs in U.S. was announced last week by Sharp, which said it's earmarking \$30 million to expand Camas, Wash., facility to make sophisticated displays.

First stage of expansion will provide Sharp Microelectronics Technology (SMT) with startup capacity for 10,000 active matrix color LCDs monthly and increase capacity for large format passive matrix color displays to 10,000 per month. The 53,000-sq.-ft. expansion also will involve new Technology Development Center for LCD.

Expansion is response to increased demand for color laptop, notebook and subnotebook computer displays "and other products which use the panels as a key component." That won't include TV screens, we were told by SMT Pres. Jon Shroyer, although it could include some multimedia displays with video resolution and speed.

As reported here, SMT is seeking free trade zone (FTZ) status for Camas plant so components for displays may be brought in duty free. To expedite award of FTZ status, SMT said in its application that it had no plans to make TV displays in Camas -- presumably to avoid arousing opposition of domestic TV makers. Complete LCDs may be imported into U.S. duty free, but duty must be paid on components required to build LCDs. FTZ status would permit import of components duty free.

After expanded production begins in Oct., company will make about 8,000 passive b&w and 10,000 passive color and 10,000 active screens monthly. Camas facility employs about 350, including 120 in LCD manufacturing, with 140 to be added when new production and research facility are fully operational in 1995.

Sharp claims 43% of world LCD production. Its consumer electronics assembly plant in Memphis imports LCDs from Japan for its LCD video projectors.

Camas operation was founded in 1985 as RCA/Sharp Microelectronics, with RCA owning 51%. However, when GE bought RCA next year it backed out of joint venture, leaving Sharp as sole owner (TVD July 14/86 p12).

O-I/NEG RENAMED TECHNEGLAS: O-I/NEG TV Products last week was renamed "Techneglas," after Nippon Electric Glass (NEG) completed \$100-million purchase of Owens-Illinois' remaining 50% in largest U.S. manufacturer of glass for picture tubes.

Techneglas will remain in Columbus, O., and sale reported in May (TVD May 17 p16) is expected to have little impact on operations. Panel production line is to be added to Pittston, Pa., plant by June-July 1995 (TVD Jan 31 p12).

"O-I will no longer have any involvement and we wanted a name that was something related to the CRT industry," Techneglas Sales & Mktg. Vp Lawrence Weaver said.

NEG originally purchased 50% in O-I's TV glass operation from Kohlberg, Kravis, Roberts (KKR) in 1988 in move that provided cash for expansion (TVD March 21/88 p11). O-I sold rest of interest to concentrate on core glass and plastic container business, company has said. Techneglas's only U.S. competitor, Corning Asahi, is 51% owned by Corning Inc., 49% by Japan's Asahi Glass. Third TV glass venture in U.S. is Thomson' captive supplier in Circleville, O.

PHILIPS STRESSES 'QUALITY': "World class quality" is byword at Philips, which stresses it's only consumer electronics company to be awarded ISO 9000 standing for all of its N. American facilities. ISO 9000 is certification indicating that all quality management requirements of International Organization for Standardization (ISO) are being followed.

"More and more major national retailers will be requiring" ISO 9000 certification, said Ralph Palaia, Philips senior vp, mktg. and sales. He said all 7 of company's N. American factories and service facilities have that certification -- standard that began in Europe as way of assuring customers of consistent quality procedures in companies of different countries.

ISO 9000 "forces us to be better" in terms of "consistency and discipline in the manufacturing process," Palaia said, indicating that Philips will push certification in marketing effort to dealers. In concomitant move, Philips is telling dealers that Trendata research company found Magnavox direct-view TV "equal to... the best in industry" in quality, based on 100,000 interviews.

SANYO NET LOSS UP: Sanyo's consolidated pretax profits for year ended in Nov. rose nearly sixfold (in yen) to current equivalent of \$29.4 million, but net loss deepened 22% to some \$14.4 million (based on current exchange rate). Company said parent's performance was affected adversely by sharp rise in yen last year as well as weak domestic demand for consumer electronics.

Sanyo, one of few Japanese companies whose fiscal year doesn't end in March, said consolidated sales dipped only 0.7% to \$14.14 billion. Sales of video equipment declined 4.7% from year earlier to \$2.36 billion and audio sales 4.2% to \$1.31 billion. Other product groups: Appliances down 10.5%, industrial machinery down 1.1%, information systems and electronic devices down 10%, batteries and other down 8%.

Information systems and electronic devices, including semiconductors, represented company's largest product category, with 25.5% of sales, followed by appliances 20.3%, industrial machinery 17.1%, video equipment 16.7%, battery and other 11.1%, audio 9.3%.

Zenith will consolidate all plastic molding operations in Reynosa, Mex., plant next year, eliminating 300 of 470-480 employees in Springfield operation, which will be used solely as regional distribution and warehouse facility. In memo to Springfield employees, Terry Conner, vp of mfg., west, said Zenith board approved plan to install new molding equipment in Reynosa this year, "initially to meet increased capacity needs," moving all molding to Mexico in 1995, "which should result in significant reductions in transportation and operating expense." Memo said continuing moves to Mexico "are critical to Zenith's ability to compete in the volatile color TV business of the '90s."

Eye-ball-scanning laser, such as device submitted for patenting by Motorola (TVD Jan 31 p17), would be required to meet radiation standards of Food & Drug Administration's Center for Devices & Radiological Health, spokeswoman for FDA told us, commenting on our report.

United Servicers Assn. will sponsor 2nd annual Institute of Service Management & Technical Conference Oct. 21-24 in San Antonio.

REMOTE TVs IN 86% OF HOMES: Some 86% of U.S. TV households have remote controls, according to new survey, and more than 60% of homes own multiple TVs, with 13% having 4 or more.

Report, compiled by Statistical Research Inc. (SRI) for TV networks' Committee on Nationwide TV Audience Measurement (CONTAM), showed that since 1981 trend toward owning more than one set has remained steady at 54-66%. However, ownership of 4 or more TVs jumped to 13% last year from 5% in 1981. Report was released in connection with CONTAM-SRI deal to develop new TV rating system (see report in Best./Cable section).

SRI, which has compiled CONTAM report annually since 1981, bases survey on phone interviews with 3,000 homes in Feb.-March. Separate home technology study is due in spring.

Also significant was proliferation of remote controls. Once cumbersome device that reached only 16% of homes in 1981, remote became fixture in 86% in 1993. "If you wanted one [TV] without a remote you would be hard pressed to find one," SRI Pres. Gale Metzger said. "The increase is largely tied to the packing of remotes with products."

While living rooms continue to be base for most TVs, among so-called "special locations" 54% of sets are in bedrooms, 14% in kitchens, 2% detached workrooms, 1% in bathrooms, survey said. Special locations tend to have smaller TVs, report said. Among 1-6" TVs, 5" sets are most popular at 33%, followed by 6" at 28%, 3" or fewer 20%, 4" at 18%. About 10% of those surveyed had at least one TV in small screen category, with 1% owning 2 or more, report said.

In VCRs, 79% of homes have one, 20% 2 or more. Figures are steep increase from 3% that owned VCRs in 1981, up only slightly from 77% in 1992. Survey also said that while 88% of U.S. is wired for cable TV, 62% subscribed to service in 1993, up from 61% in 1992. Of cable subscribers, 70% received 20 or more channels.

Recoton has sued Philips, charging it breached 1992 court settlement on patent for Compact Disc adapter. Suit, filed in U.S. Dist. Court, N.Y., said Philips agreed to buy adapters, which connect portable CD player to car audiocassette deck, exclusively from Recoton. But suit said Philips "refused to accept" Recoton's specifications and since has bought adapters from other supplier in violation of agreement. Recoton is seeking record of Philips' purchases of CD adapters since March 16, 1992, settlement and recovery of lost profits. Recoton has said it purchased CD adapter technology from engineer Larry Schotz, obtained patent in 1988 and marketed it as CD-20. Philips introduced CD adapter in 1989. Philips officials didn't return phone call seeking comment.

Kodak has been dismissed from copyright lawsuit over its use of photo in Photo CD ad. U.S. Dist. Judge John Sprizzo, N.Y., dropped Kodak from suit filed by Mark Yurkiw Productions involving "White Horse" photograph first used in 1989 Scotch whisky ad. David Zimmerman had taken picture of White Horse statue created by Yurkiw for use in ad. Zimmerman granted Kodak license for use of photo in Sept. 1992 ad for Photo CD in Fortune. Yurkiw claimed to have received copyright for photo in July 1993, said Kodak wasn't authorized to use it. However, Zimmerman, who reached agreement with Kodak ad agency, J. Walter Thompson, claimed he had obtained copyright in April 1992.

YASHICA TO SHIP CD-I PLAYER: Yashica, best known for 35mm cameras, will introduce CD-I player for U.S. professional market at Photo Marketing Assn. (PMA) show in Atlanta next week.

Player, which shipped in Japan last fall, will be available at \$1,200 in April through value-added resellers (VARs) and office equipment dealers, Yashica Pres. William Heuer said. Although Yashica has no immediate plans for U.S. consumer market, he wouldn't rule it out, noting that Philips has made progress with its player. Kyocera, Yashica's parent, is building hardware in Japan. Heuer declined to disclose size of first shipments to U.S.

On software side, Yashica plans to ship dozen "self-help" titles in April, targeting sales and medical applications. Company will rely heavily on VARs to develop customized discs for companies, but also will have network of CD-I specialists among its reps and direct sales force for equipment dealers, Heuer said. Company is negotiating deals with third party software developers, he said.

In Japan, sales presentation was developed for furniture and bedding firm, while power company placed safety training course on disc, Heuer said. Kyocera also aimed product at karaoke market in Japan and said it has sold 10,000 professional systems. Device weighs 1.7 lb., is compatible with Photo CD, CD+G and Philips titles, has RS-232C serial communication port, contains calendar/clock, NV-RAM management, audiovideo inputs/outputs.

Decision to enter U.S. CD-I business follows Yashica move last fall to leave camcorder market (TVD Nov 15 p16). Company, which sourced 8mm camcorders from Sony, concluded there was "no opportunity to make a profit" in business hit by price cuts in recent years.

Sound Playground has agreed to pay \$25,000 to settle false ad charge filed by Conn. Dept. of Consumer Protection. While 5-store chain didn't admit wrongdoing, it signed cease-and-desist order promising not to violate state's Unfair Trade Practices Act. State filed complaint Dec. 8 accusing Newington, Conn., chain of advertising products even though merchandise wasn't immediately available and of making "50% off" and "guaranteed lowest prices" claims without backing them up. Agreement also required Sound Playground to award 27" Panasonic TVs to 11 people who responded to 1992 Thanksgiving Day promotion. Promotion offered free TV to consumers who found turkey logo in print ads. Printing error caused too many logos to appear, leading 11 people to make claims for 5 prizes, Sound Playground officials said. Sound Playground also reached settlements with state in 1991, 1986 and 1980 involving rebates and deceptive ads, spokeswoman said. "Sometimes to keep your relationship with the state Consumer Protection Department it behooves retailers to settle matters even if they contest the allegations," said Richard Leibert, attorney for Sound Playground.

"Voice Wand" is latest product from Voice Powered Technology (VPT), which says it's involved in joint development products with major TV and VCR manufacturers for built-in products. Remote control with feature operates from single button and permits tuning of TVs, VCRs and cable boxes merely by reciting name of network -- i.e., "CNN," "HBO," etc. -- without need to remember channel numbers. Company says it permits user to scan channels by program type, by saying "movies," "news," "sports," etc.

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
Blockbuster Entertainment			
1993-year to Dec. 31	2,227,003,000	243,646,000	1.11
1992-year to Dec. 31	1,315,844,000	148,269,000	.77 ^a
1993-qtr. to Dec. 31	723,697,000	81,295,000	.34
1992-qtr. to Dec. 31	436,718,000	47,646,000	.24 ^a
BMC Industries			
1993-year to Dec. 31	195,431,000	22,096,000	3.55 ^b
1992-year to Dec. 31	180,830,000	7,039,000	1.22
1993-qtr. to Dec. 31	54,925,000	3,255,000	.50
1992-qtr. to Dec. 31	44,303,000	2,481,000	.42
Clear Channel Communications			
1993-year to Dec. 31	135,680,023	9,123,217	.73
1992-year to Dec. 31	94,471,583	4,293,199	.36 ^c
1993-qtr. to Dec. 31	47,882,318	4,809,041	.35
1992-qtr. to Dec. 31	31,873,471	1,642,557	.14 ^c
General Instrument			
1993-year to Dec. 31	1,392,522,000	90,583,000	1.48
1992-year to Dec. 31	1,074,695,000	(52,993,000)	--- ^d
1993-qtr. to Dec. 31	408,372,000	39,537,000	.64 ^e
1992-qtr. to Dec. 31	298,103,000	7,170,000	.12
GTE			
1993-year to Dec. 31	19,748,000,000	900,000,000	.93 ^d
1992-year to Dec. 31	19,984,000,000	(754,000,000)	--- ^d
1993-qtr. to Dec. 31	5,063,000,000	(466,000,000)	---
1992-qtr. to Dec. 31	5,133,000,000	417,000,000	.44 ^d
Heritage Media			
1993-year to Dec. 31	291,205,000	512,000	--- ^b
1992-year to Dec. 31	250,891,000	(18,560,000)	--- ^d
1993-qtr. to Dec. 31	97,875,000	4,854,000	.20 ^d
1992-qtr. to Dec. 31	87,807,000	6,372,000	.29
News Corp.			
1993-6 mo. to Dec. 31	3,864,900,000	510,100,000	2.22 ^e
1992-6 mo. to Dec. 31	3,792,300,000	322,300,000	1.55 ^e
1993-qtr. to Dec. 31	2,007,400,000	346,000,000	1.49 ^e
1992-qtr. to Dec. 31	1,901,400,000	181,200,000	.85 ^e
Pulitzer Publishing			
1993-year to Dec. 31	426,985,000	23,313,000	1.91
1992-year to Dec. 31	398,373,000	(1,245,000)	--- ^d
1993-qtr. to Dec. 31	122,232,000	8,472,000	.65
1992-qtr. to Dec. 31	106,366,000	9,843,000	.85 ^d
Scripps Howard Bcstg.			
1993-year to Dec. 31	401,059,000	100,346,000	9.72 ^b
1992-year to Dec. 31	389,819,000	36,759,000	3.56
1993-qtr. to Dec. 31	106,643,000	68,997,000	6.68 ^b
1992-qtr. to Dec. 31	106,611,000	13,570,000	1.31
Spelling Entertainment Group			
1993-year to Dec. 31	274,899,000	17,666,000	.31 ^d
1992-year to Dec. 31	257,546,000	9,822,000	.19 ^b
1993-qtr. to Dec. 31	97,722,000	6,876,000	.11 ^d
1992-qtr. to Dec. 31	64,431,000	3,330,000	.06 ^b
Texas Instruments			
1993-year to Dec. 31	8,523,000,000	472,000,000	5.03 ^d
1992-year to Dec. 31	7,440,000,000	247,000,000	2.50
1993-qtr. to Dec. 31	2,374,000,000	134,000,000	1.42 ^d
1992-qtr. to Dec. 31	1,987,000,000	78,000,000	.80
Times Mirror			
1993-year to Dec. 31	3,714,158,000	317,159,000	2.46
1992-year to Dec. 31	3,594,044,000	(66,601,000)	--- ^a
1993-qtr. to Dec. 31	1,018,923,000	161,806,000	1.26
1992-qtr. to Dec. 31	980,240,000	(61,686,000)	--- ^a
Tribune			
1993-year to Dec. 26	1,952,510,000	188,606,000	2.56
1992-year to Dec. 27	2,104,944,000	119,825,000	1.56 ^a
1993-13 wk. to Dec. 26	513,850,000	58,075,000	.80
1992-13 wk. to Dec. 27	552,123,000	42,006,000	.57 ^a
Washington Post			
1994-52 wk. to Jan. 2	1,498,191,000	165,417,000	14.08 ^b
1993-53 wk. to Jan. 3	1,450,867,000	127,796,000	10.80
1994-13 wk. to Jan. 2	395,658,000	42,478,000	3.63
1993-14 wk. to Jan. 3	393,842,000	34,817,000	2.94

Notes: ^aRestated. ^bIncludes special credit. ^cAdjusted. ^dAfter special charge. ^ePer ADR.

Consumer Electronics Personals

Michael Fidler shifts to Pioneer senior vp-new technology and strategic planning for laser optical and multimedia projects (see report, this issue), relinquishing most day-to-day marketing responsibilities to Vp-Mktg. **Kerry McCammon**; **Rich Quattrone** departs as Pioneer national product training mgr. in restructuring, as do 4 regional zone training mgrs. who reported to him: **Tony Hartin** (Northeast); **Steve Odenheimer** (Southeast); **David Robenault** (Midwest); **Kim Hall** (West Coast)... **Tasso Koken**, ex-6th Ave Electronics, named **Wiz** vp-mdse., succeeding **Edward Hart** whose new duties are unknown... **John Harris** resigns as **Mitsubishi** mktg. vp to pursue other interests, may be reached at 214-931-8719 (see report, this issue)... **Ken Linde**, onetime **Advent** and recently dir. of sales, **International Jensen Premium Autosound Div.**, named dir. of sales, **Acoustic Research** speakers, based in **Benicia, Cal.**, reporting to **Chris Byrne**, recently appointed gen. mgr., **Jensen Specialty Audio Group**.

Appointments at **Equity International**, parent of **B&W of America**, **Custom Woodwork & Design**, **Rock Solid Sounds**, **Rotel of America**: **Bill Weidman**, ex-**Kinergetics Holdings**, to vp-operations; **Scott Rundle**, product mgr. for **B&W** and **Rotel**, promoted to mktg. mgr. for all **Equity** brands; **Tim Wyatt** advanced to technical support specialist in **Rotel** service dept... **Carole Easterling** advanced to **BMI** dir.-TV operations.

Changes at Silicon Graphics: **Edward McCracken**, pres.-CEO, moves to chmn.-CEO, replacing **James Clark**, **SGI** founder who resigned to start company devoted to interactive TV; **Thomas Jermoluk** exec. vp-COO, promoted to pres.-COO; **Forest Baskett**, senior vp, R&D, takes additional title of chief technology officer... **Richard Gelhaus** resigns as **Sierra On-Line** chief financial officer-exec. vp for finance and operations to become **MicroProse** senior vp, finance and operations, no immediate replacement named... **Louis Sibik**, ex-**Target Stores**, named exec. vp-gen. mgr., **Title Wave**, 13-store entertainment software retailer... **David Bishop**, former pres.-COO, **Live Home Video**, named exec. vp, **MGM/UA Home Entertainment**, involved with "home video products, interactive technology and electronic media"... **Masao Kumei** appointed managing dir., **Macrovision Japan**... **Bernard Vonderschmidt**, **Xilinx** pres, and **Curtis Wozniak**, **Sun Microsystems** Computer vp mktg., appointed to **Media Vision** board... **Michael Armacost**, ex-U.S. ambassador to **Japan**, named to **MECA Panasonic Foundation** board.

Sound Advice (SA) will pay \$2.7 million to shareholders who sued, charging chain's 1991 financial records contained "intentional misstatements." Final settlement, first proposed in Nov. (TVD Nov 15 p19), combines \$1.8 million cash with 4-year warrants to purchase up to 325,000 shares. SA's total liability is \$150,000, with rest covered by insurance. Warrants, valued at \$3, will be issued and cash distributed shortly after end of 180-day claims period in April. Suit stemmed from investigation launched in April 1992 when former SA employees approached auditors **Deloitte & Touche** with charges of misconduct. **Dania, Fla.**, retailer hired special counsel month later (TVD May 11/92 p17) to probe charges that company's financial records for year ended June 30, 1991, contained irregularities. SA denied allegations, but made adjustments in 1992 totaling \$3.5 million.

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FEBRUARY 14, 1994

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

CABLE RATE FREEZE EXTENDED to May 15. Industry plans court challenge. FCC cites plans for Feb. 22 meeting. Cities pleased with extension. (P. 1)

FCC BUDGET FLAT: Inflation-related pay raises offset by equipment, supply cuts. Little change likely in agency operation or regulation. Big jump for NTIA. (P. 3)

CANADA SEEKS COOPERATION, wants 'informal relationships' in U.S. to solve TV violence. (P. 4)

ADVERTISERS SHOULD 'SEIZE CONTROL' of violence issue, ANA urges. Unchecked violence could undermine TV usefulness. (P. 5)

CBS HAS RECORD PROFIT: Net triples to \$326.2 million in 1993. Other companies also up. (P. 6)

AD CLUTTER AT ALL-TIME HIGH in 1993, ad groups say. Program promotions and credits share blame. (P. 6)

SUPERHIGHWAY DISCUSSED in 2 forums. Advertisers excited. Redstone says programming is king. (P. 7)

TCI FACES BIAS SUITS in Baltimore and D.C. MSO claims 'blackmail,' but suits could delay Bell Atlantic deal. (P. 8)

FOREIGN ACCESS LIMITED for U.S. satellite TV companies. American programming not wanted, local partners needed. (P. 8)

FCC EXTENDS CABLE FREEZE, TAKES SOME HEAT: FCC bought itself some time to finish cable rate proceedings by again extending cable rate freeze, but took some heat from Congress on possibility that it would require further rollback of rates (TVD Feb 7 p5). Latest freeze extension is to May 15, for total of more than 13 months since it took effect last April. Commission said extension is needed to give cable operators, regulators and public time to study any rate rule changes caused by expected action at agenda meeting Feb. 22 on petitions for reconsideration, as well as any new rules such as further rate rollbacks. Freeze had been scheduled to end Feb. 15.

CATA immediately said it would challenge freeze extension in court. Assn., along with InterMedia Partners, plans to file appeal in U.S. Appeals Court, D.C. "We don't believe the FCC -- or anyone else -- has the authority to paralyze the cable industry for a year," CATA Pres. Stephen Effros said. "We have always doubted whether the Commission had any authority to impose a freeze on rates. We want and expect the Commission to adopt reasonable rules to which the industry will adhere. But to prohibit this dynamic business from moving forward because of the obvious difficulties faced by the FCC is neither fair nor reasonable."

Consumer Electronics

TV, VIDEO SALES IN HOT START according to EIA Jan. figures, despite cold weather and quakes. Direct-view TV sales close to record Jan. 1993. (P. 12)

FULL-SIZE CAMCORDERS made comeback in 1993, increasing share, gaining 15.8% over 1992, while compact sales rose only 7.8%. Supply is short. (P. 12)

SUMMER CES IN PHILADELPHIA seen almost certain for 1996, with 1995 event in Chicago in early June. EIA challenges producer of competing Mexican show. (P. 13)

STEREO INCLUDED IN 45% of TVs sold in 1993, nearly 10 million, setting record in units and percentage of total, EIA figures show. (P. 15)

WIDESCREEN 40W" PROJECTOR only 15.7" deep planned by Hitachi for export to U.S. (P. 15)

NEW FLAT PANEL ENTRY as rival to LCD is field emitter display with diamond cathode. Developer signs pact with Sarnoff Lab for color phosphors. (P. 15)

SMITH CORONA-BROTHER TRUCE ends 14-year trade litigation battle over portable electronic typewriters and word processors. (P. 16)

NINTENDO-SGI CONSOLE will be based on cartridge, not CD-ROM, companies citing superiority of data transfer using silicon-based medium. (P. 16)

Freeze extension will be "particularly harsh for small and midsized systems," NCTA Pres. Decker Anstrom said: "A number of systems have not increased prices for nearly 2 years. Meanwhile, operating expenses continue to climb steadily." He said FCC rate rules "should be allowed to work rather than subjecting the industry to a series of stopgap actions."

Cities believe freeze extension is "on balance, a sound decision," said William Squadron, pres.-National Assn. of Telecommunications Officers & Advisers. "We are still trying to get the best handle on rate regulation," he said, and "still trying to get as many franchise authorities certified as possible." Squadron said even 13-month rate freeze is "certainly not Draconian" because cable operators have flexibility to make revenue-neutral rate changes, because ad and premium revenue isn't frozen and because inflation rate has been low. "Don't forget, these rates were in many cases frozen at a level that represented monopoly pricing for 5 years," Squadron said.

Cable operators could have raised rates after Feb. 15 while FCC is completing reconsideration, Commission said in announcement Feb. 8. It said it expects to have any rule modifications in place by May 15, and 3-month extension is "minimum amount of time necessary for franchising authorities and other affected parties to familiarize themselves with any new rules." As before, FCC said that cable operators can petition for relief from freeze if they can show that it's causing them "severe economic hardship or threatens the viability of continued provision of cable service."

Comr. Barrett voted for latest extension, unlike his reaction to Nov. 10 FCC decision extending freeze to Feb. 15, saying new ruling reflects "a substantially different set of considerations." Latest order doesn't affect filing date for responses by cable operators, and Barrett said: "The burdens created by the November 10 order have already occurred. The extension of the freeze also is intended to coincide with the effective date for the reconsideration of the rate regulation mechanism, including cost-of-service rules."

Most problems with rate regulation rules were "a result of a premature effective date" imposed by Congress, Barrett said in separate statement: "I remain concerned about the potential inequities for the industry, consumers and franchising authorities that may result from the cable rate regulation proceeding." He said it may be "a fundamentally inequitable situation" for cable operators to have to make business decisions based on rules that are incomplete and subject to change.

FCC, in rate freeze order, said it had received only 5 petitions for special relief: "Thus, we conclude that only a small percentage of cable operators believe that the freeze has imposed hardship sufficient to compel them to seek relief."

Republican members of House Telecom Subcommittee, meanwhile, pressured FCC Chmn. Hundt not to lower benchmark for cable rates, while at same time asserting they were concerned that agency isn't sufficiently independent of House Democrats. In Feb. 9 letter, all 9 Republicans on panel said that recent article in our affiliated publication Communications Daily that reported Telecom Subcommittee Chmn. Markey (D-Mass.) had key role in setting date for FCC action on cable rates "tends to confirm the concerns that many of us have expressed to you about the appearance of a lack of independence and impartiality with which the Commission may be approaching the upcoming reconsideration of the cable rate benchmark proceeding."

Lawmakers said that lowering cable benchmark would be "inconsistent with and antithetical" to goal of national information infrastructure: "No manner of political sophistry or economic legerdemain can effectively counter this conclusion." They said that rate cuts already had "seriously undermined" cable's ability to invest in new construction and that FCC doesn't have authority to alter weight it gives to low-penetration systems. Letter was signed by Reps. Barton (Tex.), Bliley (Va.), Fields (Tex.), Gillmor (O.), Hastert (Ill.), McMillan (N.C.), Moorhead (Cal.), Oxley (O.), Schaefer (Colo.).

Democrats dismissed Republican letter, including criticism of Hundt's independence, as attack on cable regulation. Markey said that, as Comr. Quello testified last fall, "there is little doubt that the cable industry has a large economic stake in discrediting the congressional act they vehemently and unsuccessfully opposed." Markey said he appreciated efforts FCC is taking to "maintain a dialog not just with the opponents but also with the supporters of their efforts to bring competitive rates to the cable marketplace." His staffers also disputed claim that he's exerting undue control over FCC, saying that Subcommittee stays in touch with Commission and that Markey occasionally meets with commissioners, but no control or direction is involved.

Small cable operators filed opposition to cable rate freeze even before FCC actually enacted it. Coalition of Small System Operators said continuing freeze would violate Fifth Amendment prohibitions against taking property without due process, since extension was adopted without notice and comment period. Coalition also said FCC was to have enacted rate rules, which supposedly would eliminate need for freeze, by last April 1, under 1992 Cable Act: "The 1992 Cable Act provides no authority for the Commission to impose an indefinite freeze on rates." Group said FCC's only action on request for waiver of freeze -- denial in Nov. of Fidelity Cablevision request on ground that freeze was temporary -- means that it's virtually impossible to get waiver: "Because the Commission has extended the rate freeze incrementally for relatively short periods, it becomes nearly impossible to meet the Fidelity standard and pointless to incur the costs of filing a waiver request." Coalition said small systems are hardest hit by freeze because of "dramatic increases in operating costs, primarily attributable to the new 1992 Cable Act requirements."

Meanwhile, FCC should extend rate freeze for small cable systems (fewer than 1,000 subscribers) at least until it lifts stay on regulation of those systems, group of local franchising authorities said in petition for extension. Petition said that unless freeze is extended, any rate increase by small systems "may completely escape review" by local authorities.

FCC BUDGET TO MEAN LITTLE CHANGE: New FCC budget proposed by Clinton Administration means little change for Commission, but significant spending increase for NTIA. Only changes in FCC budget involve fixed costs, such as rent, salaries, utilities. Budget proposal calls for spending \$168 million in FY 1995, vs. estimated \$167.2 million in FY 1994, and fulltime staff equivalents of 1,962, vs. 1,963 in FY 1994.

Biggest change is in how spending is accounted for as result of increased emphasis on user fees. Budget calls for FCC to collect \$95.6 million in user fees in FY 1995, vs. \$61 million in 1994. Officials said fee total will be higher because FCC will collect fees for full year in 1995 (Commission also is allowed to increase individual fees beginning in 1995). Since fees are listed as reimbursement for services that previously were paid out of U.S. Treasury, direct Treasury obligations for virtually all areas of compensation are down, from \$133.7 million in FY 1993 to \$106.2 million in FY 1994 (when budget estimated \$61 million user fees), to \$72.4 million in FY 1995.

Proposed Administration budget would see little change for FCC or cable regulation for FY 1995, according to analysis of budget. Cable Bureau authorized staffing would remain at same 240-person level as current fiscal year (although actual Bureau staffing remains about 200 persons below that figure). Only significant changes in overall FCC budget are projected \$7.1-million increase in employee costs (to \$125 million -- 76% of agency's total budget) due to inflation, expected cost-of-living salary increases, "location pay" for Washington-based staffers, offset by \$7 million cut in services, supplies, equipment.

Major spending cuts for services, supplies and equipment include \$2.2 million decrease on contractual services and \$3.35 million drop for data processing hardware and software. Travel budget would increase \$59,000 to \$1.8 million, based on assumed inflation. Employee cost boosts include assumed 2% cost-of-living increase, plus \$1.35 million (less than 1%) "locality" pay. Authorized staffing levels in Cable Bureau remain at 12 for Bureau's central office, 158 in Consumer Protection Div., 30 in Competition Div., 40 in Policy & Rules Div. Staffing at all other FCC bureaus would remain unchanged.

Budget document contains same exclusions as have been approved by Congress in past, forbidding FCC to spend any money on: (1) Repealing or reexamining its policies on comparative licensing, distress sales or tax certificates to expand minority ownership of broadcast licenses. (2) Decreasing number of VHF channels reserved for ETV. (3) Repealing or reexamining cross-ownership policies, with exception of waiver policy for cross-ownership of daily newspaper and radio stations. Language isn't necessarily endorsed by Administration, would have to be approved by Congress.

NTIA budget would jump about 88% as result of expansion in National Information Infrastructure grant program to \$100 million in FY 1995 from current \$26 million. At same time, however, its budget for public broadcasting would be cut more than half. NTIA's proposed increase was part of 18% increase in budget for whole Commerce Dept. Commerce Secy. Ronald Brown said at news briefing that he was "one of the few Cabinet members with a smile on his face" as budget was released.

For NTIA overall, budget would climb to \$134 million in FY 1995 from \$71 million in current year. Agency has yet to award grants from this fiscal year's \$26 million, but NTIA Dir. Larry Irving said he's confident money will be disbursed by Oct. 1, when new fiscal year begins. Plan is to have application guidelines published in next few weeks, with proposals due in April, he said. Irving said agency expects to

award grants of varying sizes, with emphasis on connecting schools, hospitals and other institutions to advanced services. He said grant program was one of 2 key objectives set by Administration -- other being passage of telecommunications legislation.

Administration proposal for public broadcasting facilities goes other way, cutting budget to \$10.7 million in FY 1995 from present \$24 million. Irving said that level still would allow for "significant assistance," most of that going to development of new services in areas that don't receive public broadcasting or are underserved. Of total, about \$700,000 is earmarked for PeaceSat program, while National Endowment for Children's Educational TV would receive \$6,000 increase, to \$1,006,000. Administration budget documents show, however, that program has some money left over. For public broadcasting overall, recommendations appeared mostly bleak. White House proposed \$292.6 million appropriation for CPB in FY 1997 -- same as it sought last year for FY 1996.

Budget proposes \$14 million for Radio Marti, \$7 million for TV Marti, subject to evaluations of each program as provided in budget language by Congress last year. New overall International Bestg. Operations account would be set at \$281 million, of which \$256 million would go for Board for International Bestg. units, including Radio Free Europe and Radio Liberty. Radio Free Asia would receive \$10 million.

CANADA SEEKS COOPERATION: Canada wants to establish "informal working relationships" with U.S. govt., TV industry and others to help solve TV violence issue, said Keith Spicer, chmn.-Canadian Radio-TV & Telecommunications Commission (CRTC). Nation banned gratuitous broadcast violence Jan. 1, but it still spills over into Canada in U.S. TV programs. Spicer met with Attorney Gen. Janet Reno, FCC Chmn. Hundt, NCTA Pres. Decker Anstrom, NAB Exec. Vp Henry Baumann, representatives of American Psychological Assn. and numerous lawmakers, then told reporters goal of trip to U.S. wasn't to give advice on how to handle violence issue but to share information.

Spicer said Canada approached TV violence as health issue, not moral or social problem. He said research convinced Ottawa govt., parent-teacher groups and programmers that there are clear links between violence on TV and mental health problems in children. Next step, he said, was to find middle-of-road approach to solving problem. He said that included, among other things, literally "taking the industry to dinner." He said U.S. likes things "legal" and "clean," but Canada doesn't have many lawyers, and tradition of "sitting around the campfire" and talking things through usually leads to middle-of-road solution.

Industry voluntarily agreed to ban gratuitous violence and develop and administer codes for rating programming, which accounted for 10% of solution, Spicer said. He said another 10% was V-chip, which once integrated into TV sets will allow parents to control programming that children watch. He said biggest part of solution -- 80% -- will be 3-10-year public awareness campaign on violence. Spicer said next step will be to ensure that cable and satellite programmers get on bandwagon. He said spotlight was on broadcasters, now has turned to cable. Cable programmers agreed to violence ban and rating system that's similar to broadcasting's but recognizes differences in cable programming.

Discussions with U.S. satellite industry representatives, including Hughes and U.S. Satellite Bestg., have been very positive, Spicer said, and programmers seem to respect Canadian decision to limit violence. He said discussions with Hollywood studio executives also have been more promising than expected. If Canadians and Europeans stop buying U.S. programming because of violence, it certainly will get their attention, he predicted.

Malrite Communications is latest station group to join TvB, bringing in 3 stations. Last year, TvB added 75.

Pacific Bell failed to allocate costs adequately between video and telecommunications services in application for FCC approval of video dial tone (VDT) service, Cal. Cable TV Assn. (CCTA) charged in comments to Commission. CCTA Vp Alan Gardner said VDT plan is "a blatant ripoff of the telephone customers" because telco allocates 95% of cost of VDT system to telecommunications, even though 95% of network capacity will be used for video. Filing included affidavit by Terry Murray, former dir.-Cal. PUC Div. of Ratepayer Advocates, saying that Pacific Bell claims it will spend only \$50 per home to provide video capability. Murray said same cost allocation method would yield price of \$4 per home to provide current telephony, meaning that telco would be earning 200%-per-month profit on telephony. CCTA filing also referred to Cal. PUC's recent report saying that existing copper network is adequate for everything but high-data-rate video. "How can they just rip that perfectly adequate network out?" Gardner asked.

As other cities are gearing up to regulate cable and oversee other news telecommunications service, N.Y.C. Mayor Rudolph Giuliani is proposing to close N.Y.C. Dept. of Telecommunications, which does both. His first proposed budget since taking office includes no appropriation for department, spokesman confirmed: "The mayor looked at all agencies with an eye to increasing productivity. He thought the telecommunications responsibilities could be parceled out" to other agencies, including city's Economic Development Corp. and Economic Policy & Mktg. Group. When asked why N.Y.C. would be deemphasizing telecommunications oversight just when others are gearing up, spokesman said he would provide answer later. Recently deposed head of Dept. of Telecommunications, William Squadron, is pres. of National Assn. of Telecommunications Officers & Advisers. City hasn't replaced him.

Canadian Satellite Communications (Cancom) has applied to add KCTS-TV, KING-TV, KOMO-TV and KIRO-TV, all Seattle, and KARE and WCCO-TV Minneapolis-St. Paul to 8 TV signals it provides to cable systems in Canada. Company said Seattle signals would be for cable affiliates in British Columbia, Alberta, Yukon and Northwest Territories via Vancouver satellite uplink. Minneapolis signals would go to systems in Saskatchewan and Manitoba. Cancom said move is part of pledge to "meet the U.S. multichannel 'deathstar' [DBS] challenge head-on."

Time Warner will install Pioneer BA-9000 addressable terminals in Akron cable system, companies said. It expects to equip 100,000 households this year.

ADVERTISERS vs. VIOLENCE: ANA members were urged by their chairman Feb. 9 to "seize control" of violence issue and take action before govt. steps in with controls. "There are several new sheriffs in town and it looks as if they'll be with us for some time to come," said ANA Chmn. Richard Garvey, vp of toy manufacturer LEGO Systems, which does most of its advertising on Sat. mornings. At ANA TV Advertising Forum in N.Y.C., Garvey said he was speaking as businessman, "concerned citizen, and last but not least, as a father."

TV advertising, he said, "continues to be the engine that drives our economy." However, "I am greatly concerned" about "the trend toward the increased use of gratuitous and graphic violence in programming." Noting that all 3 branches of govt. are on record on violence issue, Garvey said "new sheriffs... have the backing of a populace that are becoming increasingly vocal about the entire subject of violence and have empowered our legislators to act. And, act they will, unless we as primary stakeholders in commercial television muster the will to act first..."

In "exceedingly competitive environment," Garvey said, cable channels that don't carry ads "do carry programs that are extraordinarily violent [and] enjoy a stunning competitive advantage... What may appear to be expedient today is, in reality, a route to disaster..."

Referring to research on violence issue, Garvey said that history has shown that "toleration of violence leads to desensitization, with behavior modification not far behind... Reach and frequency of a given message cannot only create awareness but can lead to changes in attitude and behavior. So, too, can programming which contains the wrong kind of violence for the wrong reasons," especially for young and "highly impressionable..." But, he stressed, ANA "firmly believes there is no role for legislation which would put government in the position of dictating standards of culture, taste and values."

After Garvey's speech, ANA released policy statement asking advertisers to review and/or develop corporate guidelines on good ad practices -- "especially as they relate to the depiction of violence on television." ANA praised initiatives last week by cable and broadcasting industries for voluntary monitoring of violence (TVD Feb 7 p1).

ANA said it endorsed "new technologies" to assist parents in controlling what their children watch -- e.g., V-chip proposed by House Telecom Subcommittee Chmn. Markey (D-Mass.): "We encourage [advertisers, programmers and networks] to dramatically increase the ability of consumers to control their own viewing destiny through mechanisms that will increase the flow of information and allow easy access to choice." In answer to question, Garvey said V-chip wouldn't violate First Amendment. He said cable is different from over-air TV because consumer pays for basic, premium channels, pay-per-view.

Fights for access between telcos and cable industry in future will be of interest only for "historical reference," TCI COO Brendan Clouston said. He predicted many major mergers still are to come, such as TCI's with Bell Atlantic. He said TCI plans to go into local access "in a big way," competing with telcos, and is prepared to spend "massive amounts of money." Company plans major expansion of multiplex offerings, and 90% of homes it serves will have them by early 1997, Clouston said, and by 2000, 70% of all U.S. homes will have multiplex capability.

Big 3 TV networks still are "peoples' choice" and only way to reach mass audiences, as well as light TV viewers, Network TV Assn. Pres. Marcella Rosen said. Alleged boom in cable viewing today "is little more than a dull roar," she said. "The fact is, much of cable is stagnating. [Cable] wants to make their own rules and have everybody else play by them."

Erwin Ephron, head of his own firm, said frequency in ads in trying to reach viewers is "like crab grass in television... Stop thinking about consumers like they were potatoes." He said that if consumer isn't ready to buy particular product, frequency of ads won't help, but he warned: "If your competition is advertising and you're not, you're sunk." On same panel, Alice Sylvester of J. Walter Thompson said industry doesn't really know how much frequency in airing spots is necessary to attract buyers.

Spotlighted panel Feb. 8 on networks, cable and syndication consisted of NBC Pres. Robert Wright, TBS Pres. Ted Turner, King World Productions Pres. Michael King. Showing video of successful NBC tie-ins with advertisers, Wright said network TV still is "cornerstone of any media plan." Networks, he said, are "America's clear viewing choice, even in cable homes," and any advertiser that buys only cable in top 10 markets is leaving out 45% of potential audience. Wright said: "I'm very optimistic [about network TV], much more than I've been in last 7-1/2 years" since he became NBC CEO.

Disputing Rosen's statement, Turner said: "Cable has been growing... Everybody here knows that." He attributed industry slowdown in 4th quarter 1993 to 1992 Cable Act and new FCC rules. "It's hard to tell who's what anymore," he said, predicting that "shortly, cable will be aligned with the phone companies... We're all here to help you."

It Ain't Necessarily So Dept.: There's no new deal involving InterMedia Partners, TCI and Sumitomo, despite variety of press reports, InterMedia Managing General Partner Leo Hindery told us. Reuters and others were carrying rather confused reports that TCI and Sumitomo, along with other partners, had formed new entity called InterMedia Partners (which has been in existence since 1990) to buy cable systems with 500,000 subscribers in southeast U.S. Hindery said reports, which apparently originated in Asia, seemed to refer to formation of InterMedia Partners III L.P., which recently completed purchase of Anne Arundel County, Md., cable system. Partnership is owned by TCI and Sumitomo, along with other institutional investors and pension funds, but Hindery said reported 40% and 25% ownerships by TCI and Sumitomo respectively were far from accurate. Reports of new cable deals generated interest because description of unnamed cable systems approximated that of 2 MSOs, TeleCable and Maclean Hunter, that are said to be on market.

Time Warner said it will participate in consortium to bid for 5th British TV network if govt. opens up possibility. Other consortium members are British companies MAI, which owns Meridian Bestg., and Pearson, owner of Financial Times and Thames TV. Independent TV Commission rejected 1992 bid for Channel 5 license by same group, but has been considering reopening bidding.

KZKI (Ch. 30 independent) San Bernardino, Cal., licensed to Sandino Telecasters, is on air, raising U.S. operating full-power TV stations to 1,513 -- 1,146 commercial, 367 noncommercial. John Moffitt is KZKI gen. mgr., Gary Johnson chief engineer.

CBS HAD RECORD PROFIT: CBS profits more than tripled to record \$326.2 million in 1993 because of high ratings and higher unit pricing for ads, Chmn. Laurence Tisch said. Operating profit rose to \$411.2 million for year, from \$180.1 million year ago, although revenue was virtually flat because network broadcast Olympic Games and Super Bowl in 1992, but had little major special event programming in 1993. Profits of other TV companies also rose.

Fourth-quarter CBS revenue was up 8% to \$1.04 billion, mainly because of higher ad rates and double-digit increases at WCBS-TV N.Y.C., WBBM-TV Chicago, WCAU-TV Philadelphia, WCIX-TV Miami. Quarterly operating profit was \$62.7 million, vs. \$39.8 million year ago. Tisch said only KCBS-TV L.A. was weak among owned stations, mainly because of lagging local economy. Company benefited from special items that boosted results, including \$17.7 million after tax because of settlement of dispute with Viacom, and \$7.2 million insurance payment for damage to WCIX-TV in hurricane. Other growth areas included CBS Enterprises, with 20% revenue gains from overseas sale of CBS programming, and 50% increase in operating profit at CBS Radio.

Time Warner had \$4-million net profit in 4th quarter ended Dec. 31, vs. \$93-million loss year earlier. Operating profit was record \$760 million, up from \$740 million, and revenue was \$4.1 billion, vs. \$3.8 billion. Cable operating profit dropped to \$242 million in quarter, from \$255 million, falloff that company attributed to regulation, but full-year operating profit was \$1.04 billion, up from \$977 million, because of internal subscriber growth and higher ad and pay-per-view revenue. HBO operating profit grew 9% to \$61 million for quarter, 7% to \$230 million for year.

In other financials: **United TV** had \$9-million net profit in 4th quarter ended Dec. 31, vs. \$8.2 million year ago, and full-year profit rose to \$43.8 million from \$16.2 million. Quarterly revenue increased to \$38.8 million from \$33.5 million... **Chris-Craft** net profit was up to \$24.1 million in 4th quarter ended Dec. 31 from \$17.7 million year ago, and revenue increased to \$116.4 million from \$110.5 million. Full-year TV revenue jumped 34% to \$412 million, TV operating profit 126% to \$100 million... **BHC Communications** net profit fell to \$31.2 million in 4th quarter ended Dec. 31 from \$33.7 million, despite record operating profits at TV stations. For full year, station operating profit more than doubled, in part because of acquisition of WWOR-TV N.Y.-Secaucus. Profit from BHC's Time Warner stock holdings jumped to \$256 million from \$94 million for year.

Gaylord Entertainment had \$14.9-million net profit in 4th quarter ended Dec. 31, up from \$8.8 million, but full-year profit dipped to \$27.6 million from \$29.4 million. For quarter, cable network revenue increased 16.8% to \$53.2 million and broadcast revenue 5.3% to \$39.9 million. Quarterly operating profit for cable was up 14.5% to \$10.6 million, broadcasting up 58.8% to \$10.5 million... **N.Y. Times** broadcast operating profit climbed to \$5.8 million in 4th quarter ended Dec. 31, from \$4.1 million, and broadcast revenue increased 8.8% to \$23.5 million. Parent had \$24.1-million net loss for quarter, vs. \$3.7-million loss year ago, because of \$47-million writeoff on forest products business... **Multimedia company 3DO** had \$7.1-million net loss in 3rd quarter ended Dec. 31, vs. \$4-million loss. Company had no operating revenue year ago, \$3.46 million in most recent quarter.

FCC will hold LPTV lottery Feb. 16, 10 a.m., at hq. Lottery is to assign licenses for LPTV stations in 31 markets.

CLUTTER AT 'ALL-TIME HIGH' IN 1993: Messages devoted to nonprogram material in TV's prime time reached "all-time high" in 1993, according to study released at ANA TV Advertising Forum in N.Y. Feb. 8. Increased program promotions and credits contributed more to clutter than expansion of commercials, study found. It included monitoring of N.Y.-area stations May 24-30 and Nov. 15-21 by Competitive Media Reporting (CMR) and was co-sponsored by AAAA. Monitoring also included syndicated shows and 16 cable networks.

Clutter increase in 1993 followed drops in 1991-1992, CMR said. All dayparts showed jump in nonprogram material last year, with daytime "most cluttered," CMR said. However, it said, commercial ad time dropped in local news. "After last year's decline in clutter, today's report is discouraging," ANA Pres. Harry Davis said. Steve Grubbs of BBDO, chmn. of AAAA TV-Radio Committee, said: "If we don't continue to raise the industry's consciousness on this issue, we're concerned that programming will become even more cluttered."

Public service announcements were included as nonprogram "clutter" in report, but AAAA-ANA said: "We are in no way, by reporting PSAs as such, placing a negative stigma on this use. On the contrary, AAAA and ANA encourage this important effort." Report is available from ANA (212-697-5950) and AAAA (212-682-2500).

ANA forum lost 2 of its first morning speakers at last minute -- programmer and former NBC Chmn. Grant Tinker and PBS Pres. Ervin Duggan, who until Feb. 1 was FCC commissioner. Filling in for Duggan, Richard Cotton, NBC exec. vp-gen. counsel, said networks didn't react quickly enough 10 years ago "when clouds [cable networks] appeared in their comfortable universe." NBC is determined that won't happen this go-round in preparing for 500 channels and information superhighway, he said. Challenge for regulators, Cotton said, is to make sure emerging technologies in superhighway are provided with open competition. He said ad community should be "critically concerned" about what will happen soon and complained that broadcasters have been left out of superhighway planning and "largely overlooked." However, he saw as encouraging sign bipartisan bill (S-1822) introduced last week by Sen. Hollings (D-S.C.) and 11 co-sponsors that includes broadcasting. Cotton said broadcasters still are being treated by govt. just as they were 70 years ago, and asked: "How can it possibly make sense to limit a network to one broadcast channel?"

Tinker's surrogate, TeleVest Pres. Irwin Gotlieb, said "let's stop kidding ourselves" about 500 channels. He said there's not enough today to program 4 over-air networks and cable networks. Pay-per-view is "advertisers' worst nightmare," he said, and growth of information superhighway will be tied to consumers' ability to pay. However, William Harvey of Next Century Media said programming on superhighway will be mostly ad-supported because consumers won't pay. He said most tests of what's in future have been discounted because of "gee-whiz effect" on consumers. Interactive commercials will be big thing, Harvey predicted.

"Squash It!" TV antiviolence campaign was launched by Jay Winsten, dir. of Harvard Center for Health Communication and creator of mid-1980s "designated driver" TV-radio spots. He has written some 750 TV producers seeking participation. Pilot program in Kansas City this spring has support of civic leaders and U.S. Attorney Gen. Janet Reno.

TWO FORUMS DISCUSS SUPERHIGHWAY: Questions on infrastructure superhighway were raised Feb. 10 at seminar on "Television: Marketing in a Multichannel Universe" in N.Y., with few answers provided. Speakers and panelists concluded that broadcast TV networks will survive, that there will be many mergers and acquisitions and that programming will be key to success. Comments came at session sponsored by IRTS and Bestg. & Cable magazine.

Previous day, several speakers at ANA seminar, also in N.Y., saw promising future for interactive advertising when superhighway becomes reality. "I salivate at the opportunities," said Rochelle Lazarus, pres. of Ogilvy & Mather, after showing examples of what interactive ads will look like. She said there would be "explosion of options" for advertisers.

"Software is king," Viacom Chmn. Sumner Redstone told IRTS group. Bell Atlantic Chmn. Raymond Smith predicted that computers, telcos, TV and cable would merge into single industry. "Convergence" has joined "infrastructure" and the dreaded 'information superhighway'... as one of the most overused words of the 90s," Smith said. "We are entering an era that will put unprecedented choice, control and convenience in the hands of customers."

Smith said "500-channel paradigm is just plain wrong." Since it's broadcast-based, it "misses the revolutionary nature of switching technology" as applied to information and entertainment, he said. However, he said, multimedia market will begin to take shape very soon with tests by Bell Atlantic in Alexandria, Va., and by Time Warner in Orlando: "The real shocker will be how fast this market develops... Within 5 years, millions of customers in major markets all around the country will be enjoying the choice, control and convenience of interactive services."

Smith said specific policy issues of upcoming transformation are "very complex and will be debated in the White House, federal agencies and the halls of Congress for many months." But, he said, market that develops will be very competitive. With that, he criticized restrictions on Regional Holding Companies that "maintain artificial barriers... The only companies subject to restrictions [on long distance service] are 7 American companies seeking to compete..." And, he said, allowing telcos to own programming "will encourage, not discourage, the diversity of information sources... Bell Atlantic doesn't want to make movies... But I sure as heck want a say in the quantity and quality of service offerings I provide my customers... The only gatekeeper in the new interactive video world will be the consumer." In answer to question, he said over-air TV networks "will be here in the year 2000 for sure."

Redstone said that "what will differentiate the winners from the losers" on superhighway will be ability "to create, acquire, package, promote and market information and entertainment around the world." He said Viacom expects "to be among its most frequent travelers." As for 500-channel universe, he said: "I'll believe it when I see it." Under superhighway, advertising and promotion will continue to be major contributors, Redstone said: "That will not change no matter what magic the new technologies will bring." He said interactive world would offer ability for advertisers to target audiences with "laser-like precision."

In panel that followed Smith's speech, NBC Pres. Robert Wright said networks "can survive quite comfortably," and if he were in Bell Atlantic chief's position "I would be seeking a communications toll road." On same panel, Patrick Campbell of Ameritech said full-service networks still will

be in good shape by 2000 and will have "a tremendous role to play." USA Pres. Kay Koplovitz said superhighway will see "consolidations, mergers, buyouts and collaboration" and cable operators "are in a relatively good position to compete." Ex-FCC Chmn. Dennis Patrick, now pres. of Time Warner Telecommunications, said that in preparing for superhighway telcos have recognized "a lot of value in the cable architecture" already in place. Telcos are interested in acquisitions, rather than building, he said. And, he said, merging industries will operate in a competitive environment rather than regulated one.

At ANA session, Richard Helstein of Kraft General Foods said it's too early to give recommendations to advertisers, but "opportunities are coming. The only way to find out what works is to get out there and try it." However, ANA Exec. Vp Daniel Jaffe warned: "Before we say hallelujah, what we don't hear much about is how this information is going to be paid for -- and what this information superhighway is going to mean for advertisers and for the mass media." Next Century Media Pres. William Harvey predicted that advertisers would pay because consumers wouldn't. Jaffe questioned whether superhighway would make U.S. "a multitiered society of information haves and have nots."

Michael King of King World Productions said of superhighway: "Nobody can tell you where it's going." Added TBS Pres. Ted Turner: "I'd like to have \$40 to \$50 billion myself," referring to what govt. is expected to spend. "It's a lot better than \$8 to \$10 billion." Turner said superior programming will win superhighway battle, while King said "programming is what's driving all these new technologies."

NBC Exec. Vp-Gen. Counsel Richard Cotton said broadcasters "are knocking at the door" to get involved and there's "a legislative train that is moving very rapidly." TCI COO Brendan Clouston said building superhighway would take "massive amounts of money." He said consumers are "frustrated and skeptical" about what information highway will have to offer.

Telcos discovered ANA issues forum in big way, with 8 companies registering 1-6 persons each (AT&T had 6). Huge N.Y. snowstorm Feb. 8-9 prevented many scheduled participants in both ANA forum and IRTS seminar (see separate story) from keeping commitments.

Home Shopping Network said it agreed to settle 11 shareholder suits that had been pending in Fla. and Del. Most of suits had claimed that former HSN Chmn. Roy Speer and others illegally diverted funds, paid off former gen. counsel and engaged in other improprieties. HSN said \$13-\$16 million would be charged to 4th-quarter 1993 operating results for settlements and legal fees. Agreements are subject to court approval. HSN also said that in 9 Fla. cases it would contribute \$8.6 million to settlement fund. Speer, in separate settlement, agreed to pay HSN \$2 million. Still outstanding is suit filed by 7547 Corp. against HSN and Liberty in Del. Chancery Court.

Office of Management & Budget designated FCC as one of pilot agencies for Administration's program performance planning initiative, seeking to find new ways to evaluate performance of govt. agencies. Pilot designation for years 1994-1996 covers Private Radio Bureau's land mobile radio activity and Office of Engineering & Technology's equipment authorization. Pilot agency status will require FCC to provide annual reports on performance to OMB for use in report to Congress.

TCI FACES BIAS SUITS: Three racial discrimination suits seeking total of \$1 billion from TCI shouldn't affect MSO's merger with Bell Atlantic (BA), despite efforts in suits to block merger, said lawyer Harry Jones, representing TCI. Jones described suits as "blackmail." Referring to Baltimore lawyer Stephen Snyder, who filed all 3 suits, Jones said "his game is to use the press to make a linkage [between suits and merger] that doesn't exist." Jones said TCI denies all allegations, has no current intention to settle suits, will "vigorously defend" itself, and he has "no reason to think" policy will change.

Suits were filed in U.S. Dist. Courts in D.C. and Baltimore, and in Baltimore Circuit Court. D.C. suit filed on behalf of Leonie (Betty) Palumbo, former gen. mgr. of D.C. system, and Calvin Smiley, former ad sales dir. for TCI East, seeks to become class action suit representing all past and future TCI employees and applicants. Baltimore city suit was filed by Euan Fannell, former gen. mgr. of TCI system there. Federal suit was filed by 27 technical employees of Baltimore system.

All 3 suits claimed that TCI "has a history of systematic illegal policies that have injured and continue to injure... black employees throughout its national system." Suits refer to NAACP analysis provided to FCC in bid to block TCI deal with QVC to buy Paramount, which called TCI "worst discriminator in the telecommunications business." NAACP said then that at TCI's current hiring rate it would be statistically impossible ever to reach appropriate minority hiring levels. TCI dropped QVC bid few days later, citing FTC antitrust problems, but NAACP said EEO issues aren't moot and FCC should conduct early EEO review involving all TCI licenses.

"TCI has created... a systemwide employment policy of race-based disparate treatment," suit charged. "It should not now be permitted to mask its discriminatory employment practices behind Bell Atlantic's corporate veil or to spread the disease of its illegal policies." However, Jones said suits include references to BA only because it "gives him [Snyder] leverage." He said suits are unrelated to merger review by FCC.

Suit also seeks local regulatory action against TCI, including asking that (1) its Baltimore franchise be transferred to EEO trustee pending review, (2) cable operating licenses be frozen, and (3) license renewals be denied until MSO demonstrates EEO compliance. In earlier suit against TCI, Snyder won out-of-court settlement in which company paid 2 minority shareholders in Baltimore system \$8.7 million cash and more than \$90 million in stock to settle claims that TCI illegally blocked their bid to acquire 25% of cable system, as required by franchise.

TCI denied all allegations, with Jones saying: (1) Fannell was dismissed based on objective performance criteria and replaced by another black. Jones said Fannell was offered old job back, but declined. (2) Palumbo was moved to staff position because of inadequate performance as system mgr., before leaving TCI. (3) Baltimore technical employees said their rights were violated during system investigation of piracy, since only blacks were included and they were "subjected to verbal and physical harassment and subjected to humiliating imprisonment by gunpoint." Jones said it wasn't surprising that only blacks were affected, since they make up more than 90% of system employees.

Digital Cable Radio signed carriage agreement with DirecTV.

FOREIGN SATELLITE TV ACCESS: There's little U.S. TV companies can do to remove de facto limits on U.S. programming in foreign countries, according to panelists at session before Satellite Bestg. & Communications Assn. (SBCA) convention in Anaheim last week. Gustavo Loman, of Mexico-based Amitsat, said Mexican cable operators "don't want American programming" in that country, and industry has proved to be effective lobby with Mexican govt. that -- along with Canadian govt. -- has banned most U.S. programs for cultural reasons.

Subscribers in both countries use U.S. Post Office boxes to receive "gray market" decoders and subscriptions to U.S. programming, but getting legal access to markets won't be easy. John McKee, Hughes Direct TV Canada, said cable industry there also has proved to constitute "formidable lobby" and getting access is "tough" because U.S. programmers aren't "prepared to face the wrath" of Canadian broadcast laws that could revoke their authority to be carried on cable systems there. Programmers could face losing 7-10 million viewers if they attempt to access Canadian market illegally, McKee said.

Mexican copyright attorney Jose Cabellero said "there's a lot of expectation from Mexican authorities to make it illegal" to pirate U.S. signals. He said Mexican govt. will address direct-to-home issues, and possibly "make U.S. programs legal." Guilherme Rabello, mgr.-special communications, Brazil-based KTV, said U.S. programmers "must have a local partner" to gain entry. Rabello said Brazilian sales of satellite systems have reached 20,000 per month and he expects increase to 40,000 by July. But that's not necessarily good news for U.S. companies, he said, because Brazilsat owner Embratel "will try to stop future satellite systems."

Craig Howard, Toshiba dir.-mktg., Europe, Middle East & Asia, said bans on satellite equipment in places such as China won't be effective because "equipment is too easy to get and make." He said "demand is the key," and as long as demand exists, equipment will find its way. Richard Renken of R.L. Drake agreed, saying Saudi Arabia, where dishes are illegal, is one of biggest markets.

NBC will form strategic alliances with GENie, Prodigy and America Online, including development of comprehensive on-line programs. Network will use on-line services to promote programming and receive feedback from viewers. In addition to program listings and promotions, on-line services will include bulletin boards, contests, trade-oriented information for advertisers and affiliates, merchandise sales, videogames featuring NBC shows and personalities.

Tribune Bcstg. established consulting service for newspapers and others interested in setting up local cable news channels, similar to ChicagoLand TV News managed by Tribune Regional Programming (TRP). It named Michael Adams TRP dir.-development to establish consulting service -- 708-368-4000.

Apple Computer said it will partner with Oracle Corp. to enter market for cable set-top boxes. Companies said unit would be based on Apple's Macintosh computer, with first trial units available first half of this year.

Space Systems/Loral awarded General Dynamics contract to launch one of 2 DBS units for Tempo Satellite. It's scheduled for Sept. 1996 from Cape Canaveral on Atlas IAS.

QVC and Viacom continued to squabble as Feb. 14 deadline approached for stockholders to tender stock to one or other. Viacom accused QVC of violating bidding procedures by planning to change its offer at last minute and by convincing its partners to buy more QVC stock on open market, boosting value of stock portion of QVC offer. Paramount board, in turn, said it had "grave concerns" about QVC compliance with bidding rules. QVC lawyers responded that company hasn't violated bidding procedures and has no intention of doing so. Letter also accused Viacom of providing information about bidding to investors that was "materially inaccurate and misleading and obviously intended to coerce stockholders into tendering their shares to Viacom." QVC said Viacom financial adviser said publicly that it had bought Viacom stock: "You [Paramount board] should determine whether the actions of Viacom and its advisor are in violation of the bidding agreements and the federal securities laws." Paramount, in turn, said QVC's response didn't answer its questions about open market transactions and said bidding rules would be terminated if neither side received 50.1% by midnight Feb. 14. Paramount board earlier endorsed Viacom offer for Paramount and suggested that Viacom and QVC agree that whichever gets most stock tendered, as long as it's more than 40%, will be declared winner even if it doesn't top 50%.

FCC is sounding alarm bells on cable rate complaints, pointing out that deadline is Feb. 28 for filing objections to existing rates for expanded basic service. After that date, users would have to wait for cable operator to increase expanded basic rates before they could file complaints. FCC official said that existing expanded basic rates charged by individual cable systems would be "effectively ratified" unless consumer complaint is filed by Feb. 28, although Commission said in notice issued in reply to Washington Post story that it can look at existing rate plus increase if complaint is filed after rate boost. FCC staffers said agency has received complaints about expanded basic rates in just over 2,000 of estimated 30,000 cable communities. Most are from larger communities, so they involve much larger percentage of subscribers, officials said. Certification of local franchising authorities to regulate basic cable rates also has been slow, with FCC receiving certification applications involving 7,534 communities -- 23% of total.

John Sculley resigned last week as chmn.-CEO of Spectrum Information Technologies, which he had joined in Oct. He took job after he was ousted from 10-year run as Apple Computer's top executive. Spectrum has been subject of controversy involving revenue claims for patents it holds for delivering data via wireless networks and for insider trading. News of Sculley's departure sent stock tumbling, losing half its value Feb. 7. Sculley said "certain aspects of Spectrum's business are not what they were represented to be when I joined the company." He said he wouldn't exercise any stock options. He also filed suit in U.S. Dist. Court, Southern Dist. of N.Y., against Spectrum Pres. Peter Caserta on "matters relating to the circumstances under which I was induced to join Spectrum, to my obvious detriment." Spectrum and Caserta later filed countersuit against Sculley.

National Science Foundation awarded \$9.7 million to S.C. Educational TV (SCETV) for statewide science/math education initiative that in part entails linking of K-12 schools to share experiences and resources. Foundation also granted \$2.3 million to SCETV for Magic School Bus, planned half-hour animated series for pupils 6 to 9 that late last year won charter \$350,000 grant from NTIA-based National Endowment for Children's Educational TV.

U.S. Appeals Court, Chicago, should affirm FCC's finsyn decision, INTV and Tribune Co./Chris-Craft said in separate briefs. Tribune and Chris-Craft said FCC adequately justified its decision to continue syndication rules for 2 years, despite claims by networks that they should be dropped immediately. INTV, which earlier had said syndication rules shouldn't sunset for 5 years, said they should be retained at least for 2, as set by FCC, because record is "swollen with evidence" that networks have incentive and ability to deprive independent stations of programming and gain control of syndication market. Quality programming -- "not government-sanctioned protectionism" -- is key to producers' access to TV networks and stations, Fox Bestg. and its network affiliates told same court. Only mistake Commission made, Fox said, was in not ending restrictions on CBS, NBC and ABC immediately, instead of ordering their sunset 2 years after consent decrees with Justice Dept. are ended: "Clearly, if market conditions at present provide no basis for the rules, then they [FCC] cannot justify keeping the rules in place for 2 more years... The record supports repeal for all broadcast networks now."

Pacific Bell laid groundwork for getting into long distance and cable TV by offering to open local loop to full competition. It said it would ask Cal. PUC to "acknowledge that local competition is here and remove formal barriers to local competition," allowing it to compete in currently prohibited markets. "Market conditions have changed so fast, there is no longer a local exchange monopoly," PacBell Pres. Philip Quigley said. In comments filed with PUC, in response to Commission's Order Instituting Rulemaking on Open Access and Network Development, PacBell said it's proposing steps for increased competition. Quigley said trials being proposed by PacBell focus on interconnection and interoperability. PUC "must establish the terms and conditions by which others may compete with us," he said. In return, PacBell should be given opportunity to compete in long distance, cable TV programming and manufacturing, he said.

FCC said it had taken steps to deter "unjust enrichment by lottery winners." Move is First Report & Order in Competitive Bidding rulemaking under Omnibus Budget Reconciliation Act that required agency action. Rules apply to applicants for voluntary transfer of control or assignment where license was acquired by lottery, FCC said. Commission said that "possibly the strongest measure to deter future instances of unjust enrichment" by lottery "has already been taken by Congress" when it approved spectrum auctions. For transfer of licenses won through lottery, FCC will require disclosure of contracts for sale, option agreements, management agreements or other documents revealing consideration applicant would receive.

FCC postponed first regional cable seminar and cancelled 2 others because of conflict with newly scheduled Feb. 22 Commission meeting. Agency said San Francisco meeting, originally Feb. 15-17, will be rescheduled, and Seattle (Feb. 22-24) and Atlanta (March 1-3) sessions have been canceled. Boston (March 8-10), Chicago (March 15-17) and Kansas City (March 22-24) seminars are unchanged. FCC said rescheduling will allow staff to provide "most up-to-date and complete discussion" of cable rules after expected Feb. 22 action on rate regulation.

FCC Chmn. Hundt will address brown-bag lunch, noon, Feb. 15, Rm. 856. Commission said he will speak on "a variety of issues and challenges of interest to the Commission's many customers" and will take questions -- 202-632-0244.

Macleon Hunter opened door slightly to possible Rogers Communications bid for Canadian media company, saying that Rogers wouldn't have to buy 36.3 million shares of Maclean owned by holding company, boosting purchase price and capital gains tax, if Rogers negotiates its offer with Maclean board. Decision also means that Rogers wouldn't have to get favorable ruling from Ontario Securities Commission. Maclean board said, however, that it's "exploring all strategic alternatives" to yet-to-be-received Rogers offer, including recapitalization, spinoff or sale of Canadian cable assets, alliances with 3rd parties. Maclean had said earlier that it's "reviewing options" for its U.S. cable holdings, which include more than 400,000 subscribers. Since reports of possible Rogers offer, Maclean said: "Several potential purchasers and possible strategic partners have approached Maclean Hunter on an unsolicited basis."

Proposed cable-consumer electronics compatibility rules should "consider the potential impact of this proceeding in the broader marketplace," Satellite Bestg. & Communications Assn. (SBCA) said in reply comments on FCC's compatibility rulemaking. SBCA said it's worried that compatibility rules could confer inherent "cable bias" on TV sets. Meanwhile, Multichannel Communications Sciences (MCS) said it supports decoder interface standard-setting process that's part of rulemaking, but process is "very unlikely" to result in mass-produced equipment's being available before 2000. Cable and consumer electronics companies have suggested that interfaces could be available by 1996, but MCS said that schedule is unrealistic, that equipment never has become available so quickly.

Same cable rate limits should apply to commercial customers as to residential subscribers, according to petition filed at FCC by Miami law firm Leibowitz & Assoc. Filing said many cable companies have continued to charge commercial users higher rates than individuals and have acted as if rate rules don't apply to commercial accounts. "There is no legal basis for commercial subscribers to be omitted from the protection of the 1992 Cable Act and the FCC's rate regulation rules," said Matthew Leibowitz. Filing said rate differentials "have no apparent relationship to the cost of providing service." It said that omitting commercial subscribers from rate calculation distorts those figures, possibly causing higher rates for residential users.

Public broadcasting dodged bullet when House voted 240 to 178 to reject amendment to L.A.-area earthquake relief bill that would have reduced funding of Public Telecommunications Facilities Program (PTFP) by \$15 million and would have stripped \$15 million from "arts and humanities including CPB." Proposed cuts were in \$10-billion package of budget offsets for \$8.6-billion earthquake emergency assistance measure. NPR told stations: "We're out of the woods for the time being, but brace yourself for more in the future." Sens. Brown (R-Colo.) and Kerrey (D-Neb.) reportedly are considering push for package of major cuts this session that probably would include CPB and PTFP.

Prime Ticket will start Spanish-language cable sports channel nationwide late this year. National distribution of basic channel follows debut of Prime's regional Spanish-language sports network, La Cadena Deportiva Prime Ticket, last Nov.

House Copyright Subcommittee Chmn. Hughes (D-N.J.) said he won't run for reelection this year, after serving 20 years. Also on Judiciary Committee, Rep. Edwards (D-Cal.), dean of Cal. delegation, is retiring after 32 years on Hill. He's chmn. of Civil Rights Subcommittee.

Violence was recurring issue among Europeans at annual International TV Festival & Market in Monte Carlo last week. Jury for TV movie category issued statement deploring "unnecessary" violence in many of contending programs and gave prizes to less violent films. In forum on future of American programs in Europe, several successful commercial broadcasters said they reject many U.S. series because of excessive aggression. Marcus Plantin, dir. of Britain's ITV Network, said "one of the things that puts us off is violence." View was echoed by Guillaume de Vergès of France's TF1 and Daniele Lorenzano of Italy's 3 Berlusconi networks, who said network using most American programs has instituted system of green, yellow and red lights to advise viewers of violence, with red indicating caution.

General Instrument (GI) and Zenith hedged bets on new digital technologies and will license each other's technology. GI's QAM technology is competing with Zenith's VSB to become standard selected by FCC's Advanced TV Advisory Committee, and deal means that both companies will be able to manufacture products, regardless of who's winner. GI also agreed to license DigiCipher access control and digital compression to Zenith, as it has to others. Financial terms weren't disclosed. "We are committed to making DigiCipher technology an open system because it is an important enabling technology for the future of television," said GI Pres.-COO Richard Friedland. Zenith said its 16-VSB system will be available in production quantities in 4th quarter.

FCC's rate rules for low-density and small cable systems should take into consideration higher costs of rural cable, Televisa Communications said in petition to Commission. MSO, which operates small systems, said there's "absolute correlation" between number of subscribers per cable mile and cost of providing service, yet FCC's rate survey and rate rules make no distinction for lower density systems. Televisa said average U.S. system has 60 subscribers per cable mile, and less than 0.64% of households in FCC rate survey have fewer than 40 subscribers per mile. Lack of data on low-density costs and lack of provision for them in benchmarks make rate rules "arbitrary," Televisa said.

CBS was allowed to use hidden-camera footage in report on tainted beef on 48 Hours broadcast Feb. 9, after U.S. Supreme Court Justice Harry Blackmun overturned decision by S.D. judge blocking usage. Blackmun said: "Any prior restraint on expression comes... with a heavy presumption against its constitutional validity" and delaying report "will cause irreparable harm to the news media." Justice said there was no clear evidence that CBS obtained footage illegally when it asked employee to carry hidden camera into Federal Beef Processors plant in Rapid City, S.D. Company's lawyers had claimed "illegal taking of property" and invasion of privacy.

NCTA said it will create new Office for Small System Operators in Assn. Affairs Dept. NCTA Pres. Decker Anstrom said office will publish newsletter and other materials specifically for small systems, ensure that small systems' concerns are reflected in NCTA policies, create clearinghouse/database, coordinate grass-roots efforts, hold seminars. Office, approved by NCTA board last month, will include director and administrative staff. Office had been suggested by NCTA's ad hoc committee of small operators.

Newhouse cable system in Syracuse began test of Discovery's Your Choice TV, in 3rd market trial of pay-per-view system for watching reruns of network shows. Test will last at least 4 months.

Personals

James Kofalt resigns Feb. 28 as Cablevision Systems pres.-COO, no successor named... **Stephen Labunski**, IRTS exec. dir., retires May 31, succeeded by **Joyce Tudryn**, IRTS assoc. exec. dir... **Bernard Luskin**, ex-Philips Interactive Media pres., appointed CEO, Jones Interactive Services... **Tom Espeland**, ex-Commerce Clearing House, named vp-information systems, Showtime Networks... **Michael Beller**, ex-Verner, Liipfert, Bernhard, McPherson & Hand, Washington law firm, appointed dir.-business affairs, Turner Cable Network Sales... **William Wiehe**, ex-Petry Mktg. Group, named vp-ad sales, Travel Channel.

Mark Badagliacca promoted to senior vp-planning, Paramount Pictures... **Thomas Rogers**, pres.-NBC Cable & Business Development and NBC exec.-vp, elected pres.-CEO, NATAS, continuing with NBC, succeeding **Bruce Christensen**, who resigned last summer to return to teaching; **Kay Koplovitz**, USA Networks pres.-CEO, named chmn., succeeding **Renato Pachetti**, resigned.

Jeffrey Schlesinger advanced to pres., Warner Bros. International TV Distribution... New at NBC: **Norman Blerman**, ex-Sports Alliance International, as exec. vp, NBC Cable Ad Sales; **Heldi Pokorny**, ex-Hearst Magazines, as NBC Media Relations press mgr. for Today, NBC News at Sunrise and special events; **Ruud Hendriks**, ex-RTL4, Luxembourg-based Dutch entertainment channel, as managing dir., NBC Super Channel... **William Wigglesworth** retires at end of March as U.K. Office of Telecommunications department dir. gen., no successor named... **David Sanders**, ex-Grass Valley Group, named senior vp-technology and development, U.S. Computer Services, CableData parent.

Louis Gutierrez promoted at Paramount Pictures to vp, legal-human resources... **Elizabeth Dowd**, ex-E.M. Dowd & Assoc. management consultancy, appointed pres., Graff Pay-Per-View subsidiary Graff Marketing Corp... **Bill Harris**, ex-WSB-TV Atlanta, named mgr.-documentary programming, A&E TV Network.

Randall Lowe, ex-Washington office law firm Jones, Day, Reavis & Pogue, named partner in Washington office of Piper & Marbury law firm... **Carrie Armenta**, IDB Communications dir.-human resources, promoted to vp-human resources... **William Burke**, Turner Entertainment Networks dir.-business development, appointed asst. gen. mgr., Turner Classic Movies... **Dennis Garrison** promoted to dir.-marketing and programming, Jones Cable Group.

Nancy Kirkpatrick promoted to vp-publicity, Warner Bros... **Mort Slakoff** retires as MCA TV senior vp-creative services, remains as consultant... **Peter Spartano** promoted to news dir., WTVH Syracuse... **Nancy Andrews** advanced to asst. news dir., WVIT New Britain, Conn... Promotions at WIVB-TV Buffalo: **David Hogenkamp** to vp-sales and marketing, **James Toellner** to local sales mgr... **Jerry Giesler**, ex-Frank Magid Assoc., appointed station mgr., WHO-TV Des Moines... **Gregory Paul** advanced to exec. vp-gen. counsel, Castle Rock Entertainment... **Ann McIntyre**, ex-WJAR Providence, appointed national sales mgr., WLNE Providence-New Bedford... **Robert Schaefer**, ex-KHOU-TV Houston, named managing editor, KNSD San Diego.

Keynoters at NAB Multimedia World during NAB convention March 20-24 in Las Vegas will include Time Warner Cable Senior Vp **James Chiddix** (9 a.m. March 22) and McGraw-Hill Chmn. **Joseph Dionne** (9 a.m. March 23).

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OBITUARY

James Bormann, 82, a founder of RTNDA and its pres. in 1952, died Feb. 5 in Golden Valley, Minn. He was news dir. WCCO(AM) Minneapolis 1951-1971 and community affairs dir. until retirement in 1976.

Cable manufacturer Anixter and Cincinnati Bell (CB) ended 10-year-old joint venture to distribute cable and related products in Ohio and Ky., Anixter Senior Vp-Operations Robert DeBolt said. He said venture had been set up for 10-year life, and there had been talk of extending it, but Anixter decided to establish its own office in Louisville. Move means closing 5 Anixter-CB locations in Ohio and Ky. Venture had included sale of Anixter products to CB.

Southwestern Bell said it will test interactive cable system in Dallas suburb of Richardson by end of 1995 if telco-cable cross-ownership restrictions are lifted. Telco challenged restriction in suit filed in U.S. Dist. Court, Dallas, Jan. 31, but said it plans to begin laying hybrid fiber/coaxial network this year in Richardson. It plans to serve 2,000 homes at outset, SWB Vp Steven Dimmitt said.

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 Jan. and year to date:

	JAN. 22-28	1993 WEEK	% CHANGE	JAN. 15-21	JAN. 1994	JAN. 1993	% CHANGE
TOTAL COLOR....	709,744*	699,705	+ 1.4	321,838	1,567,310	1,590,592*	- 1.5
DIRECT-VIEW..	691,765*	688,244	+ 0.5	313,663	1,531,416	1,558,999*	- 1.8
TV ONLY.....	622,881	640,984*	- 2.8	300,816	1,420,582	1,484,787*	- 4.3
TV/VCR COMBO	68,884*	47,260	+45.8	12,847	110,834*	74,212	+49.3
PROJECTION...	17,979*	11,461	+56.9	8,175	35,894*	31,593	+13.6
VCR DECKS.....	364,232	352,087	+ 3.4	162,301	774,761	857,494	- 9.6
CAMCORDERS....	98,004*	77,980	+25.7	36,065	183,372*	167,318	+ 9.6
LASERDISC PLYRS#	4,491	7,102	-36.8	4,278	12,914	14,418	-10.4

Direct-view TV 5-week average: 1993-1994--410,941; 1992-1993--403,785 (up 1.8%).

VCR deck 5-week average: 1993-1994--211,837; 1992-1993--223,089 (down 5.0%).

Camcorder 5-week average: 1993-1994--50,982*; 1992-1993--43,141 (up 18.2%).

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

COLD WEATHER? QUAKES? SALES OFF TO HOT START: Environmental upsets ranging from Cal. earthquakes to cold weather and storms sweeping through many parts of country didn't seem to have much impact on video product sales in Jan. (see State of the Industry). Although sales to dealers of color TVs and VCRs trailed same month year ago, seasonally adjusted rates were at levels at or well ahead of 1993's final totals. As increasingly has been case with EIA's weekly data, final week of month accounted for about half of total.

Sales of direct-view color TVs (excluding TV/VCR combos) in Jan. fell only 4.3% short of record set in Jan. 1993. On seasonally adjusted basis, they ran at annualized rate of 22.4 million, or 600,000 behind record-setting 1993. TV/VCR sales to dealers smashed last Jan.'s record by nearly 50%, and were at seasonal rate of 2.05 million, far beyond 1.6 million actually sold in 1993. Monthly record also was set in projection TVs, at rate of 617,800, which if maintained would be 1/3 more than record 465,359 sold in 1993.

Biggest shortfall came in VCR deck sales, which trailed 1993 pace by nearly 10% last month. However, when seasonal factors are applied, even VCR sales began year at hot pace that, if continued, would send total to 12.6 million, slightly ahead of 12.45 million sold last year. VCR sales might have been held down by shortages of hot models -- industry ended year with only about 3 weeks' supply in pipeline (see story elsewhere in this issue), and there's no assurance that products available in warehouses matched what consumers wanted. Meanwhile, record Jan. in camcorder sales to dealers converts to annualized rate of nearly 4.1 million, million more than level reached last year.

Total figures on sales to dealers in Jan. are in State of the Industry table above.

FULL-SIZE CAMCORDERS GAINED SHARE IN 1993: Reversing historic trend, sales of full-size camcorders grew faster than compacts last year, and there are indications that their growth would have been higher but for spot shortages. "Shortage" also may be key word for VCRs, which ended 1993 with inventories far below comfort level.

Analysis of EIA figures shows that full-size camcorder sales to dealers increased 15.8% in 1993, while compacts (8mm and VHS-C) were up 7.8%, for total increase of 9.7%. In terms of percentage, there was slight shift -- to 25.3% full-size, 74.7% compact -- from 1992, when percentages were 24% and 76%, respectively. That was high-water mark for compacts. They passed full-size in 1990 -- 51.3% to 48.7% --

and increased share in 1991 to 67.8%. In last year of full-size dominance, 1989, compacts accounted for only 37% of total mix.

Could full-size models' share have gone even higher last year if supply had been adequate? That certainly seems possible, since full-size inventories had been low all year. At year-end, full-size models represented only 12.8% of inventories -- just under half their share of total sales. Full-size inventories were near their all-time low, while compacts were close to all-time high at end of Dec. Compact inventories appear to be about 10 weeks' supply, based on last year's trends, while pipelines hold just over 4 weeks' supply of full-size.

There were no marked trends on monthly basis, full-size rising as high as 29.2% of total (in Feb.) and falling as low as 20.8% (July). Year closed with full-size models at 27.3% of total in Dec., 3 points higher than they opened in Jan. Here's table of camcorder sales with full-size vs. compact breakdown:

1993 CAMCORDER SALES -- FULL-SIZE VS. COMPACT

Month	Total	Full Size		Compact	
		Units	%	Units	%
January...	167,318	40,608	24.3	126,710	75.7
February..	158,484	46,275	29.2	112,209	70.8
March.....	214,967	46,395	21.5	168,572	78.4
April.....	253,527	62,633	24.7	190,894	75.3
May.....	239,680	65,112	27.2	174,568	72.8
June.....	294,367	76,192	25.9	218,175	74.1
July.....	242,016	50,231	20.8	191,785	79.2
Aug.....	213,418	57,197	26.8	156,221	73.3
September	385,836	101,400	26.3	284,436	73.7
October..	332,983	80,223	24.1	252,760	75.9
November.	320,468	83,148	25.9	237,320	74.1
December.	265,363	72,523	27.3	192,840	72.7
TOTAL...	3,088,427	781,937	25.3	2,306,490	74.7

VCR sales pattern for 1993 showed continuing trend to upgraded features. Four-head mono units represented 45.8% of sales to dealers (5,701,100 units), stereo 26.1% (3,248,900) and 2-head mono 28.1% (3,497,800). Included in those figures are models with VCR Plus, representing 19.5% of total (2,427,300) and S-VHS at 0.7% (811,350). Upgrading progressed through year, 2-head models dropping from 33.1% of total in Jan. to 27.1% in Dec., 4-head mono increasing from 43% to 48.8% in same period, stereo inching up from 23.9% to 24%, VCR Plus more than doubling from 10.9% to 22%. S-VHS hovered at 6-9% of mix all year, except for Feb., when category hit 1.1% of sales.

Best month for VCR Plus in terms of percentage was Oct., when it was feature on 26.1% of recorders sold. Stereo hit year's high of 30.4% in Sept., 4-head mono peaking at 50.9% in Oct. Conversely, Oct. was lowest month for 2-head mono at 22.6%.

Predictions of VCR shortages are documented in inventory figures. Pipeline stocks (factory plus distributor) stood at about 3 weeks' supply at year-end, far too low for comfort. Shortage may have been factor in Jan. decline in VCR sales (see report, this issue).

SUMMER CES IN PHILLY? 2 MEXICAN SHOWS? Philadelphia has inside track as new location of Summer Consumer Electronics Show in 1996. Meanwhile, competition for EIA's CES Mexico next Oct. has cropped up in form of another show with "consumer electronics" in its name 5 months earlier, whose alleged selling tactics prompted lawyer letter from EIA.

Barring unexpected developments, move of SCES to Philadelphia in 1996 is virtually assured. EIA negotiators were impressed by cooperation of authorities there. Among other locations being considered, Dallas, New Orleans and Orlando stirred objections as being too hot in June, with Dallas too close to Las Vegas (site of winter show), New Orleans too far from airport. There was general longing for change from Chicago.

Responding to article in Philadelphia Daily News, EIA spokeswoman would confirm only that Philadelphia is among 4 cities being considered for hosting 1996 SCES, along with Chicago. However, quotes attributed in article to EIA Consumer Electronics Group Vp Gary Shapiro indicated that new Penn Convention Center made Philadelphia strong candidate.

In article, Shapiro said Philadelphia was under "serious consideration" as site for SCES in 1996, noting it's "easy commute for 1/3 of our showgoers," and has required transportation and hotel facilities. He's also quoted as saying it's "quite likely" that Philadelphia will host Mobile Electronics Show in spring 1995. "We're hoping the Mobile Electronics Show will introduce some skeptics to Philadelphia's values," Shapiro said in article. He's quoted as saying EIA needs commitment of dates from convention center and adjacent 1,200-room Marriott Hotel, scheduled to open early next year.

Last summer's CES occupied 443,000 sq. ft. of exhibit space, and spokeswoman said similar amounts of space are expected to be needed for summer shows in near future; reservations for this summer's show closed last week, and are "comparable" with last year's. That translates into 600,000 sq. ft. of gross square footage in main convention hall and other areas, such as hotels that would house high-end audio exhibits.

Summer CES, which this year will be held June 23-25 -- about 3 weeks later than usual -- will return to Chicago in 1995 in "early June," although precise dates haven't been finalized, EIA spokeswoman said.

Another Mexican consumer electronics exposition is wooing prospective exhibitors to Mexico City show May 15-21 in competition with EIA's Oct. 4-6 event. Connection Latin American Trade & Mktg. Resources Inc., Chula Vista, Cal., is promoting "Latin American Market Place Consumer Electronics Trade Show" (LAMP) in Mexico City May 15-21, co-sponsored by Sociedad Mexicana de Comercio International.

LAMP sponsors claim their show will have 20,000 buyers and 400 exhibitors. Connection's Jose Miranda told us 40-45 companies have signed as exhibitors or are "in process of signing." Prospective exhibitors are being given list of those, which includes ABC, Aiwa, Apple, AT&T, BellSouth, Canon, Casio, Brother, GE, GoldStar, Hitachi, IBM, Kodak, Magnavox, Mitsubishi, Nintendo, Panasonic, Phillips (sic), Pioneer, Quasar, RCA, Recoton, Samsung, Sanyo, Sharp, Smith Corona, Sony, Toshiba.

We contacted several of companies named. None said they were mounting corporate exhibits at LAMP, although some said it was conceivable their Mexican distributors could be showing. We could find only one company official who had ever heard of show. Miranda told us Connection just started soliciting exhibitors in mid-Jan. He indicated to us that LAMP was making clear that it isn't affiliated with EIA or CES.

But different picture was presented by EIA Vp-Secy.-Gen. Counsel John Kelly in Feb. 3 letter to Connection Pres. Federico Martinez, expressing "serious concern" that "representatives of your organization may be misleading potential exhibitors and attempting to ride on the coattails of CES's reputation." Kelly's letter said that "apparently representatives of your organization have suggested... that [LAMP] is affiliated with the CES," adding: "In a recent conversation... Carlos Asencio, [presumably a Connection representative], stated that individuals associated with your organization have worked with CES for 10 years, that CES has encouraged you to establish the [LAMP] show, that your organization and CES have discussed your show's progress at the recent Winter CES and that CES is thinking of waiting until 1995 before hosting CES Mexico. All of these statements are false..."

Martinez responded with conciliatory letter last week, saying he had discussed Kelly's letter with all of his representatives. "I do not know if any of my representatives made such presentations in the past, but be assured it will not be done in the future. I concur with your statement that [LAMP] must stand on its own and not make any attempt to 'ride on the coattails of CES.' You should also know that today each of my representatives has signed a memorandum reflecting their understanding of your concern."

As if to underscore authenticity of CES Mexico, sponsor EIA Consumer Electronics Group announced its Oct. show will be supported by Asociacion de Electronica Consumer (AEC), "a national trade association similar to the EIA/CEG [which] represents high-end audio equipment manufacturers." Two AEC members will serve on Advisory Committee for CES Mexico '94 and will be involved in show's promotion and conferences, EIA/CEG said. EIA/CEG's Shapiro said that interest by U.S. manufacturers "is exceeding our expectations" and that AEC's backing should support needs of Mexican CE industry as well.

45% OF TVs HAD STEREO IN 1993: Nearly 10 million direct-view color sets with built-in stereo were sold last year, setting record. Also record was the 42.5% of total direct-view color (excluding TV/VCR combos) containing stereo sound.

Total of 9,766,597 sets with stereo sold to dealers in 1993 is up 14.4% from 8,533,938 in 1992 (40.5% of total). Each year since introduction of stereo in 1984 has set record in units and percentage of sets sold. Previous percentages: 1992, 40.5%; 1991, 37.9%; 1990, 32.1%; 1989, 27.8%; 1988, 25.2%; 1987, 22.4%; 1986, 17.1%; 1985, 8.8%; 1984, 1.4%.

Record month for stereo TV sales to dealers as percentage of total sets sold was last Nov., when 48.6% were stereo capable. Dec. 1993 was 3rd best, with 45% stereo. Total of just over million in Dec. was increase of 17.7% from Dec. 1992, when 39.9% of sales were stereo. In addition to units shown in table below, virtually all projection TV sets contain stereo, as do increasing percentage of VCRs (26.1% last year). Here are EIA monthly figures on stereo TV sales for 1993, with 1992 comparisons:

STEREO SOUND IN DIRECT-VIEW COLOR SETS

Month	1993	% of Total	1992	% of Total	% Change
January..	556,009	37.3	482,719	39.0	+30.4
February..	608,791	37.2	543,089	40.4	+ 4.6
March....	738,012	36.9	730,697	37.9	+ 1.0
April....	575,270	38.9	506,096	39.1	+13.7
May.....	532,444	40.0	491,416	38.0	+ 8.3
June.....	797,770	42.7	680,935	37.8	+17.2
July.....	672,999	43.1	586,531	42.7	+14.1
August...	812,379	46.4	725,307	44.1	+12.0
September	1,258,669*	44.6	1,017,503	39.1	+23.7
October..	1,052,421	42.6	922,595	43.4	+14.1
November.	1,153,173	48.6*	990,378	43.7	+16.4
December.	1,008,660	45.0	856,672	39.9	+17.7
TOTAL....	9,766,597	42.5	8,533,938	40.5	+14.4

* Record.

HITACHI'S SLIM 40W" PROJECTOR: Widescreen 16:9 projection TV with 40W" picture but only 15.7" deep -- almost as shallow as 13" direct-view set -- is scheduled for U.S. market, Hitachi said in Japan. Hitachi officials in U.S. said they had no information on product.

Set will be sold in Japan by end of June at equivalent of \$3,700, company said, with U.S. scheduled to be first overseas market, presumably shortly after domestic marketing. Projector is about 8" shallower than conventional 40W" TV, Hitachi said. Depth was reduced by development of compact lens that shortens throw distance 20%, while light at edges of screen is increased 30%, bringing total brightness close to that of direct-view set. New screen increases vertical viewing angle to 65<198> from traditional 45<198>, Hitachi said in Japan.

Tandy Chmn. John Roach told Wall St. Journal that company expects to report 30% sales gain to more than \$5 billion last year, with earnings from operations jumping 21% in 4th quarter to \$1.02 per share. Company will report 4th-quarter and annual earnings Feb. 22. Article quoted Roach as saying Radio Shack's comparable-store growth for year stood at 7%.

NEW FLAT PANEL ENTRY: SI Diamond Technology (SIDT) has entered agreement with Sarnoff Labs for development of color phosphors for flat panel displays it says will be cheaper and better than LCDs.

Houston-based SIDT, exclusive licensee of amorphous diamond coating developed at U. of Tex., hopes to perfect and produce field emitter displays (FEDs) using diamond coated cathode. Eventual displays, SIDT spokeswoman said, will be glass sandwiches about 1/8" thick, with higher brightness, less distortion and consuming less energy than LCD. Size will be limited only by size of glass, she said.

"We think that the use of SIDT's diamond thin film as a cathode is one of the great advances in the U.S.'s display development," said Glenn Cullen, head of Sarnoff's Advanced Materials Development & Applications, adding that it should make possible displays that "compete quite well with the best Japanese displays," active matrix LCDs. Sarnoff is charged with investigating color phosphors to interface with diamond FEDs.

After completion of development, SIDT plans to produce 4-6" monochrome displays in limited quantities late this year. When large-scale production begins, they will be offered for readouts on handheld electronic devices, to be followed by 10-14" mono displays for laptop computers, with color versions later. Spokeswoman declined to estimate when production would begin, except to say it was "several years" off. Sarnoff contract has no specific time limit, she said, but will be renewable in stages.

SIDT also is working with semiconductor industry consortium Microelectronics & Computer Technology Corp. (MCC), with which it plans to pool technologies on FEDs. SIDT plans to lease facilities from MCC for limited production of first displays.

SIDT was founded in 1989 by chemist and electronics engineer Howard Schmidt, now 35, who is COO -- 713-529-9040.

VCR penetration reached 79% of U.S. TV homes this winter, according to Nielsen, which said penetration was highest in Pacific region at 86%, followed by northeast (84%), east central (82%), west central (81%), southeast and southwest (both 74%). Of TV households, 99% have color sets, 28% have 2 TVs, 28% 3 or more, 63% receive basic cable, 28% pay cable. In Nov. 1993, households using TV averaged 1.9% of viewing time watching VCR playback, 0.4% playing videogames, vs. 20% watching network TV, 3.4% independent stations, 1.1% public TV, 7.8% basic cable, 1.5% pay cable.

Amstrad reported operating loss and plunge in pretax profits for first half ended Dec. 31 and Chmn. Alan Sugar warned that British company may report full-year loss. "Margins in the consumer electronics industry continue to be under pressure due to an oversupply of product, price cutting and depressed demand," he told stockholders. "Retailers are striving for higher margins on lower retail prices to compensate for excessive competitiveness in the market."

THIS WEEK'S YEN RATE

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

SMITH CORONA-BROTHER TRUCE: After years of legal battles, Smith Corona and Brother have called truce. Companies reached agreement last week ending 14 years of litigation over manufacturing and import of portable electronic typewriters (PETs) and word processors.

Companies agreed to end Commerce Dept.'s antidumping probe into Smith Corona's import of PETs from Singapore and revoke duties imposed on PETs and word processors from Japan. Investigation into Singapore imports had been suspended in June. Companies also dropped suits filed with Court of International Trade.

End came quietly for companies that as recently as 3 years ago were engaged in flurry of suits and countersuits. Commerce Dept.'s International Trade Administration (ITA) in preliminary decision in April 1991 had recommended antidumping duties of 58.7% on word processors made in Japan by Brother, Matsushita, others. ITA also launched investigation into whether Brother was circumventing duties by assembling PETs at Bartlett, Tenn., plant from parts imported from Japan (TVD April 22/91 p16).

At same time, Brother said in complaint to ITA that Smith Corona was dumping PETs and automatic typewriters from Singapore at less than fair market value (TVD April 22/91 p16). Indeed, in 1993 Commerce Dept. appeared to agree with Brother in preliminary determination that Smith Corona was selling typewriters from Singapore at less than fair value in U.S. and that Brother represented domestic typewriter industry.

While companies wouldn't discuss reasons for ending legal fight, Smith Corona recently closed Cortland, N.Y., plant (TVD Jan 24 p12) and is moving production to Mexico. After March, Smith Corona's entire manufacturing base will be outside U.S., which could remove legal basis for seeking protection under U.S. antidumping laws.

Typewriter and word processor markets also have shrunk since start of litigation in 1979, with PCs grabbing larger share of home business. Antidumping battle also had become costly, with legal bills running "into the millions," Brother officials said.

Smith Corona spokeswoman denied production shift to Mexico had influenced decision to end litigation, but said companies "would now be best served by competing in the marketplace." Brother Senior Vp Patrick Gilmore conceded that "marketplace for typewriters and word processors had changed quite a bit and it was time to move on and deal with each other in the marketplace." At same time, Brother this month is opening 48,000-sq.-ft. addition to Bartlett plant that will house 40-45 R&D personnel and some printed circuit board production, Gilmore said. New wing is 4th expansion of Bartlett plant since it opened in 1986, he said.

Sony is expected to introduce 3-CCD digital still camera system, featuring 1/2" chips containing 440,000 pixels each. DKC-5000 "Cat's Eye", which will ship to U.S. professional market in April at \$15,000, will be unveiled at Photo Marketing Assn. (PMA) show in Atlanta this week. Unit also has 10-bit analog-to-digital conversion for enhanced resolution and can transfer images to personal computer in 10-20 sec. Camera has access to 256 color gradations and is "filmless," capturing images as computer data and transferring them to PC in digital format. It also has 2-frame memory that can be boosted to 10 with additional options. Cat's Eye also will be sold in package at \$25,000 including lens mount, remote control, cables.

NINTENDO-SGI BASED ON CARTRIDGE: Project Reality, next-generation game technology from Nintendo and Silicon Graphics due in homes next year, will be based on memory-crammed silicon cartridge, not CD-ROM as many had expected. Companies said decision was based on data access time, which directly affects game play.

"The cutting-edge silicon technology, which will be housed in the new Nintendo cartridge, is the fastest technology available," Nintendo Mktg. Vp Peter Main said. "When it comes to speed, no other format approaches the silicon-based cartridge." Nintendo said cartridges will contain minimum of 100 Mb of data per game. Nintendo plans to release its largest cartridge -- 24-Mb Super Metroid -- in about 6 weeks.

Joint news release said Nintendo's cartridge-based format "will have an access time 2 million times faster than that of current CD-ROM technology." Nintendo Engineering Mgr. Russell Braun said system eventually would be able to incorporate CD-ROM peripheral as technology improves, but current generation of CD-ROM falls short of needs for game play.

"Anything short of quad speed is too slow, and there's even a question there," he said. "Quad might not be fast enough." Rate of exchange between cartridge and rest of system is factor of several system design decisions, Braun acknowledged, including size of bus going to memory, and Nintendo hasn't made final decision on system architecture. Although he wouldn't elaborate on Nintendo's assumptions on future pricing of memory, Nintendo's release said cartridges for Project Reality would "be sold at prices within the range of current 16-megabit cartridges," under \$70. System itself, Nintendo has said, will retail for less than \$250 when it arrives on shelves toward end of 1995. Technology from Project Reality will appear first in arcade games in 4th quarter of this year.

NEW BEST BUY DISTRIBUTION CENTER: Best Buy's staging ground for massive Eastern expansion will be 700,000-sq.-ft. distribution center in Staunton, Va. Company last week announced plans to break ground next month for new facility, scheduled to be ready for receiving in Aug., distribution in Sept.

Chief Financial Officer Allen Lenzmeier said Staunton was chosen because of its central location -- within about 300 miles of major markets such as Baltimore, Charlotte, Cincinnati, Cleveland, N.Y., Philadelphia, Pittsburgh, Washington, and arch-rival Circuit City's home base of Richmond. Opening of Staunton facility also will ease burden on current Best Buy distribution centers, with distribution for Atlanta stores switched from Ardmore, Okla., and Detroit and Indianapolis stores from Minneapolis. Lenzmeier said Staunton would be able to handle about 70 stores on its own.

Lenzmeier said Best Buy believes Eastern half of U.S. eventually could accommodate about 150 of its stores, and that another 1-2 distribution centers would be needed in region to handle that kind of expansion. Opening of Atlanta stores last fall was company's first foray into southeastern region, and several southeastern cities are expected on list when it announces further expansion in 6-8 weeks.

Even as Staunton distribution center is built, company is finishing 200,000-sq.-ft. expansion of Ardmore center, which opened in 1992 as 240,000 sq.-ft.-facility. It now handles about 60 stores, Lenzmeier said.

FRETTER'S EXPANSION PLANS: Fresh from acquisition of Silo, Fretter's will open new stores this year in existing markets, rather than expand into new ones, official said.

New outlets will be minimum of 25,000 sq ft., stark contrast to Silo stores, which were 8,000-20,000 sq ft. Silo name will be retained for stores in western region and Chicago, while Fred Schmid is used in Denver, Fretter in Midwest and Northeast, Fretter Senior Vp-Operations Daniel Hourigan said. Fate of Yes! concept stores that Silo opened in Rochester, N.Y., area last year remains undecided, he said.

"The new stores will be highly visible, highly accessible," Hourigan said. "The concept is large boxes in more dominant locations." Fretter is drafting property management plan that will be completed by late spring and will move into new Brighton, Mich., hq by mid-March, sources said.

Fretter's plans for Silo have taken form slowly since it announced plans in Sept. to buy 180-store chain from Dixon's. Earlier this month, Fretter sold leases to 18 Silo stores in L.A. area to Circuit City (CC), which also agreed to pick up extended service contracts. Fretter kept San Bernardino and Riverside stores and another 12 outlets in San Diego area. At same time, it closed stores in Indianapolis area, but kept some in South Bend, sources said.

Meanwhile, CC may convert some of newly acquired stores to major appliance-only outlets, west coast retail sources said. While major appliances would remain part of merchandise mix at existing CC stores in L.A., new outlets could give retailer opportunity to enter built-in appliance business, in which it has long expressed interest, sources said.

Strategy would have drawbacks. Size of some former Silo stores would require products that generate higher sales volume than major appliances, which generally are slow movers. CC reported \$600 million in major appliance sales in 1993 -- 19% of revenues. CC also is expected to sublet 6-7 stores, one potential candidate being Tandy's Computer City. While not confirming any plans, Computer City Pres. Alan Bush said Silo outlets were "interesting stores with interesting locations and L.A. has been a great market for us." CC spokeswoman didn't return phone call seeking comment, but at time chain bought Silo leases, Pres.-CEO Richard Sharp said "we're evaluating some unique opportunities for use of those [Silo] stores."

Two car navigation products will be marketed later this year by Sony with Etak CD-ROM software that's claimed to be first in U.S. to combine global positioning system (GPS) technology with "moving maps" and travel information for display on 5" LCD color screen. Installable and portable systems will be offered in 2nd half of year, starting in Cal. and rolling out eventually to rest of country. No price was announced, but Sony noted similar Sony system sells for equivalent of \$2,200 in Japan. Etak is owned by Rupert Murdoch's News Corp.

Minolta has expanded VHS-C line to 3 models, adding offerings to higher price bracket. Model C-570 will ship in spring at \$1,099 street price, above other units at \$899 and \$799. Camcorder, sourced from JVC, features 10x zoom, built-in light, dial for selecting exposure, special effects. Model also has digital image stabilization, 8-speed shutter, 2x digital enlargement that doubles lens focal length and multi-brand remote that can control function of up to 20 VCR brands.

DSS DEALER TRAINING STARTING: Thomson will launch consumer electronics dealer training program for new direct broadcast satellite (DBS) system in late March as 150-channel service enters first 4-10 markets, Thomson executive said.

Training, directed by Thomson and DBS partners DirecTV and U.S. Satellite Bestg. (USSB), will consist of half-day sessions featuring laserdisc-based lessons on selling hardware and programming, zoning issues, installation and home theater applications, said Stanley Kozlowski, Thomson mgr. of RCA Digital Satellite System (DSS) sales. First round is expected to take 6 months, he said.

Seminars will be final preparatory work for debut of system expected to go on line with 70 channels in limited rollout in April in southeast or southwestern U.S., officials have said. System will be sold in 2 packages -- (1) \$699 for integrated receiver descrambler (IRD), 18" dish, low-noise blocker (LNB), remote control, (2) \$899 that adds dual output LNB. Product is expected to be delivered nationwide in Sept., shortly after launch of 2nd satellite carrying another 80 channels, company has said. Programming will be offered at variety of prices (see Best/Cable section).

Some 2,000 satellite dealers, culled from pool of 4,000, will begin training late this month through 5 regional distributors, Kozlowski said. Distributor personnel, tutored by Thomson's 16 product trainers, will head satellite dealer seminars. Several hundred satellite retailers are expected to be among first, along with Circuit City, Sears and "a few dozen" other CE chains, to receive product in April, company has said. At least 2,500 CE dealers eventually will carry system, Kozlowski said.

In addition to seminars, retailers will receive 21-chapter laserdisc, part of which is designed for in-store demonstrations. Eight of 63-min. LD's 21 chapters were created for consumer display, 13 for dealer training, Kozlowski said. Chapters run 2-3 min. each. Each dealer is required to dedicate at least 25 sq. ft. to product, he said. Beta test consisting of installations in several hundred homes of RCA and DirecTV employees will begin in March, Kozlowski said.

STARSIGHT SIGNS DEAL WITH SHOWTIME: StarSight Telecast and Showtime have signed joint marketing agreement designed to expand on-screen TV guide's presence in cable market.

Under pact, Showtime will share sales and marketing staff in N.Y. and 8 regional offices with StarSight's 5-member field sales force, said John Burns, StarSight exec. vp-sales and mktg. StarSight also will hire at least 2 people to be based in Showtime's N.Y. offices, he said.

Move is logical extension, since Showtime parent Viacom has financial stake in StarSight along with 4 other cable operators -- Cox, KBLCOM, Times Mirror, Tribune. Showtime has about 10 million subscribers, and on-screen guide will be available during Viacom's test of interactive cable system in Castro Valley, Cal., in spring.

On-Screen guide also is being built into several Zenith TV models expected to ship in spring. StarSight may run promotions tying sale of Zenith TV to discounts on pay-per-view programming or hook-up, Burns said. Guide is expected to carry \$4 monthly fee if bought direct, although cable operator may include it in programming packages at lower price, he said.

HUGHES-JVC PROJECTORS HERE: Hughes-JVC Image Light Amplifiers (ILAs), using 3 cathode ray tubes and LCD lightvalve, are being sold now on commercial and industrial market by Hughes-JVC Technology Corp., Carlsbad, Cal. Designed to compete with such high-powered systems as Eidophor and GE's Talaria, they show improvement over prototypes demonstrated year ago in Japan (TVD Feb 8/93 p16).

Demonstration in N.Y. last week using 10x14' screen showed highly detailed, bright, evenly illuminated pictures with complete linearity out to corners, possibly best projection TV pictures we ever have seen. Projectors were demonstrated with Faroudja line eliminator. Pictures showed no discernable line or pixel structure when demonstrated with different sources, varying from computer output to HDTV (from Sony HD videodisc player). When full text of Gettysburg Address was projected onto single screen, every word was clearly legible without distortion.

All of this perfection doesn't come cheap. Three available models are \$62,500-\$95,000, about equivalent of Talaria but less than half price of Eidophor. Difference in prices is determined mainly by brightness. Top model shown had 100 MHz video bandwidth, 200:1 contrast ratio, video resolution of 1,000 lines, or 1,600 x 1,200 pixels, using 2,500-w xenon lamp.

Hughes-JVC plans consumer version, last estimated to be available in late 1995. How much work is required is evidenced by fact that current model weighs 375 lb., measures 20.6" high, 17.5" wide, 53.4" deep. Heart of system is group of 3 proprietary Image Light Amplifiers, which are based on LCD technology but create no visible pixel structure because they're reflective, not transparent, Hughes-JVC officials said. Hughes-JVC said it has invested more than \$30 million in automated manufacturing equipment for system.

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Future of Talaria projection TV system is uncertain, at best. Talaria lightvalve projector was developed by GE, whose projection operation became part of its Aerospace Div. after GE sold consumer electronics operation to Thomson. In 1992, GE sold Aerospace Div. to Martin Marietta (MM), which has started phasing out projection TV operation, still based in Syracuse, N.Y. MM spokesman said company hasn't decided whether to attempt to sell Talaria patents and design.

Talaria originally was code name for GE project to develop consumer projection system. As costs escalated, however, it became commercial and industrial product in 1960 after some military uses (TVD June 6/60 p15). GE still was exploring possible consumer version 16 years later, when official said it had developed rear-projection lightvalve system with 1,000-sq.-in. screen that could be mass-produced to retail below \$2,000 (TVD April 5/76 p10), but it never was marketed.

Circuit City (CC) is seeking to nearly triple size of Carmax used car dealership proposed for Gwinnett County, Ga. Hearing before Gwinnett Planning Commission Feb. 1 was postponed after CC said it planned to expand 11-acre, 600-car proposal to 16 acres and 1,700 cars, county officials said. Commission hearing on new proposal is set for March 15. Dealership would be located near I-85 outside Norcross, Ga., and across street from Sam's Wholesale Club and CompUSA stores. Ga. site would be first expansion since CC opened 500-car lot in Richmond last fall. CC spokeswoman declined comment on plans.

PALPLUS TVs, VCRs DUE: PALPlus compatible widescreen enhanced-definition TV (EDTV) pictures are being broadcast on regular basis in Europe, and Philips announced it will introduce PALPlus TV sets this year, followed by decoders and VCRs. Other TV manufacturers, including giants Grundig, Nokia and Thomson, have indicated in past they also will offer PALPlus receivers.

Ironically, PALPlus originally was developed as defense against satellite-delivered MAC and HD-MAC, widescreen systems that never got off ground. PALPlus delivers full-resolution widescreen pictures to 16:9 TV sets and letterboxed pictures to conventional PAL sets (TVD Sept 6 p9). In conventional letterbox transmission for widescreen sets, vertical resolution is reduced because all of horizontal scanning lines aren't used.

European PALPlus consortium had planned to launch regular transmissions at Aug. 1995 Internationale Funkausstellung in Berlin. However, first nontest PALPlus broadcast, American film JFK, was transmitted Jan. 8 by German pay-TV channel Premiere, which now claims to be regularly sending out movies in PALPlus and says it plans about 1,000 hours of such transmissions this year.

Germany's ARD network has broadcast one film in PALPlus since Premiere's announcement, and rivals ZDF and Bayern 3 say they will begin regular PALPlus before midyear. There have been no reports of specific PALplus plans from countries other than Germany.

In normal PAL 625-line transmission, 576 lines are visible in picture. Letterboxed material, because it doesn't occupy all of standard 4:3 format, is reduced to 432 lines. In PALPlus, vertical information normally lost is filtered from picture before transmission and transmitted invisibly above and below widescreen image. Separate signal is transmitted during vertical blanking image to tell receiver that PALPlus is being transmitted. Standard 4:3 receiver displays letterbox picture with black bands above and below, while PALPlus widescreen set shows picture in full vertical resolution. Separation of brightness and color (Y and C) information further improves picture quality.

PALplus group is preparing point-of-purchase material and brochures for German dealers, and promises to offer them in other languages when needed.

Electronic Arts (EA) and Broderbund Software have agreed to merge in stock deal valued at \$400 million. Broderbund -- computer software publisher best known for such products as Carmen Sandiego series of edutainment programs and Print Shop productivity programs -- will become subsidiary of EA, major force in videogame software, and largest stockholder in 3DO. Broderbund Chmn.-CEO Douglas Carlston -- one of several family members who founded company in 1980 -- would become member of EA board, expanded to 8 members. "Both companies expect Carlston to remain active in the management of the combined organization." Broderbund would continue operating in Novato, Cal., EA in San Mateo, Cal. Agreement calls for Broderbund stockholders to get 1.6 EA shares for each Broderbund share, resulting in about 15.4 million EA shares changing hands.

Vivitar, whose Chatsworth, Cal., hq was severely damaged in Jan. earthquake, last week moved 15 miles to Newbury Park, Cal. Camera company's new address: 1280 Rancho Conejo Blvd., Newbury Park, Cal. 91320 -- 805-498-7008.

RETAILERS CITE VIDEOGAME DIP: Babbage's and Software Etc., 2 largest specialty software chains, blamed plunge in videogame software and system sales for drop in sales for quarter and year ended Jan. 29.

Babbage's, which ended year with 302 company-owned stores in 39 states, said comparable-store sales in 4th quarter dropped 13% as overall sales rose 2% to \$102.8 million. For full year, comparable stores declined 5% as overall revenues increased 12% to \$233.4 million, reflecting net gain of 55 stores.

Chmn. James McCurdy said "disappointing" 4th-quarter sales were driven by "significant decline" in videogame sales, to which chain responded by cutting prices on "hundreds" of titles in early Dec. He said move had helped chain end year with 25% lower per-store inventories of videogame software than at end of preceding year.

Software Etc., meanwhile, reported 8% drop in 4th-quarter comparable-store sales as total revenues rose 14% to \$99.5 million. For year, comparable stores gained 1% and overall sales jumped 21% to \$246.9 million. Pres.-CEO Dan DeMatteo said Jan. sales trend had improved over Dec., but performance was hurt by Cal. earthquake and deep freeze in Midwest and Northeast. As in Dec., DeMatteo said weakness in Jan. videogame business was partly offset by comparable-store gains in computer-related product categories, "led by sales of CD-ROM software and multimedia kits." Company opened 68 stores last year, raising total to 328.

Continuing acquisition binge, Harman International (HI) last week announced agreement to buy Studer Revox, Swiss professional audio manufacturer, terms undisclosed. Pending agreement expected in 30 days, HI said Studer will operate as "autonomous group" reporting to Harman Professional Group in Northridge, Cal. Studer's parent, Motor Columbus, Regensdorf, Switzerland, will retain control of Revox consumer products. HI Chmn. Sidney Harman said Studer's "principal markets and technologies" will "complement ideally" those of other Harman Professional brands, including recently acquired AKG Acoustics and Lexicon.

Leases for 20 Media Play stores (of "30 or more" slated for 1994) have been signed by Musicland Stores, company said. They will open in March-Dec. in Atlanta (4 stores), Denver (4), Buffalo-Niagara Falls (3), Charlotte, N.C. (3), Salt Lake City (2), one each in Syracuse, Poughkeepsie, Fargo, San Jose. Company has 14 Media Play stores open, averaging 45,000-50,000 sq. ft., projected for \$8.5 million in revenues per store in first year. Musicland is supporting Media Play expansion with some of proceeds from Nov.'s \$74 million stock offering.

Dysan International launches 2-month promotion that packs 2 extra diskettes with 10-pack. New offerings for 3.5" diskettes, available through March, are \$9.99 for double density (DD), \$14.99 for high density (HD), 5.25" at \$6.99, \$9.99... Memtek appoints HWH for PR... Mitsubishi renews 13-month no-payment, no-interest consumer program for all products purchased March 11-April 4. Promotion first ran in Jan.

Signal theft indictment was returned by federal grand jury in Seattle against Gary Alexander for manufacturing and selling descrambler modules, according MPAA Antipiracy Div. Theft of satellite and cable signals was charged. Alexander also has been subject of civil suit.

EIA ZOOMS FROM A-B TO ZOOM: Everything you need to know about consumer electronics' arcane language is included in 111-page Consumer Electronics Product Terminology Dictionary, 4th edition, just off press.

Available from EIA in hard-copy edition at \$3.50 for members, \$4.50 for nonmembers and on floppy disc at \$25 and \$50, respectively, it's departmentalized and indexed from "A-B test" to "zoom ratio." It's designed to "assist retailers, consumers, journalists and others in learning, understanding and using common terms" in consumer electronics.

New edition is divided into: (1) Accessories -- "adapter" to "zoom ratio." (2) Home Audio -- "A-B test" to "woofer." (3) Camcorders -- "8mm Video" to "zoom." (4) Computers -- "9-pin" to "worm." (5) Fax -- "AC" to "voltage surge suppressor." (6) Mobile Electronics -- "active crossover" to "wow and flutter," with subsections on Mobile Audio, Radar Detectors, Scanners/CB Radio and Security. (7) Telecommunications -- "AC" to "VOX," subsections on Answering Devices, Telephones, Cordless Phones, Cellular Phones. (8) TV -- "75-ohm coax" to "Y/C." (9) VCRs and Laserdisc Players -- "8mm Video" to "Y/C connections." --EIA Consumer Electronics Group, 202-457-8705.

Smith Corona introduced wireless device with ability to send fax, for March delivery at \$399. Handifax HF 1000, which allows user to send fax using any phone, is being marketed through licensing agreement with Fla.-based HandiFax Corp. Unit has small typewriter-like keyboard and LCD screen and can store up to 5,000 phone numbers. It also contains scheduler, calendar, dialer and calculator, and has 7-10-hour battery life. Smith Corona signed agreement with HandiFax soon after latter began advertising product nationally in Oct. Models with full matrix screen and ability to receive faxes are expected late this year.

Consumers purchased 2.7 million personal computers for home use in 1993, up from 2.3 million in 1992, according to survey by BIS Strategic Decisions, which forecast that home purchases would increase to 5.9 million in 1997. Home purchases represented 20% of 13.6 million PCs sold last year, while more than 1/3 of all computers sold in 1997 will be for homes, when total PC sales will be 17.4 million, BIS said.

MCA took "significant minority stake" in multimedia developer Interplay Productions. Interplay will become prime production engine for MCA's recently formed Universal Interactive Studios. MCA, unit of Matsushita, holds 15% of 3DO; Interplay has developed programs for 3DO format, along with other game platforms.

It's Against the Law . . .

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DAEWOO'S MEXICAN EXPANSION: Having expanded its plant in Sonora, Mexico, to produce 700,000 color TVs annually, Daewoo says it now can supply all its sales needs in N. and S. America. Company recently set up sales subsidiary in Mexico City and expects to expand Sonora plant to 2 million eventually as result of enactment of N. American Free Trade Agreement and company's sales expansion in Central and S. America.

Original capacity of Sonora plant was 300,000, but that was enlarged in 1992 to include 25" and larger sets, raising total capacity to 500,000. Plant went into operation in Oct. 1991 as Korean company's first overseas color TV facility and immediately ran into difficulties because of labor problems, particularly absenteeism and low productivity.

However, company said it overcame problems with "employee survey and suggestion programs, incentive programs, quality control circles, scholarship programs for employees' children and other athletic, recreational and benefit programs." Company said turnover has dropped to 7% from 15%, absenteeism to 1.5% from 5%. Last Oct., plant turned out 70,000 color sets.

Daewoo also has been expanding in other countries, according to its summary of 1993 achievements. One U.S. achievement, announced here last year, is contract to supply Wal-Mart with 50,000 VCRs of new Korean design.

Among recent Daewoo ventures: (1) Jointly owned company in Tashkent, Uzbekistan, to produce color TVs and appliances. (2) Color picture tube plant in Longwy, France, with capacity of 1.2 million units annually when completed in 1995. Neighboring color TV plant in Fameck has capacity of 400,000. (3) Export of color TV plant and technology to Jordan. (4) Tentative agreement to help develop consumer electronics plant in Tatarstan, Russia. (5) 40% interest in new color TV plant in Pakistan with 100,000 annual TV set capacity. (6) New color TV plant in Poland with initial capacity of 200,000, to be expanded to 600,000 annually by 1996. (7) Contract signed in Oct. to export 100,000 color sets to Philips of S. Africa.

Consumer Electronics Personals

Bernard Luskin, ex-Philips Media pres., named CEO, Jones Interactive Systems, and vice chmn. of Mind Extension U., Jones-affiliated cable channel... Robert Wosczyk, ex-BASF, appointed Dysan western regional sales mgr., replacing Frank Templeton, resigned, plans unknown... Bud Gehrke named Samsung western zone operations mgr., succeeded as western zone mgr. by David Byrd, ex-Sharp... Ann Collins resigns as Sound Advice video merchandising mgr., plans undisclosed... Ronald Freeman, pres.-CEO, Audubon Institute-New Orleans, elected to board of retailer Campo Electronics, Appliances & Computers.

Hisahi Kaneko, onetime NEC America pres., is expected to be named NEC pres. at stockholders' meeting at end of June, succeeding Tadahiro Sekimoto, who will be appointed chmn.-CEO; Kaneko currently is senior managing dir... Norman Augustine, Martin Marietta chmn.-CEO, will be 1994 recipient of EIA Medal of Honor... Benjamin Feingold, ex-Sony Pictures Entertainment corporate development vp, promoted to pres., Columbia TriStar Home Video... Sal Scamardo, ex-CBS/Fox, named PolyGram Video mktg. dir... Mitch Perliss, ex-Strand, appointed audio programming vp, Video Treasures... Russell Lyster named pres. of new Prism Management Div... Bruce Dickinson promoted to senior vp, Emerging Industries Group of Daniels & Assoc. investment banking firm.

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
BHC Communications			
1993-year to Dec. 31	411,999,000	224,286,000	8.67 ^a
1992-year to Dec. 31	307,883,000	109,295,000	4.09 ^a
1993-qtr. to Dec. 31	109,003,000	31,213,000	1.21 ^a
1992-qtr. to Dec. 31	104,361,000	33,730,000	1.29 ^a
CBS			
1993-year to Dec. 31	3,510,100,000	326,200,000	20.39
1992-year to Dec. 31	3,503,000,000	81,000,000	5.23 ^b
1993-qtr. to Dec. 31	1,042,800,000	46,400,000	2.77
1992-qtr. to Dec. 31	968,300,000	33,300,000	2.14
Chris-Craft Industries			
1993-year to Dec. 31	439,773,000	149,068,000	5.26 ^a
1992-year to Dec. 31	331,535,000	65,150,000	2.32 ^a
1993-qtr. to Dec. 31	116,446,000	24,081,000	.84 ^a
1992-qtr. to Dec. 31	110,475,000	17,737,000	.63 ^c
Egghead Inc.			
1994-40 wk. to Jan. 8	583,460,000	(147,000)	— ^d
1993-40 wk. to Jan. 7	529,849,000	4,699,000	.27 ^d
1994-12 wk. to Jan. 8	208,593,000	1,411,000	.08
1993-12 wk. to Jan. 7	188,251,000	2,307,000	.14 ^d
Gray Communication Systems			
1993-year to Dec. 31	25,147,000	2,546,000	.83
1992-year to Dec. 31	24,931,000	267,000	.09
1993-qtr. to Dec. 31	6,929,000	677,000	.22
1992-qtr. to Dec. 31	6,848,000	719,000	.23
M/A-COM			
1994-13 wk. to Jan. 1	79,120,000	4,070,000	.16 ^b
1993-13 wk. to Jan. 2	79,135,000	374,000	.02
New York Times			
1993-year to Dec. 31	2,019,654,000	6,123,000	.07 ^d
1992-year to Dec. 31	1,773,535,000	(44,709,000)	— ^d
1993-qtr. to Dec. 31	636,046,000	(24,122,000)	— ^d
1992-qtr. to Dec. 31	468,187,000	(3,670,000)	.05 ^d
3DO Co.^e			
1993-9 mo. to Dec. 31	6,073,000	(44,021,000)	— ^d
1993-qtr. to Dec. 31	3,457,000	(7,094,000)	—
Time Warner			
1993-year to Dec. 31	6,581,000,000	(221,000,000)	— ^d
1992-year to Dec. 31	6,309,000,000	86,000,000	—
1993-qtr. to Dec. 31	1,960,000,000	7,000,000	.01
1992-qtr. to Dec. 31	1,871,000,000	68,000,000	—
TRW			
1993-year to Dec. 31	7,947,900,000	195,400,000	3.01 ^c
1992-year to Dec. 31	8,311,100,000	(155,700,000)	— ^b
1993-qtr. to Dec. 31	2,004,800,000	63,600,000	.98
1992-qtr. to Dec. 31	2,095,600,000	59,000,000	.94
United Television			
1993-year to Dec. 31	130,338,000	43,824,000	4.31 ^a
1992-year to Dec. 31	115,127,000	16,155,000	1.54
1993-qtr. to Dec. 31	38,763,000	9,036,000	.89
1992-qtr. to Dec. 31	33,509,000	8,154,000	.78
Westinghouse Electric			
1993-year to Dec. 31	8,875,000,000	(326,000,000)	— ^d
1992-year to Dec. 31	9,251,000,000	(1,394,000,000)	— ^a
1993-qtr. to Dec. 31	2,641,000,000	(478,000,000)	— ^d
1992-qtr. to Dec. 31	2,558,000,000	(1,284,000,000)	— ^a

Notes: ^aIncludes special credit. ^bAdjusted. ^cAdjusted; includes special credit. ^dAfter special charge. ^eComparative results unavailable. ^fRestated.

3DO Co. said it received first software royalty payments in generating \$3.5 million in revenues in 3rd quarter ended Dec. 31 (see financial table). Company lost \$7.1 million in quarter, 79% more than in last year's quarter, when it wasn't generating any revenues. 3DO has lost \$44 million in first 9 months of year, including \$21.4 million related to acquisition of NTG, which developed core technology for 3DO as independent company. "More than 450" software development systems have been shipped to 187 of 3DO's software licensees, company said.

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FEBRUARY 21, 1994

SUMMARY-INDEX OF WEEK'S NEWS

VOL. 34, NO. 8

Broadcast - Cable

FCC NEARING RATE DECISION: Consensus growing on 6-8% rollback, although Chmn. Hundt favored larger cuts. Cost-of-service, other rules on agenda for Feb. 22 meeting. Congress weighs in on both sides, while cable continues to lobby hard. (P. 1)

VIACOM WINS PARAMOUNT: Final price tag of more than \$10 billion costs \$2 billion more than planned. Deal requires merger with Blockbuster. QVC concedes, then reorganizes. Redstone promises 'global media powerhouse.' (P. 3)

RATE FREEZE APPEALED: Cable groups charge FCC 'regulatory gridlock,' ask U.S. Appeals Court to rule that freeze violates congressional intent. Final decision on FCC rules sought. (P. 4)

ZENITH WINS ON HDTV: Grand Alliance selects VSB transmission system in final major HDTV technical decision. GI concedes better Zenith performance. Both said to improve on interference. (P. 4)

TIGHTER CABLE LIMITS OPPOSED: Telcos and cable say FCC can't include telephone subscribers in cable MSO ownership limits. Telcos oppose applying limits to VDT systems. (P. 5)

DEALERS OPTIMISTIC ON DBS: Unprecedented opportunities seen. 'Price concessions needed' on C-band. Thomson promises first DBS equipment will be available in April. (P. 5)

FCC ZEROING IN ON 6-8% CABLE RATE ROLLBACK: While there was no firm agreement at our deadline, FCC negotiations on size of 2nd cable rate rollback, which is to be decided Feb. 22, were narrowing down to 6-8% range, with possibility of including "zone of reasonableness." FCC commissioners and staff were expected to continue working on proposals through weekend, but it appeared that consensus could be building late last week. Chmn. Hundt had wanted larger rollback, possibly as much as 16% across board, but appeared willing to accept 6-8% range suggested by Comr. Quello. Comr. Barrett indicated he might accept 6% rollback, but probably no more. C-SPAN will carry meeting live.

Proposal would set new benchmark rates 6-8% lower than current ones. Original levels were established at point intended to reduce rates average of 10% from Sept. 1992 (TVD May 10 p1). New benchmarks would be based on assumption that 1992 rates were 16-18% higher than they would have been in true competitive situation, rather than 10% figure used in setting first benchmarks.

Assumptions on competitive rates are based on FCC analysis of those charged by systems involved in commercial overbuild situations. Unlike earlier, benchmarks wouldn't be based partly on rates charged by

Consumer Electronics

FRAGILE CABLE-CE ALLIANCE shows signs of stress as public infighting breaks out following disagreement in Engineering Committee on decoder interface. (P. 9)

MITSUBISHI WILL MOVE CEG operations to Norcross, Ga., by midsummer, leaving western sales office in Cypress, Cal., and shifting hq closer to retail markets. (P. 10)

ZENITH REPORTS LOSS for 4th quarter and full year but sees \$50-million cost reduction this year. Sony and Pioneer report declines in net and sales. (P. 11)

NINTENDO EXECUTIVE SHAKEUP leaves Lincoln as chmn. in unusual power-sharing arrangement with Pres. Arakawa, as company seeks to regain lost momentum. (P. 12)

NEW CURTIS MATHES OWNERS plan to increase focus on retail and away from rent-to-own business. Company begins shipping new products. (P. 14)

LEONARD FELDMAN, prominent audio engineer, author and journalist, dies of cancer at 67. (P. 14)

PANASONIC 3DO PLAYER AT \$499 in \$200 price drop, with company citing lower manufacturing and component costs. MPEG cartridge to sell for \$249. (P. 15)

JVC EXPECTED TO ADD S-VHS-C camcorder to line this year with 500,000-pixel CCD that allows full resolution during image stabilization. (P. 15)

low-penetration systems, and calculations wouldn't use rates charged by municipal systems. According to analysis by Chief Economist Michael Katz and Cable Bureau Chief Alexandra Wilson, there's no reason to conclude that rates charged by low-penetration systems are at competitive levels. Katz/Wilson analysis also said that municipal systems may not represent competitive rates because small size of sample may not be valid statistically since they may have lower costs and may be able to operate at loss to achieve political or bureaucratic goals. Rates charged by low-penetration systems are affected by too many other factors -- such as poor consumer demographics, early stage of growth of system and corporate pricing strategies -- to be used as basis for determining what rates are competitive, analysis said.

Some commercial overbuilds may not represent competitive rates, according to analysis, because new operators may set prices below cost, particularly in early stages, and because longer established operators may be colluding with competitors. After further analyses, Katz and Wilson concluded that best estimate of difference between current and competitive rates, largely based on difference for overbuilds that are at least 3 years old, is 16-20%, which would require rate cut of 6-10% below earlier benchmarks.

Size of zone of reasonableness in Quello's compromise proposal hadn't been determined by weekend, but his office had suggested that it could be large enough to allow all systems meeting current benchmarks to fall within zone. Commissioners still were negotiating over whether to allow zone at all, and how large it would be. Systems that are above new benchmark would have to reduce rates by lesser of amount necessary to reach new zone or 6% first year, under Quello plan. Systems that still were above zone after 6% reduction would have to cut rates to zone in 2nd year or justify them through cost-of-service.

Systems already within zone of reasonableness would be subject to rate cap in future, allowing them to increase rates by amount of inflation plus external costs. Those systems also would be able to use cost-of-service to justify larger increases. Systems with fewer than 1,000 subscribers wouldn't be subject to rate rollbacks, under Quello plan, but would be subject to price caps.

In response to Quello plan, Hundt's office proposed larger rollback, at least 8%, although systems that were under old benchmark but above new one wouldn't have to roll back more than 6% at outset, subject to cost studies. One proposal called for 6% rollback even for systems with rates below new benchmarks, subject to cost studies, although that was seen as across-board measure that would affect even those complying with new benchmarks. Hundt also appeared reluctant to accept limiting rollback to 6%, preferring to require all cable systems to comply with benchmarks. Commission seemed unanimous on need for further cost studies, although it was unclear what they would be used for. All 3 commissioners also seemed to support affirming basic benchmark method of rate setting.

Congress weighed in on both sides, with Republicans saying that FCC insistence on further rate cuts could "ignite a war" (TVD Feb 14 p2) and Democrats, along with consumer groups, saying that more cuts are needed. Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) told Hundt that Commission isn't doing enough to protect cable subscribers. In Feb. 11 letter, Inouye said he wanted to "reiterate my concern and express my hope that the Commission will take additional steps to ensure that consumers of cable television services receive protection from unreasonable rates." Saying he was sympathetic to concerns of small cable operators, Inouye said consumers are concerned about rates. He said FCC statement in Feb. 9 news release that it can't regulate basic service tier "appears to be in direct conflict with the statutory language" and with letter Inouye and 35 other senators sent to FCC Nov. 29.

Cable industry has been lobbying to head off rate cuts. NCTA Pres. Decker Anstrom said he's "very concerned. The record before the FCC is clear -- deeper cuts will damage cable companies' capacity to invest in new technology and programming." Anstrom called previous round of cuts "unprecedented" in govt. regulation of business: "At no time has an entire industry had its revenues cut so deeply as a result of regulatory action." Average rates for regulated cable service (basic and expanded basic) dropped 10.5% to \$22.96 per subscriber per month, NCTA said in summary of its analysis of FCC survey of top-25 MSOs. Group said survey showed that nearly 75% of all cable subscribers had lower rates, and average per-channel price dropped 15.2% to 56¢ because operators added channels at same time they reduced rates. Cable's main argument is that further cuts will make it impossible for systems to upgrade as part of infrastructure pushed by Clinton Administration.

Washington debate on infrastructure superhighway as it relates to cable "is so clearly wrong, and so potentially destructive, that it must be reconsidered," Trygve Myhren, pres., Providence Journal Co., told Federal Communications Bar Assn. Feb. 17. He said that "after creating a record gap between rhetoric and reality, [regulators] seem ready to actually act on the basis of rhetoric." Myhren, who was chmn. of NCTA 1986-1987 and by his own admission then considered very conservative, said: (1) Rhetoric is about

reinventing and streamlining govt. "The reality is saddling cable with unbelievably complex, burdensome and costly regulation." (2) Rhetoric is establishing information superhighway as a national priority. "The reality is handcuffing the industry that has the most adaptable platform in place, destroying cash flow, its financing capacity and its ability to invest in" telecommunications infrastructure. (3) Rhetoric is about preserving diversity and multiple voices. "The reality is regulation which hobbles cable so that it cannot possibly provide the natural offset to telephone company dominance." He said proposed regulation "frankly precludes the development of any more CNNs, C-SPANs, Discoverys or TV Food Networks."

Myhren charged that "banks have gone into hiding" when it comes to financing for cable systems because of new regulations and rate freeze: "As the director of a bank which makes cable loans, I can assure you that the purse strings have been pulled tight. If the benchmarks [on cable rates] are dropped further, the purse will close for the majority of cable operators."

VIACOM DEFEATS QVC IN RACE FOR PARAMOUNT: Although it cost \$2 billion more than originally planned and required merger with Blockbuster, Viacom emerged as winner in 5-month bidding for Paramount. Stockholders tendered nearly 91.7 million shares (74.6% of total) of Paramount stock to Viacom, vs. 10.4 million (less than 10%) to QVC. QVC ended tender offer and issued briefest of statements: "They won. We lost. Next."

Eventual price of more than \$10 billion was "a very significant premium" for Paramount stockholders, Chmn. Martin Davis said after completion of contest Feb. 14. Viacom originally offered \$8.2 billion for Paramount (TVD Sept 20 p3), which owns last major independent studio, 50% of USA Networks, Madison Sq. Garden Network, N.Y. Knicks, N.Y. Rangers, publishing interests. In addition to merger with Blockbuster, Viacom agreed to strategic partnership with Nynex in effort to complete deal. QVC's bid was supported by BellSouth, Comcast, Cox.

"We are determined to complete the merger of these 2 great companies and the transition to a new management structure as quickly and smoothly as possible," said Davis, who is expected to personally net nearly \$120 million from deal. Viacom Chmn. Sumner Redstone said his company remains "unwavering in our conviction that the combination of Viacom, Paramount and Blockbuster will create a global media powerhouse of unparalleled proportions. Today is only the beginning of the creation of this vast new enterprise." Redstone said Viacom would extend tender offer until March 1 to allow remaining stockholders to participate.

Financial analysts cited 2 main reasons for success of Viacom bid, even though some believed total value of QVC bid might be higher: (1) Viacom offered \$180 million more cash. (2) Viacom offered guarantees that would protect Paramount shareholders if value of Viacom stock drops too much (Viacom stock price fell 2-3/8 to 27-1/2 Feb. 15). Paramount board endorsed Viacom offer. QVC said it had offered all that it thought Paramount was worth.

QVC reorganized in wake of loss to Viacom, forming QVC-Electronic Retailing as main operating unit and changing name to QVC Inc. from QVC Network Inc. Other changes include establishing QDirect unit to produce direct response ads and infomercials, and QVC-Interactive unit. Staff changes include: (1) Retirement of co-founder and Pres. Michael Boyd, who had delayed retirement during Paramount bid. He won't be replaced. (2) Appointment of Douglas Briggs to pres.-QVC Electronic Retailing. (3) Promotion of James Held to exec. vp-QVC merchandising. (4) Promotion of Robert Cadigan to senior vp-QVC programming. (5) Promotion of Thomas Downs to exec. vp-operations and services.

BellSouth asked FCC for temporary waiver of telco-cable cross-ownership rule to facilitate alliance with Prime Cable. BellSouth agreement to acquire parts of Community Cable TV (CCTV) and Prime II Management would give it financial interest in cable companies, including one in Hickory, N.C., located partly in BellSouth territory. Other cable systems owned or managed by companies include Anchorage, Chicago, Las Vegas. BellSouth said "alliance with Prime Cable has been hailed... as an example of the rapid convergence of telephone company and cable television interests toward multimedia services" that will benefit public greatly. Among other things, partnership will test "alternative telephone service utilizing CCTV's fiber optic cable system in Las Vegas," filing said. Waiver is required for Hickory system, 1/3 of which is in BellSouth area.

In unusual move, WCPX-TV Orlando asked U.S. Appeals Court, D.C., to order FCC to act on its nearly 4-year-old petition seeking declaratory ruling saying prime-time access rule (PTAR) is unconstitutional. Rule prohibits network affiliates in top 50 markets from airing off-network programming during access time (7-8 p.m.). Petition was filed April 18, 1990, and station told court: "The matter is no closer to resolution today than it was the first day First Media filed... There is no sign that the Commission intends to act at all." Similar petition to repeal only certain portions of PTAR was filed by Disney in 1992. Any move to abolish restriction on network affiliates would be highly controversial and contested by INTV, its independent station members and producers of first-run syndicated programming designed for access time.

RATE FREEZE APPEALED: Saying that FCC has caused "regulatory gridlock" with delays in setting cable rate rules, InterMedia Partners and CATA asked U.S. Appeals Court, D.C., to block freeze and order agency to finalize benchmarks and cost-of-service rules and resolve petitions for reconsideration. FCC extended rate freeze to May 15 (TVD Feb 14 p1). "This is not a challenge to rate regulation or any of the proconsumer aspects of [Cable Act]," InterMedia Managing Gen. Partner Leo Hindery said. "It is an urgent plea to the FCC... to give us the final rules we need."

Hindery said customer service would suffer if cable continued to be squeezed between frozen prices and rising costs: "It would be sadly ironic if the Consumer Protection Act proved to be a disservice to the consumer." Petition said rates for many cable systems had been effectively frozen since Sept. 20, 1992, while systems continued to be affected by inflation, increases in programming and employee costs, and capital improvements, some of which are mandated by franchises. Lack of final rate rules 16 months after Cable Act became law is biggest problem, Hindery said, because that makes it impossible to plan and finance investments on national information infrastructure.

Continued freeze is "direct violation of Congress' intent" that rate rules be in place by April 1, 1993, petition said: "For nearly one year, the FCC has used a rate freeze mechanism as an illegal substitute for comprehensive regulations... Given the history of this proceeding and the regulatory work left undone to date, there is every reason to assume that this will not be the last attempt by the FCC to freeze cable rates."

Meanwhile, Small Cable Business Assn. (SCBA) told FCC in filing that non-MSO cable systems should be able to charge at least 6.16¢ per channel per month more than affiliates of large MSOs, simply because of difference in prices paid for programming. It said figure is based on "reliable" information on price differential paid by large and small cable operators. SCBA said small operators also have less revenue from ads and premium channels, although it didn't ask for benchmark adjustment for those. It said benchmarks should be adjusted for all systems with density of fewer than 59 homes per mile, fewer than 11,000 subscribers, or that aren't affiliated with MSO with at least million subscribers.

FCC can't approve Pacific Bell's video dial tone (VDT) plan without first setting VDT-specific cost-allocation rules and regulatory safeguards, Comcast and Cablevision Industries said in petition asking Commission to deny telco's request. MSOs said PacBell proposal is first for fully operational VDT, rather than trial VDTs that FCC has approved previously, so it must be "strictly scrutinized." Petition said: (1) Telco provided insufficient financial information to determine whether telephone customers would be protected from cross-subsidies. (2) PacBell's long-run incremental cost methodology isn't appropriate. (3) It's "improbable" that fiber will pay for itself from telephony alone. (4) PacBell isn't planning true VDT system because there's not enough capacity for nonaffiliated programmers. MSOs also said that, since PacBell is challenging telco-cable cross-ownership restriction in court, its planned system would be "hybrid" cable rather than VDT.

FCC rescheduled San Francisco cable regulation seminar to April 12-14. Session had been set for Feb. 15-17, was delayed because of impending Commission meeting -- 202-416-0902. First seminar now is March 8-10 in Boston.

ZENITH WINS ON HDTV: HDTV Grand Alliance selected Zenith transmission system in final major technical decision on how joint HDTV system will be designed. Decision still is subject to approval of technical subgroup of FCC's Advanced TV Advisory Committee, which is to meet Feb. 24. After field tests, transmission system will be built into final prototype, which will undergo testing. Full prototype is scheduled for verification testing late this year and field testing in early 1995.

Zenith's 8-VSB transmission system was selected winner of "bake-off" with General Instrument (GI) QAM system that was concluded Feb. 11. Tests are understood to have shown little difference in interference levels, but Alliance said both systems demonstrated "substantial performance improvements" over previous transmission system tests. Broadcasters had argued that neither gave acceptable protection against interference, particularly between NTSC and HDTV.

Zenith system apparently did somewhat better on noise impairment, multipath interference, cable transmission. GI Vp-Advanced TV Robert Rast said there's "no dispute" that Zenith system had slight advantages over GI: "I think they were both equivalent technologies, but they did their implementation better. They worked hard, and we wish them well. The important thing is that we're now all on the same team in all areas." GI system will remain backup in case Zenith system fails in field tests. Alliance also said some unspecified QAM subsystems will be incorporated into Zenith system. Zenith officials identified subsystem as GI algorithm for airplane flutter, which performed better than Zenith algorithm.

Group of cable networks formed committee last week to consider setting up separate association of cable programmers, said Hearst Corp. Vp Raymond Joslin, who heads committee. Group has "no intent to be divisive with the NCTA," he said, and programmers indicated they would remain active in Assn.: "But our businesses are all changing rapidly. With telco entry, NCTA is likely to have a more hardware look. There are some issues that are specific to programmers that need to be addressed." Examples, he said, could include new rules allowing a la carte pricing of basic cable channels, and even issues such as GATT negotiations on program quotas in foreign countries: "This could take some of the burden off the NCTA." Joslin said NCTA "has made a real effort to be responsive to programmers," including adding them to NCTA board, but "we have to step out and make our positions known." Committee will conduct feasibility study of launching still-unnamed group, including costs, timing and statement of purpose, Joslin said. Committee, which was endorsed unanimously by representatives of 16 cable networks meeting in N.Y.C., is expected to report to whole group by May.

Pacific Bell announced \$100-million project to wire nearly all Cal. schools and libraries by 1996, using ISDN technology. Project would provide data and video links to 7,400 K-12 schools, community colleges and libraries in PacBell territory, company said. Rest of schools and libraries are in GTE territory, and PacBell Pres. Philip Quigley said he expects "collaborative" efforts with GTE and other carriers, "including cable," to expand service to schools. Project will link schools and libraries for interactive learning as well as give them opportunity to link into Internet and commercial on-line services, PacBell said. As PacBell develops new broadband network, institutions will be connected to it, providing upgraded services, including video-on-demand and interactive multimedia.

TIGHTER CABLE LIMITS OPPOSED: FCC can't legally include telephone subscribers in cable MSO ownership limits, as proposed by Consumer Federation of America and Center for Media Education (CFA/CME), cable groups told Commission last week. Groups also said that CFA/CME proposal (TVD Dec 20 p6) ignores benefits of economies of scale and MSO ownership of cable networks, and that it would require many systems to drop popular cable channels.

CFA/CME asked FCC to lower MSO ownership limits from current 30% to as little as 10% of all cable subscribers and to reduce percentage of channels on systems that could carry cable networks in which MSO has interest to 20% from FCC-set 40-45%. Consumer groups also said that, in case of telco-cable mergers, number of telephone subscribers should be added to cable subscribers for calculation of ownership limits.

Telco subscriber proposal drew most heat from cable and telco interests, with most echoing NCTA claim that plan is illegal because 1992 Cable Act referred only to "cable subscribers." GTE said telco subscribers won't necessarily become "captive" video subscribers, and BellSouth said CFA/CME didn't show how telephone subscribers would impede video competition. NCTA said that if telco subscribers were included in ownership figures, FCC would have to include all telephone subscribers in U.S. as part of universe of possible subscribers. Bell Atlantic (BA) said rules certainly shouldn't apply to video dial tone (VDT) systems because VDTs aren't cable systems since VDT operator has no control over programming. BA also said telco limits would foreclose competition that Cable Act seeks to promote because they're "arbitrary limits on new entry by the very companies that are most capable of succeeding as new entrants."

Arguments to limit MSO ownership and cable programming are "rehash of baldly asserted arguments" with little evidence to support them, Turner Bestg. said. Limits would "unfairly penalize past risk-capital investments" by cable owners, it said. It cited TCI-controlled Washington, D.C., cable system, which, under CFA/CME proposal, would have to drop 5 networks from among American Movie Classics, Black Entertainment TV, Cartoon Network, CNN, Court TV, Discovery, Encore, Family Channel, Headline News, Home Team Sports, Learning Channel, QVC, TNT, WTBS.

CFA/CME proposal "does not attempt to balance the pros and cons" of vertical and horizontal integration, TCI said. Liberty Media, NCTA, TCI and others said size of MSOs allows economies of scale and encourages program diversity.

FCC is embarked on "ambitious effort" to eliminate backlog of EEO cases, Chmn. Hundt said Feb 15 at brown-bag lunch. He said Commission's recent action on EEO violations (TVD Feb 7 p6) was first step, and minority groups should "give us the benefit of the doubt." Hundt also highlighted likely FCC role overseeing transition to market where telcos and cable compete. He said Congress has charged FCC to be "consumer protection agency." Competition undoubtedly will be good, Hundt said, but "if the transition is too abrupt the consumer may not be the beneficiary, but the victim." In response to question about broadcaster role in telecommunications infrastructure, he said that legislation clearly mentions role, and that "free TV is mentioned to me every day." Hundt, who's scheduled to speak at NAB convention in March, said "I hope I can address that issue" then.

DEALERS OPTIMISTIC ON DBS: Vocal minority of C-band satellite TV retailers queried soon-to-be DBS providers on commission structures and lack of system compatibility in panel discussion at recent Satellite Bestg. & Communications Assn. (SBCA) Show. Other dealers, represented by SBCA Retail Council Chmn. Buddy Davis of Davis Antenna, feel DBS will bring unprecedented opportunities. Davis said those concerned about perceived threats to C-band business should "use fear to motivate you to find a niche" and take advantage of "major changes."

Asked why commission structure for DBS hasn't been announced, Ralph Warren of DBS distributor Warren Companies said margin should be typical of that for consumer electronics, 20-30%. Firm price of equipment to dealers is expected to be announced in 2-3 weeks, said Thomson Consumer Electronics (TCE).

Consumer Satellite Systems Pres. Michael Schroeder said "we need to see a price concession" on General Instrument (GI) C-band decoder modules. U.S. Satellite Bestg. Exec. Vp Robert Hubbard said biggest problem for C-band is same it has faced since beginning -- "dishonesty and half-truths" -- reference to signal pirates and other industry problems.

TCE said it's on schedule to deliver first shipments of DBS hardware on "limited basis" by April, with "thousands" available to dealers in undisclosed test markets. Company expects production to reach 50,000 per month by summer, 100,000 per month by late 3rd quarter and to meet DirecTV's request for 600,000 in 1994.

Competing cable systems in Allentown, Pa., raised rates in Jan. despite presence of "effective competition." Service Electric Cable (81,713 subscribers) boosted rate to \$21.50 from \$21 and Twin County Cable (55,947 subscribers) to \$21.15 from \$20.50. Companies also itemized franchise and federal copyright fees, which raised some bills additional \$3. Both offer about 70 channels on one basic tier. Twin County Vp Susan Yee said increase was caused by rising costs, system upgrades and retransmission consent fees: "We're doing the best we can." Company deployed fiber backbone last year and subscribers have "overall understanding" that access to new technology "requires a capital investment," she said. Gary Day, assistant in mayor's office, said city has received some complaints but recently eliminated position that oversaw cable: "We're about half-staffed." Although he "was personally upset about [rate rises]," he said city wouldn't pressure operators to roll them back. Yee said competition can't guard against rate boosts when regulatory and operating costs make them necessary. With 80-90% penetration and 25-year-old "mature overbuild," she said, "we've split the market." Service Electric Cable wasn't immediately available for comment. John Capparell, its gen. mgr., said competition increases operating costs and can force rates higher than they might have been otherwise. That leaves companies jockeying to be best service providers, he said: "When the phone rings, it's answered." He contended that despite increases, Allentown's rates are below national average.

Rupert Murdoch told British Bestg. Corp. (BBC) Feb. 15 that it could lose key channel on Star TV satellite network unless it addresses bias charges leveled by India and China. Murdoch told reporters at news conference in New Delhi, following 8-day visit there, that he was inclined to replace BBC with his own Sky TV news channel to improve overseas image of both countries. However, he said he hopes he can resolve problems before such "drastic" step has to be taken.

First cable overbuild in Conn. will go to FiberVision, which plans \$30-million fiber network to compete with 81,655-subscriber TCI system in Hartford, PUC announced Feb. 16. PUC had issued draft decision approving overbuild but spokeswoman Beryl Lyons called final okay "precedential, historic." Approval is contingent on FiberVision's showing, within 90 days, of ability to finance system, she said. FiberVision Vp Karen Jarmon said financing is secured and company will make deadline. PUC also will decide in June on FiberVision's other proposed overbuilds in Bridgeport, New Britain, New Haven. Combined with Hartford, they would pass 450,000 homes, cost \$94 million. Although ruling has "intent of Congress in mind" to increase competition, Lyons said "only regret" is that competition won't enter more markets, especially rural areas in most need. Jarmon said that "for the immediate future" company will focus on "more dense areas." Hartford construction would begin in about 6 months, with first service available 3 months later. Completion of 1,100-mile overbuild will take about 12-1/2 years, Jarmon said. FiberVision owners are Donald and Stephen Ryan, owners of cable construction firm Tele-Com Construction; Alan Wiersema, formerly of United Cable and Chase Enterprises; Jarmon, ex-United Cable, Bravo and MultiVision; Peter Zarella of Hartford law firm Brown, Paindiris & Zarella.

FCC shouldn't drop cable ownership limits just because video dial tone (VDT) competition may develop, Consumer Federation of America, Center for Media Education, Institute for Public Representation and Media Access Project said in joint filing. Groups oppose Bell Atlantic (BA) request that FCC drop ownership limits where local broadband competition exists, saying argument "rests... on unsupported speculation about the future of the industry." Possibility that VDT might generate competition, or that ownership limits might discourage competitors, are "hardly a reason for changing the rules now," petition said. Groups also said ownership limits apply to broadcasters despite "vigorous" local broadcast TV competition: "We therefore see no reason for making local competition a basis for dropping the limits on MSOs."

CBS Inc. has been fined \$5,000 by FCC as result of contest for cellular phone that was aired by owned station WBBM(FM) Chicago in 1992 during which all conditions weren't stated properly. Winner was required to use CarTel to hook up phone and pay \$300 termination fee in event of "premature discontinuance of service by the winner." WBBM ran contest 6 p.m.-midnight, disclosures midnight-5 a.m., FCC said. CBS said it had settled with winner, paying \$500 in lieu of advertised prize.

Cable-consumer electronics industry agreement on compatibility between cable and TV sets is in danger of falling apart as result of dispute over on-screen displays, NCTA Vp-Technology Wendell Bailey said. However, set makers said displays aren't in dispute -- issue is what information will be passed through interface (see story in Consumer Electronics section, this issue).

Interactive Distance Education Alliance Network (IDEANET) is planned satellite-delivered TV and computer network designed to link 2,000 schools in 33 states. IDEANET's sponsors include state school boards, universities, school districts and members of public and private sector. Network plans to use 5 interactive TV channels.

Charter Communications agreed to buy cable systems with 100,000 subscribers in Ala., Ga. and La. from McDonald Group for undisclosed price.

Multimedia plans to spend \$150 million over next 5 years to upgrade cable systems to prepare for interactive multimedia, Chmn. Walter Bartlett said. Spending is part of strategic plan to prepare for multimedia future, he said, including cable system swap with TCI to gain virtually 100% of Wichita market, and deals to provide alternative access in Wichita and all-news cable channel in Knoxville. Upgrade will include spending \$45 million each of next 2 years to replace coaxial cable with fiber, plus \$60 million to install digital compression and interactive converger boxes in estimated 50% of MSO's cable households beginning in 1995, Bartlett said. In TCI swap, Multimedia acquires Wichita-area cable systems with 50,000 subscribers from TCI in exchange for Multimedia systems with 39,000 subscribers in Ill. and Okla. and undisclosed amount of cash. MSO has deal with Adelphia-owned Hyperion Telecommunications to set up telephone system, with first customers expected to go on line by late March. New Knoxville cable channel, partnership of Scripps Howard Cable and Multimedia-owned WBIR-TV Knoxville, is to begin operation in late spring and be available to at least 180,000 households. Bartlett said Multimedia also signed deal with BellSouth/Cox consortium to participate in electronic Yellow Pages project in Asheville, N.C., Greenville, S.C., Montgomery, Ala.

Maclean Hunter called Rogers Communications' long-awaited bid to buy Canadian media firm (TVD Feb 14 p10) "inadequate." Rogers offered \$2.1 billion cash plus right for Maclean stockholders to receive part of proceeds from sale of Maclean's U.S. cable systems. Board statement indicated that it's most concerned about Rogers offer on sale of U.S. cable systems, in which Maclean stockholders would get 92% of proceeds. Statement said that board believes Rogers may be undervaluing U.S. cable systems (at \$1.5 billion) and it "may be possible to achieve greater value for shareholders." Maclean said it's going ahead with plan to sell U.S. systems and is considering sale or spinoff of Canadian cable operations. Board also said it's considering "significant recapitalization" of company to "deliver immediate cash value to shareholders."

Public broadcasters are looking for new partnerships with cable operators and others to extend their shelf space in 500-channel world, WETA-TV Washington CEO Sharon Rockefeller told Washington Cable Club Feb. 16. She said, for example, that PTV could produce programming for Horizons, even though proposed cultural channel would be ad-supported, as well as work with proposed Ovation channel. "There are a lot of good ideas out there," Rockefeller said. "The secret is forming alliances of institutions." Channel capacity expansion will give program producers "lots of room to experiment," Rockefeller said, because it will "require a steady diet of eclectic fare." But she warned that "more TV doesn't necessarily mean better TV."

ABC TV Pres. Robert Iger and Viacom CEO Frank Biondi will be among speakers at conference April 12 at Pierre Hotel, N.Y.C., sponsored by Wertheim Schroder and Variety. Others include author Ken Auletta, HBO Chmn. Michael Fuchs, Time Warner Senior Vp-Technology Geoffrey Holmes, Hubbard Bestg. CEO Stanley Hubbard, Microsoft Vp Nathan Myhrvold -- 212-492-6082.

Correspondent Diane Sawyer spurned offers from CBS, NBC and Fox and signed new multiyear pact with ABC News, reportedly at nearly double her current \$3-million salary. Pay is record for that kind of job. Length of contract wasn't announced. In 1989, she jumped to ABC from CBS's 60 Minutes.

FCC Comr. Quello will speak at March 17 FCBA lunch, Washington Marriott Hotel. Other scheduled FCBA activities (all in Washington): Feb. 23 -- Regina Keeney, senior minority counsel, Senate Communications Subcommittee, at Legislation Committee luncheon, Patton, Boggs & Blow, 2550 M St. NW. Feb. 28 -- cable-convergence lunch sponsored by State and Local Practice Committee, featuring Kenneth Gordon, chmn. of Mass. Dept. of Public Utilities; Comr. Lisa Rosenblum of N.Y. PSC; William Squadron, pres. of National Assn. of Telecommunications Officers & Advisers, and Pat Koch of Bell Atlantic, Sheraton City Centre; March 9 -- seminar on Copyright for Communications Lawyers has been rescheduled (canceled earlier because of snowstorm) for 5:30-7:30 p.m., Washington Marriott Hotel; May 13-15 -- "Life After TV: Living in a 500-Channel World" is subject of annual seminar, Nemacon Woodlands Resort, Farmington, Pa. To register by fax, 202-736-8740.

U.S. Appeals Court, D.C., agreed to en banc hearing on 2 major indecency cases that it decided last fall -- one on safe harbor on broadcast indecency (Act III Bestg. v. FCC), other on whether cable operators can ban indecency on cable (Alliance for Community Media v. FCC). Three-judge panel of court had ruled earlier that safe harbor and cable indecency bans were illegal, but FCC and Justice Dept. asked for rehearing before full Court, declaring that safe harbor was well tailored to protect both public interest and free speech and that cable rules were acceptable because even though govt. allowed such bans, cable operators weren't acting on behalf of govt. if they imposed them. Briefs and oral arguments probably will be scheduled by late spring.

Post-Newsweek Stations (P-N) is closing Washington news bureau March 31, affecting 2 correspondents, 3 camera operators, assignment editor. Move comes after Chronicle Bestg. withdrew financial support for bureau, which was opened in 1980. P-N executive said group is "hopeful we can find places at our stations" for those now in bureau. Bureau Chief Tina Gulland, also exec. producer of P-N's Inside Washington, said she would continue in that slot. P-N plans to move corporate hq to Hartford from Washington in spring, with Pres. William Ryan moving to Hartford from Miami.

British Airways will launch satellite-based TV channel for passengers on long-haul flights in March. Company said one channel providing light drama, documentaries, comedy, music, movies and news will be available to economy passengers. Club and first class passengers will have 8 channels, 3 of them for movies.

"**The Multimedia Law Institute**" is title of Feb. 24-25 seminar at Hyatt Regency Embarcadero, San Francisco, sponsored by American Bar Assn., Federal Bar Assn., Business Development Assoc. Registration is \$895 -- 1-800-394-9390.

House Telecom Subcommittee postponed markup sessions originally scheduled for Feb. 23 on cable-telco and related legislation. New markup may start March 1 or March 2.

Apple Computer said it will partner with Oracle Corp. to enter market for cable set-top boxes. Companies said unit would be based on Macintosh computer, with first trial units available in first half of this year.

Hearings began Feb. 14 in Canada to determine which of 48 competing groups would receive licenses for 6 new cable networks. CRTC will spend next month in hearings, with final decisions in summer.

Investor Ronald Perelman is forming New World Communications in consolidation of several of his media interests. Included are 7 TV stations owned by SCI TV, New World Entertainment and movie library Four Star International. In SEC filing last week, Perelman said New World Communications intends to acquire all of Genesis Entertainment (now 50%-owned by Perelman companies) and infomercial firm Guthy-Renker, 37.5% Perelman-owned. As part of deal, SCI is proposing rights offering to shareholders designed to raise up to \$185.8 million, with proceeds to be used to buy more TV network affiliates. Perelman owns 54% of SCI. According to SEC filing, Apollo Advisers (controlled by Leon Black) will invest \$60 million in SCI and Perelman's Andrews Group, which will hold 51% of new company.

General Agreement on Tariffs & Trade (GATT) "is in the past and the entertainment issues are outdated," MPAA Pres. Jack Valenti said recently at TV festival in Monte Carlo. He minimized failure of U.S. movie makers and programmers to win protections in agreement (TVD Dec 20 p5), saying its importance was obviated by "the crush of miracles in communications which are here now in the U.S. and will be in Europe next year." Coming developments in video-on-demand will open competition worldwide, he said: "Quotas will be irrelevant. The need will disappear when everyone's program is out there and available on demand in every country... Each country has to determine what hospitality it gives to these new developments."

Bell Atlantic must get cable franchise to provide video dial tone (VDT) in Washington, D.C., area, according to petition to deny VDT approval filed by suburban Montgomery County, Md. Regardless of outcome of Bell Atlantic court case (TVD Aug 25 p2), County said "transmission of video programming directly to subscribers is cable service as that term is defined in the Cable Act," so FCC can't grant VDT approval without local franchise. Petition also said that Commission must ensure that VDT is "responsive to community needs and interests." County said it doesn't object to VDT, only to VDT without franchise.

Time Warner said it will participate in consortium to bid for 5th British TV network if govt. opens up possibility. Other consortium members are British companies MAI, which owns Meridian Bestg., and Pearson, owner of Financial Times and Thames TV. Independent TV Commission rejected 1992 bid for Ch. 5 license by same group, but has been considering reopening bidding.

New cable network, WorldJazz, will launch Sept. 15 in U.S. and Japan, said Brian McCarty, chmn. of L.A.-based company, unit of Green Dolphin Media. Network is partnership of WorldJazz and Clipping Point KK of Nagoya, Japan, and companies are looking for European partner. It said ad-supported network will be available via cable and DBS.

Featured speaker at NAB state leadership conference Feb. 28 will be FCC Chmn. Hundt, Park Hyatt Hotel, Washington. He will be preceded by panel of top FCC staffers and followed by congressional lunch for which speaker is yet to be announced. Sen. Simon (D-Ill.) will speak at 2 p.m. on "Violence in the Media," followed by panel of congressional staffers.

Some 25 key FCC officials, including Chmn. Hundt, will attend retreat, starting with dinner Feb. 24 and ending Feb. 26, at Landsdowne Conference Center, Leesburg, Va. Only outside speaker will be Harvard Prof. Richard Tedlow, for whom Hundt taught class at Harvard. Comrs. Quello and Barrett aren't attending.

Personals

FCC Chmn. Hundt will be guest lecturer at first annual of Action for Children's TV (ACT) series, Feb. 28, Harvard Graduate School of Education, 617-495-0740. Attorney Gen. Janet Reno speaks at National Press Club lunch on Freedom of Information Day March 17.

Randall Coleman, ex-legal adviser to former FCC Comr. Duggan, named vp-regulatory policy and law, Cellular Telecommunications Industry Assn... Diane Hofbauer reassigned from FCC Office of Legislative Affairs to Cable Bureau as dir.-program access... Thom McKinney resigns April 29 as Cable TV Ad Bureau pres.-CEO to "pursue new opportunities".

Stephen Pearse, ex-Sprint, appointed senior vp-technology and engineering, Time Warner Communications... U.S. Satellite Bestg. appointments: Mary Ryan, ex-Kobs & Draft ad agency, as vp-mktg.; Joe Miller, ex-Cox Satellite Programming, field sales mgr.; Liz Pentin, ex-HBO Direct, mgr.-mktg... Michael Gurly, ex-IBM, named vp-product mktg., Lionhart TV, new position... Andre Rousselet, chmn. of France's Canal Plus pay-TV channel, resigned Feb. 14 in disagreements concerning company's restructuring... Catherine Weeden, ex-Curley & Pynn PR Management, joins Sunshine Network as mktg. dir.

James Coppersmith, pres.-gen. mgr., WCVB-TV Boston, retires June 1, succeeded by Paul La Camera, vp-station mgr... Michael Volpe, ex-Bennett Productions, appointed gen. mgr., WFLA Raleigh-Durham... Matt Chan, ex-KXTV Sacramento, named dir.-development, parent Belo Productions... Tom Arnost, ex-KTLA L.A., appointed station mgr., KMEX-TV L.A... Robert Smith promoted to news dir., KCRG-TV Cedar Rapids-Waterloo, Ia... Eduardo Correa advanced to vp-finance and administration, KTTV L.A... Mario Carrera, Univision Network, named vp-gen. mgr., Univision's KUVN Garland, Tex., succeeding Gayle Brammer, appointed vp-special projects, Univision TV Group... Steve Leyland promoted to gen. mgr., N.D.'s Prairie Public Bestg., succeeding late Dennis Falk... Walter Parsons advanced to COO, KCTS-TV Seattle... Jay Nelson promoted to dir.-production and station enterprises, WTVS Detroit.

Rochel Blachman, ex-Orion Pictures, appointed senior vp-business affairs, Paramount Pictures Motion Pictures Group... William Nelson promoted to vp-financial operations, Tribune Co... Appointments at newly formed Columbia TriStar TV: Jon Feltheimer pres.; Andrew Kaplan, ex-Sony Pictures Entertainment TV Group, senior exec. vp... Cathryn Green promoted to vp-international business development, Showtime Networks... Lenny Melamedas advanced to gen. mgr., TCI-TV, new internal employee video channel... Joy Fletcher promoted to dir.-affiliate sales, southeast region, new Atlanta-based A&E TV Network southeast regional sales office.

NBC-TV Sales Div. promotions: Gary Wold to vp-day and late-night sales, Perri Stein vp-sales dir.-day and late-night sales, Marianne Gambelli vp-sports sales... Nicole Ungerman, ex-Goodman & Goodman Toronto law firm, named dir.-business affairs, NBC Entertainment... Lynne Boyarsky, ex-Wildwood Enterprises, appointed vp-production, Castle Rock Entertainment... Matt Britton, ex-Riek Baker's Cinovation Studios, joins Jim Henson's Creature Shop in L.A. as gen. mgr.

Time Warner Cable Full Service Network appointments: Andrew Rifkin, ex-Time Customer Service, vp-interactive technology; Daniel Levy, ex-Time Warner Cable N.Y.C.,

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dir.-consumer interface; Robert Montgomery, ex-Home Shopping Network, dir.-business applications... Matt Jacobson, ex-20th Domestic TV, named vp-entertainment services, News Corp.'s Delphi Internet Services... Jess Wittenberg promoted to senior vp-business and legal affairs, Castle Rock Entertainment... Pieter van Dalen, former CEO of Philips' Germany-based BTS Best. TV Systems, named to Philips project team looking into multimedia opportunities in U.S.; he's succeeded at BTS by former COO Rüttger Keienburg.

Cable systems will be able to watch FCC meeting Feb. 22, when Commission will handle several major rate regulation issues including possible rate rollback and cost-of-service rules. CATA said it will uplink meeting beginning 9:30 a.m. Feb. 22 on Telstar 302, TR 6. C-SPAN also plans to carry meeting live.

Wireless cable service will be available in 23 of top 25 U.S. TV markets this year, Wireless Cable Assn. (WCA) said. It said survey indicated that only Miami and San Diego wouldn't have wireless cable by end of year. Pres. Robert Schmidt attributed growth to infusion of \$400 million capital in 1993.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	JAN.29- FEB.7	1993 WEEK	% CHANGE	JAN. 22-28	5 WEEKS 1994	5 WEEKS 1993	% CHANGE
TOTAL COLOR....	339,679	263,082	+29.1	709,744*	1,906,989*	1,853,674	+ 2.9
DIRECT-VIEW..	331,986	258,301	+28.5	691,765*	1,863,402*	1,817,300	+ 2.5
TV ONLY.....	306,230	251,157	+21.9	622,841	1,726,812	1,735,944*	- 0.5
TV/VCR COMBO	25,756*	7,144	+260.5	68,884	136,590*	81,356	+67.9
PROJECTION...	7,693*	4,781	+60.9	17,979	43,597*	36,374	+19.8
VCR DECKS.....	110,440	102,244	+ 8.0	364,232	885,201	958,718	- 7.8
CAMCORDERS.....	16,179	18,387	-12.0	98,004*	199,551*	185,705	+ 7.5
LASERDISC PLYRS#	1,875	4,135*	-54.6	4,491	14,790	18,553	-20.3

Direct-view TV 5-week average: 1994--372,680; 1993--363,460 (up 2.5%).

VCR deck 5-week average: 1994--177,040; 1993--191,944 (down 7.8%).

Camcorder 5-week average: 1994--39,910*; 1993--37,141 (up 7.5%).

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

FRAGILE CE-CABLE ALLIANCE SHOWS SIGNS OF STRESS: Cable-consumer electronics industry harmony on proposals to achieve compatibility dictated by Cable Act was strained last week as infighting broke out in Joint Engineering Committee (JEC) that was supposed to be putting finishing touches on parameters of back-of-set decoder interface to take place of set-top box. Each side had completely different view of disagreement, but it's obvious that pent-up hostility on both sides poured out after dam of civility cracked open.

Squabble broke into public view when NCTA Vp-Technology Wendell Bailey told our affiliated newsletter Communications Daily that CE members of committee had backed out of agreement to provide access to cable systems' on-screen displays via equivalent of computer window in TV set menus. He hinted entire agreement reached by JEC's parent Cable-Consumer Electronics Advisory Committee could fall apart as result, adding that CE engineers "have just pushed the restart button."

Bailey speculated that dispute was "delaying tactic" that set makers will use to argue it's impossible to meet 1996 FCC deadline for compliance with compatibility rules. Later, he said set makers had made last-minute counterproposal at meeting last week in Anaheim that could represent "some progress." Details weren't available and he said cable group would circulate proposal to its members before next meeting March 10 in Washington.

Virtually opposite story came from CE industry, which charged that cable contingent broke its word and violated mandate by Congress in Cable Act. "We didn't want to fight this out in public," said Julius Szakolczay, Mitsubishi advanced development vp who is member of committee, but "we don't like to be called liars." He flatly denied on-screen displays were involved. "What is involved is what information will be carried" through decoder interface from cable system into set.

Szakolczay accused cable representatives of wanting to send information duplicating or nullifying features in TV sets -- such as parental channel blackout and sleep-timer. He said cable representatives even wanted power to turn consumers' sets on and off ("excuse me, you didn't pay your bill"). He said CE negotiators agreed on legitimate need for security, which should be "unbundled from features which compete with those in the set." One reason for Cable Act stance was that systems were preempting features already in TV set with shoddy versions "and charging for them." He said issue has become one of policy that should be subject of guidance by parent advisory committee, but it's "too technical for the policy-makers and too political for the techies."

EIA Consumer Electronics Group Vp Gary Shapiro was critical of individual cable operators' filing comments in FCC's compatibility proceeding that he said disagreed with joint committee's agreements. When FCC issues its compatibility rules in April, he said, it "will have to make it very clear that the purpose of the [Cable Act] was to let people buy a cable-ready set without having to add all kinds of boxes on the top. It's really a very simple issue -- what is a cable-ready set?" He said "the real issue" is in future switch to digital TV -- "developing a digital standard to avoid these problems in the future."

EIA/CEG reply comments in FCC's compatibility proceeding last week reflected same gripe: "Regrettably, a handful of cable organizations have adopted an uncooperative posture, presenting extreme proposals that disregard statutory objectives, defy consumer expectations and ignore joint industry efforts. These aberrant filings should not be permitted to deter progress in implementing [compatibility provisions] of the Cable Act." NCTA's Bailey used same word -- "handful" -- but he noted that of hundreds of cable operators, vast majority continued to support joint agreement.

Reply comments filed with FCC generally reiterated points made in initial filings (TVD Jan 31 p13). Cable groups said systems shouldn't have to provide decoder interfaces at no charge to consumers and to tell customers where to buy their own compatible equipment. Retailers and consumer groups argued that equipment should be available at retail. Telcos said standards set by FCC shouldn't apply to video dial tone and Commission should move slowly in developing digital standards to avoid locking in technology.

Meanwhile, Tandy Chmn. John Roach urged specific protection of consumers' access to information superhighway in new legislation. In letter in Feb. 28 Business Week, he asked: "Will consumers have the right to choose whether to purchase their own in-home equipment...? Will consumers have the right to own home communications equipment at all, and if so, will the carrier be able to refuse service to consumers who own competitive equipment?" He said consumer electronics market shows that "when consumers have access to commercially available equipment, the quality, style and features of products increase and prices decrease." He contrasted "highly competitive" phone equipment and PC markets "with the current cable industry, where many consumers are forced to access the network through unsightly set-top cable boxes, which also disable many features of their TVs and VCRs."

MITSUBISHI MOVING CE HQ TO GA.: Citing sales shift and growth of N.Y. area and S. Fla. markets, Mitsubishi will move Consumer Electronics Group (CEG) hq to Norcross, Ga., by midsummer, company said last week. New offices will be about 30 miles northeast of Mitsubishi's TV and cellular phone plant in Braselton, Ga. Move will affect up to 150 employees based in Cypress, Cal., although final decision on number who will relocate isn't expected until late March. Shift will involve senior management, sales and marketing, consumer service and product development, spokesman said.

Mitsubishi Electronics America (MELA) and Mitsubishi Electric America (MEA) will keep hq in Cypress where work force will be reduced to 380 from 500 after CEG move. CEG, opened in U.S. in 1977, has been based in Cypress for about 10 years. It will maintain 30-member western region sales office in Cypress, company said. Projection TV plant in Santa Ana won't be affected.

While West Coast had been Mitsubishi's strongest sales region, 65% of CEG's business now is generated east of Rockies, CEG Pres. Jack Osborn said. Mitsubishi spokesman said: "Historically, West Coast was strongest because of our proximity here, but there's more growth potential in the East." Industry observers said move would meet economic and logistical concerns. Labor in Ga. is likely to be cheaper than in L.A., and locating marketing near factory follows strategy widely employed in Japan.

Mitsubishi will be 2nd CE manufacturer to move to Ga. from Cal. in recent years. Hitachi moved to Norcross from Compton, Cal., in 1991 (TVD Feb 4/91 p14) to be more centrally located and closer to accounts in East and Midwest. Company kept western sales, warehouse and distribution operations in Compton. Hitachi has TV tube plant in Greenville, S.C.

"Certainly the driving force is to get marketing closer to the factories," executive at major retailer said. "It's very typical of what occurs in Japan, where management is near the factory, and this will allow them to stay on top of quality control." Spokesman said CEG will move to 200,000-sq.-ft. Norcross complex currently housing distribution center, warehouse, branch offices and commercial industrial group hq. Mitsubishi's 8-year-old TV plant in Braselton will be expanded in July with addition of 4th production line that will boost capacity to 450,000 units from 250,000, said John Savage, Mitsubishi exec. vp. New line will handle 26-27" sets and should add 50-75 jobs at 650-employee facility, he said. Plant produces 31", 35" and 40" TVs plus cellular phones.

Mitsubishi recently confirmed that it plans to boost TV tube exports to U.S. from Midland, Ont., plant to 25% of production from 5% last year (TVD Jan 31 p12) as result of signing of N. American Free Trade Agreement, which ended import duties. Plant shipped only about 30,000 tubes to U.S. in 1993 and could boost that to as many as 250,000 annually.

ZENITH LOSSES CONTINUE; SONY, PIONEER DOWN: Zenith reported more big losses for 4th quarter and full-year 1993, as expected, as it continued restructuring. Sony and Pioneer showed major declines in consolidated earnings for quarter to Dec. 31, citing continuing buyers' strike in Japan, unrelieved slump in Europe, soaring value of yen.

Zenith's net loss for 1993's final quarter was \$36 million, vs. \$20.3 million for same 1992 quarter, while full-year net loss came to \$97 million, down from \$105.9 million. Sales declines were 6.2% and 1.2%, respectively, for 2 periods (see financial table). Company said its 4th-quarter operating loss before restructuring charges was \$5 million, about same as last year.

Company said sales in noncore product areas dipped \$26 million in 4th quarter. That plus "\$8 million of color TV price reductions a year ago and \$3 million accounting change" was partly offset by major cost-cutting, Zenith said. It said color TV dollar sales were "up substantially" despite lower prices, but other core products were down. Company specifically cited picture tubes sold on OEM market, hit by glass shortage (TVD Jan 31 p12), "which also adversely impacted Zenith color TV sales." It said restructuring and reengineering dominated special 4th-quarter charges of \$31 million, but forecast that those and other changes should reduce costs \$50 million this year.

Zenith's report was issued Feb. 15, day before HDTV Grand Alliance chose its transmission system over competitive GI technology (see Best./Cable section). Despite continued poor financial results, Zenith stock soared 1-1/4 points Feb. 16 to 10-5/8, its 52-week high. With some 3.25 million shares traded, it was 6th most active stock on N.Y. Stock Exchange and was 3rd highest in percentage price change and percentage of stock traded.

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For Japanese companies, it was more of the same. Sony reported consolidated net income down 38.1% in 3rd quarter and 40.6% in fiscal first 9 months on sales declines of 3.7% and 7.4%, respectively. Its operating income rose 18.4% for quarter, but declined 15.6% for full period. Company noted that U.S. economy "experienced favorable growth" in 3rd quarter as did that of southeast Asia, but "Japanese economy was as sluggish as it ever has been during the postwar era" and "European economy remained stagnant." However, analysts found silver lining in Sony report, hailing 6.8% increase in quarterly pretax profit.

Discounting changes in exchange rate, Sony said, on local currency basis, its electronics sales in U.S. rose 15% and music business 46%, while pictures business dropped 11%. If value of yen hadn't changed over the year, \$1.174 billion would have been added to Sony's consolidated sales for 3rd quarter. In quarter, Sony's U.S. sales dipped 0.5% from same 1992 period to \$2.953 billion, while Japanese sales inched up 2.8% to \$2.953 billion, European sales dropped 18.9% to \$2.251 billion, other areas were up 6.7% to \$1.759 billion. U.S. dip was result of strength of yen, although sales volume was up.

Sony's total electronics business in 3rd quarter was off 4.6% to \$7.398 billion, with video equipment down 18.5%, audio down 4.4%, TV down 2.8%, other products up 10%. Video decline was attributed principally to "slump in camcorder sales." In audio, "unit sales in Japan of automobile-use products, including a car navigation system, and the 2nd-generation MiniDisc system grew." TV set sales in U.S. and other areas were "good... on a unit basis," as were widescreen sets in Japan. "Other" category was sparked by semiconductors and information equipment including CD-ROM drives. For quarter, Music Group had 9.1% increase in sales to \$1.36 billion, while Pictures Group fell 13.2% to \$769.5 million.

Sony said it expects its business environment to remain "difficult, influenced by the unstable foreign exchange market, possible aggravation of the economic recession in Japan and the prolonged economic stagnation in Europe." Sony promised to continue producing innovative products and to promote entertainment business, along with "streamlining its corporate structure, executing appropriate inventory control, selecting capital investments more carefully and promoting overseas production."

In Japan, Sony gave this breakdown of unit sales in 3rd quarter: 8mm Video, 800,000 units, down from 900,000 in same 1992 period; 1/2" video, 1.2 million for each period; CD players, 3.7 million, up from 3.2 million; Walkman, 3.5 million vs. 3.1 million; color TV, 2.55 million, up from 2.2 million. Cumulative sales

of Sony MD hardware as of year-end totaled 400,000. Sony reduced forecast it made last fall for 8mm video product sales for this fiscal year (TVD Nov 22 p12) to 3.1 million from 3.2 million. However, it increased forecast for color TV sales to 8.75 million from 8.6 million. Other forecasts were unchanged -- 4 million 1/2" video products, 13 million Walkman units.

Pioneer's consolidated net income plummeted 77.2% in 3rd quarter and 29.8% in year's first 9 months, on sales declines of 16.5% and 15.1%. Operating income for 2 periods was down 78.9% and 76%, respectively. Primary reasons for declines were economic recession in Japan and Europe and yen's appreciation, company said. AV software sales dipped mainly because of absence of "major hit releases." In Japan, sales of laser karaoke products and car audio profits fell. "North American sales were down, as brisk demand for projection TVs and car CD players was offset by the yen's appreciation."

In 3rd quarter, video sales declined 13.9%, audio 21%, car electronics 16.3%, other products 7.9%. Declines were proportionate but slightly less steep in year's first 9 months. In first quarter, video represented 35.7% of Pioneer's sales, up from 34.6% year earlier, audio 29.8% (vs. 31.5%), car electronics 28.7% (28.6%). Overseas sales were 60.7% of total in 1993 quarter vs. 60% year earlier. However, for first 3 quarters, overseas sales soared to 62.2% from 52.7% in 1992 period.

Pioneer still faces "stern" conditions due to "uncertain state of the world economy, highly fluid foreign exchange rates and stiff competition..." Company promised to cut expenses, shift more production overseas to lower cost areas and hedge against currency risks, to strengthen R&D, improve efficiency and produce more "market creative products" such as LaserActive system and Alpha Vision high-resolution digital videodisc. Company didn't forecast consolidated sales, but cut back Nov. predictions of parent-only results for current fiscal year, reducing sales forecast to \$3,154,000 from previously predicted \$3,356,000, net income to \$6 million from \$45 million. That would represent 14.3% sales decline decline from last fiscal year and 94.4% plunge in profits.

NINTENDO AMERICA SHUFFLES TOP OF DECK: Once shock wore off over announcement that Exec. Vp Howard Lincoln had leapfrogged over Pres. Minoru Arakawa to become chmn. of Nintendo of America (NOA), attention quickly turned to predicting how company plans to regain luster it has lost in U.S. market.

Only days after highly critical comments from parent Nintendo Co. Pres. (and Arakawa's father-in-law) Hiroshi Yamauchi about company's performance in N. America appeared in Business Week, company last week announced Lincoln -- one-time corporate counsel who had risen to 2nd in command -- had been named to new post of NOA chmn. and would join Arakawa on 2-member board. NOA representatives were quick to characterize new hierarchy as unique power-sharing arrangement, but fact that Lincoln received apparently higher title seemed to indicate basic power shift. Yamauchi told Business Week he expected Arakawa -- who launched NOA in 1980 -- to give more responsibility to American executives. He said he was giving Arakawa "another chance -- but even in Japan, if results don't improve, you can't stay in a job." In same interview, Yamauchi indicated several changes he wanted, including less overt dependence on 3rd party software developers for launch of 64-bit "Project Reality" machine being developed with Silicon Graphics (SGI), and more aggressive marketing.

Publication of harsh critique took some edge off shock of Lincoln's appointment. "What was more surprising was to see them air their laundry in public before they announced what they were going to do," said top executive of 3rd party publisher. "Anything that happened after that you can't be too shocked at. But it does make one take a look at what's going on." Given reportedly close relationship between Lincoln and Arakawa, and clear direction from Yamauchi, most commonly heard question last week was whether executive flip-flop at NOA would bring sufficient changes in company that's been characterized -- often by Sega of America Pres.-CEO Thomas Kalinske -- as taking its direction from hq in Kyoto. But in interview last week during Toy Fair in N.Y., longtime Nintendo Mktg. Vp Peter Main insisted that idea was "inaccurate perception."

"Arakawa's ability to say yes or no, go or don't go, is probably far greater than most CEOs on the Fortune 500 list," he said. "What is different is that Kalinske in running his company is doing it from the perspective of an American-born, bred, trained marketer, and the CEO of our company is a very bright Japanese businessman. Therein is more accurately the point of difference. And as Mr. Yamauchi said in the article, [he wants Arakawa] to rely to a greater degree on his senior American guys to get this [company] moving. And step one is that Howard Lincoln, born and bred in Berkeley, is going to be there aiding in that process."

Others are less certain. "I'm not sure that it changes anything," said Lee Isgur, analyst for Volpe, Welty & Co., San Francisco. "The Japanese do so much concerning face that I'm not sure if this about face, or reflecting reality." But executive with major software publisher said that while Lincoln and Arakawa have worked together until now, "Howard wasn't running the company before." Change, he expects, ultimately will be measured in inches, rather than yards. "I think Howard will now have much more influence in presenting the issues to Yamauchi who, I think in the end, makes all the important decisions anyway," he said. Another top American software executive questioned whether Lincoln was right choice to help turn company around. "Howard's a great attorney and a great person, and he's an American at the top. But he's not a sales and marketing guy." He said Nintendo should have installed "a Tom Kalinske-type" to boost its marketing efforts.

Main conceded that last week's public critique of Arakawa's performance may look odd from afar, but Nintendo's concern about "outside perspective on things internal is not as sensitive as many American companies... Would we deal with our respective staffs that way? The answer is no. Is that Mr. Yamauchi's personal discretion? The answer is yes... The bottom line is, it isn't an American company, and if that's how it's run, that's how it's run."

Main acknowledged that "obviously the business needs a jolt" and pointed to "a lot of fundamental changes under way. Where historically fundamentally everything came out of Japan -- product, hardware, software, etc. -- in the last 2 years some things have changed." As examples, he cited agreement with Argonaut for development of FX chip and joint venture with SGI for Project Reality.

For more detailed coverage, see our affiliated publication Consumer Multimedia Report. Sample copy may be obtained by calling Warren Publishing's N.Y. Bureau at 212-686-5410.

Sound Advice, taking \$1.2-million charge for settlement of shareholder lawsuit, reported drop in 2nd-quarter net income to \$713,000 from \$1.4 million year earlier. Sales for 2nd quarter ended Dec. 31 rose 6% to \$54.8 million from \$51.6 million. For 6 months, net income slipped to \$1.1 million from \$1.8 million despite sales increase to \$96.5 million from \$89.4 million. SA in Dec. reached \$2.7-million settlement with shareholders who filed suit in 1992 after internal investigation. Among allegations were that financial statement for year ended June 30, 1991, contained "intentional misstatements." Dania, Fla., retailer then said it would take \$1.1-\$1.3 million charge against earnings in fiscal 1994.

U.S. Dist. Court in Seattle dismissed suit charging Nintendo violated Fairchild Semiconductor's patent covering cartridge locking mechanism for videogame system. Judge John Coughenour granted Nintendo's request for summary judgment on Fairchild's claim that mechanism on Super Nintendo Entertainment System (SNES) violated patent. Suit, filed in 1992, claimed Fairchild developed technology for game system it marketed in 1970s. Nintendo Attorney John Kirby said Fairchild's game system was "not remotely related" to SNES and Nintendo Chmn. Howard Lincoln added "this is merely the latest meritless attempt to disrupt Nintendo's marketing success." Fairchild couldn't be reached for comment.

Wanted: CES veterans. Sponsor EIA Consumer Electronics Group is looking for industry members who attended first Consumer Electronics Show in N.Y. in 1967. It plans to honor them at "golden" 50th CES this summer in Chicago. Contact: Cynthia Upson, CEG staff vp, communications, 202-457-8728.

Hitachi's slim widescreen projection TV with 40W" picture in cabinet less than 16" deep (TVD Feb 14 p15) will be introduced in U.S. in June, same time as its Japanese debut, according to report in Japan, which said it will be produced in Hitachi's Tijuana, Mexico, plant. Hitachi in U.S. hasn't confirmed report.

BMC's sales of aperture masks for color tubes rose 9% in 1993 to \$103.6 million, company said in reporting 42% increase in net earnings on 8% rise in sales for year and 31% earnings gain on 24% sales increase for 4th quarter (TVD Feb 7 p20). Company attributed rise in mask sales dollars "primarily to increased sales of high-margin invar and jumbo-sized masks as well as masks for medium resolution computer monitors. Also helping boost profitability was income from contract to sell mask production equipment and technology to China. BMC is starting \$25-million expansion program to increase capacity for high-resolution computer masks and large-screen entertainment masks.

Philips will buy \$147 million in Grundig convertible securities, exercising option by consortium of German and Swiss banks. If converted into common shares, securities would increase Philips' ownership to more than 50% of Grundig from 31.6%. However, Philips said it had no plans to convert securities and is negotiating with Grundig to extend life of securities and reduce 9% interest rate to bring it in line with prevailing rates. In separate action, Philips-controlled PolyGram has established unit in Czech and Slovak republics, increasing presence in Eastern Europe, where it has Hungarian subsidiary.

Sima has postponed shipment of Video Ed/it system until June, citing delay in production of microprocessor chip. "We anticipated too soon and we weren't able to get the chips produced in time," Sima Technical Sales Mgr. Kevin Lord said. Unit, originally scheduled for delivery this month at \$474, can store up to 30 edited segments, features wipes and fades in 8 colors. Device can attach to 8mm camcorders through LANC port.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 104 yen = \$1, except where noted.

CURTIS MATHES TO PUSH RETAIL: While Curtis Mathes (CM) evolved into cadre of rent-to-own dealers, new owners are pushing for return to retail roots. Enhanced Electronics Corp. (EEC), meeting with 250 dealers in Dallas earlier this month for first time since buying CM in 1993, said it would "reemphasize retail." Many independently owned CM stores abandoned retail in last 3-5 years in favor of rent-to-own.

"Dealers skewed part of their lines to rent-to-own because, with an absence of direction, image advertising and advertising support it made it difficult for a dealer to keep the name going at a level high enough to generate a lot retail business," said Samuel Exline, pres. of 6-store CM chain in Dallas.

To underscore return to retail, CM has shipped 2 types of 486-based personal computers, plans to add new TV and VCR line in June-July. CM showed PC line in 1992 but failed to deliver it before filing for Chapter 11 bankruptcy. Current PCs were produced by EEC's Advantage PC and Southwest Memory.

Details of TV and VCR lines weren't complete, but EEC said emphasis would be on big-screen TV. New strategy would be to start with 27" sets, presumably meaning CM would drop 13," 20" and 25" categories. "The 13s and such really need to be left at the Circuit City level," CM Ad Mgr. Elena Roberts said. "We're not going to get into the price bashing that Circuit City finds itself in. Our goal is not to compete against them." Company displayed 34W" widescreen TV at Winter Consumer Electronics Show in Jan (TVD Jan. 10 p21).

"Hopefully, they [EEC] will be able to keep us a little closer to the leading technology," Exline said. "It's going take some time getting those lines developed, and folding them into the system doesn't happen overnight. They not only recognize what needs to be done, they have the horsepower to do it."

Company will continue to offer 4-year warranties for consumer electronics products, but program for PCs hasn't been set, Roberts said. CM also will start authorizing servicers, she said.

To promote business, company has produced four 30-sec. TV ads that will target spot and regional markets during spring and summer. Ads are designed to highlight products, some promotional pricing and 4-year warranties, Roberts said. Some dealers remained skeptical, noting that many retailers in small markets already handle own advertising and air time in major cities is too expensive.

Ads are "providing a tool for someone to use in a smaller market, but you can't do that in major metro markets because you can't afford it," major southern retailer said. "I don't know that because they made 4 spots that it's anything to stand up an cheer about, but it's certainly a step in the right direction."

Yes Entertainment will ship "Child Locator" in Aug. that combines encoded chip and omnidirectional receiver to allow parents to track children up to 100 ft. Introduced at International Toy Fair in N.Y. last week, device consists of monitor that attaches to child's clothes and receiver kept by parent and set at 25-, 50- or 100-ft. range. When child moves beyond preset range beeper sounds and light indicates direction. Child locator, which will retail at \$69, is first in line of products Pleasanton, Cal., company said it plans to introduce under SafeChild banner.

LEONARD FELDMAN, 1927-1994: Leonard Feldman, prominent audio engineer, author and journalist, died Feb. 14 at his home in Great Neck, N.Y., following long bout with cancer. He would have been 67 today.

Feldman, author of 7 books, served as consultant to EIA and was Fellow of Audio Engineering Society. He started career with Fisher Radio and pioneered stereo audio components in 1956 by co-founding Madison Fielding, hi-fi manufacturer, later taken over by FM stereo pioneer Murray Crosby, for whom he served as engineering vp. In 1970, Feldman established consulting engineering practice and began writing for trade, technical and consumer publications.

He served as technical dir. of Institute of High Fidelity and on technical committee that helped select U.S. stereo TV standard as well as on Audio-Visual Systems Technical Committee of International Electrotechnical Commission (IEC). Feldman chaired 95th AES convention held in Oct. 1993 in N.Y.

Feldman's activities as writer and consultant served as chronicle of technical, commercial and political developments in world of audio and consumer electronics. Long before consumer electronics and music industries buried hatchet on home taping debate and struck deal in 1991 that became Audio Home Recording Act, Feldman repeatedly testified before congressional committees against imposition of home copying royalties.

Highlights included his testimony in spring of 1987 against legislation that would have imposed ban on DAT recorders not equipped with CBS Copycode circuit. Despite music industry protests, Feldman, as witness for Home Recording Rights Coalition, conducted demonstrations for congressional committees designed to show anticopy system degraded sound quality of "notch"-encoded CDs. Testimony later was borne out by results of independent study by National Bureau of Standards (now National Institute of Standards & Technology) that effectively killed Copycode legislative bid.

He's survived by wife, 2 children.

Incredible Universe will open 6th store in Sacramento in 3rd quarter as it continues push toward larger outlets. In Sacramento, 185,000-sq.-ft. store will have 112,000 sq. ft. of retail space and 85,000 SKUs, including 342 TVs, 72 VCRs, 60 camcorders, 314 varieties of audio products. Tandy recently opened store in Miami and is scheduled to expand into Tempe in 2nd quarter (TVD Jan 10 p13). Incredible Universe said it will add 3 locations by end of year. New outlets are expected to expand beyond 185,000 sq. ft.

New Sony camcorder, to be sold in Japan beginning March 10, has time code feature that displays frame number on counter window for precise editing and indexing. Thus, number changes 30 times per sec., using dedicated area of tape to record frame number. Model, which will list at about \$2,000 in Japan, has color viewfinder, optical image stabilization, 10x zoom, weighs 2 lb. Same unit will be offered by Kyocera same day.

Recoton has been granted patent for 900 MHz wireless technology. Patent covers device for receiving wireless transmissions in 902-928 MHz and amplifying signals over 900 MHz. Pres. Robert Borchardt and engineer William McGreevey applied for patent in May 1991. Company uses technology for wireless speakers, headphones, video broadcast systems, remote control extender.

PANASONIC 3DO PLAYER NOW \$499: Parameters of 1994 battle in set-top multimedia players moved into clearer focus last week as retail price of Panasonic's R.E.A.L. 3DO player was cut to \$499 from \$699. Price move, which company said is based on reductions in manufacturing costs and component prices, brings 3DO technology closer to mainstream of player market, rather than leaving it on periphery as overpriced curiosity piece. Company also announced that its MPEG adapter cartridge would be available in spring at \$249.95.

Matsushita in Japan also announced player would be introduced there as promised March 20, but at 54,800 yen (about \$525), instead of previously announced 79,800 yen (\$760). 3DO executives in U.S. said Matsushita plans to spend \$14 million on Japanese launch, with player in minimum of 8,000 storefronts, major events in Osaka and Tokyo.

Drop in player price had been expected, although timing was uncertain. In presentation last week at Piper Jaffray conference in N.Y., 3DO COO Hugh Martin outlined expected declines in component costs that would lead to price drop this year. He also said hardware costs would be forced down by entry of multiple brands and sources, such as introduction of Sanyo 3DO player this year in Japan (with no firm plans for U.S. debut so far), and 2 promised players from AT&T late in year.

We have reported that GoldStar, Samsung and Toshiba have signed hardware licenses with 3DO (TVD Jan 24 p14), although they have declined comment. However, source close to Samsung in U.S. confirmed that company had signed license, although he was unaware of specific product plans.

Panasonic price cut, plus introduction of competing players, perhaps some at lower prices, are important component of strategy aimed at gaining wider acceptance for 3DO technology this year. Lee Isgur, analyst for Volpe, Welty & Co, said that if 3DO can move 500,000 units this year, 2/3 in N. America, it will have achieved enough penetration to become "competitive" force in marketplace. That kind of performance would ensure significant machine base to keep software developers working on 3DO-related projects.

DOMESTIC OUTPUT UP: Sales of electronic products by domestic U.S. factories rose 7.8% last year to more than \$310 billion from \$287.6 billion in 1992, according to preliminary data released by EIA.

Sales of U.S.-made consumer electronic (CE) products totaled \$9.5 billion, up 3.4% from \$9.2 billion in 1992. Based on EIA Consumer Electronics Group total CE sales figures (\$39.657 billion) released at Winter Consumer Electronics Show, data indicate some 24% of CE products consumed here are U.S.-made.

Other categories and their U.S. factory sales: Components \$74.8 billion, up 16.6%; telecommunications equipment \$40.3 billion, up 9.7%; other communications products \$30.1 billion, down 4%; electromedical \$7.9 billion, up 0.8%; computer and peripherals \$64.5 billion, up 14.4%; industrial \$27.7 billion, up 6%; other \$55.3 billion, down 1%.

Mitsubishi, which introduced industry's first 40" direct-view set in 1992, is expected to ship lower priced 3rd-generation model in 2nd half, sources said. Original model listed at \$4,999.

JVC MAY ADD S-VHS CAMCORDER: JVC is expected to ship 500,000 pixel S-VHS-C camcorder and possibly add "Premier" big-screen TV line this summer, sources said, unless current plans are changed by strength of yen.

S-VHS-C camcorder is expected to head line of 10-12x zoom models starting around \$700, sources said. Camcorder's 500,000-pixel CCD allows unit to maintain full resolution during image stabilization, said sources who attended JVC dealer meeting in Palm Springs recently. They said new model, to be delivered in June-July, will represent high end of camcorder line at \$1,599.

Premier line of two 27," two 31" and one 35" TV appears to be targeted to specialty dealers, sources said. TVs were expected to feature flat screen dark tube and split screen capability to create side-by-side pictures. Redesigned remotes were said to be "esthetically easier to use."

"The new TVs have much nicer cosmetics with more rounded curves and black screens," video buyer for major retailer said. Company also will carry over 55W" rear-projection widescreen introduced last year, retailers said.

New VCRs have "sharper prices," retailers said, with 2-head expected to start at \$219. Balance of line consists of 4-head mono and hi-fi models. Two S-VHS decks introduced last year were expected to be carried over.

JVC Vp Donn Barclay declined to comment, saying that "cost pricing, retail positioning and product features" still were being negotiated. He said no final decisions had been made, line-up was in "state of flux" and recent added strength of yen against dollar had further complicated pricing.

China exported \$8.1 billion in electronic products in 1993, up 18.1% from 1992. However, its imports of electronics jumped 32% to \$10.6 billion. China is world's leading source of cassette recorders and monochrome TVs. It exported 113 million recorders worth \$150 million, according to Electronics Ministry, which works out to average value of \$1.33 each. It exported 11.31 million TV sets (4.36 million color, 6.95 million monochrome). Despite fact that TV set exports rose 20% in units, value was up only 5%, indicating increased emphasis on low-end products. Meanwhile, China will adopt digital HDTV standards by 1997, said Ma Changhua, who has headed govt. HDTV research project since April. China has goal of experimental HD broadcasting around 2000.

Duracell has started shipping nickel-metal hydride rechargeable batteries for Compaq Contura Aero subnotebook computers. PCs, expected to ship in March at \$1,400-\$2,500, will be packaged with DR19 rechargeable battery, with stepup DR31 sold as higher power option. DR19 and DR31 will retail at \$99 and \$169, respectively. Version for camcorders, expected in U.S. in spring, has been delayed until fall, although it's being shipped in Europe (TVD Nov 1 p19). Batteries were developed in joint venture with Toshiba and Varta.

NARDA has changed name to N. American Retail Dealers Assn. from National Assn. of Retail Dealers of America, which 51-year organization had carried since 1960s. It was founded as National Appliance & Radio Dealers Assn.

MEMTEK TO ADD PC SOFTWARE: Memtek Products, best known for Memorex audiotape, will branch into PC software with shipment of 25 titles in April. Education, entertainment and personal productivity software titles will jump to 48 by June and 100 by end of year, priced at \$10-\$15 and lower in advertised promotions, Memtek Mktg. Vp David Metzger said.

Software represents one of first major moves since Hanny Magnetics bought Memtek from Tandy for \$65 million last fall (TVD Oct 25 p16).

Effort to create software line for DOS, Windows and Macintosh platforms began year ago. Company employed Graphic User Interfaces to help select software licenses and Santa Clara-based Zenex to complete duplication and produce finished product. Hanny is supplying discs.

"Computer discs when they are blank are sold at very competitive and low prices, but as soon as you put some software on them they become of more value," Metzger said.

Strategy is to market Memorex titles through 15,000 retailers by year-end with heavy emphasis on 8,600 drug, convenience and video outlets. Mix will include 4,900 warehouse clubs and discounters, 650 software retailers, 1,300 PC specialty stores. Titles will be sold on 3.5" disc, but will be packed with coupon that can be exchanged for 5.25" version, Metzger said.

Memtek will add element missing in previous regime by combining audio-video and computer accessories sales with marketing personnel. Company plans to cross-promote PC and A/V accessories starting in March, offering discount on one product with purchase of another.

Company's A/V division is expected compete move to Santa Fe Springs, Cal., from Ft. Worth by spring, although personnel may remain in Dallas area through May, Metzger said. Senior management and marketing and financial operations will be based in Santa Fe Springs, while purchasing and customer service remains in Santa Clara, he said.

Former Mitsubishi Mktg. Vp John Harris was expected to complete purchase by end of month of 2-store Mount Warehouse retail chain in Tulsa, terms not disclosed. Harris resigned from Mitsubishi recently (TVD Feb 7 p20), will be pres. and owner of 30-year-old chain that generated \$8 million in sales in 1993. Existing outlets, which include 16,000 sq.-ft.-store, have emphasized major appliances, but Harris said he will seek to expand consumer electronics business. Plans are to open 3rd store by fall and buy 2nd small retailer in same area this spring.

Videonics will deliver 2nd-generation Titemaker video editor in spring at \$599. Titemaker 2000, followup to Titemaker introduced in 1991, will add new fonts, advanced scrolling, rapid page access. Original unit, at \$399, had 11 combinations of fonts and sizes. Each font could be stretched to double size vertically, horizontally or both, to provide 44 selections.

Universal Electronics will tie remote controls to Flintstones videos in joint cable TV ad campaign in spring with Turner Home Entertainment. Ads will highlight promotion offering \$3 mail-in rebate and Flintstones video free with purchase of One for All remote during April-July. Spots will air on 3 cable channels, Universal said. Second flight of 30-sec. TV ads will air in fall, company said.

VOICE POWERED POSTS PROFIT: Reversing string of losses, Voice Powered Technology (VPT) posted \$298,000 4th-quarter profit, up from \$1.9 million loss year earlier. Sales for quarter ended Dec. 31 rose to \$5.3 million from \$1.5 million. For year, however, VPT expanded net loss to \$10.6 million from \$5.5 million despite sales gain to \$16.7 million from \$1.7 million in 1992.

Strong 4th quarter was tied to increased sales of VCR Voice Programmer, which made retail debut in 2nd half. Company reported sales of 188,000 units for year, majority -- 130,000 -- in 2nd half. Sales for Voice Organizer, its 2nd product, weren't available.

Improved earnings were linked to shift from direct to retail sales and to cuts in overhead, including employee layoffs. Company signed agreement with Philips for VCR Voice Programmer and cut work force in 4th quarter 1993 to 50 from 180, Chief Financial Officer Gerry Gutterman said. Philips is exclusive retail distributor for Programmer.

VPT also appeared to be moving some focus to OEM market. It will shop technology for voice-activated phone to communications industry in 4th quarter, Gutterman said. Unlike previous forays with VCR Voice Programmer and Voice Organizer, new product will be sold first on OEM basis with no immediate plans for retail, he said.

VPT corded phone contains chip in base that can store up to 40 names and 120 numbers, Gutterman said. Phone, which will recognize up to 4 voices, speed-dials requested number on voice command and serves as Caller ID by identifying incoming calls on LCD screen.

Life in the fast lane, video version: Too busy to watch a 2-hour movie? Cut it down to one hour with Sanyo's "Time Reduction" VCRs, scheduled to be exported to U.S. in fall, according to press reports in Japan. Sanyo's VCRs have optional double-speed video reproduction without changing pitch on audio portion of tape. Feature is claimed to be in 60% of Sanyo's estimated 400,000 annual domestic Japanese VCR already. Latest Time Reduction VCR model is compact hi-fi version at equivalent of \$625 in Japan.

Total color TV sales broke through to record for first 5 weeks of 1994 on strength of TV/VCR combinations, which were up 67.9%. Total direct-view color also registered cumulative record, as did projection TV and camcorders. Direct-view TV-only (excluding VCR combos) was just 0.5% shy of sales record for first 5 weeks, set in 1993. VCR decks and laserdisc players lagged nonrecord figures for 1993's same period (see State of the Industry).

Latest camcorder-monitor combination: Fuji has introduced Hi8 model in Japan with detachable 2.5" LCD monitor. Unit has optical viewfinder, 3x zoom. Camcorder unit weighs just over 1 lb. without monitor, 1.8 lb. with it. It's priced at about \$1,200 in Japan, some \$30 less than Sony's version with built-in 3" monitor. Fuji said it has no plans for export.

Ahead of their time: Commerce Dept. will keep track of imports and exports of high-definition TV sets starting with figures for Jan. HDTV categories for direct-view and projection were added to harmonized tariff classifications by participating nations meeting in Brussels.

Matsushita is expected to announce introduction of minicomponent system with built-in Video CD Wed. in Tokyo.

Consumer Electronics Personals

Howard Lincoln advanced from exec. vp to chmn., Nintendo of America (see report in this issue)... Marina Hahn, ex-Pepsi ad dir., joins Sony Electronics as vp-advertising, reporting to Deputy Pres. John Briesch; John Kelly, ex-Prodigy, named Sony Software dir. of mktg., reporting to Bob Sherwood, vp-sound technology mktg... David Metzger, ex-Memtek computer supplies sales dir., promoted to vp-mktg.; Thomas Mitchko, national sales dir., named vp-sales, eastern region and Canada; Frederick Peterson, computer supplies, appointed vp-sales, western region and Mexico... Mitchell Perliss joins Handleman subsidiary Video Treasures as vp-audio programming for company's recently announced entry into children's music software... Pieter van Dalen, former CEO of Philips' BTS Best. TV Systems, named to Philips team researching multimedia opportunities in U.S... Harvey Kavetas, ex-IBM, appointed Kodak chief financial officer... Ken Christie, ex-Truevision and Commodore, named dir. of mktg. and communications, Interactive Multimedia Assn... Mark Young joins IIWII PR as account supervisor.

Vallery Kountze, ex-ITC, named vp-video market development, Warner Music Group, new position... Appointments at LIVE Entertainment: Debra Stein, ex-Stein & Villines, as PR vp; Beth Bornhurst promoted to Home Video sales vp-sellthrough and new technologies... Promotions at New Line Home Video: Patti Bodner to vp-mktg., Cathy Mantegna-Scott to exec. dir.-publicity and promotion, Sarah Olson to dir.-mktg., Pamela Kelley to exec. dir.-national accounts... Appointments at WEA: Tim Landers, ex-Prism, as sales dir.-video distribution; Verna Spizuoco as video coordinator at Philadelphia branch... Appointments at Academy Entertainment: Judy Scott to theatrical booker, Branch Crockett to mktg. coordinator, Kim Watkin to mktg. assistant... Barr Potter adds Largo Entertainment chmn.-CEO stripes to pres.-COO position at JVC Entertainment.

Sega launched first U.S. toys electronics line that includes learning aids, pocket and tabletop games, other youth-oriented devices. "Pico" learning aid is hardware and software system that connects to TV, lets children use pointing device on interactive book to generate animation on screen and interact with characters. Game line leverages characters created in videogame line, including Sonic the Hedgehog, Ecco the Dolphin. Youth electronics includes handheld organizer with infrared system designed to let users send messages to each other. Line was shown to toy retailers at annual American Toy Fair that began last week in N.Y. Sega of America management includes several toy industry veterans, including Pres.-CEO Thomas Kalinske, former pres. of Mattel.

Warrantech has applied for extension of time to file financial results for periods ended Dec. 31 and will restate results for 2nd quarter ended Sept. 30 to reflect impact of U.K. joint venture with American International Group. Figures reflect equity loss in connection with startup. However, company said its operation would show net profit for both periods ended Dec. 31. In another announcement last week, Warrantech said it has been selected to administer Cellular Protection Plus program for McCaw Cellular.

Financial Reports of TV-Electronics Companies

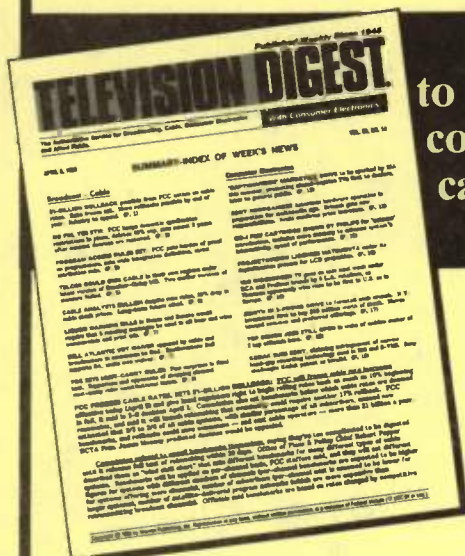
These are latest reports as obtained during past week. Dash indicates information not available at press time. Amounts expressed in dollars. Parentheses denote loss.

Company & Period	Revenues	Net Earnings	Per Share
Ackerley Communications			
1993-year to Dec. 31	193,000,000	2,400,000	.16 ^a
1992-year to Dec. 31	187,300,000	3,500,000	.23 ^b
1993-qtr. to Dec. 31	54,300,000	200,000	.01
1992-qtr. to Dec. 31	52,100,000	4,200,000	.27
Adelphia Communications			
1993-9 mo. to Dec. 31	239,865,000	(164,549,000)	-- ^a
1992-9 mo. to Dec. 31	225,921,000	(86,288,000)	-- ^a
1993-qtr. to Dec. 31	80,245,000	(25,785,000)	--
1992-qtr. to Dec. 31	77,342,000	(14,670,000)	--
Avnet Inc.			
1993-6 mo. to Dec. 31	1,728,464,000	30,921,000	.76 ^a
1992-6 mo. to Dec. 31	1,059,977,000	32,364,000	.90
1993-qtr. to Dec. 31	850,462,000	23,602,000	.58
1992-qtr. to Dec. 31	526,846,000	15,500,000	.43
Granite Broadcasting			
1993-year to Dec. 31	37,499,000	(5,042,000)	--
1992-year to Dec. 31	35,957,000	(10,535,000)	-- ^c
1993-qtr. to Dec. 31	10,358,000	(1,727,000)	--
1992-qtr. to Dec. 31	9,507,000	(889,000)	-- ^c
Home Shopping Network			
1993-year to Dec. 31	1,046,580,000	(22,781,000)	-- ^a
1992-year to Dec. 31	1,068,371,000	26,737,000	.30
1993-qtr. to Dec. 31	296,433,000	(1,675,000)	-- ^a
1992-qtr. to Dec. 31	273,768,000	4,297,000	.05
Image Entertainment			
1993-9 mo. to Dec. 31	54,231,451	2,713,511	.19 ^a
1992-9 mo. to Dec. 31	43,312,934	(3,173,510)	--
1993-qtr. to Dec. 31	18,322,551	824,338	.06 ^a
1992-qtr. to Dec. 31	16,575,838	(875,961)	--
LIN Broadcasting			
1993-year to Dec. 31	688,557,000	(60,727,000)	--
1992-year to Dec. 31	572,521,000	(68,952,000)	-- ^c
1993-qtr. to Dec. 31	190,981,000	(3,038,000)	--
1992-qtr. to Dec. 31	160,010,000	(8,912,000)	-- ^c
Oak Industries			
1993-year to Dec. 31	219,562,000	26,660,000	1.47
1992-year to Dec. 31	143,249,000	14,438,000	.83 ^d
1993-qtr. to Dec. 31	50,538,000	9,630,000	.53
1992-qtr. to Dec. 31	35,820,000	4,292,000	.25 ^d
Pioneer Electronic^e			
1993-9 mo. to Dec. 31	3,801,030,000	84,520,000	.47
1992-9 mo. to Dec. 31	4,476,270,000	120,420,000	.57
1993-qtr. to Dec. 31	1,344,620,000	10,770,000	.06
1992-qtr. to Dec. 31	1,610,360,000	47,160,000	.26
Sony Corp.^f			
1993-9 mo. to Dec. 31	25,304,732,000	239,000,000	.619
1992-9 mo. to Dec. 31	27,321,857,000	402,205,000	1.009
1993-qtr. to Dec. 31	9,526,661,000	150,009,000	.379
1992-qtr. to Dec. 31	9,888,839,000	252,268,000	.599
Sound Advice			
1993-6 mo. to Dec. 31	96,541,000	1,182,000	.32
1992-6 mo. to Dec. 31	89,421,000	1,852,000	.50
1993-qtr. to Dec. 31	54,883,000	713,000	.19
1992-qtr. to Dec. 31	51,667,000	1,479,000	.40
United Video Satellite			
1993-year to Dec. 31	114,384,000	5,171,000	.31
1992-year to Dec. 31	68,223,000	3,486,000	.21 ^h
1993-qtr. to Dec. 31	37,667,000	2,168,000	.13
1992-qtr. to Dec. 31	18,939,000	(538,000)	-- ^h
Zenith Electronics			
1993-year to Dec. 31	1,228,200,000	(97,000,000)	-- ^a
1992-year to Dec. 31	1,243,500,000	(105,900,000)	-- ^a
1993-qtr. to Dec. 31	361,200,000	(36,000,000)	-- ^a
1992-qtr. to Dec. 31	385,000,000	(20,300,000)	-- ^a

Notes: ^aAfter special charge. ^bIncludes special credit. ^cRestate. ^dAdjusted. ^eAt rate of 104 yen = \$1. ^fAt rate of 112 yen = \$1. ^gPer ADS. ^hOn pro forma basis.

Aiwa is promoting portable CD players in TV and print ad campaign. New 30-sec. spot highlighting sound quality will air on Madison Sq. Garden and TNT cable channels through March.

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FEBRUARY 28, 1994

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

CABLE RATES CUT 7%: Rollback to take effect in mid-May. Cable groups to appeal. Hundt calls decision 'brilliantly balanced.' (P. 1)

GORE DEFENDS FCC as BA and TCI blame Commission for failure of merger. Hundt says there are other reasons. Companies also blame each other. (P. 3)

NAB CONVENTION 'BIGGEST EVER': Industry future and regulation on agenda. TvB, RAB, SMPTE, BEA and engineers join in. FCC commissioners, others to speak. (P. 5)

CABLE COST RULES SET: FCC to allow 11.25% rate of return, but sets tough rules on cost bases. Rules modeled on common carrier. (P. 5)

CELLULAR HDTV POSSIBLE: Broadcast Caucus to decide on development. Another HDTV delay possible, if European system works here. (P. 6)

COMPARATIVE CASES FROZEN by FCC as result of court ruling on Bechtel appeal. (P. 7)

TELCO TO BE AGGRESSIVE in video market following failure of TCI merger. Bell Atlantic looking at 'all options,' including other deals. (P. 7)

BENCHMARKS CALLED ARBITRARY: Cable lawyers say they have many grounds for appeal, but it will be lengthy. Interactive future touted. (P. 8)

FCC SETS 7% CABLE RATE ROLLBACK: FCC settled on additional 7% cable rate rollback when rules take effect in mid-May. NCTA immediately announced that it would appeal decision in court. FCC Chmn. Hundt said 7% figure, approved 3-0 by Commission, is "brilliantly balanced" between needs of cable operators and subscriber demands for rate relief. He also told us that 3-0 vote "sends a really strong message to the industry and consumers." FCC officials said rollback probably would affect about 90% of all cable systems.

FCC wouldn't put dollar value on latest rate rollback, although it had said that last year's 10% cutback would reduce cable revenue about \$1 billion annually. Industry had put figure at \$2 billion, and NCTA estimated new rollback would add another \$1 billion. FCC Chief Economist Michael Katz said it "certainly will reduce [cable] cash flow," but said it shouldn't significantly hurt cable's ability to invest in new infrastructure. He said that new investments would be for unregulated services, which aren't affected by rate cuts, and that "going forward" mechanism that FCC approved for allowing rate increases to pay for new services would encourage investment. Katz also said that "by coming to closure [on main cable rate rulemakings], we will create certainty which encourages investment."

Consumer Electronics

PRECEDENT FOR U.S. seen possible in Japanese HDTV flop, widescreen boom. Wide-aspect NTSC sets outsell HDTV 10-1 in first year of sales. (P. 11)

RECORD 12.4 MILLION COLOR TVs imported in 1993, final Commerce figures show. Camcorders and VCPs up from 1992, but VCR decks and CD players lagged. (P. 12) 1993 imports by country. (P. 15)

FURTHER PROFIT DECLINES reported by Matsushita and TDK, citing high yen, sluggish markets in Japan and Europe. Matsushita hints at lower priced goods. (P. 13)

3DO HAS STOCK ANSWER on how to promote aggressive hardware pricing. (P. 15)

UNIVERSAL ELECTRONICS WINS court battle as federal judge rules its remote controls don't infringe on Zenith patent. Zenith plans to appeal. (P. 16)

INVESTIGATION HAS CLEARED Rent-A-Center of wrongdoing in questionable sales and repossession practices, parent Thorn EMI says. (P. 16)

NEW DBS SYSTEM WILL ENTER 5 U.S. secondary market areas with low cable TV penetration, Thomson reportedly is telling dealers. (P. 17)

AUDIO SALES ROSE 5.2% in 1993 to new record in factory dollars, according to EIA. (P. 17)

Despite latest rollback, cable industry will "go from strength to strength," Hundt told us. He said cable stock prices have increased more than 50% in last year, despite regulation, because industry "owns one of the most valuable pieces of real estate in the world, the ubiquitous broadband network. I don't think we detracted from the fundamental value of that asset one bit. We laid out a clear path for the cable industry to continue to contribute mightily to this nation's economic growth."

NCTA Pres. Decker Anstrom said: "Simple business economics tell us that additional government-mandated revenue cuts will damage the cable industry's ability to invest in new technology and programming and to create new jobs. No industry of our size can withstand that sort of financial hit without serious consequences." CATA Pres. Stephen Effros said rollback was "about what we expected, but that doesn't make them any easier to deal with. The FCC is further tightening the screws of rate regulation, making it even more of a challenge to generate the revenues that are essential to the growth of our infrastructure." Time Warner Chmn. Gerald Levin called decision "arbitrary, unfair and unacceptable." Continental Chmn. Amos Hostetter said it's "clearly punitive.... By bowing to political pressure, the Commission has sent a warning signal to the entire telecommunications industry." CATA and TCI said they will participate in appeals.

Hundt said total impact of rate regulation, including latest rollback, would save consumers \$3 billion per year. Figure includes savings from 2 rollbacks, plus freeze (Hundt estimated that cable rates might have increased another 12-13% since 1992 if Cable Act and freeze hadn't been in place). He called \$3 billion figure "one of the greatest savings in the history of government regulation."

Latest rate cut is "both welcome and overdue," House Telecom Subcommittee Chmn. Markey (D-Mass.) said. However, he said, last year's rate cuts didn't benefit all subscribers, so "Congress must remain vigilant... If loopholes and backdoor increases again wipe out relief from monopoly rates, the purposes of the Cable Act will again be frustrated." Rep. Fields (R-Tex.), senior Republican on Telecom Subcommittee, was particularly critical of Hundt: "His first major decision is a disaster, and also highlights the fact that he's a puppet. The FCC should be an independent agency that analyzes data, not subject to the whims of some members in Congress.... Being on the inside, I can say with comfort, this was a political decision."

Anstrom said: "We intend to challenge this extreme ruling in court," although NCTA will continue to work with FCC to implement law. Using language typical in court appeal, Anstrom said: "Today's action is an arbitrary one that substantially revises decisions the FCC made only months ago. We're going to see even more paperwork, more forms and more confusion in the weeks ahead." Appeal would be on constitutional and procedural grounds, NCTA Vp-Legal Daniel Brenner said. For example, he said, it could be arbitrary to set new cable rates based on single change in analysis of earlier cable rate data. Hundt told us he wasn't surprised by likely cable appeal: "Almost everything we do is reviewed in court, and we welcome that. They are entitled to pursue their rights. This is not personal."

Requirement for 7% rollback was "the highest point of what I consider to be an acceptable range," Comr. Barrett said in statement. Hundt earlier had pushed for larger figure, and Comr. Quello had indicated that he could accept up to 8%. Barrett expressed concern that FCC should settle on smaller rate cut because of "limited confidence" in rate information and analysis, as well as lack of cost data. He also said FCC should "consider the effect of the cable rate regulations on industry investment."

Many cable systems won't have to roll back rates immediately, or won't have to cut fees full amount, as result of decision. Rules are stayed for systems whose new rates would be below new benchmarks and for MSOs with fewer than 15,000 subscribers. FCC officials estimated that stay would affect only 4-5% of cable subscribers. Stay would be in effect until Commission completes new cable cost studies to determine whether some systems have lower cost structures and whether small systems' costs are higher. FCC staffers said study is expected to be completed in about 9 months.

Latest 7% rate cut will be industrywide average, and not all individual subscribers will benefit by same amount, Cable Bureau Chief Alexandra Wilson emphasized. She said latest decision would establish whole new set of benchmarks, which are expected to be made public in about 2 weeks, and isn't just 7% across-board reduction in current benchmarks. Katz said new benchmarks take into account several new variables, including number of systems per MSO and types of services offered.

Rules include new rate cap system to be used after new benchmarks are fully implemented. Rate caps are similar to those that FCC uses for telcos, although Commission said they were modified and simplified. Essentially, they will allow systems to raise rates in future based on inflation and increases in costs, such as programming, that cable operators can't control.

GORE DEFENDS FCC AS BA AND TCI BLAME IT: Finger pointing almost became Olympic event after Bell Atlantic (BA) and TCI announced Feb. 23 that their \$21-billion merger (TVD Oct 18 p1) was off. Both companies, along with other cable groups, put most of blame on FCC's new rate rules (see separate story, this issue), which they said cut into cable cash flows so much that deal was impossible. But Commission had its backers, from Vice President Gore to several Democratic lawmakers. FCC Chmn. Hundt said blaming Commission was just way to cover up other problems with merger, and agency had increased regulatory certainty with latest actions. TCI also said it planned to delay \$500 million of its capital spending budget for this year (half of total), pending clarification of rate rules.

Gore backed Commission decision, saying it would "speed up the development" of information superhighway by channeling investment toward new services. He also predicted new series of mergers and acquisitions involving smaller and medium-sized companies rather than on scale of Bell Atlantic/TCI. Gore was very skeptical about charges that FCC decision to cut back rates was responsible for demise of deal, calling ruling "a sound decision" and "excellent public policy." FCC's role is to "protect the public interest, not serving private investors." He noted that "ill-fated merger" had been on rocky ground for weeks as deal details revolved around value of stock rather than cash. In addition, he said, as have others defending FCC, that Bell Atlantic Chmn. Raymond Smith had said before deal that cable rates were too high. Gore, sponsor of cable regulation legislation while in Congress, was slightly conciliatory toward TCI CEO John Malone, whom Gore once called "Darth Vader" of industry. Gore said that in his new role as Vice President, he has found it wise not to make such "ad hominem comments."

Companies also blamed each other for failure to reach final agreement, despite multiple extensions of negotiating period. BA and TCI originally set Dec. 15 deadline for finalizing deal, extended that to Jan. 31, and again to Feb. 14. After that, they said they wouldn't talk about it publicly until it was done. As recently as Feb. 10, Smith said everything was done except "boilerplate" (TVD Feb 14 p7). Key problem besides FCC action, Malone said, was that BA stock price had plummeted 22% since deal was announced to 52-3/4 (below price of 54 guaranteed by BA), reducing value of BA stock that TCI would receive.

BA officials pointed to TCI's lower cash flow because of regulation. Last year's 10% rate cut reduced that estimated 20%, and latest 7% rate cut was expected to cut it nearly another 15%. Price that BA would pay for TCI was based on cash flow, so reduced flow drove down price. In end, BA Pres. James Cullen said, TCI executives were unwilling to recommend lower price to shareholders, who might have rejected it anyway. He said "they decided that it was smarter to take their house off the market for now."

Latest FCC rate cuts are "unwarranted, excessively severe and harmful, both to the national telecommunications objectives promoted by the Clinton Administration and, ultimately, to the long-term interests of consumers," TCI said in separate statement along with BA-TCI announcement. MSO said FCC decisions "will delay considerably national information infrastructure deployment and cost many thousands of jobs."

TCI said it was suspending \$500 million of capital spending, half of amount budgeted for 1994, until rules are clarified. Malone said capital budget could have been as high as \$1.9 billion if BA merger were completed early in year, so actual loss is more than \$1.3 billion from potential levels. Announcement prompted analysts to downgrade rating of equipment maker General Instrument (GI), which has large equipment contracts with TCI, dropping its stock price more than 10% in few hours. GI, in turn, said it believes "market is overreacting" to TCI announcement because "economic fundamentals... have not changed."

FCC refused to take blame for separation. Hundt said Commission actions "did not in any way make the future of the cable industry more unsettled." He said finalizing rate rules actually should increase stability. Comr. Quello said cancellation of deal "more likely reflects astute John Malone's continued confidence in the strong economic viability of cable, rather than in any regulatory overkill... The FCC is not the evil umpire."

House Telecom Subcommittee Chmn. Markey (D-Mass.) expressed doubt that rate rules were reason deal fell apart and said that "it is surprising that any deal predicated on a cable company's ability to charge consumers monopoly rates would survive in this emerging era of communications competition."

In hour-long Q&A with reporters Feb. 25, Gore defended FCC against charges that Commission was acting as political tool of White House when agency decided last week to lower cable rates another 7%. Charge has been made by several Republican lawmakers, from Fields to Senate Republican Leader Dole (R-Kan.). FCC "says it supports the establishment of an information superhighway, but seems eager to

throw up roadblocks in the way of construction," Dole said Feb. 24. He said Commission's decision would "stifle private business efforts" to build new networks and would prevent rapid introduction of new channels and services. Dole criticized Gore, who pushed cable reregulation legislation, as "hamstringing the cable TV industry to the point that it is no longer a credible competitor." Senator asked why, if FCC thought that rate cut larger than 7% that it did make was necessary, it didn't "stand strong for the American consumer? As I have said all along, this entire debate has been more about politics than consumer protection."

Gore said he had no view whether it was good development or bad that megadeal collapsed, although he did say that regardless of outcome, investments in information superhighway could continue. However, Vice President emphasized several times that White House staff and he, personally, made special point of keeping out of any talks with Commission: "I had zero role in the FCC's deliberation or decision." Further, Gore said: "I took steps to ensure that no one on my staff or elsewhere in the White House would attempt to influence the FCC in one direction or another as their decision was pending. There was zero communication about this. Zero." Gore said he had met recently with Hundt, but said he and Hundt have rule not to discuss FCC business.

In addition, Rep. Boucher (D-Va.) said FCC action wasn't "significant factor" in killing deal. Sponsor of legislation to allow telcos into video business, he said "other financial factors played a greater role, including the reduction of the Bell Atlantic stock below the price guaranteed to TCI." Subcommittee member Schaefer (R-Colo.) said failure of deal for company in his home state (TCI) clearly was result of regulation: "What they [FCC] have done is to have removed extra dollars companies have put in over a period of years to rebuild systems, add new programming and provide benefits to consumers." He said FCC decisions "systematically will kill this industry."

There may have been other factors contributing to breakup, CATA Pres. Stephen Effros admitted, but "government cannot pretend its actions further depressing cable revenues are without consequence." He said "short-term political gain" for FCC "has now gotten in the way of long-term benefits for American consumers."

Justice Dept. antitrust review wasn't issue in decision to end talks, BA Vp-Gen. Counsel James Young said: "We were in the initial phases of the Hart/Scott/Rodino [Act] review and I can categorically tell you that nothing in that review had anything to do with the breakup." Malone said companies "thought that generally speaking the [antitrust] climate was favorable."

In response to question whether companies really were caught off guard by FCC, Cullen said: "If you go back to the accounts written in the 2 weeks prior to this, you'll see there was pressure from Capitol Hill to reduce cable rates, but there was also talk about extending the rate freeze. We figured the consensus view was that a 7% decrease was at the high end of the scale." Telcos may be more cautious in future cable deals, Cullen said.

Malone said he remains "wildly enthusiastic" about long-term future of TCI, despite rate rules, which he called only "temporary economic setback." Part of rules adopted, including incentives for new services, could be "a big green light," he said, although that won't happen for some time. Malone also said BA/TCI situation shouldn't affect TCI/Liberty merger, which he said should be completed in June.

At week's end, Moody's confirmed long-term debt rating of BA and short-term debt of its supported affiliates as well as TCI's long-term debt in wake of failed merger agreement. Action affects \$6.7 billion of BA debt and \$4.7 billion of TCI's, Moody's said. However, Moody's said it continues to review some BA long-term debt associated with its planned \$1.04-billion investment in Grupo Iusacell, Mexico's 2nd largest cellular provider. Moody's said it confirmed BA's ratings based on expectation "that the performance of these companies will remain strong" because BA is "unlikely to undertake a transaction of similar magnitude over the near term." It said it affirmed TCI's debt because it expects company's cash-flow generation "will continue to afford adequate debt protection to bondholders in the near term, despite an expected cash-flow reduction due to the recent FCC" rate rollback. Moody's said TCI has "some flexibility" to scale back its capital spending in 1994 and 1995 "in order to compensate for the reduced cash flow."

Fitch's investor service affirmed BBB- debt rating for TCI after breakup of merger with Bell Atlantic and adoption of new FCC rate rules, saying rules may slow near-term cash flow growth but won't affect long-term situation.

Public TV's Jan. average prime-time rating achieved 7-year high -- 2.8, up from last Jan.'s 2.5. PBS said top Jan. show was National Geographic's "Island of the Giant Bears," which had 6.1 rating/9 share in 27 overnight markets.

Citing financial problems, WYVN Martinsburg, W.Va., said it had suspended all newscasts and laid off 24 employees. It had suspended news last May, went off air for 2 weeks in Sept., reinstated newscasts Jan. 4.

NAB EXPECTS BIGGEST CONVENTION EVER: Issues deal mostly with future along with continuing regulatory concerns, for NAB's March 20-24 convention in Las Vegas. Joining under NAB umbrella will be several other associations, including TvB, RAB, SMPTE, BEA and Society of Bcst. Engineers for what NAB expects to be its largest convention ever.

"Change is the norm... and innovation is the order of the day" for broadcasters in exploring ways to meet challenges of change, NAB Pres. Edward Fritts said. Major awards will go to FCC Comr. Quello (Distinguished Service), ABC News Pres. Boone Arledge (TV Hall of Fame), WGN-AM-FM-TV Chicago and Chicago Cubs announcer Harry Caray (Radio Hall of Fame), Thomas Vaughan, PESA/Micro Comm Inc. (TV Engineering Achievement), Charles Morgan, Susquehanna Radio (Radio Engineering Achievement).

Major speakers will include FCC Chmn. Hundt, Quello and Comr. Barrett; Raymond Smith, Bell Atlantic chmn.-CEO; Jules Cohen, Jules Cohen & Assoc.; Craig Mundie, Microsoft. Multimedia World keynoters will be James Chiddix, Time Warner Cable, and Joseph Dionne, McGraw-Hill. Hundt will speak at March 21 all-industry opening session that combines NAB, TvB and RAB conventions.

There will be 3 exhibit areas with 565,000 sq. ft. in convention center and Hilton Hotel, nearly 800 exhibitors, more than 150 engineering papers, 40 multimedia sessions. Exhibits will feature "superhighway" technologies, digital, ghost-canceling, radio and TV data services, FM subcarriers systems and compression, to mention a few.

Year ago, international attendance of 11,000 accounted for 16% of 64,510 total, and that figure is expected to go up. Tentatively scheduled for Atlanta, 1994 convention was shifted to Las Vegas (where it will be held at least through 2000) because logistics are so much better, Fritts said. However, NAB couldn't get desired April dates, which is why NAB '94 is month earlier than usual.

Quello and Barrett will be featured at "policy-makers" breakfast March 22, along with NTIA Deputy. Dir. Thomas Sugrue. Top FCC and Hill staffers will be part of Law & Regulation Conference. Convention issues will include 1992 Cable Act, radio duopoly, local marketing agreements, program content issues, contests and promotions, media convergence, digital TV, HDTV updates, DBS, EEO. Futures Summit will focus on "a decade of sweeping decisions" ahead.

TvB has promised to "hit stations between the eyes with cold, hard facts about what is ahead" at March 21-22 convention in conjunction with NAB. "This year, we wanted to give our attendees a different, more dramatic, non-candy-coated... report as a major wake-up call for change," TvB Pres. Ave Butensky said. He said McKinsey & Co. and Teller/Gorman report on issues facing TV stations, to be issued at convention, "should certainly accomplish that task. But we are also offering Band-Aids, things [stations] can do immediately."

Wireless Cable Assn. International (WCAl) plans March 21 seminar at Tropicana Hotel during convention, titled "Broadcaster-Wireless Strategic Partnerships: Today and Tomorrow." WCAl Pres. Robert Schmidt (former NCTA pres.) said: "There is a natural synergy between the broadcast and wireless cable industry and we think that it would be extremely beneficial for broadcasters to hear more about the dynamic developments taking place."

CABLE COST RULES SET: New cost-of-service rules approved Feb. 22 by FCC will allow 11.25% pretax rate of return on cable investments, but Commission set tough rules on cost bases. Despite cable claims that rate of return should be based on actual purchase price, cost of cable systems is based on undepreciated equipment value. New cost-of-service rules, which are designed to be used by cable systems that believe their costs justify rates higher than benchmarks, are modeled on regulations FCC set years ago for telephone companies.

Commission concluded that difference between equipment value and price paid for systems "represent[s] the value of the monopoly rents the acquirer hoped to earn," so it can't be included in cost base. FCC said it will allow cable systems to include up to 2 years of startup losses in cost base, along with some other intangibles such as cost of obtaining franchise rights and some organizational expenses. New rules presume that other intangible costs won't be allowed, but cable operator can try to show direct relationship between intangible costs and direct benefit to consumers.

Rate of return of 11.25% on cable system investment was recommended by FCC staff, Chmn. Hundt said. FCC officials said figure is on high end of what typically is allowed for regulated industries, reflecting somewhat higher risk of operating cable system. Figure is tentative, and FCC is seeking comments on whether it should be changed in further rulemaking. Other cost-of-service rules include: (1) Cable plant must be used and useful and result of prudent investment. (2) Plant under construction is excluded, but cost can be added when it becomes operational. (3) Operators can include in rate base excess capacity that will be used for regulated service within one year. (4) FCC won't prescribe depreciation rate, but will evaluate operator proposals based on expected life of plant. (5) Commission will set cost rules for transactions between operators and affiliated programmers. (6) FCC will develop abbreviated cost-of-service form for use by small systems. (7) Rules will include streamlined cost showing for upgrades. (8) Commission proposed 2% productivity factor and sought comment on uniform system of accounts. (9) Rules include "experimental incentive plan" that, pending formal rulemaking, would give operators "substantial rate flexibility" for new services.

FCC's final report on its cable rate survey, also released Feb. 22, showed that even with addition of revenue shifted to a la carte services, average regulated revenue per subscriber dropped 5.9% to \$24.11 per month as result of first round of regulation. Other findings: (1) Average basic-only rate increased 2%, but per-channel rate fell 16.4%. (2) Biggest change was in equipment fees, with basic-only fee for subscriber with no equipment up 2.5%, while rate for subscriber with all tiers, plus premium channel and 2 converters, down 15.1%. (3) Rates for remotes plunged 90% to 23¢ per month, for additional outlets 97% to average of 14¢ per month. (4) Installation fees for prewired houses fell 27.6%.

DirectTV decided not to wait for Ariane to start launching again after failure of last mission and chose to fly its DBS-2 satellite aboard Atlas in July, rather than risk 3-month delay. Company said it hasn't lost faith in Arianespace and said DBS-3 launch -- expected in 1995 -- will be aboard Ariane rocket. Atlas builder General Dynamics said it could launch DBS-2 on short notice because scheduled flight of Defense Satellite Communication System (DSCS-5) satellite had been postponed until next year.

CELLULAR HDTV POSSIBLE: Broadcasters will decide March 1 whether to consider yet another digital HDTV system that, if it works, could help solve channel capacity problems but could force another delay in start of HDTV. Preliminary work on Coded Orthogonal Frequency Div. Multiplexing (COFDM) system would be finished before FCC's Advanced TV Advisory Committee is scheduled to make its final recommendation early next year, according to NBC Pres.-Operations Michael Sherlock, head of Broadcasters Caucus, but if decision were made to go ahead with full-scale testing of COFDM, that would have to happen after all testing is scheduled to be finished. Advisory Committee itself, meanwhile, endorsed "Grand Alliance" decision to use Zenith system (TVD Feb 21 p4).

"We know that there are features claimed [for COFDM] that would seem to be fairly attractive if they pan out," Sherlock said. "The big question is, wouldn't it be wrong not to investigate?" He said Caucus will meet in N.Y.C. to decide whether to go ahead with work on COFDM, including putting together written specifications and beginning development work with a manufacturer. Development would be done in parallel with final stages on digital HDTV system, and wouldn't interrupt that work, Sherlock said: "If the Alliance system is good enough, or if the COFDM system at any point shows no improvement, it would make no sense to continue." But if development work showed "really significant positive findings" COFDM would have to go to full-scale testing and "that indeed would delay the process," he said. He said Caucus would have to spend estimated \$7-\$8 million for full-scale COFDM development and testing.

COFDM, described as cellular-like HDTV transmission system, is being developed in Sweden (HD-DIVINE) and by BBC/Thomson-CSF partnership (Spectre). Spectre was demonstrated in late 1992, and HD-DIVINE several months earlier (TVD July 20/92 p10). Developers say interference can be reduced because HDTV signals are transmitted by large number of low-power cellular-like transmitters instead of single higher power transmitter. COFDM's HDTV signal also is said to be more robust because video signal can be divided among up to 2,000 minichannels, with most important part of signal carried on minichannels with least interference.

COFDM could provide "great benefits" for broadcasters "if it performs as advertised," NAB Exec. Vp John Abel said. Among advantages, he said: (1) COFDM would allow use of on-channel repeaters, which are easier to promote than service from translators on channels different from original signal. (2) It easily could be used to "perfect" and extend coverage areas. (3) It could provide high-quality transportable video reception. (4) It could be better for data services.

No one has developed COFDM system that can operate on 6-MHz TV channels used in U.S. and elsewhere. Proponents estimate that it would take 9-15 months to develop 6-MHz variant, at cost of several million dollars. FCC's Advisory Committee has been monitoring COFDM developments, but decided development isn't far enough advanced to justify delaying HDTV selection process. There are several concerns about COFDM role in selection process, Advisory Committee Chmn. Richard Wiley said in letter to panel members: (1) COFDM could delay HDTV selection process. (2) Full testing of COFDM would require hefty expense to keep Advanced TV Test Center open until it's ready for testing. (3) COFDM might require TV set owners to have separate decoders for wired and over-air delivery. Even if COFDM isn't ready by time Advisory Committee makes its selection, Wiley said, FCC could consider it when

it makes its final decision later in 1995. "If COFDM is demonstrably better from the public interest standpoint, we have got to consider it," Wiley said. "But this is very late in the process. If we're talking about a couple of months' delay, we've had those before. But if it's a year, it's a serious matter."

Technical Subgroup gave final Advisory Committee approval to Alliance selection of Zenith VSB system, over General Instrument QAM system, at meeting Feb. 24. Decision means that construction of full Alliance prototype will be completed later this year, and last testing will be finished in time for Advisory Committee's final recommendation early next year, officials said. Meanwhile, Alliance said it completed retesting of Philips' MPEG-2-based Musicam audio system for HDTV, but will stick with Dolby AC-3 sound for Alliance HDTV system. AC-3 was chosen after it outperformed Musicam in tests because of "bug" in Musicam prototype hardware. Alliance said retesting showed that hardware bug had been corrected, allowing both systems to provide "equivalent performance." Musicam will be backup sound system for Alliance HDTV.

Philips and United International Holdings said they will form joint venture to own, develop and operate European cable systems. Deal calls for each company to contribute existing European cable systems, as well as United's Israeli holdings, to venture. United also will make cash and stock contributions to offset agreed-upon \$300-million difference in value of 2 companies' holdings, giving each 50% of joint venture. They said they were looking at projects in 10 countries with potential of more than 5 million subscribers. Scott Marden, CEO of Philips subsidiary Philips Media, said venture was "an important step for Philips in its strategy to become a leading supplier of software and services to the consumer." United CEO William Elsner said European media deregulation and privatization provide significant new opportunities: "The combined resources of Philips and United in Europe will give the joint venture the expertise and financial resources to capitalize on this market opportunity."

Japan indicated that it may abandon analog MUSE HDTV system, though officials later backed off from suggestion (see separate story in Consumer Electronics section, this issue). In interview with Agence France Presse, Akimasa Egawa, dir. gen. of broadcasting bureau of Japan's Ministry of Posts & Telecommunications, said it would review HDTV policy before tests end in Nov. Telecommunications Minister Takenori Kanzaki said: "It is not that we immediately decided a shift from the analog to the digital format [but] in the long-term view, digitalization is the world trend." However, NHK spokesman said review of MUSE would "hinder the progress of [MUSE] promotion." Spokesman called digital HDTV "immature" compared with MUSE.

Record 1,723 broadcasters attended RAB '94 Managing Sales Conference in Dallas that ended Feb. 20. Development of communications superhighway will have positive effect on radio, RAB Pres. Gary Fries predicted: "Our strongest asset is our listeners and the special relationships we enjoy with them... It is difficult to envision a time when these new technologies will enjoy the same bond with their audiences."

Correction: Article on U.S. Appeals Court, D.C., rehearing of indecency cases concerns Action for Children's TV (ACT), not Act III Bestg., which isn't involved (TVD Feb 21 p7). Confusion arose because 3 phases of case are known popularly by acronyms ACT I, ACT II and ACT III.

FCC FREEZES COMPARATIVE HEARINGS: All comparative proceedings currently before FCC, including renewals, have been frozen by agency as result of U.S. Appeals Court, D.C., ruling in Dec. that Commission's reliance on integration of ownership and management is "peculiarly without foundation" (TVD Dec 20 p6). As result, court remanded FM grant in Selbyville, Del., that had been given to Anchor Bestg. based on integration. Losing applicant Susan Bechtel appealed.

Bechtel argued that integration shouldn't be considered, and court said: "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" intended. Court ordered FCC to consider Bechtel v. Anchor, and all other applications before it, free of integration policy. Same court earlier had rejected FCC policy of granting preference to applicants that would combine ownership with management, and as result Commission issued rulemaking to reexamine comparative process that still is pending.

Freeze on all pending cases was ordered, FCC said, because "integration has been a crucial factor" in comparative proceedings. It couldn't be learned how many pending applications fall under order. During freeze, predesignation procedures and all comparative hearings will be suspended. Also, Mass Media Bureau won't issue cutoff lists, adopt FM filing windows or require filing of amendments. However, Commission said, applicants should update information at FCC as needed.

Review Board, law judges and full Commission will continue to issue decisions only in cases where evaluation of comparative qualifications is unnecessary, FCC said, and appeals will be accepted only in such cases. All cases involving filing of pleadings and preparation of decisions involving analysis of comparative proposals will be held in abeyance, it said. Applicants for noncommercial stations won't be affected.

Final resolution of issues raised by Bechtel "may take some time," FCC said, and as result agency "wishes to facilitate both pre- and post[hearing]-designation settlements" among pending applicants. To accomplish that, Chief Law Judge Joseph Stirmer was told to appoint "settlement judges" with authority to convene settlement conferences. In view of Bechtel, applicants will "not be required to adhere to their integration proposals in such settlements," FCC said.

Turner Bcstg. lost \$244 million in fiscal year ended Dec. 31 because of \$306-million accounting change, despite 4% growth in operating profit to \$302 million and 9% revenue gain to \$1.9 billion. Fourth-quarter profit was \$10 million, vs. \$30 million year ago. Accounting change related to acquisition of TEC Film Library and Hanna-Barbera. Entertainment segment, including WTBS Atlanta and TNT, had 6% lower operating profit because of startup costs of Cartoon Network. News segment revenue increased 13% to \$599 million, including 11% growth in ad revenue and 16% in subscriber revenue.

A.H. Belo Corp. is buying its 6th network-affiliated TV station, WWL-TV (Ch. 4, CBS) New Orleans, for \$110 million cash from Rampart Operating Partnership. Pres.-Gen. Mgr. Michael Early, who led employee buyout of WWL-TV from Loyola U. in 1990, will remain, said Belo Bcst. Div. Pres. Ward Huey.

TELCO TO BE AGGRESSIVE: Bell Atlantic (BA) said it's considering "all options" for expansion into video markets outside its home region after failed TCI merger. BA Pres. James Cullen said company "will be very, very aggressive" in seeking other opportunities because any RHC satisfied with status quo is doomed. BA didn't seem burned by failed TCI deal. "We've learned a lot in these last months," Cullen said, implying company would be better situated for future cable acquisitions, which he didn't rule out.

BA said push into video-on-demand won't lag. Stuart Johnson, pres., Large Business & Information Services, said: "We are in a unique position among our [RHC] brethren... We can offer video services in our region." He said BA would seek to extend that experience to ventures outside its area. "We remain committed to offering video services, but now that this deal has fallen through, we just can't jump-start those services like we could have with the assets of TCI. We'll now have to build those [services] internally, but we are still committed to replacing the 'sneakernet' that takes people to those video stores today."

As part of merger with TCI, BA had petitioned Justice Dept. for waiver of long distance MFJ restrictions in 30 cities that were to be first wave of its telephone services offered via cable system. Decision to break off merger with TCI won't affect waiver, BA Gen. Counsel James Young said. He said he talked with Justice Dept. Feb. 24 to reaffirm that BA's waiver request still would be active.

TCI and BA still could work together. "We are serious about our intention to go forward and are looking at joint ventures with them," Cullen said. BA does suffer some from losing TCI's programming and technology experience, he said, but that will be made up for by BA's unregulated Video Services subsidiary that's already developing its own programming for delivery over BA's video-on-demand system being built in Northern Va.

Indecency charge against Evergreen's WLUP(AM) Chicago will be dropped if out-of-court settlement with FCC is approved. Fine, levied in Aug. 1992, was for \$6,000, and even though charge is to be dropped, Evergreen agreed to pay govt. \$10,000 for reasons that won't be clear until document is filed in Chicago federal court, probably Feb. 28. Judge John Nordberg must approve settlement for it to become effective. As part of agreement, Commission agreed to "publish industry guidance" on indecency case law. FCC official said it would be too strong to call them "guidelines" for licensees. Evergreen was fined 2nd time for indecency in Feb. 1993 and that charge also is expected to be dropped if there's no further problem at WLUP for next 6 months, we're told. Evergreen is represented by Latham & Watkins, of which FCC Chmn. Hundt is former partner.

Rogers Communications asked Ontario Supreme Court to order Maclean Hunter to turn over information on its assets to assist in Rogers' proposed takeover. Rogers claimed that Maclean had refused to provide it with data on cable and other operations unless it withdrew takeover offer.

Metro Cable TV is looking for strategic partner for its U.K. cable systems, which have 136,000 subscribers in 40 communities, broker Daniels said. Metro is one of few remaining independent U.K. cable operators.

Viacom said merger with Blockbuster has cleared antitrust review after completing Hart-Scott-Rodino waiting period. Company's Paramount merger cleared earlier.

BENCHMARKS CALLED ARBITRARY: Cable industry has "numerous grounds" on which to challenge FCC rate rules in court, former NCTA Gen. Counsel Michael Schooler, now at Dow, Lohnes & Albertson, said at Tex. Cable Show in San Antonio last week. He called FCC actions "arbitrary and capricious," charged they violate 5th Amendment because rate rollbacks are seizure of property. NCTA Vp-Law Daniel Brenner warned that despite vigor with which cable industry challenges FCC actions, "I suspect this is going to drag on" until all reconsiderations are completed. Schooler said lack of final action is "so frustrating" because important court decisions are delayed while FCC deliberates and cable industry loses money.

"Good news" about must-carry/retransmission consent is that "we've seen the worst of it," said Steve Horvitz, lawyer with Cole, Raywid & Braverman. He said that except for "fringe broadcasters" that demanded carriage, cable operators had "surprisingly few problems." LPTV stations were mostly unsuccessful in arguing must-carry rights, he said. More good news: "No hint of fines" from FCC for cable operators that don't abide by must-carry order by 45-day deadline. Horvitz warned that retransmission consent battles may resume because "interim agreements" are coming due: "Those things are still floating out there."

For interactive TV to succeed, companies must perfect technology, take risks and woo consumers not only with "ease of use" but "joy of use," panelists said. Because no "killer application" now exists, companies must learn what consumers want and deliver it to them quickly so that they don't "feel like they're dealing with a computer," ICTV Inc. CEO Leo Hoarty said. He said interactive success will require: (1) Navigating network geared toward "nontechnical average user." (2) Maintaining high program production quality. (3) Pushing for interoperability so cable and telcos don't have "to bet on what the technology is going to be." (4) Providing applications that allow for easy upgrades as technologies evolve.

Despite industry optimism, Bob Brown, Southwestern Bell assoc. dir.-strategic business development, said interactivity isn't around corner, but eventually will exceed expectations. He called on regulators to allow cooperation among small rural operators and telcos to carry interactive services to areas that otherwise wouldn't have access.

Sizable PBS funding cuts could be in store for some continuing National Program Service (NPS) series beginning in July 1995 (FY 1996). Although executives of PBS and MacNeil-Lehrer NewsHour declined to confirm it, we understand PBS is seeking \$6-million reduction over 3 years. Weekday series is scheduled to receive \$12.84 million in PBS funding in year beginning July 1. While not citing specific figures being discussed in early talks with PBS, Exec. Dir. Ward Chamberlin said "there will almost surely be some cutback" for American Playhouse beginning in FY 1996, although size of reduction and impact on series schedule "is yet to be determined." Playhouse is scheduled to receive nearly \$6.7 million in PBS support in FY 1995.

Brown U.'s Annenberg Institute for School Reform earmarked \$5 million of Walter Annenberg's \$500-million donation for school reform for development of national telecommunications network that would give public schools rapid information access. Remaining \$380 million not already committed will be distributed based on plan being developed by Brown U. pres. and Annenberg adviser Vartan Gregorian. Plan is to be submitted to Annenberg Foundation by June.

Cable interests overlooked important public interest benefits of extension of cable rate freeze in asking U.S. Appeals Court, D.C., to overturn freeze extension (TVD Feb 21 p4), FCC said last week in opposition filed: "Petitioners... give no consideration to the disruptive effect on both local franchising authorities and cable subscribers of lifting the freeze before the rate regulation rules have been finalized." Commission argued that freeze is essential to protect consumers from unreasonable rate increases before franchising authorities begin active regulation. It also said that CATA and InterMedia Partners hadn't demonstrated that freeze extension would cause them irreparable harm, saying that they at best had shown only that freeze might have caused "narrowing profit margins previously established in an unregulated, typically monopoly, environment." Filing said that FCC repeatedly had offered to entertain petitions for waiver of freeze, but InterMedia hadn't sought any. Other groups filing in support of freeze extension included National League of Cities, National Assn. of Telecommunications Officers & Advisers, National Assn. of Counties, N.Y. Attorney Gen., joint filing by attorneys general of 21 states.

Quick and clean CPB reauthorization for FY 1997-1999 is aim of public broadcasting's principal national organizations, which are seeking hearings by Senate Communications Subcommittee in late April-early May. We're told that those groups -- APTS, CPB, NPR -- have reached agreement in principle to pursue reauthorization level of \$425 million for each of those years -- same as already is authorized for FY 1996. Lobbyist was guardedly optimistic on likelihood of early hearings, while stressing that plan hinges on having "a lot of support in the Senate" to rise above crowded agenda that includes health care reform. Source denied early hearings were sought to bypass congressional critics such as Senate Minority Leader Dole (R-Kan.) -- who put months-long hold on last CPB reauthorization 2 years ago on behalf of group of Republican lawmakers and said "there will never be a quiet public broadcasting reauthorization." At Public Radio Conference last spring, Dole staffer saw no likelihood of congressional passage of reauthorization this year.

House Telecom Subcommittee is expected to mark up legislation with cable telco and local competition provisions (HR-3636) starting March 1. Broadcasters last week were lobbying hard to have bill, sponsored by Subcommittee Chmn. Markey (D-Mass.) and senior Republican Fields (Tex.), amended to include some mention of broadcasting's role in information superhighway. Rep. Boucher (D-Va.) said broadcasters have made "reasonable requests" for changes in bill, and expects them to be given consideration. Broadcasters want to be included in House bills much as they are in Senate measure, which would require FCC to examine cross-ownership rules and other matters.

Cable Transactions: River Valley Cable L.P. bought 2 systems with 16,300 subscribers in Flagstaff, Sedona and nearby Ariz. counties from Time Warner for undisclosed price... Cablevision Industries purchased system with 3,000 subscribers in S.C. counties of Lexington and Richland from Communications Systems for undisclosed prices. Daniels was broker in both deals.

Hughes Galaxy 1-R was launched from Cape Canaveral Feb. 19 aboard McDonnell Douglas Delta 2. Launch originally was scheduled for Feb. 9, was aborted when problem developed during ignition of main engine. Second scheduled launch, Feb. 18, was postponed because of weather conditions. Satellite will be used primarily for cable TV programs in U.S.

Personals

FCC appointments: Judith Harris, former partner in Reed, Smith, Shaw & McClay law firm Washington office, appointed dir., FCC Office of Legislative Affairs, succeeding Lauren (Pete) Belvin, named chief, Enforcement Div., Field Operations Bureau; Belvin succeeds Mary Beth Richards, appointed deputy chief, Cable Bureau, and special counsel to Commission assigned to "reinventing govt."; Donald Gips, ex-McKinsey & Co., named deputy chief, Office of Plans & Policy; Kent Nilsson promoted to chief, Cost Analysis Branch, Common Carrier Bureau.

FCC Chmn. Hundt addresses NAB State Leadership Conference Feb. 28, 10:15 a.m., Park Hyatt Hotel, Washington. He also will address "Action for Children's TV/Lecture on TV Media and Children," Harvard Graduate School of Education, 8 p.m. Feb. 28, Cambridge, Mass. He speaks at NARUC Exec. Committee Winter Meeting, 2 p.m., March 2, Hotel Washington, Washington; FCC Comr. Barrett addresses Communications Industry Alliance, March 3, 9 a.m., Manhattan Club, N.Y.; Ralph Haller, FCC Private Radio Bureau chief, participates on Cellular Telecommunications Industry Assn. panel, "FCC's Vision of the Wireless World," 4 p.m., March 3, at Assn.'s convention and expo, San Diego... Briana Gowing, ex-FCC Office of Public Affairs, appointed communications dir., Ontario-based Switchview Inc.; Gowing will hq in Dallas.

Mel Swope, ex-Wilshire Court Productions, named senior vp-production, MGM/UA Worldwide TV... Lenny Bart promoted to senior vp-administration, Warner Bros. Domestic TV Distribution... Charles Oliver, ex-NTIA, becomes partner in Cohn & Marks, Washington law firm... Eric Brown, ex-Cabason, San Diego-based consulting firm, appointed vp-strategic mktg., Times Mirror Cable; David Limebrook advanced to vp-tactical mktg... Richard Emenecker, ex-supt., Pittsburgh Bureau of Cable Communications, named dir.-franchising and community affairs, TCI of Pa... Bill Gilliam, Time Customer Service, appointed dir.-information services development, Time Warner Cable Full Service Network.

John Heinen, ex-WXIA-TV Atlanta, appointed vp-gen. mgr., WSAV-TV Savannah; Keith True, ex-WAWS-TV Jacksonville, named WSAV-TV gen. sales mgr... Elise Kennett advanced to vp-gen. mgr., WTVZ Norfolk... Aretha Marshall, ex-WCAU-TV Philadelphia, named asst. news dir., WMAR-TV Baltimore... Joanne Stanley, ex-WTZA Kingston, N.Y., appointed program dir., WSYT Syracuse... Drew Scott, ex-WPIX N.Y., named vp-news, WLIG Riverhead, N.Y... Lisa Gregorisch, ex-KSTU Salt Lake City, appointed vp-news dir., KDAF Dallas-Ft. Worth... Eugene Napier WJCT-TV Jacksonville pres.-gen. mgr. and 30-year staffer, will resign Sept. 30 to become consultant to public TV stations... Phyllis Geller, ex-senior vp, KCET L.A., joins Md. Public TV as senior vp-national/international production.

Additions at Encore Multimedia: David Salinger, ex-KRON-TV San Francisco, as vp-multiplex; Jane Lynn, ex-consultant, as dir.-multiplex... Linda Levy advanced to dir.-news services, A.H. Belo Best. Div., new position... Daniel Meyers promoted to Rainbow Advertising Sales sales mgr.-Cablevision Systems, N.Y.C./Bronx... Richard Heller, independent producer, named TV pres., Lee Rich Productions, succeeding Bruce Sallan, resigned... Gail Miyasaki, ex-Aloha United Way, appointed exec. dir., Hawaii Public TV... Karen Kronk, ex-Century Communications, named to recruiting service Calsen Resources executive staff... Allen Christopher, producer/dir./writer, named senior vp-programming and production, Channel America...

Sen. Simon, (D-Ill.), participates in March 10 "Marketing TV in a Children's World" video forum sponsored by Promax International, available via satellite following week.

Appointed to NAB TV board: John Zanotti, Great American Communications, replacing Edward Reilly, McGraw-Hill Bestg., for seat reserved for TV Operators Caucus; Martin Brantley, KPTV Portland, Ore., succeeding Edward Aiken, for independent TV stations' seat... Rob Sussman advanced to vp-business planning and analysis, Showtime Networks... Lori Gottlieb, ex-Edward R. Pressman Film, named mgr.-series development, NBC Entertainment... Matt Jacobson, ex-20th TV, appointed vp-entertainment services, Delphi Internet Services, new position... Richard D'Amato, Senate Commerce Committee press secy., joins NCTA as senior dir.-public affairs, March 7.

Veronica Pollard advanced to vp-corporate PR, Cap/ABC; Maxine Levinson promoted to vp-daytime programming, East Coast, ABC TV Network; James Waltz, ex-W W Entertainment, appointed vp-financial controls and accounting, ABC Cable & International Best. Group; Deirdre Paulino promoted to vp-production, ABC Productions... Jeffrey Leist advanced to exec. vp-operations, News Corp. New Technology Group... Clark Bunting promoted to exec. vp-programming group, Discovery Networks, succeeding Greg Moyer, advanced to exec. vp-worldwide programming and corporate development, Discovery Communications... William Press promoted to vp-operations, Telemundo Network.

Russ Wood, KSL-TV-AM Salt Lake City, named vp-marketing and sales, parent Bonneville International... Joseph Rutledge, ex-NBC vp-corporate communications, and Timothy Hanlon, ex-Saatchi & Saatchi, form Rutledge-Hanlon Communications PR firm, 375 Park Ave., N.Y.C. 10152, 212-735-1135... Stephanie Morton, ex-E! Entertainment TV, named exec. dir.-pay-per-view and ancillary markets, Paramount Pictures Motion Picture Group Video Div.

Saying public TV "has been allowed to go undefended for too long," Ervin Duggan said his first priority as PBS pres. would be to "restore the luster" of PTV on Capitol Hill and elsewhere. In interview as part of Pacific Mountain Network's Drive Time audiotape series, former FCC commissioner said there's "real danger" that current legislation and policy in such areas as information superhighway would be "flawed by inattention" to PTV, and that he hoped to impress on lawmakers and policymakers "we already have a marvelous information infrastructure called public television." Duggan said he favors "some modest loosening" of PTV's corporate underwriting guidelines to "help corporate underwriters achieve their purposes" while not running afoul of PTV's noncommercial mission.

FCC began making documents available via Internet Feb. 22, starting immediately with FCC Daily Digest, news releases, some public notices, speeches by Commission officials. Additional documents will be added to Internet later. First day's Internet information included text of all FCC announcements on cable decisions same day. Agency's Internet address is ftp.fcc.gov.

FCC spent \$1,300 after its Feb. 22 meeting to hand-deliver 58 pages of its cable decisions to all members of Congress. However, many members called Commission anyway, asking that news releases on cable actions be faxed to them.

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TV-RADIO REVENUES UP 4% IN 1992: TV-radio ad revenues of \$28.8 billion in 1992 were up 4% over 1991, according to Census Bureau survey released Feb. 23. Census said increased political ads accounted for most of gain. On cable side, total revenue increased 10% to \$25 billion.

TV networks showed largest revenue gain among broadcasters, 8% to \$8.2 billion. National-regional TV spot and local advertising both were up 4%, to \$5.6 billion and \$6.7 billion, respectively. TV industry's operating expenses in 1992 totaled \$18.6 billion, with 40% of that going for program rights. Total TV industry payroll jumped almost 7% to \$4.4 billion. Network TV sales accounted for 37.7% of TV revenue, local spot 31%, national-regional spot 25.7%. Average affiliate received only 1.7% of its income from network compensation.

TvB's estimates for 1992 were considerably lower at \$21.779 billion for TV industry. McCann-Erickson estimate of \$29.4 billion total TV revenues, \$8.65 billion for radio, was higher, however. TvB figures for 1993 are due in next 2 weeks, while it's predicting that TV revenues in 1994 of \$33.2 billion will surpass newspapers for first time.

On radio side, total revenue in 1992 was \$7.1 billion, with more than 90% of that from local spot, which was up 7%. Radio national-regional advertising dropped 8%. Broadcasting data are based on national sample of stations and radio and TV networks.

Cable revenue gained 10% to \$25 billion in 1992, Census Bureau said, and operating expense 6% to \$19.3 billion. Data in Bureau's 1992 Annual Survey of Communication Services indicated that basic cable revenue was up 13% to more than \$12 billion and pay-per-view and other premium service revenue grew 5% to \$4.3 billion. Cable ad revenue jumped 18.7% to \$2.3 billion and cable network revenue 8% to \$4 billion, Census said. Program and production costs were up 7% to \$6 billion and payroll 19% to \$3.4 billion. Depreciation cost inched up 1.9% to \$3.3 billion, and taxes soared 23.1% to \$368 million.

FCC should reject Satellite CD Radio's request for waiver to sell 4.5 million shares of stock "without losing its place" among other applicants to provide satellite-delivered, CD-quality, national radio service, NAB told Commission. FCC needs to develop "broader regulatory policy" for satellite and terrestrial digital audio broadcasting (DAB) before approving stock waivers or any other special actions, NAB said. Assn. said that FCC should address questions of "whether and when a satellite digital radio service is in the public interest, cannot be made on a clean slate when applications have been accepted, waivers granted, and substantial monies expended."

Pacific Bell's revenue projections for proposed video dial tone (VDT) system would require that it "displace virtually all existing and potential video service competitors and achieve near universal penetration," Cal. Bankers Clearinghouse and County of L.A. said in joint FCC filing. They said that means that it's probably "inevitable that revenue shortfalls from VDT and other new services will be made up through increased pressure on existing basic services."

CableLabs is offering to serve as neutral testing site to determine compatibility of various digital compression systems with proposed MPEG-2 standard. Systems would be tested at CableLabs facility in Louisville, Colo., with proponent reimbursing lab for costs. MPEG-2 standard is expected to be ratified internationally next year, and first MPEG-2 systems are expected to be available in early 1995. "Now that the technical work on MPEG-2 is over, all of us... must continue to work to assure that software and networks are compatible," CableLabs CEO Richard Green said. "Otherwise, the information superhighway will be effectively shut down before it even starts." Green described test effort as "logical step" for CableLabs, which he said is "the ideal neutral venue for such tests."

FCC has been receiving about 500 consumer phone calls per day on cable rates since Chmn. Hundt publicized telephone numbers at Commission meeting Feb. 22 that was carried live by C-SPAN and heavily reported in media. Officials said most questions involve how rate complaint can be filed and what is deadline (Feb. 28 for rates in effect Sept. 1, within 45 days for rate changes after that). Cable systems must justify rates in response to complaints on expanded basic; complaints on basic tier are referred to franchise authorities.

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STATE OF THE INDUSTRY

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

	FEB. 5-11	1993 WEEK	% CHANGE	JAN.29- FEB.4	6 WEEKS 1994	6 WEEKS 1993	% CHANGE
TOTAL COLOR....	334,907	351,324*	- 4.7	339,679	2,241,896	2,204,278	+ 1.7
DIRECT-VIEW...	328,167	345,782*	- 5.1	331,986	2,191,569	2,163,082	+ 1.3
TV ONLY.....	300,360	327,475*	- 8.3	306,230	2,027,172	2,063,419	- 1.8
TV/VCR COMBO	27,807*	18,307	+51.9	25,756*	164,397*	99,663	+65.0
PROJECTION...	6,740	5,542	+21.6	7,693*	50,327*	41,196	+20.1
VCR DECKS.....	117,144	150,976	-22.4	110,440	1,002,345	1,110,694	- 9.8
CAMCORDERS.....	21,505*	17,038	+26.2	16,179	221,056*	202,743	+ 9.0
LASERDISC PLYRS#	1,597	1,927*	-17.1	1,875	16,387	20,480	-20.0

Direct-view TV 5-week average: 1994--385,715*; 1993--374,884 (up 2.9%).

VCR deck 5-week average: 1994--174,646; 1993--191,932 (down 9.0%).

Camcorder 5-week average: 1994--39,281*; 1993--35,468 (up 10.8%).

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

IS WIDESCREEN KILLING JAPANESE HDTV? In gloom of Japan's economic recession, there's one runaway consumer market success -- and it's not cheap, either. That's widescreen TV, which is due to go down sharply in price this year. And there's one notable flop -- Japan's Hi-Vision MUSE HDTV system.

Big brouhaha last week over possible replacement of analog Hi-Vision with digital system merely reflects what Japanese engineers have long been saying privately. But fact that transmission is analog has little to do with its market failure to date. Viewers don't care whether transmission is analog or digital -- they will buy sets if they think they're worth the money. But so far, despite daily broadcasts (including Winter Olympics) and extensive promotional campaigns, only estimated 15,000 sets have been sold to public.

But Japanese consumers have embraced widescreen TV, which exploits HDTV's most immediately discernible advantage -- completely new aspect ratio, close to that of movies -- at half the cost. In its first year, 210,000 sets were sold despite depressed consumer market, according to EIAJ, totaling 2.6% of all TV sales. In U.S., 2.6% of market would work out to 650,000 sets. EIAJ last month forecast 80% increase in widescreen sales to 360,000 this year. However, individual manufacturers are predicting much greater sales, Hitachi putting number as high as one million and Toshiba forecasting 1.2 million in fiscal year starting in March, Nikkei Weekly reported. Set manufacturers and retailers freely forecast that widescreen sets would take over virtually entire large-screen market in Japan.

One reason for optimism about widescreen, ironically, is that Japanese manufacturers are removing last vestige of Hi-Vision compatibility this year. Virtually all widescreen sets so far have contained MUSE/NTSC converters, permitting them to tune to Hi-Vision (but pictures are converted to standard NTSC resolution). Beginning this year, most manufacturers will eliminate converters -- ostensibly because of increasing availability of letterboxed programming.

Eliminating converter will reduce list prices of sets almost \$1,000 to just a little over \$3,000, with street price that actually could go below \$2,000, given increasing discounting in Japan. In contrast, cheapest Hi-Vision sets list for equivalent of more than \$6,000. EIAJ forecasts 1994 Hi-Vision set sales will double 1993's figure -- to 30,000, which still is less than 1/10 the most pessimistic sales forecast for widescreen NTSC sets.

Last week when chief of Ministry of Posts & Telecommunication's Bestg. Bureau hinted in interview that decision must be made whether to reconsider Japan's HDTV policy, perhaps moving aggressively toward

digital system and eventually discontinuing test broadcasting, both industry and NHK reacted furiously. Official, Akimasa Egawa, was forced to backtrack -- saying he really meant that digital HDTV should be considered in maybe 10 years or so -- after his boss pulled rug out from under him. Ministry's official statement said that Hi-Vision will last into 21st century.

Same day Egawa's remarks were reported in press, EIAJ held news conference featuring star-studded cast of 11 executives of consumer electronics companies, chaired by EIAJ Chmn. Tadashi Sekimoto, NEC pres., and including Matsushita Pres. Yoichi Morishita and Sony Pres. Norio Ohga, to assure public that there's no present intention of replacing Hi-Vision, which after all is mostly digital, anyway. Even if another HDTV system is chosen, they said, existing sets can receive it with adaptor.

Entire incident obviously touched nerve in Japan, which is proud of being first country with HDTV broadcasting, developed over last 30 years. However, there's little doubt even within Japanese consumer electronics industry that country will go all-digital -- eventually. As long ago as mid-1992 -- while analog HDTV, including MUSE system, still was being considered for U.S. -- Matsushita Exec. Vp Hiroyuki Mizuno told International Conference on Consumer Electronics in Chicago that digital HDTV was "quite likely to be the wave of the future" for Japan as for U.S., although he emphasized that MUSE is "bird in the hand," serving Japan until digital system is feasible (TVD June 29 p14).

Digital-vs.-analog flap obscures fact that same affluent members of public who would be candidates to buy HDTV are flocking to widescreen. It's also bittersweet omen for U.S. industry, whose manufacturers gradually are introducing widescreen sets. They could get big push as more and more letterbox programming -- recorded and on cable -- becomes available, and as hardware prices decline, long before introduction of HDTV sets.

Future potential of widescreen was underscored last week by Wilfried Gruen, dir. of Panasonic European R&D Center in Langen, Germany. He predicted to our European contributing editor that Korean electronics industry, which missed boat on current generation of flat square tube technology, now will concentrate its efforts on 16:9 tubes, with goal of driving price down to levels that match or undercut current large-screen 4:3 versions. Korean manufacturers couldn't be reached for comment by our deadline.

Japanese experience may or may not be harbinger of acceptance of HDTV vs. widescreen in U.S. However, widescreen could get large head start over digital HDTV here and consumers obviously are going to weigh price vs. performance advantages here at least as carefully as they do in Japan. It's not yet clear whether in next 10 years widescreen will be stepping-stone to HDTV or substitute for it.

RECORD 12.4 MILLION COLOR TVs IMPORTED IN 1993: Imports of color TV sets hit record 12,438,700 last year, according to Commerce Dept. data. Total was up 7.3% from 1992 (TVD March 1/93 p10), increase of 844,600. All of that gain -- and much more -- was represented by sets from Mexico, whose number rose big 1,738,000, more than twice total increase. Imports of camcorders and videocassette players were up from 1992, but VCR decks and CD players both declined just under 5%.

Mexico was source of more than 8 million color TV sets, completely dominating 1993 supply, representing 70% of total (up from 54.6% in 1992). Of other major source countries, only Malaysia and Thailand shipped more in 1993 than in 1992, China and Korea showing substantial declines, and Taiwan -- once king of the hill in imported TV -- ceasing to be factor at all. (Tabulation of imports by source country is elsewhere in this issue.) China increased its domination of monochrome sets, representing 60% of total in 1993.

Flat-panel color TV sets were up nearly 70% in 1993, with Japan as major source (417,000), followed by Malaysia (233,000), with smattering from Singapore, China, Mexico and Korea, presumably all using LCD displays of Japanese origin.

Although VCR decks registered big 22.2% increase in Dec., imports in 1993 fell short of 1992 pace at 14.5 million sets, and were well below all-time record of 17.6 million in 1986. With increasing percentage coming from Korea, Malaysia, Indonesia and Singapore, Japan was source of only 30.2% of total deck imports. Japanese manufacturers continue to dominate VCR production, of course, but increasingly they're shipping from plants in other Far Eastern countries.

Camcorder imports increased 5.6% from 1992, less than 9.7% gain in U.S. sales last year, but supply -- 3,333,800 -- was about 8% higher than sales. Record year for camcorder imports was 1991, when 3,873,300

entered country, resulting in inventory glut. Trend all last year emphasized increase in VHS format (including VHS-C), which accounted for 61.3% of total camcorder imports, up from 57.4% in 1992. VHS imports rose 24.5%, 8mm only 5.6%. Japan was source of 93% of all camcorders last year, Korea being only other significant supplier.

Videocassette player imports shot up above million mark last year, increasing 68.7%. Where they're going in this country is mystery, but we assume substantial percentage is absorbed by commercial, rather than consumer, channels. CD players declined 4.7% to under 8.5 million from 1992's record level of nearly 9 million.

Tabulation of color TV imports by screen size for 1993 shows trend to larger sizes in keeping with sales patterns. Nearly 2 million sets were in largest size category (21" and over), up 76.3% from 1992, with 20" up 30.7%, but 13" and 19" still biggest import categories at 3.34 million and 3 million, respectively. Table below gives general trends, but isn't to be taken too literally; Commerce Dept. is notorious for misclassifications. In keeping with harmonized tariff categories, import records of tube sizes are in centimeters, not inches (conversion poses problems because of overlapping categories), and in some cases measurements presumably are in U.S. viewable diagonal and in others they're in overall diagonal, used in rest of world. That gives birth to such crazy classifications as 14-15" and 16-18" -- unknown sizes in U.S.

Mexico dominates in all major size classifications in table below. Categories have been revised for 1994, so they may make more sense in future, but don't bet on it.

Size or Type	Total	% Change	% of Total		Dominant Source
			1993	1992	
8" & under.....	174,800	- 3.4	1.4	1.6	Japan
9-10".....	543,500	+11.1	4.4	4.2	Thailand
11-12".....	977,800	+52.6	7.9	5.5	Mexico
13".....	3,338,900	- 8.3	26.8	32.0	Mexico
14-15".....	114,900	-94.8	0.09	2.5	Thailand
16-18".....	14,400	+121.6	0.01	0.05	Korea
19".....	3,008,000	- 3.1	24.2	26.8	Mexico
20".....	2,155,800	+30.7	17.3	14.2	Mexico
21" & over.....	1,931,200	+76.3	15.5	9.4	Mexico
combinations.....	175,600	- 7.2	1.4	1.6	China
monitors.....	112,300	- 1.4	0.09	1.0	Japan
unclassified.....	88,400	-32.1	0.07	1.1	Mexico
TOTAL COLOR ...	12,438,700	+ 7.3	100.0	100.0	Mexico
TOTAL B&W.....	2,288,700	+ 7.8	100.0	100.0	China

Here's table of unit imports by product for Dec. and for full years 1993 and 1992:

Product	Dec. '93	Dec. '92	% Chg.	1993	1992	% Chg.
Color TV.....	1,046,100	989,400	+ 5.7	12,438,700	11,594,100	+ 7.3
Monochrome TV....	211,700	193,000	+ 9.7	2,288,700	2,122,800	+ 7.8
Flat-panel TV....	37,700	25,300	+48.7	677,100	399,300	+69.6
VCR decks.....	1,196,700	979,000	+22.2	14,497,500	15,238,100	- 4.9
Camcorders.....	237,900	209,100	+13.8	3,333,800	2,863,400	+16.4
8mm.....	112,100	102,700	+ 9.2	1,288,700	1,220,400	+ 5.6
Other.....	125,900	106,500	+18.2	2,045,100	1,642,900	+24.5
Videocass.players	130,900	58,700	+221.5	1,063,500	630,500	+68.7
CD players.....	639,800	441,900	+44.8	8,468,400	8,888,600	- 4.7

MATSUSHITA REPORTS FURTHER PROFIT DECLINE: Familiar litany of higher yen, continuing Japanese recession, lingering slump in Europe, but economic upturn in U.S., highlighted report of further dips in sales and profits of world's largest consumer electronics company, Matsushita Electric.

Company's operating profit for 3rd quarter to Dec. 31, on consolidated basis (for 318 Matsushita affiliates), dropped 32%, with pretax income down 3% and net income off 12% on 8% drop in sales (see

financial table). Nine-month operating profit fell 27%, pretax income 7%, net income 5%, sales 8%. In addition to customary explanation for poor results, Matsushita said its earnings were "adversely affected by a shift in consumer taste toward inexpensive products [and] a slowdown in sales of audiovisual products and home appliances." Presumably foreshadowing lower priced products, company said it's working "to develop products that match consumers' changing needs," and continuing to cut costs and overhead.

Audio equipment suffered biggest sales decline in quarter, dropping 13%, with video gear down 10%, appliances off 11%, communication and industrial equipment slipping 5%, components up 2%, batteries and kitchen equipment down 4%. Domestic sales were off 7%, overseas sales 6%. Company said exception to declines in AV products was sales of widescreen TVs in Japan, which experienced "solid growth" (see related report in this issue). In communication and industrial category, fax machines and CD-ROM drives led domestic increase in information equipment sales, while phones, hard disc drives and factory automation equipment rose in overseas markets.

Semiconductor sales growth led increase in components. Alkaline batteries enjoyed good business, Matsushita said, but overall battery sales were down, with secondary batteries "hurt by lower demand from such industries as video equipment manufacturers." Sparked by success of Jurassic Park, company's entertainment revenues grew 1%.

For quarter, video equipment sales exceeded \$3.3 billion and represented 21% of company's consolidated sales. Audio was 8.8% of sales, appliances 12.5%, components 12.8%, communication and industrial 22.4%, entertainment 9.7%. Matsushita lowered its full-year forecast because of need to bail out finance subsidiary beset with uncollectable loans. Company predicted pretax income would be down 26% from preceding fiscal year and net down 44%, but previous forecast of 7% drop in sales is unaffected.

TDK reported quarterly operating profit down 60.1%, pretax earnings off 46.3%, net down 61.6%. Fluctuation in exchange rates cost it \$93 million in yen sales and \$9.8 million in net earnings. In addition, it cited "slump in markets for computers and hard disc drives and declining videotape process." Materials and component sales to manufacturers of mobile phones and audiovideo equipment were "strong, continuing the favorable trend that prevailed during the first half of fiscal 1994.

Company's sales of recording media in quarter slumped 15.9% from year earlier, while other magnetic materials and components fell 23.8%, coils and assembled products 3.8%, ceramic components rising 5.9%, for total materials and components decline of 13.9%.

"Some light at the end of the tunnel" may be visible for Japan's electronics manufacturers, Wall St. Journal said in article last week, with "several key product sectors -- most notably semiconductors, but also communications equipment and even the long-stagnant consumer electronics market -- showing signs of life as a result of cyclical recovery." Article noted that Sony, NEC and Fujitsu expect to show gains in consolidated pretax profits for year ending in March.

One of Conn.'s largest labor unions is making play to sign up employees at 5 newly opened Nobody Beats The Wiz stores. Local 919 of United Food & Commercial Workers has placed ads in Conn. newspapers in bid to attract Wiz employees. Union said ads didn't represent formal organizing drive, but resulted from phone calls from Wiz employees on job security and wages. Ads contain clip-out form authorizing union to represent worker who signs it. If union receives enough forms it will petition NLRB to hold election among employees. Wiz workers would be natural addition to Farmington-based union that has 12,000 members at 90 retail stores in Conn., including Caldor and Bradlees, union said. Wiz, which entered Conn. market in fall, has about 500 workers at stores in Danbury, Meriden, Milford, Newington, Norwalk. Wiz Senior Vp Edward Hart couldn't be reached for comment.

Satellite Bcstg. & Communications Assn. (SBCA) will sponsor all-day seminar March 15 in N.Y. on DBS. Six panels will include Thomson CE Exec. Vp Joseph Clayton, DirecTV Pres. Eddy Hartenstein, USSB Pres.-COO Stanley Hubbard, CNN Technology Systems Vp Ken Tiven, NFL Enterprises Pres. Ron Bernard, Showtime Networks Pres. Tony Cox, General Instrument Pres.-CEO Rick Friedland, others -- 800-654-9276.

Montgomery Ward (MW), moving faster than expected, has advanced closing date of Lechmere purchase to March 15 from early April. MW spokeswoman said negotiations between Chicago-based chain and 24-store Lechmere were "progressing faster and we will be able to get it done quicker." MW agreed to buy Lechmere earlier this month (TVD Feb 7 p12) in deal estimated at \$750 million. Agreement gives MW access to New England and Lechmere to badly needed cash. Companies have said Lechmere will operate as separate division and MW spokeswoman said plans have been "firmed up," with retailer based in Woburn, Mass., reporting directly to MW Chmn. Bernard Brennan. MW executives met with Lechmere senior management in Woburn earlier this month to discuss long-term plans and Lechmere buyers reportedly were traveling to Chicago this week for meetings on product strategies and offerings. Lechmere spokesman didn't return call for comment.

THIS WEEK'S YEN RATE

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

1993 IMPORTS BY COUNTRY: While total VCR imports were down last year, according to Commerce Dept. figures, all major source countries except Japan registered increases (see separate story, this issue). Four countries were source of million or more VCRs last year. In color TV, 4 countries were in millionaires' club, same as in 1992. Mexico increased dominance in color, supplying almost 8.1 million sets last year.

VCR Decks

	Dec.	% Chg.	1993	% Chg.
TOTAL.....	1,196,700	+22.2	14,497,500	- 4.9
Japan.....	298,800	+ 6.6	4,380,900	-23.6
Korea.....	215,400	+37.9	3,511,900	+ 1.5
Malaysia..	257,200	+ 2.6	3,035,900	+18.9
Indonesia.	199,800	+75.0	1,586,500	+62.8
Thailand..	76,400	+10.3	782,900	-55.5
Singapore.	64,400	+ 5.9	736,100	+42.2
China.....	66,200	*	360,300	*
Taiwan....	12,100	+10.6	165,600	-22.0
Hong Kong.	4,950	+229.1	7,500	+111.7

TV Sets

TOTAL.....	1,257,900	+ 6.4	14,727,400	+ 7.4
color....	1,046,100	+ 5.7	12,438,700	+ 7.3
b&w.....	211,700	+ 9.7	2,288,700	+ 7.8
Mexico				
color....	649,400	+14.1	8,077,900	+14.2
China				
total....	147,400	+ 1.6	2,086,100	+30.4
color....	65,300	-17.9	719,200	-16.0
b&w.....	83,100	+24.9	1,366,900	+83.7
Malaysia				
total....	85,600	-16.8	1,442,900	+14.0
color....	74,600	- 7.8	1,257,300	+19.3
b&w.....	11,000	-50.2	185,700	-12.0
Thailand				
total....	172,300	+33.4	1,418,900	+15.0
color....	171,600	+32.9	1,406,950	+14.2
b&w.....	700	*	11,900	+912.3
Korea				
total....	44,500	-44.3	584,800	-53.1
color....	23,100	-28.4	364,000	-51.4
b&w.....	21,400	-55.1	220,900	-55.7
Taiwan				
total....	42,100	-23.3	418,600	-31.3
color....	3,300	-63.7	86,700	-43.3
b&w.....	38,800	-15.3	331,900	-27.5
Japan				
total....	42,100	+23.3	356,100	- 1.1
color....	26,000	+74.8	249,100	+ 9.5
b&w.....	6,500	-27.9	106,900	-14.3
Singapore				
color....	20,800	-46.5	247,700	-58.2
Hong Kong				
total....	11,600	- 5.6	106,000	-50.6
color....	5,700	-45.9	61,400	-64.4
b&w.....	5,900	+240.3	44,700	- 5.3
Canada				
color....	5,600	-53.2	71,900	-25.2
Philippines				
color....	500	-95.7	36,600	-65.2

* No significant shipments in 1992.

Note: Figures for color and b&w TV include kits.
Some totals may not add due to rounding.

3DO'S STOCK ANSWER ON PRICING: There was more to Matsushita's price cut on 3DO player in Japan and U.S. (TVD Feb 21 p15) than just manufacturing efficiencies and lower component costs. 3DO last week said it plans to offer its hardware licensees extra shares of company stock for selling machines at "aggressive" prices through Sept. 30. New prices Matsushita announced earlier this month -- \$499.95 in U.S., effective now, 54,800 yen when system is launched in Japan March 20 -- fall within parameters of program. New prices are 29% and 31% lower than previously announced suggested retail prices.

In U.S., at least, cut in Panasonic's retail price was accompanied by sharp drop in dealer margins to 20% from about 28%, according to retail sources around country, with basic cost falling \$100 to \$400 as suggested retail declined \$200 to \$499.95.

Under plan that hadn't been finalized at our deadline, 3DO would give its hardware licensees 2 shares of stock for every machine sold to retailers with suggested retail prices at or below specified levels. Rex Golding, 3DO's chief financial officer, said company is trying to "kick-start more aggressive pricing" in hope of building machine base more quickly, so software developers would continue or begin 3DO projects. Golding said plan is expected to apply to European market when 3DO technology is launched there by Panasonic in April. Company is using stock as incentive since "we're not in a position to be paying out a lot of cash." He declined to say how many shares of stock 3DO expects to issue through incentive program, but he didn't expect "significant" dilution. It's unclear what effect dropping price to \$499 in U.S. will have on sales, particularly in first 9 months of year, since business undoubtedly will remain highly concentrated in 4th quarter, dealers told us.

As it stands now, Matsushita -- which already owns 15% of 3DO -- is only company prepared to take advantage of offer. Only other companies that have even announced hardware plans are AT&T, which plans player for 4th quarter, and Sanyo, which has said it will begin marketing player this summer in Japan, but hasn't announced plans for U.S. (TVD Jan 17 p18). Sanyo spokesman in Japan last week declined to be more specific on company's plans.

Panasonic executives couldn't be reached for comment. However, Matsushita spokesman in Japan said new price has caused company to raise projection of first-year sales to 1 million units from 600,000. Sources in Japanese software community said Matsushita cut retail not because of 3DO offer, but because of complaints from dealers and developers that product couldn't be sold at such high prices.

Meanwhile, Golding said company "would like to complete a financing before the end of June." He said 3DO is "still evaluating the timing" of million-share public offering that it postponed late last year (TVD Dec 20 p18) when price of 3DO shares declined sharply. Financing deal in first half could involve reinstatement of public offering or private placement, Golding said.

Orion Pres. Len White confirmed published report that company is on verge of signing agreement to license undetermined number of titles for Philips to encode on CD-I discs. Philips Media spokesman late last week denied any knowledge of Orion deal. If it's signed, Orion would be 3rd major studio to go with Philips, following Paramount, with 50-title deal announced last summer, and MGM/UA, with 30-picture pact signed last month at Winter Consumer Electronics Show (TVD Jan 17 p13).

UNIVERSAL WINS, ZENITH LOSES: Consumers using multibrand remotes aren't guilty of infringing patents on remote control codes, federal court ruled in effect last week. In unique patent case (TVD March 1 p14), judge found Universal Electronics' remotes were "staple article" with "substantial noninfringing uses" and didn't contribute to infringement on Zenith infrared technology patent.

U.S. Dist. Court Judge John Nordberg, Chicago, said in Feb 22 decision that Zenith had granted public "implied license" to use Universal and other multibrand remotes with its TVs. Zenith, which packages remotes with its TVs, said Universal customers owning Zenith TVs infringed on patent through "unauthorized use" of Universal remotes.

"There is no evidence in this case that Zenith has ever contacted past or present customers or potential purchasers to warn them that their use of a non-Zenith transmitter [with its] patented remote control process would constitute a direct patent infringement for which they could be held liable," Nordberg wrote in 25-page decision.

Failure to tell customers put Zenith in position of claiming its "patent is restricted for purposes of litigation while not actually restricted in its use in the marketplace," Nordberg said. "Zenith did not inform its customers they were not authorized to repair, replace or reduce clutter with non-Zenith transmitter." Court documents said Universal research showed 68% of its purchasers bought unit because they lost or broke original device, while 25% were motivated by need to "reduce clutter."

Nordberg also held that although Zenith claimed that replacing original remote was "second creation of patented entity," purchase "is simply replacement of unpatented broken part and thus permissible repair." Judge said that if transmitter breaks, entire transmitter and receiver system don't have to be replaced and that Zenith user also has "implied license" to replace lost remote.

In effect, judge invoked precedent of Supreme Court's 1984 Betamax decision when he noted that Universal remote had "substantial noninfringing use" -- that is, it could operate non-Zenith sets, audio equipment, etc. Universal's complaint specifically mentioned Betamax.

Universal Pres. Thomas Tyler said consumer benefited by "eliminating the potential for double royalties which would have resulted in a significant increase in the retail price of universal remote control products."

Zenith spokesman said company would appeal and "we expect to prevail." Nordberg's decision could undercut or delay action on complaint filed by Zenith with International Trade Commission in Jan. seeking investigation of imported programmable remote controls, including Universal's, that allegedly infringe on same patent (TVD Feb 1 p16).

Joint hearing on videogame ratings system will be held by Senate's Juvenile Justice Subcommittee and Govt. Regulation & Information Subcommittee, 10 a.m. March 4, Rm. 340, Dirksen Bldg. Centerpiece of testimony is expected to be presentation by Interactive Entertainment Ratings Systems Committee (IERSC), 7-company steering committee working on developing and adopting rating system in time for 1994 holiday season. Sens. Kohl (D-Wis.) and Lieberman (D-Conn.), who chair respective subcommittees, have introduced bill (TVD Feb 7 p17) that would create 5-member panel to evaluate industry's effort and develop mandatory code if it finds proposed system unsatisfactory.

THORN CLEARS RENT-A-CENTER: Thorn EMI said independent investigation has cleared its subsidiary Rent-A-Center (RAC) of wrongdoing in connection with alleged questionable sales and repossession tactics. London-based Thorn didn't issue copy of report, but released what it described as summary of findings of investigation headed by former U.S. Sen. Warren Rudman (R-N.H.). Final report is expected in spring.

Rudman largely refuted many of allegations in Sept. 22 Wall St. Journal article that purported to describe high-pressure sales tactics and abusive collections procedures at RAC, which rents furniture, major appliances, consumer electronics and dozens of other products to consumers (TVD Sept 27 p16).

Article, which was considered generally damning indictment of rent-to-own (RTO) business, charged that Wichita-based chain's employees encouraged less sophisticated customers to buy more than they could afford and used questionable repossession methods, including entering customers' homes with Hell's Angels members.

Rudman said that while some allegations were true and some changes were needed, vast majority of RAC customers were satisfied. He said it was untrue that RAC relied exclusively on poor customers open to exploitation. Investigation, he said, found that 19% of RAC customers had annual household incomes of more than \$40,000 and 39% were in \$20,000-\$40,000 bracket.

Despite generally positive tone, Rudman did urge improving employee training, including promoting better understanding of liability damage waiver agreements. Waivers allow consumers to stop payment if goods are stolen or damaged, but unlike insurance don't provide for replacement. Thorn said inquiry found no evidence that RAC employees accepted sexual favors in exchange for not repossessing furniture, a key allegation in Journal article.

Company should strengthen rules barring employees from entering customers' homes when no adult is present and provide clearer explanation to consumers as to whether product being rented is new or used, Rudman said. "We are sure some misconduct occurs, but it is pretty isolated, it's not pervasive and it's not company policy," said Rudman, who was appointed by Thorn to conduct probe in Oct.

Thorn EMI release didn't "contradict any specific facts" in Journal article, Journal Managing Editor Paul Steiger said. "We continue to stand by our story. We will, of course, examine the full Rudman report when it is made available to us."

Consumer plans to buy TVs soared to highest point in several years in Feb. Preliminary results in Conference Board's monthly survey showed 8.3% of households planned to buy new TV in next 6 months, compared with previous 13-month high of 7.6% in Feb. 1992 and revised 6.9% in Jan. 1993. Feb. preliminary figure was almost twice as high as year's low of 4.3%, in July. Survey showed consumer confidence in economy declined slightly in Feb., to index figure of 80.8 (1985 = 100).

Sega downgraded projections of sales and earnings for year ending March 31, blaming slow business in Europe and appreciation of yen against foreign currencies. Company now says revenues for year will reach \$3.32 billion, 7.5% lower in yen than forecast in Nov., up 1.3% from year ago. Net income now is forecast at \$209.4 million, down 27% from Nov. projection, 21% less than year earlier.

DSS LAUNCH SET FOR 5 MARKETS New high-powered direct broadcast satellite (DBS) system will launch in 5 southern and southwestern U.S. cities starting in late April, retail sources said.

Albuquerque, Jackson (Miss.), Little Rock, Shreveport and Tulsa are said to be targets for April 25 debut of DBS system developed jointly by Thomson, DirecTV Div. of Hughes Communications and U.S. Satellite Bestg. (USSB), sources said. Gradual expansion is expected to begin in June, with nationwide rollout in 3rd quarter. Thomson and DirecTV declined to comment on possible markets.

Markets were chosen because of low cable TV penetration as well as mix of rural and suburban areas, sources said. All 5 appear to fit bill for cable TV. Albuquerque has most TV households with 519,000, most cable subscribers, 299,700, and highest penetration among 5 at 42.2%, according to Warren Publishing's 1993 Factbook Supplement. Following Albuquerque based on TV penetration: Little Rock, 450,800, 267,300, 40.7%; Tulsa, 448,700, 270,800, 39.6%; Shreveport, 368,300, 215,400, 41.5%; Jackson, 287,600, 167,400, 41.7%. Nationally, cable penetration is 61%.

System including hardware and software will be sold in 5 markets through several hundred consumer electronics and satellite dealers, including Sears, Service Merchandise and Circuit City stores, sources said. Hardware will be sold under RCA Digital Satellite System (DSS) brand at \$699 and \$899, while DirecTV and USSB programming packages will retail at \$10-\$34 monthly. Installation will cost about \$150 and will be handled by RCA authorized servicers and Sears Service Center personnel.

Retail training is expected simultaneously in each of 5 markets in one week in March or April. First training is expected to consist of 3 half-day sessions, sources said.

"The original premise was rural, noncable and TVRO-type areas, but the excitement that's going on right now with DSS has predicated the belief that the customer is a lot more broader based," source told us. "This should be a good, hard-nosed take-it-to-market test without complicating it with the variable of cable -- we'll get a much better read of what the market is and how big it is."

First transmissions in April will be from 75-channel satellite launched in Dec. Beta test in 300 homes of DirecTV and Thomson employees in L.A. and Indianapolis areas will begin March 8 and continue through mid-April, DirecTV said. Second 75-channel DBS-2 satellite will be launched in July aboard General Dynamics Atlas II at Cape Canaveral, Fla. Original plans for flight from Arianespace site in French Guiana were scrapped because of launch backlog caused by failure there of Eutelsat and Turksat satellites in Jan. Third DBS-3 bird that will serve as backup is scheduled to fly aboard Ariane rocket in Nov.-Dec., DirecTV said. Thomson successfully demonstrated new DBS system using DBS-1 bird at Satellite Bestg. & Communications Assn. (SBCA) show in Anaheim earlier this month.

Promotion of system is expected to be limited to print in early stages and retailers said they face difficult task in regionalizing ads. Thomson has said, however, that nationwide launch will be accompanied by year-long \$50-million ad campaign that includes TV and print.

"We're still excited about the prospects, but it will take a hell of a lot to sell it," executive at major east coast retailer said. "There's really a lot to it. You're talking

about convincing someone of the idea of a satellite and of programming they will have to buy separately. You have to talk to them about installation options and the software packaging, and all that takes time."

AUDIO SALES UP 5.2% IN 1993: Factory audio equipment sales finished 1993 with respectable 5.2% gain in dollar volume, EIA Mktg. Services Dept. said last week. Total of \$7.198 billion presumably is new record. If estimated \$3.199 billion in factory installed autosound is added, figure would total \$10.397 billion, very close to EIA's estimate of record \$10.352 billion released at Winter Consumer Electronics Show (TVD Jan 10 p12).

Biggest gainer in 1993 was branded car stereo shipments, up 9.3% in year. Not included in EIA figures is factory installed autosound, whose total sales it estimated to be up 8.5% in 1993. Audio systems climbed 6.8% for year, while largest category, portable audio, rose 3.1% and separate components, once audio's most beleaguered category, 3%.

In Dec., components dropped 6.6%, only product in EIA tabulation to decline for month. Aftermarket autosound carried industry in final month, rising 23.4%, while systems were up 9.4% and portable audio shipments 8.8%. Industry's total gain in Dec. was 7.6% over Dec. 1992.

Here's EIA breakdown of audio factory dollar sales in 1993, along with figures for Dec.:

FACTORY SALES OF AUDIO EQUIPMENT
(add 000)

Product	1993	1992	% Chg.
Portable audio*.....	\$2,495,125	\$2,420,402	+ 3.1
Components.....	1,634,789	1,586,473	+ 3.0
Systems.....	1,463,943	1,370,517	+ 6.8
Autosound (aftermarket)	1,604,000	1,466,932	+ 9.3
TOTAL.....	\$7,197,857	\$6,844,325	+ 5.2
Product	Dec. 1993	Dec. 1992	% Chg.
Portable audio*.....	\$198,088	\$182,097	+ 8.8
Components.....	125,402	134,323	- 6.6
Systems.....	124,228	113,576	+ 9.4
Autosound (aftermarket)	115,281	93,451	+23.4
TOTAL.....	\$562,999	\$523,447	+ 7.6

* Includes home radio.

More than million color TVs with Dolby Surround sound will be sold in western Europe next year, according to research by BIS Strategic Decisions, up from 580,000 this year. In addition to 1,080,000 Dolby TVs next year, same number of other Dolby Surround products (amplifiers, receivers, audio systems) will be sold in 1995, BIS said, up from 590,000 this year. Survey indicated 1.8 million full home theater systems will be in use this year, for 1% penetration of Europe's households, rising to 4 million (3% of total) by end of 1995. BIS said more than 4,500 prerecorded video movies are Dolby encoded, along with more than 70 regular TV shows in U.S.

In continuing defense of patent for device that prevents phone cords from tangling, Recoton is suing Eastern American Co. Recoton has sued 9 companies, and 8 have settled for undisclosed sums and agreed to obtain license. Recoton markets product under Tanglefree brand. Patent in Eastern suit was granted Nicholas Parnello in 1984.

1993 MUSIC SALES TOPPED \$10 BILLION: Vibrant CD market pushed music industry sales over \$10 billion milestone for first time and generated respectable overall increase in unit sales last year, RIAA said in annual statistical report. However, shine dulled noticeably on 1993 album-length music cassette sales, which fell significantly in dollar and unit volume after holding their own in 1992.

RIAA Chmn.-CEO Jay Berman said "healthy" 1993 sales report was "proof that the industry is meeting consumers' taste for a wide variety of quality music." Assn. said overall unit shipments climbed 11.8% in year, with dollars up 11.3%.

Album-length cassette category declined 7.3% in units from 1992, when unit shipments had managed 1.7% increase from 1991. It also fell in dollar value, declining 8.4%, after 3.2% increase in 1992. Musicassettes' fading posture in ever-increasing laser optical world could be seen in fact that analog tape format accounted for only 40.6% of album-length recordings sold in 1993 at same time that CD growth expanded overall pool of album units 7.7%.

As for decade-old CD, format's 1993 performance will confound skeptics who have maintained product has reached its peak. RIAA said unit shipments of album-length CDs rose astounding 21.6% in units, despite slight increase in average value of CD albums sold, with dollars rising 22.2%. Any price declines in laser optical format were found not in album-length version but in CD singles, which rose 8.8% but only 1.5% in dollars.

Here's breakdown of RIAA year-end figures for 1993 and comparison with 1992 (units and dollars in millions):

Product	1993		1992		% Change	
	Units	Value	Units	Value	Units	Value
CDs.....	495.4	\$8,511.4	407.5	\$5,326.5	+21.6	+22.2
CD singles.....	7.8	45.8	7.3	45.1	+ 8.8	+ 1.5
Cassettes.....	339.5	2,915.8	366.4	3,116.3	- 7.3	- 8.4
Cassette singles..	85.6	298.5	84.6	298.8	+ 1.2	- 0.1
LPs/EPs.....	1.2	10.6	2.3	13.5	-47.8	-21.5
Vinyl singles.....	15.1	51.2	19.8	\$66.4	-23.7	-22.9
Music videos.....	11.0	213.3	7.6	157.4	+44.7	+35.5
TOTAL.....	955.6	\$10,046.6	895.5	\$9,024.0	+ 6.7	+11.3

As expected, Matsushita introduced first minicomponent system with Video CD, to go on sale April 1 in Japan at \$1,180. Company said monthly production at start will be 3,000, with exports to U.S. and Europe beginning after summer. First software offerings will be set of 5 Video CD karaoke discs at \$205 marketed by Teichiku, with another set to follow in May. Teichiku plans to introduce 200 karaoke Video CDs for consumer market this year; about 1,000 are available now for commercial market. Matsushita said it plans many variations of Video CD players, including portables. It projects annual sales in Japan of 200,000 in fiscal year ending in March 1995, rising to 2.5 million in year to March 1997. Globally, company forecasts sales of 300,000 in fiscal year to March 1995, rising to 4 million in fiscal year ending March 1997.

Toshiba will boost VCR production at International Video Products (IVP) plant in Singapore 25% to 3 million in year beginning April 1, Japanese press reported. IVP, joint venture with Thomson Consumer Electronics, is source of about 60% of Toshiba's VCRs. Increased production is to cover stepped-up demand in Southeast Asia and U.S., reports said, adding that company at same time is cutting annual VCR production at Sukaya factory in Japan to 1.3 million next fiscal year from 1.5 million in current year. Separate report said Mitsubishi is planning to double annual production rate at its Malaysian VCR factory to one million by summer, making it its largest VCR production center.

CONSUMER REPORTS' CE GUIDE: Sony won top spot on about half of categories in which it competed in Consumer Reports' 1994 edition of "Guide to the Gear" in March issue.

Sony XBR set topped 27" color TV rankings and Sony VCR was highest in VHS Hi-Fi listing, with RCA model No. 1 in mono VCRs, Hitachi topping 8mm camcorder rankings, Panasonic VHS-C and Sharp full-size VHS (of which only 2 brands were tested). Sony model was on top of stereo receiver rankings and on midpriced receivers with Dolby Pro Logic, while Onkyo led low-priced Pro Logic receivers. In speakers, Bose headed list. Sony was leader in single cassette decks, Technics in dual decks, Sony in carousel CD changers, Pioneer in magazine changers, Technics in single-play changers, Panasonic in portables.

Reviews of product categories generally were good, magazine saying that "as with other home electronic gear, a dollar buys more TV now than in years past." In audio section, it said "today's CD players all deliver superb sound quality."

In its reader surveys on repair history, winners (fewest repairs) were: TV, GE and Panasonic; VCRs, Magnavox, followed immediately by 4 other brands of Matsushita-made recorders; camcorders, Sony for compacts, Magnavox for full-size; CD single-play models, JVC and Kenwood (tie); changers, Sony and Onkyo (tie).

In comments on repair history, CR said that its surveys show that "about one in 8 VCRs has broken within 5 years of purchase." Camcorders appear to be most delicate product: "Nearly one in 10... our readers purchased since 1988 has been repaired. That's considerable, considering that the median usage of those camcorders was only about 6 hours a year." Average camcorder repair cost about \$125.

Circuit City (CC), citing need for larger tract of land to accommodate 2nd Carmax used-car outlet, has withdrawn application for zone change in Gwinnett County, Ga. Consumer electronics retailer submitted plans in Nov. for 600-car lot on 11.1-acre site near Interstate 85 outside Atlanta and earlier this month reportedly was studying expanding complex by 5 acres to accommodate 1,700 cars. In letter dated Feb. 21, CC attorney Anthony Powell said application was withdrawn for "reasons unrelated to rezoning process" and retailer was "negotiating at another site for a larger piece of property which will better accommodate their development." Letter didn't indicate whether new site was in Atlanta area and Powell declined comment. CC had been negotiating to buy land from Venture Point Corp. that would have put Carmax across street from Sam's Wholesale Club and CompUSA stores. CC launched Carmax last fall when it opened first outlet in Richmond and reportedly is planning to add 3rd site later this year.

Curtis Mathes (CM) will open new store and warehouse in Albuquerque in spring and has met with San Antonio-based Independent Distributors Assn. in effort to obtain new channel for bringing products to market. While more than 50% of 200 CM dealers are served by sales reps, distributors would handle less accessible markets, company said. CM has 2 distributors -- Freider in Macedonia, O., and Northern Plains in Fargo, N.D. Strong CM markets in Fla., Ga. and N.M. will be served by sales reps, it said. About 30 of IDA's 50 members are expected to serve as CM distributors covering U.S. and Mexico. New CM outlet in Albuquerque also will serve stores in Alamogordo and Las Cruces, N.M.

KOREANS' CD-I PLANS CHANGE: In move away from price-driven consumer market, GoldStar said it will ship full-size CD-I player for business applications in July and add portable unit by Jan.

Company originally reported plans for consumer player with built-in full-motion video (FMV) at \$399 retail (TVD Jan 10 p15). But pricing, including Philips plans for \$299 portable unit, led GoldStar to change plans. Samsung also is considering introducing CD-I, but hasn't finalized details.

"The only way we can compete with Philips in the consumer market is price, and that's not what we want to do," said Philip Petescia, GoldStar dir.-TV/VCR. Price for FMV-equipped full-size and portable models still is being negotiated, but products will be sold through 30-50 value-added resellers (VARs) that will develop business software, Petescia said. Size of first full-size shipments will depend on number of orders. GoldStar is building players in S. Korea.

Meanwhile, Samsung's U.S. plans are in flux after parent company delayed shipment in Korea until April. U.S. introduction is function of software availability, although company said in Dec. it expected to have machine with built-in FMV by 2nd half at \$600-\$700 (TVD Dec 6 p17).

Samsung also hasn't made final decision on Video CD players, although combo unit that can handle variety of CDs is likely bet if product is introduced in 2nd half, said Mark Knox, national mktg mgr., audio and laserdisc. Combination with LD player accommodates 12" analog videodiscs, 5" video CDs with audio and CD+G capabilities and will be priced below \$1,000, he said. Five-disc carousel changer that handles 5" Video CDs is less likely candidate for shipment this year, he said.

On professional side, Samsung will add CD-OK karaoke system in May at \$1,199 packaged with single disc containing 1,500 Korean songs. Machine will target "high-end ethnic markets" in major U.S. cities, with bars and restaurants likely purchasers, Knox said. Additional 20-song disc will be shipped each month at \$20 with 200-song compilation available by year-end at \$200. English-language versions of hardware and software will be introduced in 1995, Knox said. Five-disc changer is compatible with CD-OK, CD-DA, CD+G and CD-ROM discs and contains key and tempo controls as well as video and audio output jacks.

Warrantech, citing costs of European joint venture with American Insurance Group (AIG), posted drop in net income for 3rd quarter ending Dec. 31 to \$80,000 from \$167,000 year earlier. Decline came despite sales increase to \$12.6 million from \$11 million. For 9 months, net income plunged to \$95,000 from \$896,000 despite sales gain to \$35.5 million from \$33.5 million. Warrantech board approved joint venture with AIG in Oct. (TVD Oct 11 p18) in move that will allow company to extend service contract business to Europe.

Kodak will put more emphasis on electronic imaging technology in course of companywide reorganization under leadership of new CEO George Fisher, Wall St. Journal reported. Fisher, who joined company in Dec. from Motorola, is overseeing process that reportedly will split electronic imaging from Kodak's traditional photographic businesses such as film and paper. Article specifically mentioned Photo CD as one area of concentration.

Digital still camera sales will reach nearly 100,000 this year and grow to annual market of about 600,000 by 1998, according to BIS Strategic Decisions.

COMPUTER EDITING AT \$139: Exception to high prices of computer software for editing home videotapes is unique system by Silicon Valley's Gold Disk Inc., which began shipping Apple Macintosh version of its VideoDirector in mid-Feb. with \$99.95 promotional price.

VideoDirector 1.5, which has \$129-\$139 street price, allows user to connect PC to camcorder, VCR and TV, enabling PC keyboard to serve as editing deck. Key to software, previously introduced for Amiga and Windows, is 6' cable with 25-pin PC connector on one end and infrared transmitter and audio-type plug on other. Transmitter is designed to control VCR, while plug attaches to LANC jack on 8mm and Hi8 camcorders.

Unit targets consumers owning both PC and camcorder. About 58% of camcorder owners (6.38 million people) also have PC, company said. It said survey showed 48% of camcorder owners (5.3 million) also were interested in buying video editing equipment. For 53% of consumers interviewed, main use for camcorder is to record family pictures, said Vista Marketing Research, which conducted survey for Gold Disk.

When camcorder and VCR are attached, user has access to 640x480-pixel display with 3 titled windows. Upper left window controls camcorder and VCR functions using icon; upper right monitors start and stop points for each scene; 3rd window enables user to create tape library of raw footage, then use VideoDirector to select tape and scenes.

Mac version adds several features including storyboard that displays "picons" (rhymes with icons) -- digitized footage or generic markers -- that provide access to library and expanded database that has key word search capability.

VideoDirector, introduced at Jan. Mac World conference, already has been released for Amiga (1991) and Windows (1992), but is making debut on Macintosh. Toronto-based company also is studying applications for 3DO multiplayer and CD-I.

Company, which launched with Amiga system in 1984, builds software at Toronto facility, has sales and marketing operations in Santa Clara. Gold Disk has released Mac titles including Animation Works, Professional Draw, Astound.

Tandy generated profit of \$96.5 million in 4th quarter ended Dec. 31 in major turnaround from prior year's quarter, when it lost \$28.4 million (see financial table). Sales for quarter rose 13.2%, including revenues from 110 Tandy Name Brand stores that since have been closed. For year, Tandy sales rose 8.6% to \$4.1 billion and profits 45% to \$99.8 million.

It's Against the Law . . .

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Consumer Electronics Personals

David Hakala, 18-year RCA/Thomson veteran, named Thomson Consumer Electronics vp, TV mfg. operations - Americas, responsible for manufacturing in Indianapolis, Juarez and Torreon, Mexico, and Prescott, Ont. He succeeds Grady Brown, who has joined Mattel as mfg. vp. Most recently he was mgr. of CRT engineering for TCE's N. American Tube Div.; in 1980-1984 he was staff scientist in RCA Videodisc Div. in Indianapolis... **Stephen Race**, ex-Reebok, Atari, Worlds of Wonder, consultant to Sega, named senior vp, Philips Interactive Media, new post, responsible for directing sales and mktg.

Minoru Morio, Sony (Japan) exec. deputy pres., will head new Sony Consumer AV Co., to be created in April 1 reorganization; he's widely regarded as in line for Sony presidency, eventually succeeding Norio Ohga; **Ken lwaki**, former chmn.-CEO of Sony Corp. of America and also exec. deputy pres. of parent company, considered at one time to be in running for Sony pres., is scheduled to become pres. of Sony Life Insurance Co.; informed sources say **Akio Morita**, recovering from cerebral hemorrhage, will retain title of chmn.

Philip Hart named pres., Harman Professional Group, succeeding **Richard James**, resigned to pursue other interests; Hart will remain pres. of Harman-affiliated Soundcraft at least on interim basis... **Thomas Curry** promoted to BMI vp, controller and treas... **Tony Montgomery**, ex-Bertelsmann Music Group, joins Disc Mfg. Inc. as vp-eastern regional sales... **Darcy McKeough** elected to board of InterTAN, which operates Radio Shack and other Tandy stores in Australia, Canada and U.K., among other countries... Promotions at Blockbuster Entertainment: **Tom Szwak** to vp-purchasing; **Mike Clarke**, **David Pulda** and **Joyce Woodward** to senior buyers... **Technicolor Video Services Pres. Emmet Murphy**, Senior Vp-Chief Financial Officer **John Siciliano** and Chief Administrative Officer **David Elliott** promoted to exec. vp.

Steven Roth, ex-Octel Communications, named pres.-CEO NuMedia, succeeding **Arthur Esch**, who remains chmn... **Brock Stanton**, who joined Intellimedia Sports, multimedia software producer, from IBM in Oct. as vp-exec. producer, appointed pres.-COO, succeeding **Ben Dyer**, continuing as chmn.-CEO; **Sandy Flynn** promoted to vp-exec. producer... **Gregory Slayton**, ex-McKinsey & Co., named vp-business development and finance, Paramount Technology Group... **Jeffrey Leist** advanced to exec. vp-operations, News Corp. New Technology Group.

China produced 13,873,000 color TVs in 1993, increase of 5.5% over 1992, State Statistical Bureau said. Some 4.36 million were exported (TVD Feb 21 p15). Quoting International Business newspaper, China Daily said exports of color TVs increased annually average 64.9% in 1985-1992, b&w TVs 77.3%, audio cassette recorders 58.7%, radios 15%. As recently as 1991, according to article, "almost all exported cassette tape recorders, radios and microwave ovens went through Hong Kong, as did about 70% of the color TV sets."

NEC will begin mass production of TFT LCDs in Akita prefecture in Japan in Oct., 2 months earlier than planned, to meet increased demand from U.S., Japanese press said. First production in Akita facility will be for automotive applications. Company expects to more than double sales of TFT LCDs to \$940 million in next fiscal year from \$400 million in current year ending March 31.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Babbage's			
1994-year to Jan. 29	233,429,000	4,337,000	.82
1993-year to Jan. 30	209,171,000	6,785,000	1.29
1994-13 wk. to Jan. 29	102,802,000	5,375,000	1.01
1993-13 wk. to Jan. 30	100,725,000	7,177,000	1.36
Cablevision Systems			
1993-year to Dec. 31	666,724,000	(246,782,000)	--
1992-year to Dec. 31	572,487,000	(250,503,000)	--
1993-qtr. to Dec. 31	171,968,000	(86,880,000)	--
1992-qtr. to Dec. 31	157,540,000	(65,899,000)	--
Cohu			
1993-year to Dec. 31	75,278,000	6,810,000	1.63
1992-year to Dec. 31	54,398,000	3,077,000	.76 ^a
1993-qtr. to Dec. 31	18,055,000	1,816,000	.43
1992-qtr. to Dec. 31	15,549,000	1,196,000	.29 ^a
Comsat			
1993-year to Dec. 31	640,600,000	75,300,000	1.85
1992-year to Dec. 31	563,600,000	42,900,000	1.09 ^a
1993-qtr. to Dec. 31	167,500,000	18,100,000	.44
1992-qtr. to Dec. 31	156,500,000	16,900,000	.43 ^a
Handleman			
1994-9 mo. to Jan. 31	816,487,000	22,769,000	.68
1993-9 mo. to Jan. 31	869,820,000	33,216,000	1.00
1994-qtr. to Jan. 31	300,027,000	10,084,000	.30
1993-qtr. to Jan. 31	335,656,000	14,324,000	.43
Matsushita Electric^b			
1993-9 mo. to Dec. 31	44,510,000,000	239,000,000	1.13 ^c
1992-9 mo. to Dec. 31	48,156,000,000	251,000,000	1.19 ^c
1993-qtr. to Dec. 31	15,753,000,000	96,000,000	.45 ^c
1992-qtr. to Dec. 31	16,811,000,000	110,000,000	.52 ^c
Tandy			
1993-year to Dec. 31	4,102,551,000	96,849,000	1.18
1992-year to Dec. 31	3,778,670,000	67,010,000	.80 ^d
1993-qtr. to Dec. 31	1,454,831,000	96,481,000	1.24
1992-qtr. to Dec. 31	1,285,299,000	(28,337,000)	-- ^d
TDK^b			
1993-9 mo. to Dec. 31	3,125,786,000	62,830,000	.48 ^c
1992-9 mo. to Dec. 31	3,300,443,000	226,664,000	.93 ^c
1993-qtr. to Dec. 31	1,040,554,000	17,321,000	.18 ^c
1992-qtr. to Dec. 31	1,119,033,000	41,434,000	.31 ^c
Turner Broadcasting			
1993-year to Dec. 31	1,921,606,000	(244,248,000)	e
1992-year to Dec. 31	1,769,892,000	77,622,000	.30
1993-qtr. to Dec. 31	535,032,000	9,528,000	.04 ^e
1992-qtr. to Dec. 31	538,456,000	29,699,000	.11
Warrentech			
1993-9 mo. to Dec. 31	35,553,000	95,000	.01 ^e
1992-9 mo. to Dec. 31	33,560,000	896,000	.07
1993-qtr. to Dec. 31	12,613,000	80,000	.01 ^e
1992-qtr. to Dec. 31	11,079,000	167,000	.01
Wells-Gardner			
1993-year to Dec. 31	36,011,000	(1,779,000)	e
1992-year to Dec. 31	48,949,000	1,545,000	.40
1993-qtr. to Dec. 31	9,262,000	(449,000)	e
1992-qtr. to Dec. 31	11,102,000	80,000	.02

Notes: ^aAdjusted. ^bAt rate of 112 yen = \$1. ^cPer ADS. ^dRestated. ^eAfter special charge.

Sales to dealers of VCRs and laserdisc players continued to run behind 1993 pace in first 2 weeks of Feb., according to figures from EIA Mktg. Services Dept. VCR deck sales were down 10.1% in first half of month, about same rate of shortfall as in Jan. Laserdisc players were off 43% in period. On other hand, direct-view color TV sales (excluding combos) were up 4.8% in first half of Feb. after 4.3% deficit in Jan. TV/VCR combos continue hot, up 111% in first half of Feb., and projection TV was up 39.8% in same period.