

# TELEVISION DIGEST®

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

With Consumer Electronics

MARCH 7, 1994

VOL. 34, NO. 10

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**EEO, VIOLENCE BOTHER STATE TV HEADS:** EEO 'is not a quota game,' says Kennard. Hundt says he is 'available and open' to broadcasters. (P. 7)

**HOUSE PANELS MOVE ON TELECOM BILLS:** Two House subcommittees last week approved key elements of new telecommunications policy legislation, but left until another day contentious issues of flexibility for broadcasters to use their spectrum and regulatory parity between telcos and cable offering similar video services. House Telecom Subcommittee approved legislation (HR-3636) to, among other things, provide local competition between cable and telco within telephone service areas and bill (HR-3626) to lift Modified Final Judgment restrictions on RHCs. House Judiciary Subcommittee on Economic & Commercial Law also approved MFJ bill.

But after 3-1/2-hour drafting session March 1, Telecom panel decided to leave for full Commerce Committee consideration next week (March 15 or 16), 2 key areas that came up late in discussions -- regulatory flexibility and spectrum flexibility. Both were raised by Rep. Tauzin (D-La.). He said he would offer at meeting of full committee amendment to HR-3636 to provide regulatory parity between telcos and cable for video. Hill aide said Tauzin regulatory flexibility plan was modeled after language in 1992 Cable Act to take care of instances in which there's competition between cable and telco, while giving states ability to regulate competing services by price, rather than by rate of return. Now, in competitive situation, cable is price regulated and telephone companies, in most instances, are regulated by rate of return, aide said.

### Consumer Electronics

**VIDEOGAME RATING PROGRESS** outlined at Senate hearing. New trade association to sponsor independent board to rate all types of software. (P. 10)

**JOHNSTONE RESIGNS FROM PHILIPS** Consumer Electronics for presidency of Whittle Communications, succeeded by Minkhorst, head of lighting company. (P. 11)

**RECORD 13.5 MILLION TVs** were 'made in U.S.' in 1993; 51.9% of total color TV supply assembled here, U.S. assembly up 24.3%, imports up 7.3%. (P. 12)

**PHILIPS IN BLACK FOR 1993:** Consumer electronics erases most of loss and would have made profit but for Grundig deficit. Nokia quits TV tube business. (P. 12)

**JAPANESE VIDEO EXPORTS** didn't aggravate America's negative trade balance last year. VCRs and CD players down in unit shipments, camcorders up. (P. 13)

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**CIRCUIT CITY WILL SUBLEASE** 'virtually all' of former Silo stores it acquired from Fretter. (P. 16)

Most of debate came on last item -- Tauzin amendment to allow broadcasters to use spectrum they already lease for "ancillary or supplementary" services. They would have to pay for spectrum in amount equal to what would have been paid if spectrum had been auctioned. Rep. Boucher (D-Va.) led opposition, arguing that allowing use of more spectrum in highly sought-after market in highly desirable bandwidths could lower value for spectrum to be auctioned later this year by FCC. He said he thought broadcasters would use spectrum for PCS in competition with other PCS providers. Rep. Synar (D-Okla.) also opposed amendment: "This is dangerous." He said issue was too new and too large to be included in markup. Under Tauzin amendment, broadcasters in theory would have space within 6 MHz they now have and additional 6 MHz for HDTV uses to provide new services, technology allowing.

Backers of measure to give broadcasters additional flexibility thought they had deal cut for measure to be introduced and passed. Tauzin and chief Subcommittee Republican Fields (Tex.) appeared to agree, and some industry sources said Subcommittee Chmn. Markey (D-Mass.), who sponsored bill with Fields and others, or at least Markey's staff, had also agreed. Last agreements didn't come until halfway through markup, sources said. However, Markey said he wanted to agree with comments by Boucher and Synar, who had raised objections to proposal. Markey's comments came after colloquy with Tauzin that was intended to present language to be used in committee report on bill, sources said. Deal came apart when Commerce Committee Chmn. Dingell (D-Mich.) administered coup de grace, leading Subcommittee staff through series of questions designed to show there was virtually no limit to what broadcasters could offer. After about 80 minutes of debate, Tauzin conceded: "The gentleman from Louisiana has got your message." From Markey, this commentary: "No mas." But Tauzin warned that issue wouldn't go away. Dingell wasn't in on negotiations involving broadcasters and staffs of Markey and Fields, sources said.

Boucher worried that broadcasters could lower value of spectrum being auctioned by NTIA for PCS uses by using spectrum allocated to them for broadcasting for similar services, while Synar was concerned that proposal would be giveaway program. After Judiciary markup, Boucher, who's member of both panels, said he would like to work on solution. Problem from his point of view is that it would be difficult to draft legislative language keeping broadcasters out of PCS because there's no good definition of PCS. However, NAB Exec. Vp James May said he hasn't heard of any broadcaster who had expressed any interest in offering PCS. Assn. of Public-Safety Communications Officers (APCO) sent letter to Markey Feb. 28 urging that any broadcast spectrum not used for broadcast services be returned to FCC and made available for "other far more critical communications services," such as public safety.

Markey sent letters to FCC, OMB and industry groups March 3 asking for quick comment on Tauzin proposal, which resembles but is broader than language already in Senate version (S-1822). Markey asked for replies to 14 queries by March 7 (today), although deadline could slip. Among questions: (1) Should broadcasters pay fee for spectrum if they provide new services or be required to bid for additional spectrum? How should such fees be calculated? (2) What would be effect on revenues received from spectrum auctions generally if provision is enacted? (3) How should "ancillary or supplementary" services, as proposed in Tauzin's amendment, be defined? (4) What would be effect of new measure on HDTV development? (5) Would there be incentive to reduce picture quality? Markey also said Subcommittee would hear arguments on any other issues.

Still missing in action is Clinton Administration's Title 7 proposal, which would have deregulated carriers offering video broadband services. However, NARUC Exec. Committee ended winter meeting in Washington March 3 by opposing Administration's regulatory parity plan to reduce regulation of telco broadband services so they're on even plane with cable systems. Under Administration proposal, telco could opt for eased Title 7 regulation if it offered broadband, interactive services to 20% of its subscribers. Rates wouldn't be regulated unless FCC determined telco had market power. NARUC complained that current draft of Title 7 is difficult to interpret "as to whether the FCC would be permitted... to preempt state regulation of intrastate services offered in conjunction with Title 7 broadband services" even if those same services were regulated when offered by non-Title 7 telcos. NARUC said it was seeking clarification, but: "As currently drafted, Title 7 [proposal] may lead to greater disparity in regulatory oversight, undercut the goals of common carriage and will impede the smooth transition to a competitive market. Thus, NARUC cannot support Title 7 in its current form."

**CHONG GETS NOD FOR GOP SEAT AT FCC:** President Clinton last week announced his "intention to nominate" San Francisco attorney Rachelle B. Chong, 34, to Republican vacancy on FCC. In news release, President said: "I am confident that Rachelle Chong's experience and commitment in the area of telecommunications will prove invaluable to this most important committee [sic]." Senate Republicans had expected Administration to fill Democratic FCC vacancy -- with Washington-area investment banker and

Clinton-Gore fund-raiser Susan Ness as lead candidate -- at same time GOP spot was filled, but that didn't happen and there was no word from Administration about Ness. However, Democratic official told us her nomination "is still on course" and that the 2 names still are likely to go to Senate together (Chong's hasn't been sent up yet).

Chong, of Chinese descent, is partner in San Francisco law firm Graham & James, specializing in telecommunications law. She's also head of firm's regulatory department and member of its International Telecommunications Group and Management Center Committee. Her nomination is supported by Senate Minority Leader Dole (R-Kan.) and other congressional leaders on both sides of aisle and her confirmation is assured, we're told. She has made rounds of Washington since her name surfaced as FCC candidate (meeting with FCC Chmn. Hundt, among others) and has been given high marks by all with whom we talked. "I found her to be very impressive over lunch," ex-FCC GOP Chmn. Richard Wiley said. Among others, she has met with ex-FCC Chief of Staff Brian Fontes and current Chief of Staff Blair Levin.

Chong first surfaced as lead candidate for GOP seat at FCC last fall (TVD Nov 22 p2). That came after Senate Republican leaders let White House know that they wouldn't accept Administration's first choice -- Ore. PUC Chmn. Joan Smith -- because she had worked for Democratic Gov. Neil Goldschmidt. Also, Dole held up confirmation of Hundt for several weeks until Republicans knew who GOP nominee to Commission would be; Hundt was confirmed in late Nov. after Chong's name arose and it was made known that Smith wouldn't be appointed. Chong will fill spot vacated last summer by Sherrie Marshall, who now heads her own company in L.A. Chong has telephone and cellular clients in her law practice -- including McCaw and Pacific Telesis -- also practiced before FCC in 1984-1987 with now defunct Washington law firm Kadison, Pfaelzer, Woodward, Quinn & Rossi (KPWQR). She's married to Kirk Del Prate, also a lawyer; they have no children.

Born and raised in Stockton, Cal., Chong is 1981 Phi Beta Kappa graduate of U. of Cal., Berkeley, where she received dual degrees in political science and journalism. She received law degree in 1984 from Hastings College, where she was editor of Law Journal. Rep. Matsui (D-Cal.) said of nominee: "Rachelle Chong will be a strong, independent voice on the FCC. She has built a career exploring the legalities of the ever-expanding field of communications and will be invaluable as the Commission prepares to tackle some of the most complex issues it has ever faced."

James Troup, who served with Chong at KPWQR, said: "We worked together... as fellow associates and I always found her work to be very thorough and accurate... She'll make a good commissioner... She has a good attention to detail which will serve her very well." Will she be independent? "Oh yeah, she's an independent thinker... She definitely has initiative and will make independent decisions... I don't think she will be influenced by politics, and that might be very refreshing." Troup now is with Washington law firm Arder & Hadden.

"She's very bright and extremely hard-working," said Riley Temple, also associate with Chong at KPWQR, now partner at Halprin, Temple & Goodman. "It was quite a disappointment to all of us in the law firm when she moved back to California... I think the President was very smart to nominate her."

"Presentation of Rachelle Chong" (prepared by Chong and made available to our affiliated publication Communications Daily) in her successful bid for appointment to FCC shows that she actively sought job. She said she received "an unsolicited telephone call" in Sept. from Ginger Lew, Commerce Dept. gen. counsel, telling Chong that she was candidate: "She specifically stated that the White House was looking for a female, minority candidate, with 15 to 20 years of telecommunications experience. She requested that I immediately fax my resume" and other materials, which Chong did, including articles she had written. Lew called back in fall, Chong said, to say "the package looked good" and had been sent to White House Personnel Office. Presentation also included Chong's background and qualifications for FCC slot. She said she has practiced telecommunications law exclusively, recently expanded into Pacific Rim and Australia.

**African American Religious Connection (AARC)**, group headed by Nation of Islam leader Louis Farrakhan, said it has bought WLGO(AM) Columbia, S.C., price not announced. Group said it plans to buy at least one TV station and additional radio stations to discuss society's "moral crisis" and "economic trials" faced by blacks.

Viacom said it completed tender offer for Paramount, accepting 61.7 million shares by deadline March 1 for \$107 per share cash. Rest of 120 million shares tendered will receive mix of securities.

**Preregistration is up 30%** for NCTA convention in New Orleans May 22-25, Assn. said, and exhibit space is 26% ahead of final figure last year. Convention Chmn. Larry Wangberg of Times Mirror said higher figures reflect interest in cable role in information superhighway. NCTA expects attendance to break last year's record of 16,438.

**Full FCC affirmed** order dismissing application of John White for new FM in La Crosse, Wis., because he submitted hearing fee 2 weeks late in 1991. Commission said White's "lack of awareness" of deadline doesn't warrant waiver.

**CABLE SEEKS INCENTIVES:** Cable industry is "very encouraged" that FCC's new rate rules (TVD Feb 28 p1) have goal of providing incentives for adding new networks, NCTA Pres. Decker Anstrom said, but "the devil is in the details." NCTA held news conference March 2 to push for language in final rate rule orders that it said would allow cable operators and programmers to charge enough for new networks to justify investment. Otherwise, Turner Bestg. Vp Bert Carp said: "We are concerned that we have seen the last new basic cable network."

If incentives aren't large enough, Anstrom said, it "could have a real pall on the industry." For example, he said incentive rules would allow cable operators only 7.5% markup on programming cost of adding network, even though Treasury bond offers 6.75% at no risk, and telcos get 11.25% return. Despite that, Carp said, it's "a significant public policy victory [for cable] that the Commission recognized that it wants quality improvements in basic cable networks, and that that requires incentives. We want to point out the relationship between those goals and the fine print."

As FCC drafts final order implementing rate decisions, cable officials said they're looking for several provisions: (1) New rules must include adequate compensation for cable operators for facilities costs of adding and operating channels. Carp said previous benchmarks didn't. (2) Operators want markup on price increases for networks they're already carrying. (3) Cable industry wants to avoid problem with earlier benchmarks, in which adding channel sometimes lowers per-channel rate allowed for all channels, diluting money available to pay for new channel. (4) Cable would like more than 7.5% markup for cost of new programming. (5) Cable wants to be sure that it doesn't have to offset cost of adding new traditional cable networks with profits from such things as home shopping. (6) Carp said operators could face 6-month delay at local level or at FCC getting approval for price hike to add new channel.

Lack of incentives could make channels such as Learning Channel unviable, said Ruth Otte, pres. of parent Discovery Networks. She said network, which has nearly doubled to 30 million subscribers since reregulation because of incentives under old benchmarks, needs to reach 40-45 million to be viable. That may not be possible unless new rules include adequate incentives for cable operators, she said. Turner's new Cartoon Channel took big hit from reregulation, Carp said. Network's subscriber base has grown to 10 million in 2 years since launch, he said, but it would be "easily" 50 million without reregulation.

#### EDITOR'S NOTE

Economics of cable networks would change drastically if operators move basic networks to a la carte, according to Warren Publishing study to be published this spring. *Cable A La Carte Pricing: A Survey of Consumers & Operators* indicates that Discovery Channel, the most popular basic cable network if offered on a la carte basis, would attract only 57.21% of subscribers, even at prices as low as 50¢ per month. As basic service, Discovery is available to more than 95% of all cable subscribers. Study is based on survey of more than 22,000 consumers conducted by marketing research firm PNR & Assoc. Survey also shows that 36.69% of cable subscribers would prefer to buy channels on a la carte basis, rather than in basic and expanded basic packages, and that 65.01% would expect their total cable bill to be lower if they ordered a la carte. Warren's *Cable A La Carte Pricing* report is priced at \$1,995 per copy. For further details, contact Lynn Levine at 202-872-9200.

Viacom set off brushfire with other MSOs, particularly TCI, in reversing earlier round of comments on FCC's horizontal and vertical ownership rules. Contradicting its earlier filings, Viacom suggested even tougher ownership limits than those proposed by Consumer Federation of America and Center for Media Education (CFA/CME). Viacom said FCC should limit single MSO to owning systems serving 15% of U.S. cable subscribers, and MSOs reaching 15% limit should be able to carry affiliated cable networks on only 20% of channels. TCI affiliate Liberty Media, in reply comments last week, called that "a stunning reversal" of previous Viacom policy that "ignores the substantial record evidence for FCC's higher ownership limits." In footnote, Liberty acknowledged that primary target of Viacom proposal was TCI. Rumors were circulating on Wall St., meanwhile, that TCI was contributing to pressure for Blockbuster to renegotiate its merger agreement with Viacom because of 25% drop in Viacom stock price since Jan. Time Warner also attacked Viacom ownership proposal, pointing out that there were no filings by unaffiliated programmers claiming that they had been discriminated against by big MSOs. It also rejected Viacom claim that 40% penetration is needed to make cable network successful, pointing out that Viacom-owned Nickelodeon still hadn't reached 40% in its 5th year. Viacom, however, said it didn't change its position on FCC's horizontal ownership rules because it didn't take earlier position. But it pointed out that "TCI's anticompetitive conduct" convinced it to file antitrust suit against TCI after earlier filing rounds and convinced Viacom to propose tighter ownership rules. NCTA, without mentioning Viacom, said there's "no rational basis to revisit" FCC conclusions on ownership rules. CFA/CME filed own reply, saying FCC shouldn't be deterred from "imposing horizontal limits with teeth merely because such limits would require TCI to divest." Del. Chancery Court, meanwhile, delayed action on Blockbuster stockholder suit to block Viacom-Blockbuster merger.

Fox dropped bid to buy WGBS-TV Philadelphia (Ch. 57, independent) from Combined Bestg. because of delay in FCC approval, Fox lawyer William Reyner said. FCC action was stalled in part by NAACP opposition to transfer on ground that Fox was in "flagrant violations" of foreign ownership rules because of U.K.-based News Corp.'s partial ownership, Reyner said. FCC, in footnote in its decision granting News Corp. waiver to take over N.Y. Post, also said it planned to consider foreign ownership issue in WGBS-TV case. Reyner said Fox believed deal had to be completed by end of Jan. for new owner to have renewal preference when station license is up for renewal in April, and deadline passed without FCC action. Fox had agreed to pay \$50 million for station (TVD Aug 23 p3). Deal also raised ire of current Fox affiliate in city, WTXF (Ch. 29).

**Clarification:** Comments by Rep. Fields (R-Tex.) criticizing FCC Chmn. Hundt as "a puppet" for not being sufficiently independent on cable-rate decision weren't meant as criticism of Clinton Administration (TVD Feb 28 p1), Fields staff said. Staff said comments were aimed at influence of congressional Democrats, who pushed rate cuts. Fields believes Vice President Gore concurs that Commission decision cutting cable rates another 7% "runs counter to the Administration's goal of the information highway" and could have brought competition to telcos overnight, Fields staff said. In interview Feb. 25, Gore backed FCC's decision as "sound public policy," saying it would lead to development of new services.

Adelphia will buy 120,000 DigiCable set-top converters from General Instrument for \$30 million, under new contract. Deliveries are expected to begin in early 1995.

**NTIA ISN'T ABANDONING PTFP:** NTIA-sponsored program to bring public broadcasting services to underserved rural areas remains important part of agency's mission even though Clinton Administration recommended that annual budget be cut to \$10 million from \$24 million, NTIA Dir. Larry Irving told Senate Communications Subcommittee. At hearing on NTIA's reauthorization, he said newly proposed \$100-million National Information Infrastructure (NII) grant program would make up for some of lost funding. Irving said NTIA spent \$8 million of Public Telecommunication Facilities Program (PTFP) budget on tele-education and distance learning projects, and will spend even more on them under NII program.

Reducing PTFP funding isn't popular with senators from rural states, and Subcommittee Chmn. Inouye (D-Hawaii) and Sen. Burns (R-Mont.) expressed concern that move appeared to be first step in NTIA's eventual withdrawal of support from public broadcasting. Irving said NTIA "will not allow rural areas to go without public broadcasting." He said focus of NII testbeds will be to identify "technology-neutral means" (including fiber, satellite and cellular) to connect networks of differing applications including education and health care.

On other issues, Irving said NTIA plans to transfer 50 MHz of spectrum to private industry from govt. users next year and shift total to 200 MHz of bandwidth in long term. He said relocation will cost some money to find new location for govt. users without compromising services, but will facilitate new uses of spectrum such as PCS and advanced TV. Sen. Dorgan (D-N.D.) said he would change his proposal that FCC monitor TV violence to having NTIA give nonprofit group grant to perform that function. Irving said: "If given the obligation, we'll fulfill it." Inouye also praised FCC for what he called its "fair and balanced decision" to institute 2nd cable TV rate rollback: "This is precisely what the drafters had in mind."

TCI and Microsoft have agreed in principle on joint test of interactive services in Seattle and Denver using TCI networks and Microsoft's new software architecture. Two-phased trial will begin in Seattle in 4th quarter, with architecture and preproduction operating software available to companies' employees. Second phase will start in 1995 to test network on customers in Seattle and Denver areas. Tests will enable companies to "meet cable operator requirements for a fail-safe service to subscribers," with first test focused on operating system software and 2nd on "how consumers actually interact with the system and service features." Microsoft Chmn.-CEO Bill Gates said: "We're taking a deliberate, considered, approach by making a long-term investment" in software for interactive TV.

NARUC proposal to ban municipal ownership of cable systems was tabled by its Communications Subcommittee. Resolution's sponsor, Sharon Nelson, chmn. of Wash. Utilities & Transportation Commission, said she had offered it "to be provocative." Goal is to make issue more visible because First Amendment questions raised by govt. ownership merit discussion, she said. Proposal would have put NARUC on record as recommending that state and federal laws discourage municipal ownership of cable unless there's no alternative.

TV industry ad revenues rose only 4% in 1993, capped by 11% increase in 4th quarter, TvB reported. For year, local spot was up 6% to \$5.57 billion, national and regional spot 3% to \$5.62 billion, syndication and networks 4% to \$12.51 billion.

**COURT FAVORS PORTALS IN FCC DISPUTE:** Don't get excited, FCC Gen. Counsel William Kennard in effect told agency staffers after U.S. Court of Federal Claims last week ordered General Services Administration (GSA) to reinstate 1991 contract for Commission to move to Portals development in SW Washington near 14th St. bridge. As result of court's order, Kennard sent E-mail message to employees that "there will probably be rumors, and possibly articles in the press, that the FCC is moving to the Portals. Any such reports would not be accurate."

Court of Claims Judge Robert Hodges ordered GSA contract (SFO 88-100) reinstated, saying that its cancellation was "improper... GSA will proceed with award of SFO 88-100. No later than March 15, 1994, defendant [GSA] will notify the Court that SFO 88-100 has been awarded." Contract with Portals for building that hasn't been constructed was canceled after uproar from FCC, attorneys, lobbyists, licensees.

Commission said proposed hq wasn't large enough -- it now has proposal at GSA for 385,000-395,000 sq. ft. (TVD July 19 p4) -- wouldn't have access for handicapped (which is govt. requirement), wasn't as close to subway station as specifications require, wasn't close to restaurants. Developers of Portals appealed cancellation of contract. Court retained jurisdiction, enjoining GSA from "resoliciting office space" for FCC without its permission.

Kennard said FCC would appeal order: "We believe that the government has strong grounds for prevailing on appeal. So, please be advised that this matter is subject to further litigation. We will keep you informed."

Interactive educational network will "create an explosion of 2-way communication [and] allow students and teachers to escape the confines of the classroom," FCC Chmn. Hundt said in speech Feb. 28 at Harvard Graduate School of Education. At first annual ACT lecture on media and children, Hundt challenged educational community to support legislation creating information highway and linking nation's classrooms to it. If challenge is met, he said, "education in this country will be reinvented, forever and for better... We in government can write rules, but we need the wisdom... of not just educators, broadcaster and cable operators -- but of utility companies, regulators, software providers and, most importantly, parents to make it work right. This is my challenge to you -- to form such a coalition and make it an effective voice for the children of America."

NBC said its coverage of 1996 Summer Olympic Games from Atlanta won't include cable pay-per-view (PPV) partners, in part because affiliates have agreed to provide network with \$30 million to help pay for \$456 million U.S. TV rights. NBC included PPV in its coverage of 1992 Games from Barcelona and move was less than successful; network paid \$401 million for rights, lost \$100 million. However, most of that coverage was taped, while in 1996 it will be live. NBC plans to air minimum of 165 hours from Atlanta and said more daytime coverage could be added.

Concept Communications said it won control of Nostalgia Network by buying 5.3 million shares from Tiger Communications for \$11.5 million, giving it 11.5 million shares (59% of total). Concept said it also received right to purchase another 365,000 shares from Tiger, and has contract to buy 1.7 million from former Nostalgia CEO. It said it would provide Nostalgia with \$2 million in working capital in exchange for new stock.

**WIRELESS LOOKS FOR CONTENT:** Wireless industry, flush with new competition and influx of spectrum, is focusing on content issues, panel of top company executives told Wireless '94 convention at opening session in San Diego March 3. "Distinguishing between content and capacity are becoming increasingly inconsequential," said Dennis Patrick, pres.-CEO, Time Warner Telecommunications, and former FCC chmn.

Wireless industry has captured only 5% of American market, said Cellular Telecommunications Industry Assn. (CTIA) Pres. Thomas Wheeler, who moderated session's talk-show style format. "That leaves a 95% growth opportunity," he said. He asked executives of cable, cellular and next-generation wireless services how they would juggle content and capacity issues in rapidly expanding wireless market. Wheeler said distinguishing between wireless providers by sectors such as cellular, PCS or Specialized Mobile Radio (SMR) is now "nothing more than a reference to a historical accident of where these businesses happened to land on the spectrum chart."

Patrick said process of delivering full video-on-demand system also creates broadband, switched network capable of providing voice services. Those voice services, which include wireless patched through cable system, will form basis for other TW offerings, he said: "Our going-in proposition is to supply reliable, low-cost voice service... that we can build from." He said each market would have 5-6 competitors, forever doing away with current wireless duopoly system that allows 45% margins. Given that number of competitors, capacity won't be where action is, Patrick said; instead, market for content will be major play. He said there's "a trade-off" that shapes up with increased wireless capacity: "You can choose to offer more services or use that capacity to help lower prices for existing services."

**Bcstrs. Caucus** is continuing to move toward development of new-generation advanced TV system Coded Orthogonal Frequency Div. Multiplexing (COFDM), although decision to build system won't be final until after NAB convention this month. Caucus Chmn. Michael Sherlock, NBC exec. vp-technology, said there was "a consensus around the table" last week to go ahead with COFDM (TVD Feb 28 p6), as well as tentative commitment to fund estimated \$1 million cost of project, but final approval from associations and groups that belong to Caucus still is pending. Group did decide it probably would have to develop full prototype COFDM system to determine whether it's improvement over HDTV system being developed by Grand Alliance, Sherlock said. Caucus is refining cost estimates and timetable, he said, with next steps to include writing user specifications, doing paper analysis of fitting COFDM into U.S. 6-MHz channels, then seeking bids for building prototype.

**Canadian Radio & TV Commission (CRTC) Chmn. Keith Spicer** proposed regulation-free plan for Tee-Comm to upgrade to DBS service in order to fend off perceived cultural threat of U.S. DBS operators. Tee-Comm spokesman said company plans to provide digital 38-w Ku-band DBS service to 2-ft. dishes from Anik E-1 satellite starting in fall. Company currently offers C-band services, some of which contain American programs. He said CRTC "is bending over to help us to ensure the availability of a Canadian package." Company spokesman said that "while we weren't anticipating any regulatory handcuffs, it's always good to get the go-ahead." CRTC will allow 45 days for comments before implementing policy, he said.

Time Warner said it will delay startup of full-service network in Orlando until 4th quarter, from earlier April plan, because of problems with 2 key technologies. "There's no connection between the delay and the unfortunate FCC rate regulation," spokesman said. Indications are, though, that if final rate rules are too Draconian they could affect future rollouts. Technical delays involve operating software and microprocessors being developed by Silicon Graphics, as well as Scientific-Atlanta (S-A) set-top convergers that use systems, companies said. Biggest problem is said to be designing software that makes it easy for customers to interface with network. Silicon Graphics Chmn. Edward McCracken, calling project "one of history's most ambitious technology trials," said 50-100 engineers are working overtime on project, but TW said extra time is needed to "allow additional refinements." Scientific-Atlanta officials said integrating system is more complex than anything company has done. S-A CEO James McDonald said delay was necessary because it's important to "make sure we deliver a robust, powerful implementation of this complex technology." Despite delay, TW said it still expects to have network available to 4,000 Orlando customers by end of year. TW Cable Chmn. Joseph Collins said other parts of full-service network are on schedule, including installation of 1,000 miles of fiber, ATM switch and video servers: "Development of other innovative consumer and business applications like home shopping, interactive games, advertising and information services is progressing well."

**U.S. Appeals Court**, D.C., refused to block FCC cable rate freeze extension immediately, as requested by CATA and InterMedia Partners (TVD Feb 21 p4), but put issue of requiring agency to complete rate rules quickly on fast track. FCC Gen. Counsel William Kennard called brief order victory: "Clearly the court agreed with us that the freeze is necessary to protect consumers and didn't cause irreparable harm to cable operators." Court, in order issued March 2, said FCC must respond to CATA/InterMedia complaint by March 10, and gave complainants until March 15 to answer. Kennard said FCC is expected to tell court that it completed main rate rulemakings Feb. 22, but Cable Act "envisioned that rate regulation would be an ongoing process," so fine-tuning is likely for some time. CATA Pres. Stephen Effros said he's disappointed but pleased that court indicated it will move quickly on other issues. Court said it wouldn't overturn freeze immediately because cable groups hadn't completed internal FCC appeal, though they had argued that such appeals are futile. Effros said fast track schedule may indicate that court will order FCC to complete rate rulemakings quickly or lift freeze before May 15: "Even if they don't lift it, the court may recognize that at least the Commission can't continue to extend the freezes indefinitely. You can never tell what a court will do, but we are looking forward to the court taking jurisdiction and lifting the freeze."

**CNN technician Lloyd Battle** was accidentally killed Feb. 22 outside Alexandria, Va., federal court when microwave equipment he was adjusting struck power line. He was covering arraignment of CIA official and his wife accused of spying for Russia. CNN official said Battle was experienced cameraman and audio technician and just before accident had been discussing dangers of power lines with co-worker. Potomac TV Services set up trust fund for Battle's 3-year-old daughter. Checks can be sent to Megan Battle Trust Fund -- 202-783-8000.

**Continental** said it was awarded \$2.75-million judgment against supplier of illegal cable decoder boxes by U.S. Dist. Judge David Kenyon, L.A., in decision against William Prevost and 2 associates, plus companies they control.

**VIOLENCE AND EEO MAJOR CONCERNS:** Broadcasters had "no coherent guidelines" for following FCC's EEO polices until Commission adopted policy statement and fine schedule month ago (TVD Feb 7 p7), agency's Gen. Counsel William Kennard told NAB state leadership conference in Washington Feb. 28. EEO, along with violence, were major concerns discussed on FCC staff panel and in speeches and answers to questions by FCC Chmn. Hundt and Sen. Simon (D-Ill.). Hundt told broadcasters he's "available and open... to all of you."

Kennard said FCC has "a very broad policy focus" on EEO and other subjects and enforcement "is not a quota game." Policy statement will help, he said, because "broadcasters didn't know what to expect" before it was issued. He disputed contention from floor that Commission is applying EEO rules "retroactively," saying that guidelines "are not complicated." Mass Media Bureau Chief Roy Stewart, also responding to statement from audience, called it "a cheap shot" to say public interest groups "have nothing better to do" than file EEO complaints against licensees. He also said "I'll make my staff available to you" for state association meetings and it's not fair to say Commission is out to get licensees on EEO issues.

Meanwhile, at end of week, NAB asked FCC to reconsider its EEO policy statements, arguing that they should be subject to comments, rulemaking, court review. Assn. also warned its members that "the thrust of the new policy is likely to survive" and it's "imperative that stations review their personnel recruitment and interviewing procedures." NAB plans series of renewal seminars, starting in May, with stress on EEO requirements. NAB Exec. Vp-Gen. Counsel Henry Baumann said: "Broadcasters have long recognized their responsibilities [on EEO]. However... the Commission's direction in the new policy statement appears to be more oriented toward penalizing broadcasters with extraordinary fines and sanctions, rather than on achieving genuine, consistent compliance, as was the goal in the past."

Maureen O'Connell, mass media asst. to Comr. Quello, said her boss is concerned about short-term renewals being issued in connection with EEO problems. Stewart advised licensees to pay close attention to EEO throughout license period and to study FCC order "so you'll know what to expect" from agency. Panelists agreed that Hundt wants to take look at Commission's structural and ownership rules for broadcasting and, Kennard said, "that's a good sign from your point of view." "Wild card," he said, is what U.S. Supreme Court does with cable's appeals of must-carry rules.

As did Simon, Hundt devoted much of his speech -- which he called "get-acquainted chat" -- to violence issue, repeating many of points he made 5 weeks ago at INTV-NATPE convention in Miami (TVD Jan 31 p1). "Most important part" about violence is that it provides "business opportunity" for TV broadcasters to "reforge bond" between themselves and public by acting on their own to curb televised violence, Hundt said. Public concern on violence "potentially threatens" that bond, he said. Two of his main themes as chmn., he said, are economic growth for U.S. and access to all markets for programmers. As for information highway, he said: "We don't want anyone cut out of this information highway as it develops."

Hundt strongly praised Kennard and other key FCC staffers he has brought to Commission and said he's particularly happy Stewart has remained as Mass Media Bureau chief because "I really need him." For his part, Stewart said chmn. "has his own agenda but he's open to you

talking to him about your agenda" and solicits recommendations from industry.

Simon said Kay Koplovitz, CEO of USA Network, had called him to say USA would join other cable networks in establishing independent monitoring system for violence. USA had been notably missing when joint effort was announced (TVD Feb 7 p1). (However, USA spokesman said March 1 that Network hasn't changed its position and still opposes violence rating systems and use of V-chips to control viewing by children.) Citing moves being taken by TV and cable industries, Simon repeated statements that voluntary industry efforts on violence are preferable to govt. action and said he will resist "legislative efforts for the immediate future... It's better for you to provide the answers than for the federal government to provide the answers." However, in answer to question, he warned that "I can't promise anyone here that there's not going to be legislation" on violence. And there will be, he said, if public doesn't "perceive" that violence has been reduced on TV.

**MSO Columbia Assoc.** made "extravagant generalized claims" that FCC cable rate regulations violate First Amendment in its petition for writ of mandamus in U.S. Appeals Court, D.C., and didn't justify need to bypass "ordinary judicial review," Commission said March 4 in opposition. Columbia's arguments that regulations "target and immediately burden" distribution of free speech and constitute "purposeful attempt" to restrict "publishers and editors utilizing cable" are "demonstrably false," FCC said. It said cable regulations impose "no content-based restriction" on speech and denied that it's "singling out" cable despite Columbia's claims that "no other media of mass communications, whatever the distribution technology or means of publication, is 'rate' or 'price' regulated." FCC said "tax [or regulatory] scheme that discriminates among speakers does not implicate the First Amendment unless it discriminates on the basis of ideas." Columbia must reply to FCC filing by March 9. Columbia Assoc had argued that all FCC cable rate regulation violates First Amendment, according to petition for writ of mandamus Columbia filed with U.S. Appeals Court, D.C. Writ should direct FCC to cease all further rate proceedings, Columbia said: "Whatever may be the final resolution... it is the ongoing process, itself, and the progressively increasing burdens thereby inflicted on the constitutionally protected activities, that are facially infirm under the First Amendment... The regulations reflect an institutional bias against the distribution of speech or a free, independent press."

Canada and U.S. exchanged diplomatic notes formally putting into effect TV broadcasting agreement that became effective Jan. 5, replacing 1952 agreement. Terms of new accord actually have been in effect since 1990 under bilateral deal. FCC said it offers additional flexibility in technical standards and affects all TV stations and proposals within 400 km of U.S.-Canada border. Copies of agreement are available from International Transcription Service, 2100 M St. NW, Washington 20037, 202-857-3800.

In continuing get-tough policy on EEO violations, FCC fined KAME-TV Reno \$18,750 and issued short-term renewal, subject to reporting conditions. Complaint had been filed by NAACP and League of United Latin American Citizens.

Raytheon Semiconductor said it will develop integrated circuits for Zenith's 16-VSB digital cable transmission system. Companies said chips should be in volume production by 3rd quarter 1994.

"Broadcasters want to steal 12 MHz" of spectrum through legislation (HR-3636 and S-1822) now being considered by Congress, ex-NTIA Dir. Henry Geller charged March 4. Speaking at Annenberg Washington Program seminar on new book of essays, 20/20 Vision: The Development of a National Information Infrastructure published by NTIA, Geller said Congress should require broadcasters to give back current 6 MHz they hold for analog service when they move to new 6 MHz block for digital service. Vacated spectrum should then be auctioned off, Geller said. Broadcasters' efforts are "a new definition of chutzpah," he said. He noted FCC made same recommendation in advanced TV order in Oct. 1992, and said recommendation should be codified. Senate bill and similar, but not identical, language in House bill have angered other spectrum users, who believe broadcasters should have to bid for spectrum for nonbroadcast services like everyone else. Broadcasters have indicated willingness to pay something, but opponents believe price wouldn't be same as if broadcasters were thrown in with everyone else. Positions should be clarified this week when House Telecom Subcommittee receives responses from 4 govt. agencies, half-dozen trade groups and dozen companies that were asked to respond to queries on language in House bill allowing broadcasters to use spectrum for "ancillary or supplementary" services. Attorney Peter Huber said current use of spectrum by broadcasters was wasteful and "low-tech," and spectrum shouldn't be used for "couch potato technologies." Book contains 15 essays on topics ranging from public interest vision of National Information Infrastructure (NII) to universal service through NII to use of network for economic vitality. Authors include Geller, Huber, Columbia U. Prof. Eli Noam and other academics, Electronic Frontier Foundation Chmn. Mitchell Kapor.

Blaming action on effects of cable deregulation rather than on Paramount deal, Viacom Cable laid off 43 administrative support personnel last week, although about 15 will be offered other Cable Div. positions. Layoffs, which didn't affect noncable operations of Viacom, involved only about 2% of Viacom Cable staff, company said, and won't affect quality of service. Laid-off staffers get "enhanced severance package." At least 2 other unidentified MSOs were said to be laying off staff. Meanwhile, MultiVision, while not cutting staff, is undergoing financial restructuring expected to be announced in few days. As part of restructuring, MSO is expected to allow investment bankers Goldman, Sachs to take control of 72,000-subscriber system in Prince George's County, Md.

Interactive Network (IN) filed \$20-million malicious prosecution suit against NTN Communications in U.S. Dist. Court, San Francisco. IN filed suit after same court had dismissed patent litigation against it filed by NTN, which had claimed that IN interactive TV system infringed on NTN patents. Latest IN suit claims that NTN stipulated in 1987 that technology didn't infringe on its patents, and that suit was meant to assist NTN efforts to raise capital. "NTN has used baseless litigation as a competitive weapon to influence the investing public's perception of the relative value of the NTN and Interactive Network technologies," IN Chmn. David Lockton said.

After bitter dispute, WPIX N.Y. and Madison Sq. Garden Network (MSGN) reached agreement permitting station to continue to carry 50 N.Y. Yankee games for next 3 years. MSGN, owned by Paramount, obtained rights to Yankees baseball in 1988, carrying through year 2000; WPIX has aired Yankees for 43 seasons. Dispute between station and MSGN received wide publicity, including threats of congressional action to keep games on free TV.

Good news and bad news, mostly bad, on FCC fines last week. Frank Shughart, who had paid \$400 fine for transferring his license from boat Tommie Jean to Shughart without authority, had his fine reduced to \$100 by Field Operations Bureau (FOB), which cited new policy statement on forfeitures. Commission also reduced fine of Cal. Komputer Test Inc. to \$5,000 from \$7,000 for selling unlicensed personal computers. In other actions, FCC: (1) Affirmed \$350,000 fine, issued in Aug. 1992, against Fourth Media for transmitting "obscene material... for commercial purposes" by telephone. Commission said Field Operations Bureau (FOB) had "accessed and recorded a number of Fourth Media's adult-oriented messages, mostly during the day when children could be expected to be able to call... FOB found no restrictions in place to prevent minors from accessing Fourth Media's sexually explicit messages." (2) Reaffirmed \$18,750 fine against KEGL(FM) Ft. Worth for EEO violations in action on its own motion. In earlier action, Commission said it "inadvertently failed" to consider informal objections to KEGL's renewal filed by NAACP and 2 individuals. (3) Reduced to \$2,000 from \$5,600 fines against 6 companies for marketing invisible pet containment electronic devices that weren't authorized by FCC. Retailers told Commission that they had relied on manufacturer's manual, which said device didn't need to be licensed. (4) Fined KTBB(AM) Tyler, Tex., \$5,000 for broadcasting telephone conversation live without informing other party.

FCC approved request of GTE Spacenet and GE American Communications jointly to license GTE's GStar 1 satellite at 103° W. GTE will retain responsibility for operating satellite; ownership and capacity will be shared. FCC also granted GE permission to use 103° W for GE-1, which is to be deployed to 85° W in March 1996. Hughes protested GE application, saying joint license application was arranged to get replacement rights to strategically important position over midcontinent. FCC Common Carrier Bureau said GE request is "consistent with the basic structure of the domestic satellite assignment plan."

DirecTv hasn't reached agreement with National Football League for carriage on DBS, which goes into service in test markets in April, spokeswoman said. Company is negotiating for rights to carry pro football on pay-per-view or "season ticket" basis to out-of-market locations. Price will be "reasonable," she said. Meanwhile, Indovision, Indonesian DBS operator that also plans to begin in April, said it had reached agreement to carry CNN International, Turner Network TV, Cartoon Network.

Big 3 TV networks' coverage of murders in U.S. in 1993 was 3 times higher than in 1992, although murder rate remained virtually unchanged, according to study by Center for Media & Public Affairs. "People's fear of crime doesn't come from looking over their shoulders," Center Co-Dir. Robert Lichter said. "It comes from looking at their television screens." By comparison with murder reportage, coverage of drug problems has dropped 83% in last 5 years, he said. Study didn't include print media or local TV news.

Time Warner (TW) signed 3-year purchase agreement with Scientific-Atlanta (S-A) for at least 500,000 of S-A's 8600x home communications terminals over next 2 years, with option to buy up to one million. Terminals will allow TW to take "migration path which starts with analog services and can gradually add more advanced services as they become available," said Gary Trimm, S-A Subscriber Systems Div. pres. Remaining terms and conditions weren't disclosed.

FCC Chmn. Hundt leaves for Paris after Commission's Tues. meeting to participate in Network Economy Conference; he will be part of Thurs. regulatory roundtable, returning to Washington Fri... FCC appointments: John Logan, ex-Justice Dept., named deputy dir., Office of Legislative Affairs; Catherine Kisee-Sandoval joins Office of International Communications as special asst.

Donald Johnstone resigns as Philips Consumer Electronics pres.-CEO to assume same post at Whittle Communications, job vacant since 1989... Craig Hunegs promoted to vp-business affairs, NBC-TV... Changes at Turner: Karen Kesselman, ex-Landor Assoc., named vp-advertising and mktg., Turner International (TI); Gwin Scott promoted to vp-sales, TI Australia; Gregg Creevey advanced to dir.-hotel sales, TI Asia-Pacific; Geraldine Sharpe-Newton, ex-World Wide Fund for Nature, named vp-international PR, Turner Bestg. System.

Katherine Dillon promoted to vp-production and technology, Cap/ABC Multimedia Group; Robert Ackley, CapCities/ABC Video Publishing, promoted to Multimedia Group vp-finance and administration; James Waltz, ex-W W Entertainment, named vp-financial controls and accounting, ABC Cable and International Best. Group... Caroline White advanced to vp-commercial administration and special services, Fox Bestg... Jesse Jackson, former partner with Schnurr & Jackson Assoc., named vp-creative services, A&E Networks, new post... Nancy Lesser promoted to vp-West Coast media relations, HBO... Scott Whitcomb advanced to vp-operations, IDB Systems.

Mike Shipley promoted to asst. news dir., KSDK St. Louis... Sheldon Ripson, ex-WHOI Peoria, appointed news dir., WMTV Madison... Howard Anderson, Harriscope Corp., elected to NAB radio board, succeeding Robert Fox, current radio chmn. whose term expires in June... Janice Garjan, ex-Petry TV, appointed TvB mgr.-national sales, mktg. and membership... David Poltrack, CBS/Best. Group senior vp-planning and research, will receive NAB/BEA 1994 Hugh Beville Jr. Award for research at BEA convention, Las Vegas, March 20-24.

Edward Horowitz, Viacom Bestg. chmn.-CEO, delivers keynote at MSTV annual meeting, March 21, Las Vegas Convention Center, 10:30 a.m.; other speakers include USSB Pres. Stanley Hubbard and Richard Wiley, chmn. of FCC Advanced TV Advisory Committee... Peter Diamond promoted to senior vp-Olympic programming, NBC... Alex Atamanchuk promoted to vp-network operations, Fox Bestg... Randy Fisher advanced to vp-legal affairs and gen. counsel, Adelphia Communications.

Diane Begala, NCTA dir.-public affairs and special projects, named senior policy dir., new post... Bruce Ferguson, Cable Ad Bureau vp-local advertising, also will head local ad group, assuming duties of Ron Fischmann, who left CAB in Dec... Bernard Weiss, who left U.S. Satellite Bestg. in 1986 to join Northwest Airlines, rejoins company as dir.-finance and administration... Robert Switz, ex-Burr-Brown vp-chief financial officer, appointed ADC Telecommunications vp-chief financial officer... James Troup named partner at Arter & Hadden Washington law firm... Herbert Brown, ex-Kirkpatrick & Lockhart, opens own law office at 1899 L St. NW, Washington 20036, 202-466-8799... Susan Turner-Lowe, acting dir., National Research Council Office of News & Public Information, named dir.

Steve Madoff promoted to senior vp-business affairs and legal, Paramount Pictures Motion Picture Group... Mark Rozells, Disney Co. asst. treas., also appointed vp... Daniel Rosett, ex-Walt Disney Pictures Studio Operations Group, joins MGM as vp-corporate controller... William Cella, ex-ABC, appointed exec. vp-broadcast and programming, McCann Erickson... David Salniker resigns June 1 as Pacifica exec. dir., remains consultant through at least Sept. 30; Pat Scott, national affairs dir., will serve as interim exec. dir. after June 1 if needed.

Richard Frankie, ex-Columbia Pictures TV, appointed senior vp-business affairs, Columbia TriStar TV Distribution... William Soady, ex-TriStar Pictures, named pres.-CEO, Showscan, succeeding Roy Aaron, resigned.

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Cable networks issued request for proposals for independent outside monitor for TV violence. Proposals are due March 31. Monitor will review TV violence, including cable, broadcast and satellite TV, and file annual public reports, but won't set violence ratings. Satellite Network Committee said it's looking for "person, organization or group of unquestionable independence and stature" to "qualitatively and quantitatively analyze violence on television as well as industry efforts to give viewers more information and control." Proposals may include identity of proposed monitor, description of how experts will be selected, method of analysis, budget, time frame. NCTA will pay monitoring costs. Industry wants monitoring to begin with 1993-1994 season and continue for at least 3 years.

U.S. Attorney's office in Philadelphia filed suit against Lenfest for allegedly underreporting basic rate revenue by \$154 million during 1988-1991, saving company \$2.4 million in royalty payments to producers. Asst. U.S. Attorney Catherine Votaw said court may set hearing date this week but noted that Lenfest has yet to file reply brief. Votaw declined to reveal how U.S. Attorney Michael Stiles, who filed suit, discovered alleged abuses. Repeated attempts to reach Lenfest's attorney handling case were unsuccessful.

U.S. Appeals Court, D.C., has given FCC 21 days from March 2 to respond to petition by First Media L.P. seeking to force agency to act on 4-year-old request seeking declaratory ruling that prime-time access rule is unconstitutional (TVD Feb 21 p3). First Media, which owns CBS affiliate WCPX-TV Orlando, then will have 7 days to respond to FCC. Rule prohibits network affiliates in top 50 markets from airing off-network programs 7-8 p.m.

Sign of improved economy: NAB and TvB have seen substantial growth in TV station members in last 14 months, both signing new groups. Three of 4 River City stations that weren't NAB members have joined, raising station membership to 953, up from 921 Jan. 1, 1993; NAB also re-signed ABC-TV Network last Dec. At TvB, 3 Allbritton stations that weren't members joined, raising station membership to 295, up from 209 at beginning of 1993, plus all major rep firms.

KBLCom agreed to buy 3 Minneapolis-area cable systems with 47,000 subscribers from Amzak Cable for \$87 million in stock of KBLCom parent Houston Industries. Systems are in Bloomington, Chaska, Fridley, Shakopee, St. Louis Park, several smaller communities. Systems are next to 116,000-subscriber Paragon system in Minneapolis, which is half-owned by Houston Industries.

# Consumer Electronics

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

## STATE OF THE INDUSTRY

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

|                  | FEB.<br>12-18 | 1993<br>WEEK | %<br>CHANGE | FEB.<br>5-11 | 7 WEEKS<br>1994 | 7 WEEKS<br>1993 | %<br>CHANGE |
|------------------|---------------|--------------|-------------|--------------|-----------------|-----------------|-------------|
| TOTAL COLOR....  | 387,968       | 369,613      | + 5.0       | 334,907      | 2,629,864       | 2,574,607       | + 2.1       |
| DIRECT-VIEW..    | 379,246       | 364,025      | + 4.2       | 328,167      | 2,570,815       | 2,527,107       | + 1.7       |
| TV ONLY.....     | 360,099       | 337,646      | + 6.6       | 300,360      | 2,387,271       | 2,401,065       | - 0.6       |
| TV/VCR COMBO     | 19,147        | 26,379*      | -27.4       | 27,807*      | 183,544*        | 126,042         | +45.6       |
| PROJECTION...    | 8,722*        | 5,588        | +56.1       | 6,740        | 59,049*         | 47,504          | +24.3       |
| VCR DECKS.....   | 143,076       | 155,565      | - 8.0       | 117,144      | 1,145,421       | 1,266,259       | - 9.6       |
| CAMCORDERS.....  | 30,331*       | 29,769       | + 1.9       | 21,505*      | 251,387*        | 232,512         | + 8.1       |
| LASERDISC PLYRS# | 3,115         | 1,850        | +68.4       | 1,597        | 19,602          | 22,330          | -12.7       |

Direct-view TV 5-week average: 1994--408,965; 1993--402,197 (up 1.7%).

VCR deck 5-week average: 1994--177,439; 1993--181,725 (down 2.4%).

Camcorder 5-week average: 1994--40,417\*; 1993--36,342 (up 11.2%).

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

**SENATORS APPLAUD VIDEOGAME RATING PROGRESS:** Sens. Kohl (D-Wis.) and Lieberman (D-Conn.) reacted positively Fri. to outline of plan for videogame ratings system by Interactive Entertainment Industry Rating Committee (IEIRC), while stressing that they intend to keep close eye on progress. "I think you're on the way to doing something significant here," Lieberman said after hearing testimony by Electronic Arts Senior Mktg. Vp Jack Heistand, who is IEIRC chmn. At joint hearing of Kohl's Subcommittee on Regulation & Govt. Information and Lieberman's Judiciary Subcommittee on Juvenile Justice, Heistand described plan to have system in place so "products coming to market after November 1 will, if submitted by publishers in a timely fashion, be rated under the new system."

Last week's hearing didn't have fireworks of session in Dec., when Sega and Nintendo openly sniped at one another over merits of their approaches to violence issue and Lieberman castigated Sega for publishing Night Trap and allowing most violent version of Mortal Kombat to be published for Genesis console by Acclaim (TVD Dec 13 p1). With Heistand as IEIRC chmn., Nintendo of America Chmn. Howard Lincoln and Sega of America Senior Vp Edward Volkwein played only supporting roles last week. In brief statements, Lincoln told senators Nintendo doesn't regard ratings question as "competitive issue," and Volkwein, who said average Genesis player is 19 years old, asked senators "to allow us in this medium the same freedom to evolve as has been granted to other media," without heavy-handed calls to limit content. He said Sega Channel, when it's launched later this year, will include parental lockout feature.

Lieberman took opportunity to renew call for "self-regulation of content by the videogame companies themselves... If the videogame industry had practiced self-restraint before now, we wouldn't be here today." Only brief note of conflict came after Heistand's formal testimony, when Lieberman asked how new trade group might affect content issue. "We can't do that any more than the American Booksellers Assn. can tell Simon & Shuster what to publish or the MPAA tell Touchstone" what to market, Heistand said, adding that no linkage has been proved between violent videogames and violent behavior -- point that Lieberman jumped on, saying reason probably was that industry is too new to have developed definitive research.

IEIRC laid out plan that includes: (1) Formation of interactive entertainment trade association, with independent ratings board of "educators, parents, child development experts, business and others." (2) Consultations with experts beginning this month to develop guidelines and rating systems, seeking "public comment" before decision is made, with aim of completing process by June. (3) Creation of rating symbols that would be accompanied by several descriptive words, such as "includes simulated violence." (4) Requirement that all packaging, ads and marketing materials include ratings.

(5) Agreement that publishers would be required to submit most extreme content in title to rating board in form of videotape containing representative samples of program. (6) "Tough sanctions against any company that withholds relevant information and, in effect, secures a rating fraudulently." (7) Requirement that rating must be shown "in any form in which [program] is delivered, whether on-line or through cable TV."

(8) Voluntary ad code covering such areas as casting commercials with appropriately aged actors and buying media commensurate with target audience. (9) Support from retailers. At hearing, executives of Wal-Mart and Toys 'R' Us said they wouldn't stock unrated products, and Babbage's Store Operations Vp Mary Evans called it "very unlikely" chain would purchase unrated product. (10) Solicitation of input and support "from every entertainment software publisher, regardless of platform." (11) Interaction with arcade industry in developing system. Top executives of largest trade groups -- Amusement & Music Operators Assn. and American Amusement Machine Assn. -- testified about their intent to formulate systems. (12) Intensive consumer and retailer education campaign.

Following hearing, Heistand said new trade group essentially has been formed, but is awaiting results of trademark search before name and other details are announced, which he said should come within 2 weeks. He said all 7 members of IEIRC -- Acclaim, Atari, Electronic Arts, Nintendo, Philips, Sega, 3DO -- have committed to new group, and will solicit all other software publishers over next 60 days. Group also may invite hardware makers to join. Heistand said it probably will be based in N.Y. or Washington, with exec. dir., dir. of rating system and other top staffers in place by June Consumer Electronics Show.

**JOHNSTONE TO HEAD WHITTLE, MINKHORST TO PCE:** In surprise announcement, Whittle Communications last week disclosed that Donald Johnstone, 63, would become pres.-CEO later this month. He will be succeeded as pres.-CEO of Philips Consumer Electronics (PCE) March 14 by Robert Minkhorst, currently pres. of Philips Lighting Co., Somerset, N.J.

Johnstone joined PCE in June 1983 as senior mktg. vp, was promoted to pres. following year. During his presidency, company was completely restructured and PCE said its total annual sales have more than doubled and sales of Magnavox tripled, while brand moved into 2nd place in color-TV market share. Before joining PCE, Johnstone was mktg. vp at Litton Systems and previously served in various marketing posts at GE, becoming gen. mgr. of its TV business in early 1970s.

Minkhorst is no stranger to consumer electronics. He has been pres. of Philips' U.S. lighting operation since 1991, but in past he has had responsibility for consumer electronics in Philips' home country of Netherlands as well as in Scandinavia and Far East. He has been managing dir. of company's worldwide Domestic Appliance & Personal Care Div, having joined Philips in 1969.

Johnstone's organizational and business management strengths presumably were deemed valuable at Whittle, headed by flamboyant Chmn. Chris Whittle, who Wall St. Journal said is "increasingly under pressure to bring costs under control." Philips owns 25% of Whittle and is expected to increase its holdings to 33%, according to Journal, which quoted Johnstone as saying he wouldn't represent Philips' interest in Whittle -- "I have severed my relationship with Philips. I now work for all of Whittle's partners and Chris."

Philips is principal supplier to Whittle, under multimillion-dollar contracts to provide TV sets and other electronic products and services to its Channel One school TV news program and its medical Special Report Network for doctors' offices, now being discontinued. Other owners of Whittle are Time Warner Inc. (37%) and Associated Newspaper Holdings (25%).

Like PCE, Whittle is based in Knoxville. "I have known Chris [Whittle] as a vendor and partner, and understand their business," Johnstone told us. "We work well with each other." He said Whittle could become "a billion-dollar company" in interactive communications marketplace "and I hope to be able to leverage on my background... to help them grow in a smooth and professional way."

In last couple of years, Johnstone has spoken proudly of organization he built up at PCE and has said he was preparing for his retirement. Last week he told us: "I am leaving behind the best team there is in this industry. I see a smooth transition and consistency of service to our dealers. I put [Senior Sales & Mktg. Vp] Ralph Palaia in his position knowing this would occur. He will do a fantastic job, and [Senior Vp-Gen. Mgr.] Ron Marsiglio, who is running the color-TV business, is outstanding and knowledgeable."

**1993 -- RECORD 13.4 MILLION TVs 'MADE IN U.S.':** Despite growth of Mexico as assembly center, domestic output of color TVs set record last year. Although imports also hit new high, domestic sets outnumbered them by almost one million, analysis of Commerce Dept. import figures and EIA total supply data reveals.

Last year, 51.9% of color TV's total supply was U.S.-assembled, complete reversal of situation in 1992 when imports represented 51.8% of total (TVD March 15/93 p10). U.S. assembly of color sets increased 24.3% in 1993 over 1992, while imports were up just 7.3%. Total supply of direct-view color TVs (including VCR combos but not projection) grew 15.5% to record 25,847,000. Direct-view color TV sales to dealers last year totaled 24,633,449, about 1.2 million fewer than total supply.

Fourth-quarter figures show pattern consistent with full year -- record domestic assembly of more than 3.8 million sets, comprising 51.7% of total supply. They represent dramatic reversal from 4th quarter 1992 when imports represented record 55.7% of total -- high-water mark for any quarter. Domestic output rose big 38% in 4th quarter, while imports -- though at quarterly record -- were up only 2.2% from same quarter of preceding year.

Total TV supply in U.S. exceeded 28 million for first time last year -- counting direct-view color plus monochrome, close to 29 million if projection TV is included. All b&w TV sets are imported, so we use Commerce Dept.'s import figures for monochrome -- 2,289,000 last year -- which is more than 4 times higher than EIA's estimate of sales to dealers, probably due to fact that so many sets don't carry major brand names and therefore are difficult to track.

To arrive at U.S. assembly figures we subtract Commerce Dept. import totals from EIA "production" (total supply) figures. We believe this provides good barometer of domestic vs. imported sets, although certainly not with pinpoint accuracy. Here are figures for full years 1993 and 1992, along with data for final quarter of each of the 2 years:

#### TOTAL TV SUPPLY, 1993 vs. 1992

|          | U.S.-Assembled      | % Change | % of Total | Imports*   | % Change | % of Total | Total Supply | % Change |
|----------|---------------------|----------|------------|------------|----------|------------|--------------|----------|
| Color TV | 1993.... 13,408,000 | +24.3    | 51.9       | 12,439,000 | + 7.3    | 48.1       | 25,847,000   | +15.5    |
|          | 1992.... 10,785,000 | + 1.3    | 48.2       | 11,594,000 | +22.5    | 51.8       | 22,379,000   | +11.2    |
| B&W TV   | 1993.... 0          | --       | --         | 2,289,000  | + 7.8    | 100.0      | 2,289,000    | + 7.8    |
|          | 1992.... 0          | --       | --         | 2,123,000  | - 2.2    | 100.0      | 2,123,000    | - 2.2    |
| Total TV | 1993.... 13,408,000 | +24.3    | 47.7       | 14,728,000 | + 7.4    | 52.3       | 28,136,000   | +14.8    |
|          | 1992.... 10,785,000 | + 1.3    | 44.0       | 13,717,000 | +17.9    | 56.0       | 24,502,000   | + 9.9    |

#### 4TH QUARTER

|          |                    |       |      |           |       |       |           |       |
|----------|--------------------|-------|------|-----------|-------|-------|-----------|-------|
| Color TV | 1993.... 3,818,000 | +38.0 | 51.7 | 3,555,000 | + 2.2 | 48.2  | 7,373,000 | +18.1 |
|          | 1992.... 2,767,000 | -24.2 | 44.3 | 3,478,000 | +11.0 | 55.7  | 6,245,000 | - 8.3 |
| B&W TV   | 1993.... 0         | --    | --   | 770,000   | + 7.2 | 100.0 | 770,000   | + 7.2 |
|          | 1992.... 0         | --    | --   | 718,000   | - 4.9 | 100.0 | 718,000   | - 4.9 |
| Total TV | 1993.... 3,818,000 | +38.0 | 46.9 | 4,325,000 | + 3.1 | 53.1  | 8,143,000 | + 7.5 |
|          | 1992.... 2,767,000 | -24.7 | 39.7 | 4,196,000 | + 7.9 | 60.3  | 6,963,000 | - 7.9 |

\* Imports include assembled sets and unassembled but complete kits (chassis with tubes). U.S.-produced sets include those made from imported chassis. Figures include TV/VCR combinations, but not projection TV.

"% change" is comparison with same period of preceding year.

**PHILIPS IN BLACK FOR 1993, CE COMES CLOSE:** Philips moved from red to black ink last year, even excluding \$596 million in extraordinary gains from sale of interests in Matsushita Electronics and PolyGram. Its worldwide consumer electronics (CE) operation reported minor loss, but Chmn. Jan Timmer made it clear that errant stepchild Grundig was at fault and put that German affiliate on notice to mend its ways.

While Europe's No. 1 consumer electronics manufacturer was reporting improvements resulting from radical surgery, its No. 3 manufacturer -- Nokia -- was taking drastic measures to stanch flow of dollars at its TV operation. Nokia, reporting \$135 million in 1993 losses from consumer electronics, announced it was closing picture tube manufacturing business but remaining in TV receivers in preparation for multimedia age.

Philips' net income from normal business operations totaled \$460 million last year, as opposed to loss of \$484 million in 1992, on total sales increase of 1% (see financial table). It reported 2nd consecutive profitable quarter, resuming dividend suspended in 1989. Although consumer electronics sales fell 2% to \$11.15 billion, its losses dropped \$258 million to just \$39 million. But Grundig's losses cost Philips some \$205 million last year, in addition to \$29 million Philips is required to pay annually to Grundig family trust. "Change or die," Timmer publicly warned Grundig at news conference in Eindhoven, noting that Grundig must heed same message as Philips -- "this is about survival."

Grundig needs "major restructuring" of "old-fashioned management structure," said Timmer -- indication that this would happen because of Philips' controlling ownership of 31.6% of Grundig. He noted, however, that company still had strong brand name and technological strength. Philips said it gained in consumer market share in N. America and Western Europe.

Philips forecast continued economic recovery in U.S. this year, with Asian growth remaining at 1993 levels, but "improvements in the European economies are still some way off." Philips said it didn't have "the illusion that pressure on margins will abate in 1994."

Timmer was reluctant to discuss DCC, CD-I or HDTV, calling such comments "misleading" at meeting intended to focus on "the company's results." He would say only that CD-I is "on target for one million this year," while DCC has sold only "tens of thousands." Of latter, he said "we recognize that it is too expensive [and] we are trying to reduce the price to steepen the sales curve." Asked about multimedia, he said he agreed with PolyGram Pres. Alain Levy that "people are already exaggerating the size of the current market -- I do not want to add to that."

Nokia's color tube plant in Esslingen, Germany, with capacity believed to be around 2 million annually, was purchased in 1988 from Alcatel, which had taken over former ITT consumer electronics operations in Europe (TVD Dec 21/87 p11). It was modernized last year at cost of \$36 million. Company said it had failed to find partner or buyer for plant. While Nokia's total business returned to profit, its CE Div. had operating loss of \$134 million despite 24% increase in net sales to \$1.24 billion. Company will continue to manufacture TVs but will buy tubes from others. Nokia reiterated its faith in future of TV business last week by signing deal with TV/Com International for manufacture and distribution of digital set-top receivers. Nokia Consumer Electronics R&D Vp Helmut Stein said: "The digital age is a restart for the TV industry."

**JAPANESE VIDEO EXPORTS TO U.S. DIPPED IN 1993:** Video and CD hardware didn't add to America's negative trade balance with Japan last year -- at least, not in yen terms. Sparked by deep drop in shipments of VCRs, value of Japan's exports of video products and CD players fell 12.1% in yen from 1992, according to Finance Ministry data. Even on dollar basis -- dollar averaging 127 yen in 1992 and 111 yen in 1993 -- exports to U.S. dipped slightly (actually less than 0.05%).

As Japan continued to decline from major to minor supplier of VCRs, shipments of decks declined 1.7 million (29.6%) in 1993 from 1992. CD players dropped more than half million and color TV shipments no longer were factor -- last year's total shipments were equivalent to one-half week's average sales in U.S. Japan continues to supply some 95% of all camcorders sold in U.S., and shipments increased 19% in line with growth of market here.

Statistics on exports to U.S. in Dec. dramatize growing costs and shrinking significance of Japanese supply. Unit shipments of VCR decks from Japan to U.S. in Dec. were lowest for any month since we started keeping records in 1985, while average price in yen was highest since May 1990 and in dollars (\$317.10) highest at least since 1984. Dollar price (based on average yen-dollar exchange in Dec. for each year) was 22.7% or \$59 higher than in Dec. 1992, which in turn was highest for any month in 1992.

Japan did better in holding line on camcorder prices. Average yen price was 16.7% lower than in Dec. 1992, while in dollars average \$527 price was down 6.1%, or \$34 below that of year earlier. CD player exports were lowest for any month in at least 3 years.

Japanese exports to Canada for 1993 (Dec. figures in parentheses): Color TV sets 1,380, down 73.8% (6, down 95.7%); VCRs 240,708, down 48.7% (13,289, down 42.1%); camcorders 209,054, down 16.7% (12,426, up

3.3%); videodisc players 22,546, down 8.4% (1,627, down 21.6%); CD players 459,202, down 10.6% (14,412, down 41.6%). Here are figures on exports to U.S. from Japan for Dec. and 1993 with year-earlier comparisons:

| Product           | Dec. '93 | Dec. '92 | % Chg. | 1993      | 1992      | % Chg. |
|-------------------|----------|----------|--------|-----------|-----------|--------|
| Color TV.....     | 7,209    | 12,748   | -43.4  | 138,337   | 116,836   | + 9.8  |
| VCR decks.....    | 235,426  | 281,972  | -16.5  | 4,033,989 | 5,733,165 | -29.6  |
| Camcorders.....   | 229,013  | 194,897  | +17.5  | 3,148,183 | 2,646,061 | +19.0  |
| Videodisc players | 41,716   | 15,875   | +162.8 | 377,697   | 324,664   | -16.3  |
| CD players.....   | 272,709  | 276,021  | - 1.2  | 5,876,012 | 6,390,532 | - 8.1  |

**TOWARD BETTER PICTURES:** In effort to align TV picture more closely with NTSC standard, Imaging Science Foundation (ISF) has launched campaign focusing on retailers and manufacturers. Boca Raton company is pushing for greater compliance with 41-year-old quality standard that rarely has been met, said ISF Pres. Joseph Kane, who started venture with Chief Financial Officer Joel Silver in Jan.

"There would be far better detail if pictures were set to system standard," Kane said in demonstration featuring pictures delivered by studio and PC monitors, direct-view TV and projector matched with 7' film screen. "What we're trying to do is give the color fidelity that was originally intended by source material," he said.

Picture originally intended rarely is achieved largely because factory settings often are too bright, Kane said. For example, while NTSC color standard is 6,500° Kelvin, factory setting sometimes is 8,000-9,000°, he said. Contrast level often also is too high, resulting in reduced detail, he said.

Kane plans to train 250 retailers and manufacturers in at least 4 markets by year-end. Two-day sessions, \$500, also provide use of Philips color analyzer -- device that attaches to screen via suction cup and uses meter to display calibration. Analyzer is \$5,600 for direct-view and computer monitor models, \$9,000 for projectors.

Kane also developed 40-min. 12" laserdisc collection of test patterns to aid in calibration. LD, \$50, which has sold 18,000 units since 1989, also has section for testing surround sound. "I wanted to give viewers the opportunity to see the signal as it was intended to be seen," said Kane, who operates R&D facility in N. Hollywood.

**Riding wave of good news despite disappointing 4th-quarter results (TVD Feb 21 p11), Zenith stock hit 4-year high of 13-1/8 on NYSE Feb. 28, more than double its recent low, and was 7th most active stock for day with 2,566,100 shares traded. Analysts cited strong endorsement of company's leadership by Cal. Public Employees Retirement System (Calpers) and selection of Zenith's transmission system for Grand Alliance HDTV (TVD Feb 21 p11, Feb 7 p17) as main reasons for stock's surge. Zenith's board last week authorized sale of up to 5 million common shares pursuant to shelf registration it will file with SEC. Proceeds will be used to repay any short-term debt and for general corporate purposes. Zenith said it doesn't plan any further stock offering this year.**

**Qualcomm and Sony Electronics have formed \$52-million joint venture to design and manufacture wireless phones using Qualcomm Code Division Multiple Access (CDMA), which promises to increase capacity of cellular systems 10-20 times. Venture, 51%-owned by Qualcomm, will establish factory in San Diego.**

**DBS DEMO CIRCUIT:** High-powered digital satellite system is taking to road with live demonstrations, following first showing at recent Satellite Bcstg. & Communications Assn. (SBCA) convention.

Spotlight moves this week to Tucson, where telecast of digital signal from DBS-1 satellite with RCA 18" antenna and receiver decoder will be featured at ITA seminar March 9-13. Picture from satellite will be projected on 16x9' screen. Presentation will be made by U.S. Satellite Bcstg. Pres. Stanley Hubbard, DirecTV Pres. Eddy Hartenstein, Thomson Consumer Electronics (TCE) Digital Video Development Vp Bruce Allan, TCE DBS Product Management Gen. Mgr. Michael O'Hara.

Next week, show goes to N.Y.C., with demonstration at SBCA Sky Forum at Sheraton N.Y. Hotel, along with demonstrations of other DBS systems. All-day session will feature representatives of hardware and software, including TCE Exec. Vp Joseph Clayton, Hartenstein, Hubbard, Toshiba Video Communications Sales & Mktg. Dir. Chris Walczak, Primestar Pres. John Cusick, Echosphere Chmn. Charles Ergen, General Instrument Pres. Rick Friedland, Cal. Amplifier Pres.-Chmn. Barry Hall, Chaparral Communications Vice Chmn. Taylor Howard.

Officials of Cox Cable Communications, HBO, Showtime, TNT, NFL Enterprises, Keystone Communications, TVN, CNN, United Video Satellite Group and Zing Systems will discuss programming.

Sandwiched between boutiques and department stores, Circuit City's CarMax Div. is going where few car dealerships dare to tread -- shopping malls. Used car dealership has shrunk its 600-car inventory into 2 personal computers in opening 3 pushcart kiosks in Richmond and Fredericksburg, Va. area malls, Richmond Times-Dispatch reported. PCs allow consumers to search CarMax inventory of used cars and trucks on system linked to its dealership in Richmond. If consumer is interested in car, CarMax employee calls dealer to check whether it's available for test drive.

Videonics and TDK will co-sponsor nationwide moviemaking seminars March 10-Nov. 19 in 33 cities starting in Milwaukee. Day-long seminars, at \$30, consist of two 2-hour sessions covering moviemaking and videography. Sessions are led by Videonics National Training Mgr. David Hurley and Customer Support Mgr. John Lozano.

#### THIS WEEK'S YEN RATE

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

**MORE AGGRESSIVE SONY STANCE?** Sony, aiming to gain market share in video, is readying more aggressively priced line that includes 32" TV and camcorder with image stabilization, both at street price of \$999, retail sources said. Previewed to some dealers in Jan. and Feb., new line is said to be most competitive Sony has introduced in several years. Products are scheduled for delivery in April-July.

Heading new products is TV assortment designed to hit lower price points, retailers said. Among these are 32" sets that start with non-PIP piece at \$999 and move to PIP at \$1,199 and \$1,299. Similarly featured 32" with PIP was \$1,399 year ago.

Company also hits new low prices in 20" with stereo at \$349 and mono at \$299. Overall it has 3 stereo and 2 mono models at \$299-\$499. In 27", models are \$579-\$799 and 13" starting price moves to \$249 from \$279 year ago and \$249-\$399 overall. High-end XBR<sup>2</sup> line has been reduced to 2 models -- 27" and 32" -- from 3.

In projection, price moves continue with 53" unit coming in at \$2,799, vs. \$3,199 year ago, with 46" at \$2,399 from \$2,699, retailers said. Sets are expected to carry many of same features as last year including active subwoofer, PIP, surround sound, dark tube.

"They're trying to get more competitive," said buyer at southern retailer. "I didn't see a lot of new features, but they're trying to get closer to price points of other brands." Sony declined to comment on new products, except to say prices aren't final.

New 7-model 8mm camcorder line is expected to feature 10x and 12x zoom at \$699-\$1,699. TR series adds 4 units including top-end stereo TR700 that packs Steady Shot image stabilization and color viewfinder at \$1,699. Line starts with TR30 and moves to TR40 with built-in wide-angle lens and color viewfinder at \$799, TR70 with 12x zoom at \$899, with TR-80 with Steady Shot possibly to be added in Sept. at \$999. FX series will have 3 units -- FX430 at \$799, FX530 at \$899 and FX630 with Steady Shot at \$999.

"They seem to be putting a big stake in both color viewfinders and image stabilization this time around," retailer said.

VCR offerings will include 4 new models at \$329-\$499. All new units are 4-head with starting point for hi-fi lowered to \$399 from \$429 year ago, retailers said. Low end is anchored by mono piece. New features are expected to include ability to set VCR timer and channel automatically. High-end model that was \$1,700 is expected to be carried over from 1993, retailers said.

Samsung said it had 113% increase in net profit for 1993 to \$191 million as sales rose 32% to about \$6.6 billion. Company said earnings growth reflected strong exports by Semiconductor Div., where sales soared 94%... Daewoo's net profit jumped 56% to \$368 million on 35% sales increase, sparked by strong exports of cars and electronics. Daewoo Electronics profits rose 19% on 16% sales gain.

**Good Guys (GG) and Hal Riney & Partners split after 15 months, citing "creative differences."** Riney, which estimated ad account at \$10 million, said companies couldn't agree on "creative direction" and GG had shifted to price-driven from image-oriented. GG agreed with Riney, said it had talked with Goodby, Berlin, Silverstein of San Francisco, planned to interview 1-2 other shops.

**FRETTER HONES STRATEGY:** Fretter, continuing to sharpen strategy for former Silo chain it acquired in fall, has completed overhaul of Chicago and Denver stores, executive said.

Need for change was most pronounced in Chicago where chains together had more than 50 stores. At least 10 Fretter and 4 Silo outlets have been closed, leaving chain with 32 free-standing Silo stores and 11 in Marshall Fields, Fretter Senior Vp-Operations Daniel Hourigan said. In Denver, 8 Silo stores have been closed and 4 converted to Fred Schmid, which now has 20 outlets, he said.

Moves in Denver and Chicago were part of strategy Fretter mapped in Dec. (TVD Dec 6 p18) when it completed \$45-million purchase of Silo from Dixon's. At the time, Brighton, Mich., retailer said chains' 280 combined stores would be cut to 220 with Fretter name used in Boston, Cleveland and Detroit; Fred Schmid in Denver, and Silo at various locations including Chicago, Portland, San Diego, Seattle. About 40 stores have been closed so far by combining operations, and sources have said at least 200 employees were expected to be laid off as Fretter sought to trim \$40 million in overhead.

In separate action, Fretter also converted 14 stores in Seattle and Portland to high-speed computer system that will be expanded across U.S. New IBM 400 system has storage capacity to allow stores to retain customer records for up to 2 years. Previously, most information was stored at Silo data center in Philadelphia.

First real-time MPEG encoding system is claimed by Minerva Systems, which will introduce product formally at NAB convention in Las Vegas March 20-24. System, which will sell for \$95,000 when available in June, is said to be capable of high-quality real-time audio and video capture, processing, compression and decompression in MPEG-1 syntax and is scalable for easy upgrade to MPEG-2. Real-time capability, said Minerva Pres. Mauro Bonomi, formerly a C-CUBE sales executive, is particularly valuable for digital satellite broadcasting and cable, but also is being promoted for video publishing. Minerva has OEM agreements with Optimage, Philips affiliate that supplies CD-I authoring tools, and Sonic Solutions, supplier of audio editing systems that now is entering multimedia processing equipment field.

StarSight Telecast has signed licensing agreement with N.Y.-based Personalized Mass Media Corp. (PMMC) for access to 5 patents on delivery of program schedules and other information. Venture covers at least 3 pending patents on program schedules, video interactivity, communications navigation tools. Five patents, including core unit filed in 1981, are for interactive viewer response systems, personalized video imaging, output control in local and wide-area networks, network automation systems including one that inserts commercials, methods for parallel processing and information metering. PMMC, founded in 1979, also has several patents related to network multimedia, real-time multimedia operating systems and control of analog/digital system.

Projectavision said last week it has been granted broad patent, covering 167 separate claims centering on its depixelization and brightness enhancement technologies for consumer LCD projectors. New patent, company said, is more inclusive than earlier ones and extends to all types of displays, as opposed to active matrix LCDs, subject of previous patents.

**CIRCUIT TO SUBLICENSE L.A. STORES:** Circuit City (CC) said it would sublease "virtually all" of former Silo stores in L.A. whose leases it purchased from Fretter in Feb. (TVD Feb 7 p12). Decision ends speculation on future of stores, and industry sources suggested buying leases was move to hamper expansion plans of rival Best Buy (BB), which also had bid for some of them.

Meanwhile, CC and BB reported hefty sales increases for 1993 and for Feb. CC said sales for year ended Feb. 28 jumped 26% to \$4.1 billion from \$3.2 billion on 8% gain in comparable-store sales. Fourth-quarter comparable-store sales were up 9%, while Feb. sales rose 39% to \$334 million, with comparable stores up 18%.

Best Buy, buoyed by continued expansion, posted 94% gain in sales in 4th quarter from year earlier. Comparable-store sales were up 42%. For year ended Dec. 31, 151-store chain had 86% jump on 27% rise in comparable-store sales. Feb. sales soared 102% to \$275 million from \$136 million on 42% boost in comparable stores.

CC reportedly had been considering major appliances-only concept for former Silo outlets in L.A., and also was said to be in discussions with Computer City on subleasing. BB, Adray's and L.A. Tronics also were said to be interested in stores, but CC was said to be only retailer to offer to buy all leases.

"I think [buying the leases] was a defensive ploy designed to keep Best Buy out," said executive of major retailer. However, stores at 8,000-20,000 sq. ft. were said to be too small for BB. CC officials declined comment.

CC earlier announced plan to enter Cleveland by fall, although it declined to say how many stores it would open. Retailer, which has said it would open 60 superstores this year, also has been studying opening megastore in markets including Atlanta, Minneapolis, Seattle.

\* \* \* \* \*

Upturn in Feb. sales also was reported by other retailers despite harsh weather in East Coast and Midwest.

**Rex Stores**, boosted by sales from 26 new outlets, recorded 30% jump in Feb. to \$22.6 million from \$17.4 million. Comparable-store sales were up 5%.

**Audio King** said sales at 9 stores rose 39% to \$3.4 million in Feb. from \$2.4 million year ago. Eight-month sales were up 32% to \$30.8 million from \$23.3 million.

**Sears** same-store sales jumped 13.5% in Feb., with overall sales totaling \$2.1 billion, up from \$1.9 billion.

**Ames Dept. Stores**, still struggling after emerging from bankruptcy, said Feb. sales dipped 2.5% to \$121.5 million from \$124 million year earlier. Comparable-store sales at 307-unit chain were down 2.1%. Ames Pres. Peter Thorner said chain will push high-margin products and deemphasize low-priced categories in effort to improve earnings.

**Helig-Meyers** Feb. sales increased 40.7% to \$66.5 million from \$47.3 million on 12.5% gain in comparable-store sales.

**RETAILERS GO TO COURT:** Four major retail chains were involved in legal actions last week. Circuit City (CC) has sued Good Guys (GG), alleging theft of trade secrets, seeking court order barring former executive from joining competitor for year and asking \$1 million in damages.

GG and CC were scheduled for court hearing March 9 on CC's request for injunction to bar Robert Baird, former Northern Cal. gen. mgr., from taking job as GG vp-mktg. Suit, filed in U.S. Dist. Court, San Francisco, said Baird was CC gen. mgr. 1990-1993, when he left and applied for job at GG. Circuit rehired Baird Feb. 14 and he reviewed chain's west coast strategy, including plans for competing against GG.

Baird again left CC Feb. 25 and took \$70,000 pay cut in rejoining GG, suit said. Former executive also allegedly took more than 1,000 pages of CC information, including plans for Cal. and expansion in Pacific Northwest, suit charged.

Baird couldn't be reached for comment, but sources close to case said he returned to CC to work with Jerry Lawson, then Western Div. pres. However, Lawson shortly was replaced by David McComas and transferred to CC's Richmond hq, prompting Baird to leave. GG Pres.-CEO Robert Gunst said suit "was without merit."

In separate action in N.J., Wiz filed trademark infringement suit alleging N.J. retailer placed Wiz logos in urinals at its stores. Word has leaked, however, that defendant Tops Electronic City is negotiating to settle dispute.

Wiz suit charged logos were placed so they were "prominently displayed to one urinating into the urinal and onto the urinal splash guards." Action was "intended to denigrate, disparage, dilute and place in disrepute the famous, incontestable The Wiz mark," suit said.

Action, filed in U.S. Dist. Court, Newark, came after Wiz wrote to Tops CEO Leslie Turchin Jan. 26 asking that logo be removed from urinals and citing "tastelessness and unprofessionalism" of gesture.

Relief apparently is on way. Tops didn't deny allegation, which was said to result from act of former employee, and was seeking to settle suit at week end through "moderate" contribution to charity chosen by Wiz, said Allen Rabin, attorney for Tops. Logos have been removed, he said. "We're not giving a dime to The Wiz, but we will donate to charity," Rabin said, adding that settlement should be reached this week.

### It's Against the Law . . .

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## Consumer Electronics Personals

Robert Minkhorst, pres., Philips Lighting Co., to become pres.-CEO, Philips Consumer Electronics Co. (PCEC) March 14, replacing Donald Johnstone, who resigned to accept same post at Whittle Communications, job vacant since 1989 (see report, this issue); Nico Bruijel, pres., Business Group, Lighting Electronics, will replace Minkhorst as pres. of Philips Lighting Co... F.A. Maljers becomes chmn. of parent Philips Electronics supervisory board May 6, succeeding W. Dekker, retiring; D.J. Dunn, chmn., Philips Semiconductor Div., joins Philips group management committee April 1... Emiel Petrone named senior vp, entertainment acquisitions, Philips Interactive Media, will oversee studio and record company relations, guild agreements, artist relations... Philips Media Pres.-CEO Scott Marden elected to board of Capitol Multimedia, CD-I software developer in which Philips owns 17%.

Karl Bearnarth, ex-JVC, joins Onkyo USA as mktg. services mgr... Jim Peterson promoted to Sonance new product development mgr., succeeded as national sales and product trainer by Bill Organ... Jack Cox, ex-McGraw Hill, appointed Aiwa accounting dir. and controller; Michael Strange, ex-Emerson video product mgr., joins Aiwa as product mgr. for portables and car stereo... Jo Ferreira, recently acting gen. mgr. at now-defunct Acoustic Research facility in Canton, Mass., appointed International Jensen vp-business planning, new post.

Tetsuo Tsumura, vp of Tomei International, Hong Kong OEM audio product manufacturer, is to be appointed pres. of Sansui at shareholders meeting March 30, succeeding Takahiko Inami, who will be named auditor; Semi-Tech Chmn. James Ting, will be Sansui chmn., succeeding Iftikhar Ahmed, retiring; Tomei, reputedly Hong Kong's largest audio manufacturer, is affiliated with Semi-Tech... Craig Fields resigns as CEO, Microelectronics & Computer Technology Corp. (MCC), industry consortium, June 1.

David McComas promoted to Circuit City vp and pres. of Western Div., replacing Jerry Lawson, who shifts to undetermined post at Richmond hq; Barbara Feigin, Grey Adv. vp and dir. of strategic services, elected to Circuit City board... Gani Perolli, ex-Air Filters Inc., named 47th St Photo pres.-CEO... Bernard White joins Warrantech as chief financial officer, succeeding Harris Miller, who will remain with company in undetermined post... Steven Horen, ex-Chemical Venture Partners, named business development dir., Hearst New Media & Technology Div... Alex Melnyk, ex-Propaganda Films, joins MCA Music Entertainment Group as vp-interactive media, new post.

Onkyo and NAD have signed agreement under which British hi-fi components supplier will work with Japanese manufacturer on design and production of audiovideo equipment. Agreement also calls for Toronto-based Lenbrook Industries to turn over U.S. distributorship for NAD products to N.J.-based Onkyo USA starting April 1, 1995, although Lenbrook will remain NAD's Canadian distributor and retain membership on NAD board.

Sansui reported net profit equivalent to \$3.1 million for 1993 on sales of \$93.5 million, down 35.1% from 1992. Operating deficit was \$22.2 million. Audio equipment sales were down 31.6% to \$89.8 million, video off 71.7% to \$3.7 million. Exports declined 42.5% to \$51.4 million. For 1994, Sansui projects sales of \$96.2 million, net profit of \$962,000.

Recoton, citing strong sales of wireless audio/video, reported 111% increase in net in 4th quarter from year earlier (see financial table). For quarter ended Dec. 31, sales jumped 41%. Year-end net income, buoyed by \$15 million in sales of wireless products, was double 1992's figure on 58% gain in sales. Pres. Robert Borchardt said gains also were tied to increased OEM sales and integration of Ambico camcorder accessories. Company will expand wireless offerings and newly acquired Sole Control remote controls, he said. Recoton has filed with SEC for 1.6-million-share offering, to pay off short-term debt and provide funds for acquisitions.

Knock, knock. Who's there? The VCR knows -- Daewoo's Door Vision, that is. Korean company says it has developed VCR that permits viewers to see guests at door on PIP part of TV screen. Door can be opened with VCR's remote control. If occupant isn't home, VCR records message from guest, along with person's picture and time stamp. Company's monthly news bulletin calls product "a promising export item."

Venture Stores, battered by bad weather and competition, reported drop in net in 4th quarter to \$29.8 million from \$31.3 million despite 12.8% gain in sales to \$649.4 million. For year ended Jan. 29, O'Fallon, Mo., retailer said net decreased to \$41.4 million from \$47.5 million although sales gained 8.4% to \$1.8 billion. Venture said earnings should improve with strong sales in spring, but competition will keep pressure on margins.

Corning Japan has opened \$60-million plant in Shizuoka to produce precision glass for active matrix LCDs. Corning's Harrodsburg, Ky., plant has been leading supplier of LCD glass, using proprietary fusion draw process that requires no polishing. Corning Japan is 78%-owned by Corning, 22% by Japanese.

## OBITUARIES

Avery Fisher, 87, audio pioneer, philanthropist and founder of Fisher Electronics, died Feb. 26 in New Milford, Conn., from complications following stroke. He began audio career in 1937 when he formed Philharmonic Radio, after he began building radios as hobby. He sold company in 1945, using proceeds to start Fisher Radio by luring hi-fi engineering talent from Europe. In 1969, Fisher sold company to Emerson, which in turn sold it to Sanyo Electric, which retained him as consultant. Avid concertgoer, Fisher donated \$10.3 million to N.Y.'s Lincoln Center, where Philharmonic Hall was renamed for him in 1973. Survivors include wife, 2 daughters, son.

Walter C. Fisher, 75, former Zenith chmn. and one of industry's top sales and mktg. executives, died Feb. 26 in his Stuart, Fla., home. A 23-year Zenith veteran, he was persuasive speaker whose talks were highlights of many sales meetings. Before joining Zenith as vp-distribution mgr. he was sales vp of Norge Sales, where he worked 1954-1961. At Zenith, he served as exec. vp, was chmn. from July 1983 until retirement in April 1984. Zenith Chmn.-CEO Jerry Pearlman called him "dean of sales and marketing people in the consumer electronics industry." Zenith Sales Co. Pres. Gerald McCarthy called Fisher "best one-on-one salesman in the industry." He's survived by wife, 2 sons, 2 daughters.

# TELEVISION DIGEST

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Network and  
Predicta and also may be received through facsimile service.

Warren Publishing, Inc. is publisher of *Communications Daily*, *Satellite Week*, *Television Digest with Consumer Electronics*, *Video Week*, *Common Carrier Week*, *Audio Week*, *Public Broadcasting Report*, *Mobile Satellite Reports*, *Consumer Multiservice Report*, *Facility Strategic*, *Television and Cable Factbook*, *Warren's Cable Regulation Monitor*, *Cable & Station Coverage Atlas*, and other special publications.

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## Television and Cable Factbook

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**At least 16% of Americans videotaped portions of Winter Olympic Games, with figure skating choice for 85% of audience, Fuji-commissioned phone survey found. About 80% of 1,000 persons surveyed taped women's figure skating, followed by pairs figure skating (39%) and men's (30%).** Tonya Harding-Nancy Kerrigan conflict didn't generate interest among majority of those surveyed, 57% saying it didn't affect their decision to tape. Alpine skiing was favored by 23%. By close of Olympics, 54% had recorded 4 hours or more, 24% more than 10 hours, 23% 2-4 hours, 19% up to 2 hours.

**Sample shipments of MiniDisc Data drives to prospective OEM clients in personal computer industry will start next month, Sony said in Japan, indicating it was on target to commercialize system some time after mid-1994.** At Intermedia last week in San Jose, company demonstrated working prototype of front-loading MD drive mounted in desktop PC. Sony has said it plans to market system also in independent battery-operated hand-held form again to meet growing need for portable storage format capable of handling large amounts of information. MD's capacity is equivalent to that of 100 standard floppy discs.

## Financial Reports of TV-Electronics Companies

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

| Company & Period                       | Revenues       | Net Earnings  | Per Share |
|--|----------------|---------------|-----------|
| <b>Outlet Communications</b>           |                |               |           |
| 1993-year to Dec. 31                   | 46,952,000     | 4,634,000     | .71a      |
| 1992-year to Dec. 31                   | 45,153,000     | (1,552,000)   | --        |
| 1993-qtr. to Dec. 31                   | 13,421,000     | 2,679,000     | .41a      |
| 1992-qtr. to Dec. 31                   | 12,624,000     | 167,000       | .02       |
| <b>Philips Electronics<sup>b</sup></b> |                |               |           |
| 1993-year to Dec. 31                   | 31,626,000,000 | 1,056,000,000 | 3.31a     |
| 1992-year to Dec. 31                   | 31,466,000,000 | (484,000,000) | --        |
| <b>Recoton</b>                         |                |               |           |
| 1993-year to Dec. 31                   | 121,364,000    | 7,322,000     | 1.29      |
| 1992-year to Dec. 31                   | 76,682,000     | 3,663,000     | .87c      |
| 1993-qtr. to Dec. 31                   | 40,715,000     | 3,090,000     | .54       |
| 1992-qtr. to Dec. 31                   | 28,828,000     | 1,464,000     | .30c      |
| <b>Viacom</b>                          |                |               |           |
| 1993-year to Dec. 31                   | 2,004,949,000  | 170,952,000   | 1.31a     |
| 1992-year to Dec. 31                   | 1,864,683,000  | 48,965,000    | .41       |
| 1993-qtr. to Dec. 31                   | 530,378,000    | 26,326,000    | .11       |
| 1992-qtr. to Dec. 31                   | 511,564,000    | 11,654,000    | .10       |

Notes: <sup>a</sup>Includes special credit. <sup>b</sup>At rate of 1.86 guilders = \$1.  
<sup>c</sup>Adjusted.

**CES KEYNOTE CHANGE:** Nintendo of America (NOA) Chmn. Howard Lincoln will be sole keynote speaker at Summer Consumer Electronics Show (CES) June 23-25 in Chicago, presumably reflecting change in command at NOA. As announced at Winter CES, Lincoln was to share podium with Pres. Minoru Arakawa, then his boss. Sudden elevation of Lincoln to chmn. (TVD Feb 21 p12) changed reporting order, although NOA representatives characterized new lineup as power-sharing arrangement.

Switch to solo appearance by Lincoln is in line with NOA marketing officials' stance that as an American, Lincoln is better communicator with Americans.

Theme of this year's Summer CES is "In Time to Make a Difference," possibly reflecting difference in makeup of participants or date of event. Show, about 2 weeks later than usual, is "timed to meet the industry's 3rd-quarter buying needs," news release said. Notably absent from preliminary exhibitors' list are most TV majors -- only ones listed being Panasonic, Philips, Thomson and Toshiba, although all of those exhibits won't necessarily be keyed to TV.

Large number of game and CD-ROM software exhibitors are on list, although, as previously reported, Sega won't be at show. CES spokeswoman said amount of space reserved for this year's 3-day show was about same as same time last year.

Following launch of first high-powered digital home satellite system, CES will feature showcase for DBS technology. New pavilions will include satellite, home theater furniture, home automation. High-end audio exhibits will be at Chicago Hilton.

TV/VCR/CD/radio/cassette combination was introduced in Japan by Matsushita last week for sale in April. The 13" combination can play videotape and CD simultaneously or record CD or TV or VCR sound on cassette. All functions are operated by one remote control. Spokesman said there are no plans for export. It carries list about \$1,476.

# TELEVISION DIGEST®

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

With Consumer Electronics

MARCH 14, 1994

VOL. 34, NO. 11

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**BROADCASTERS FIND FEW FRIENDS** in letters to House Telecom Subcommittee on spectrum flexibility. Compromise language seen developing soon. Markey wants issues to be developed as markup looms this week. (P. 1)

**A LA CARTE NOT POPULAR** among cable subscribers, according to our survey. New system could boost cable penetration but hurt revenue. Some networks could be damaged. (P. 3)

**VDT FRANCHISES QUESTIONED** in Appeals Court oral argument. FCC says rules are justified. Cable and cities say lack of franchise would disadvantage cable. (P. 4)

**CABLE 'PREPARED TO COMPROMISE'** with policymakers, NCTA's Anstrom says. 'Reputation for arrogance' noted. Communications Act revise 'on track.' (P. 4)

**FCC EXPLAINS RULES** and fields questions at first cable seminar in Boston. Attendees find meetings long but generally helpful. (Pp. 5, 6)

**EX PARTE CONFUSION AT FCC:** New FCC staffers to be briefed on rules by gen. counsel. Action will follow inspector general's ruling that Mass Media Bureau violated rules in Fla. case. (P. 5)

**FCC ADOPTS AUCTION** bidding procedures, setting stage for PCS licensing. 'Simultaneous' auctions included in plan. (P. 6)

**BROADCASTERS BASHED IN COMMENTS TO HILL ON SPECTRUM:** Broadcasters looking for support for their campaign to obtain some flexibility in using their spectrum didn't find much, if any, from other spectrum users in comments last week to House Telecom Subcommittee in response to series of questions from Chmn. Markey (D-Mass.). Issue was raised at Subcommittee markup of bill (HR-3636) to introduce local competition. Full Commerce Committee is scheduled to take up bill March 16.

Letters were almost totally opposed to giving broadcasters what they seek. At March 1 Subcommittee markup of bill, Rep. Tauzin (D-La.) introduced, then withdrew, amendment to allow broadcasters to use some of their spectrum for "ancillary or supplementary" services. Similar language in Senate bill (S-1822) would give them some flexibility to use spectrum for services closely tied to broadcasting. Several industry sources said they expect compromise to be reached this week on House bill that would do much same thing -- require broadcasters to use additional spectrum for services "truly ancillary" to free, over-air broadcasting and, if not used for that purpose, to put spectrum up for bid.

Markey said 5 major issues were raised in letters: (1) Effect of proposal on HDTV. (2) Effect on spectrum auctions. (3) Whether broadcasters should be allowed to use spectrum for services not related to

### Consumer Electronics

**U.S. PROPOSES CUTS IN TV** set energy use, reversing 1988 ruling. 'Technically feasible' moves would cost about \$10 per set, Energy Dept. says. (P. 10)

**PHILIPS TO MAKE 32" TUBES** as its first U.S.-produced very large screens. Ohio plant expanded to make 300,000 tubes per year in 31-35" sizes. (P. 11)

**VIDEO PRODUCTS AT RECORD** sales pace in Feb., combos, projection TV and total TV at highs for Feb. Direct-view sets fall slightly short. (P. 11)

**PROJECTION TV SALES** will increase 15% in 1994 to 535,000, USPL forecasts, with more than half of sales in 50"-and-up category. (P. 12)

**3DO TO PUBLISH SOFTWARE** to prime pump with unique programming, establish rapport with dealers. Personal computer adaptor also in works. (P. 13)

**FLASH MEMORY VOICE RECORDER**, with no moving parts, to be offered in July by Norris Communications, to be followed by model to record and play. (P. 13)

**IT'S SILLY SEASON** in videogame management arena as Nintendo and Sega spar in news release battle. (P. 14)

**CAMBRIDGE SOUNDWORKS** to add new factory and store in San Francisco, satellite outlets in Boston, company reveals in prospectus. (P. 15)

broadcasting. (4) How broadcasters' public interest obligations would be affected. (5) How, or whether, minority ownership and diversity would be affected by giving broadcasters exclusive control over spectrum to create new channels without competitive licensing. At week-end, legislative aides were drafting new version of Tauzin amendment that would keep more strict control over spectrum.

NAB said broadcasters "should not be precluded from bringing valuable services to the public consistent with new technology and that may augment their revenues so as to provide the best possible over-the-air service." They would pay "an appropriate fee" for using spectrum for ancillary services, NAB Pres. Edward Fritts wrote. Assn. said entire bandwidth assigned to stations would be used for broadcasting and for ancillary services: "There is no way to subdivide that spectrum and maintain advanced television (ATV) service." It said that budget act passed last session prohibits auctions for use of spectrum, noting that in exemption broadcasters obtained from auctions generally, act said competitive bidding wouldn't be used for renewal or modification of license: "Since none of the spectrum that broadcasters will use will be newly allocated, auctions would not be appropriate," Fritts wrote. Same considerations would apply for use of spectrum for nonbroadcast services, he said, noting that broadcasters already provide variety of services on subcarriers and vertical blanking interval, and there has been no suggestion of fees for those services.

INTV Pres. James Hedlund said he agreed with NAB. He said conditions in coming competitive marketplace of multimedia providers, including telco and cable, "compel us to become a full-service multimedia competitor. Absent this freedom [as proposed by Tauzin], a single-channel, advertiser-based free television service may not survive." However, virtually all other comments, including HDTV developers and other spectrum users, urged Congress not to upset current regulatory scheme. Thomson Consumer Electronics Senior Vp Joseph Donahue said amendment as written "could be used to delay the approval of the HDTV standard and the allocation of broadcast channels." He said that Grand Alliance proposal for HDTV has considerable flexibility and allows several uses, and suggested FCC could develop rules for how to develop flexibility. At same time, however, Donahue said broadcasters shouldn't be required to use HDTV spectrum full-time, should have only 6 hours daily.

Opposition came from 2 groups -- existing license holders for spectrum and HDTV developers. From spectrum point of view, much of argument was capsulized by Personal Communications Industry Assn. (PCIA), which said Tauzin amendment would "destabilize the use and value of spectrum licenses by granting a limited group of licensees a virtually unrestricted ability to supersede the Congress and [FCC] decisions on the most publicly beneficial allocations and use of spectrum." PCIA said that if broadcasters were permitted to convert some of current spectrum allocation to commercial mobile service, they should be required to bid for space. It said there was no fair method to determine market value of spectrum that broadcasters would use for other services.

Land Mobile Communications Council (LMCC) said: "There is no apparent reason why broadcasters should be entitled to receive such a spectrum windfall," adding that they "seem to forget that radio spectrum is a scarce public resource, not their private property." Any spectrum broadcasters don't use for nonbroadcast issues should be put up for bid generally, and not allocated to broadcasters alone, LMCC said. Industrial Telecommunications Assn. (ITA) made many of same points, adding that if broadcasters want to provide mobile services, they should be classified as such by FCC and required to bid with everyone else.

General Instrument Vp Robert Rast said U.S. has established clear lead in HDTV technology: "It does not make sense to squander this lead at the last minute for the short-term benefit of a special interest group." He wrote that spectrum shouldn't be made available for any purpose other than HDTV except on comparative licensing or auction basis. Rast said economic potential for digital multichannel service using existing NTSC standard isn't in free services, but in pay and subscription services for which consumers already have alternatives, including cable: "Allowing broadcasters to provide such services in a 'subsidized' broadcast channel would provide broadcasters with an unfair competitive advantage." Group of MIT scientists working on HDTV told Markey that Congress should wait until new digital technologies, such as cellular digital TV, are evaluated. They also suggested that 400 MHz of broadcast spectrum could be worth more than \$100 billion, contrasted with 40 MHz for PCS expected to bring in \$8-\$10 billion.

Ex-FCC Chmn. Richard Wiley, writing for himself because FCC's Advanced TV Advisory Committee that he chairs hasn't addressed many questions Markey raised, said that "dynamic scalability" is built into HDTV so that broadcasters could be given flexibility to offer parttime multiprogram services, but services that replace HDTV entirely should be treated differently. Wiley said Tauzin's amendment would give FCC licensing flexibility.

Cellular Telecommunications Industry Assn. (CTIA) opposed flexibility, saying that broadcasters had received exemption from auctions because their service was provided without charge: "Now it appears they want to use this spectrum for services which are not 'free' to the public and are not broadcast-related while still maintaining their exemption from the auction process." One group not particularly active in debate is PCS providers. Sources said reason is that many PCS providers also have broadcast interests. One potential PCS provider, Time Warner (which doesn't own TV stations), argued strongly against allowing broadcasters to use spectrum for other commercial purposes, saying such action would undermine broadcasters' legal responsibilities and "create an intolerable competitive imbalance."

**FEWER THAN 37% OF CABLE SUBSCRIBERS LIKE A LA CARTE:** Cable subscribers may not be clamoring as loudly for a la carte pricing as some regulators suggest, according to survey of 15,000 consumers just completed for Television Digest parent Warren Publishing. Among current cable subscribers, only 36.7% would switch from current system of buying most programming through basic and expanded basic tiers to a la carte if they were offered choice. Cable Act and FCC rate rules are designed to encourage a la carte pricing as way to promote competition among program services.

Good news for cable operators is that nearly 52% of all nonsubscribers said that they would subscribe to cable if they could order their cable program networks a la carte, and that subscribers appear to have relatively little price sensitivity for channels that they want to order a la carte, at least up to \$1-per-month level. (Our analysis indicates that penetration of many networks would drop off sharply at price above \$1.)

Bad news is that more than 65% of subscribers would expect their total cable bill to go down if they ordered a la carte. That figure was remarkably consistent among market sizes, census regions, household size and composition, income levels, other factors. In addition, all 4 broadcast networks far outpaced even most popular cable networks in terms of subscriber willingness to pay on a la carte basis.

Survey respondents generally were critical of cable service, especially in comparison with power and telephone companies. Only 44% said they generally were satisfied with cable, vs. 73% for local telcos, 75% for electric company, 79% for long distance telephone suppliers. Only 23% said cable was good value for money, vs. 41% for electric company, 44% for local telcos, 52% for long distance companies.

Data do show that those in smaller TV markets are somewhat more interested in switching to a la carte, as are those with higher incomes. More than 42% of those in TV markets with smaller than 500,000 population said they were interested in a la carte, dropping to 35-36% in markets of more than one million. About 30.5% of those with less than \$10,000 income like a la carte, vs. nearly 44.5% for those above \$75,000, according to survey. A la carte interest also varied widely by census region, from less than 32% in East South Central to 44.7% in New England.

Survey showed that male heads of household were much more interested than females in having direct control over programming available (via a la carte). Possibly reflecting willingness to deal with more complexity, more than 40% of those under 30 are interested in a la carte, compared with just over 25% for those older than 65. Not surprisingly, a la carte was more attractive to heavy TV users than to light, as well as to early adopters, and to those whose cable -- and telephone -- bills already are high. Nearly 65% of those who said cable already was good value said they would be interested in switching to a la carte.

Consumers clearly differentiated among types of programming, showing that they were very willing to pay relatively high prices for some existing networks, and very unwilling to pay almost any price for others. Nearly 75% of respondents said they would be willing to pay a la carte prices of up to \$1 per month for NBC (and 57% would do so for Discovery Channel, most popular cable channel), while fewer than 5% would pay to receive Black Entertainment TV. Survey also showed that most attractive concepts for new a la carte channels -- as well as some that are less attractive -- already have been taken. When offered choice among 30 channel concepts, consumers said they were interested in several types of channels that already are in the works, including game shows, food channel, talk shows, home and garden channel, history channel. Only 10% said they were likely to subscribe a la carte to fashion channel, for example, less than 9% to golf channel, 5.5% to aviation channel.

Study to be published this spring by Warren Publishing, *Cable A La Carte Pricing: A Survey of Consumers & Operators*, is based on statistically valid survey of more than 15,000 consumers conducted by marketing research firm PNR & Assoc. Survey is statistically valid within  $\pm$  3%. Warren's *Cable A La Carte Pricing* report is priced at \$1,995 per copy. Specialized reports, providing statistically accurate data for individual TV markets, also will be available. For further details, contact Warren's Lynn Levine at 202-872-9200.

**VDT FRANCHISES QUESTIONED:** In largely technical, rather than legal, oral argument on whether local franchise is required for video dial tone (VDT), U.S. Appeals Court, D.C., appeared to be trying to determine real differences between advanced cable systems and VDT. Justice Douglas Ginsburg suggested that VDT's competitive threat to cable is "very substantial" and asked whether giving VDT systems competitive advantage of not needing franchise eventually would drive cable systems out of business, along with public services such as access and public, educational and govt. (PEG) channels.

John Ingle, representing FCC, tried to focus argument on legal issues, saying it's "ultimately" case of statutory interpretation, since VDTs weren't envisioned when franchise requirements were included in 1984 Cable Act: "Our interpretation of an ambiguous statute is reasonable, and we're entitled to deference." However, Ingle said FCC staffers aren't "electronic wizards" and often allow advocates of new technology to propose ideas to be reviewed by Commission, prompting Justice David Sontelle to ask whether FCC is "expert agency."

Court shouldn't defer automatically to FCC, NCTA attorney Neal Goldberg said. He said that in dropping VDT franchise requirement, Commission is "interpreting the Communications Act in a way that ousts local authorities. This requires close scrutiny." Ginsburg asked whether FCC has responsibility to protect cable because of public interest obligations such as PEG and access channels, as it protects public interest role of broadcasters: "The question is, if the FCC has a public interest obligation to carry over these responsibilities to new technologies, lest they drive out companies that have public interest obligations." Ingle said PEG and access channel obligations were applied to cable because channel capacity originally was limited and because cable's de facto monopolies enabled operators to afford them. He said channel capacity soon will be virtually unlimited, and such obligations can be taken care of other ways, including legislation. Ingle also suggested that "parties interested in grafting PEG onto VDT are free to come to the Commission and petition."

There's nothing that VDT systems can do that cable won't be able to do, said William Squadron, pres. of National Assn. of Telecommunications Officers & Advisers. Michael Kellogg, representing telcos, said key difference between VDT and cable is "editorial discretion" that cable operators have to select programming carried on systems. He said VDTs, as common carriers, must carry virtually any programming offered and expand capacity as needed. Justice Stephen Williams said he doesn't see "a great deal of editorial function" for telcos in VDT systems.

Squadron said common carrier status is difference between cable and VDT, "but not enough difference" to justify FCC decision. He said franchise requirements would be bigger handicap for cable than common carrier status for VDTs. He also said common carrier rules don't duplicate requirements for PEG and access channels.

Continental Cablevision and Performance Systems launched PSICable, commercial Internet service delivered via cable, March 8 in Cambridge, Mass. Companies said service offers access to Internet at speeds "hundreds of times faster" than phone lines. PSICable is available to organizations linked to local area network, will expand to include home and small business users by beginning of April. Companies said they expect to begin service to other Eastern Mass. regions by end of 2nd quarter.

**CABLE 'PREPARED TO COMPROMISE':** Noting cable's "reputation for arrogance," NCTA Pres. Decker Anstrom said industry must "make peace with public policy-makers." In speech to Washington Cable Club, he also called current congressional action "most dramatic overhaul of telecommunications laws" since 1934 Communications Act. From cable's perspective, he said, "in many ways, this legislation is proceeding right on track."

"We have learned some political lessons from the political drubbing we've taken," Anstrom said. "And we have learned that we can't win every argument, and that we must be prepared to compromise." He said there's "no magic bullet" to solve industry's regulatory problems. Cable must learn to lobby govt. "early and often. You can't go to your congressman or the FCC only when there's a crisis."

Congressional moves to open industry to competition "make it even more essential to get the regulatory rock off the cable industry," Anstrom said. "Our most recent regulatory setback puts us at an even greater competitive disadvantage to the phone companies." He said that deregulation makes it more important that telco entry into video be in stages. Anstrom said telcos' bid for "regulatory parity" with cable "with absolute certainty would sink our prospects for competition in telecommunications."

Anstrom attributed cable's "political drubbing" to 4 factors: (1) Fast-rising media industries are always faced with unfavorable political reaction. (2) Cable was overwhelmed by "anecdotes" about poor service and high rates that didn't represent overall reality. (3) Cable was damaged by "commercial rivals," particularly broadcasters and telcos. (4) Cable "developed a reputation for arrogance."

NCTA formed Public Affairs Committee to "provide advice on strategies and programs to improve the industry's image," Anstrom said. Co-chmn. are Joseph Collins, chmn. of Time Warner Cable, and John Cooke, pres. of Disney Channel.

Rate cuts imposed on cable industry could delay build-out of improved systems by several years, while discouraging telcos from entering video business, 2 financial analysts said March 8. In discussion sponsored by NCTA, John Reidy, managing dir., Smith Barney Shearson, said 17% rate cut, if fully implemented, could reduce borrowing power of cable systems by 1/3, cut cash flow 2/3. While depriving industry of billions of dollars needed for upgrades, Commission gave back to consumers only about \$51 per year, he said. Reidy said cable industry since 1984 has had "certain expectations" of revenue levels in monopoly environment. CS First Boston Media Group Dir. Richard MacDonald said rate cuts would slow competition because telcos wouldn't see as great a competitive opportunity to underprice cable companies as result of FCC's action. Both analysts said they hoped text of new rules would allow for revenue growth on services side.

State Dept. is prepared to grant export license to Hughes-built Optus B-3 satellite now that Hughes has agreed to remove encryption device, Secy. of State Warren Christopher told reporters in Canberra, Australia. Satellite is scheduled to be launched on Chinese Long March rocket in midyear. Hughes had said earlier that device would be impossible to remove, but spokesman said 2-month-long "intricate" operation to remove, rewire and test satellite will be performed. Device is used to protect satellite from hostile or accidental command and control manipulation from ground, he said.

**FCC EXPLAINS CABLE RULES:** Local govt. officials and consumers gave generally positive reviews to first in series of FCC cable regulation seminars in Boston March 9-10. Series continues at 5 more sites around country in coming weeks. Attendees said sessions were long, often filled with previously announced details, but generally increased understanding. For example, as FCC presented 393 certification forms on overhead projector, some audience members struggled to keep up. Said city official from N.Y.C.: "I literally almost fell asleep." He quickly added that "it was still very helpful" because session dissected FCC forms line by line.

N.H. official who serves on cable committee said much of day's session was repetitive because he already had studied issue. Other reviews were mixed as those unfamiliar with rules reported initial confusion but eventual understanding. Among topics covered: Service, signal quality, home wiring, public, educational and govt. channels, buythrough rules, signal leakage, leased commercial access.

Attendee questions on first day focused on billing and programming. One audience member asked if FCC would address pricing of operator-owned programming on now-unregulated tiers. Cable Bureau Special Counsel Patrick Donovan said such affiliation creates "potential for abuse" because operator could overpay for programming in order to pass through costs to consumers. He said FCC would try to assess programming's "market value" to avoid such evasion but admitted "market value is not going to be easy to determine." Another attendee suggested that Commission force operators to release programming costs, although agency officials raised privacy issue.

One franchiser complained that franchise costs are too liberally included in external costs, which can be passed through to subscribers. He said some local govt. invoke such requirements in franchise agreements as way of "merely codifying... cost of doing business" such as system upkeep. Donovan said "the big issue is 'what's the cost?'" of franchise requirements and said FCC would try to clarify issue in rulemaking. Some questions touched on a la carte offerings and what constitutes negative option billing. Donovan said operator is allowed to sell a la carte "if it's just a change in the mix of channels" but can't invoke "change in fundamental service offering" that bills subscribers for unrequested programming.

Alexandra Wilson, acting Cable Bureau chief, promised regulators that FCC would "try to follow along with the same sort of logic" in its upcoming changes in rate benchmark formulas. She said cost-of-service clarifications would come in about 2 weeks in "very extensive document." Said Wilson: "We know it's a little disconcerting to have this change, but it's better for consumers."

Cable subscribers with complaints should call or write FCC only after alerting operator to problem and informing franchise authority, Commission officials said. Although "you can always call us" or write for general information, Cable Bureau Attorney Elizabeth Beaty said, subscribers should "at least give the cable operator the first shot at fixing the problem." If company doesn't respond adequately, she suggested turning to franchise authority, with FCC as last step. However, she said Commission had issued list of contacts in Cable Bureau and urged complainants to "put that on the top of your stack."

Tips for "effective" FCC complaints: (1) Use consumer groups, attorneys' general offices and members of Congress for "variety of places to get information." (2) File written

complaints, which are "generally better" than phone calls because they provide more concrete information, Beaty said. Be as "clear and concise as possible." Wilson said that although FCC will try to be accessible, "we need to have more information from you" on location and existence of franchise authorities. She said agency has only partial list of 30,000 franchisers nationwide, which makes it difficult to keep them informed.

Attendance at subscriber-oriented 2nd day, about 50, was less than roughly 200 local and state regulators at rate-focused March 9 meeting. Wilson urged attendees to contact FCC with "constructive criticism" as regional seminars unfold.

**EX PARTE CONFUSION AT FCC:** FCC's Office of Gen. Counsel this week will brief agency officials brought in by Chmu. Hundt on just what is and isn't permitted under Commission's ex parte rules. Briefing follows Nov. 22 ruling by Inspector Gen. James Warwick that officials of Mass Media Bureau "demonstrated a careless attitude" toward rules in ex parte meeting with TV applicant and its attorney without informing opposing side. Warwick recommended that Commission amend ex parte rules to "more clearly delineate those proceedings which are restricted." FCC has taken no action on that recommendation.

Case, which is before U.S. Court of Appeals, D.C., involves Rainbow Bestg., which in 1984 was granted TV station in Orlando. Rainbow received 5 extensions of time to construct, sought 6th in June 1991 and tried to transfer permit. On June 18, 1993, FCC Video Services Div. denied extension. That ruling was reversed July 30 following meeting of Mass Media officials, Rainbow executive and applicant's attorney. That meeting was barred by rules, Warwick said, because proceeding was restricted and Press Bestg., other party in case, wasn't informed or invited. However, he said, violation was "unintentional."

Press Bestg. has asked Appeals Court to overturn extension and obtained inspector general's report through freedom-of-information request. Press is licensee of WKCF (Ch. 18) Clemont, Fla., and its antenna is on same tower specified in Rainbow's application. "Since January 1991, Press has vigorously opposed Rainbow's requests for extensions of its construction permit," Warwick said. He said Bureau officials felt meeting with Rainbow wasn't improper since Press had only "informal objection" to extension pending. Mass Media Bureau since has recused itself from case.

Throughout his investigation, Warwick said, "it was apparent that there is confusion both within the FCC and on the part of applicants" on applicability of ex parte rules: "When we [Office of Inspector Gen.] consulted the rule for ourselves, we spent a long time trying to understand how it applies to this proceeding." However, Office of Gen. Counsel, which drafted rules, said it didn't consider them to be "unclear." But, said Warwick, "a rule which governs the communications between hundreds of FCC employees and the public... should be far less complex."

—

FCC approved Viacom-Paramount merger, granting permanent waivers of rules to allow Viacom to acquire Paramount stations. Merged company would have violated rules in Detroit and Washington. Commission said Detroit satisfies its "top-25 market/30 voices" standard. In Washington, FCC granted 18 months to divest one AM and one FM.

**FCC HOLDS CABLE SEMINAR:** FCC Cable Bureau officials explained rules and gave pointers to franchise authorities in Boston March 9-10 in first of its 2-day regional seminars to help local regulators. Acting Cable Bureau Chief Alexandra Wilson laid out "ground rules" that she said "prevent any of you from lobbying us" on pending clarification of rules. She said that because rules haven't been released officially, "we're restricted in what we can tell you" and stressed that "old rules remain very relevant" because much regulatory action will center on original rate changes adopted Sept. 1.

Wilson urged local govts. to practice "affirmative regulation" to forge close relationship between cable operators and city officials. She said that although process can seem complex, options include: (1) Hiring consultant. (2) Asking FCC for help in deciphering cost-of-service studies. (3) Determining whether refunds are in order quickly because they apply for only one year. The longer that local govt. puts off action, "the longer you'll have unreasonable rates in your community." (4) Decertifying later if regulation turns out to be burden, but not cutting "side deals" with operators seeking to avoid certification at outset. "Even though it's tempting, you're not allowed to do it." She reminded officials that they still can file rate complaints (Form 329) though Feb. 28 deadline has passed, if rates go up later.

Joint certification is attractive option for municipalities, Wilson said, because it allows pooling of resources. Cable Bureau Attorney John Spencer said: "It's an opportunity for you to take advantage of economies of scale." He said "system works best if it's done cooperatively." He said operators "need certainty, and they need speedy decisions" on rules, while realizing that regulation is "a process, not an event." Spencer said further rule changes are imminent but "hopefully, steps will become smaller and smaller as time goes on." It's "humanly impossible" for FCC to regulate rates and service for all cable systems, he said, which means that local govts. must certify to protect public.

Spencer said local govts. should remember some key points: (1) "You have tremendous discretion to decide what works for you locally. You don't have to come to us every time there's a problem." (2) It's "not your burden" to prove that rates aren't reasonable but rather operator's responsibility to prove they are. (3) Cable duties should be delegated to office or staffers, not to committees. (4) Govts. should contact cable operator and handle it locally if regulator lacks adequate information.

Duopoly rule has been waived in FCC approval of sale of WCOA(AM)-WJLQ(FM) Pensacola to WKRG-TV Inc. Mobile. WKRG-TV Inc. owns TV-AM-FM Mobile; TV station's Grade A contour covers Pensacola. Commission said WKRG-TV Inc. had shown that joint operation of 5 stations "will result in significant cost savings as well as the potential for enhanced programming and service benefits." Pensacola stations "consistently lost money" and showed negative cash flow for last 2 years, FCC said.

Senate Commerce Committee hearing March 14 will deal with manufacturing and broadcasting issues, committee sources said. Hearing will be at 9:30 a.m., Rm. 253, Russell Bldg. Witness list wasn't complete by our deadline.

Productora y Comercializadora de Television, Mexican cable programming consortium, has launched digital TV using GI DigiCipher. Service consists of 4 channels, with 24 to be added by midyear.

**PCS LICENSING PROCEDURE SET:** FCC took "first critical step" toward licensing PCS by setting competitive bidding rules it will use in spectrum auctions. Commission decided at agenda meeting March 8 on "simultaneous multiple round bidding" (SMRB) as favored mechanism but said other procedures could be used in some cases. SMRB permits bidding on more than one item at a time.

FCC Office of Plans & Policy (OPP) Chief Robert Pepper said SMRB suits uniqueness of spectrum auction process in which items being auctioned are highly interdependent. FCC Chmn. Hundt said decision sets stage for "largest sale of property since the Oklahoma land rush." Action outlines generic procedure for all spectrum auctions, of which PCS will be first. Down road, other auctions will occur as NTIA prepares to transfer more spectrum to commercial use from govt. Bids probably will be submitted electronically, but such details won't be decided until FCC sets specific rules for PCS auction, providing details for generic mechanism. That's when Commission will determine whether "multiple" auctions will mean bidding on several blocks at once, on same block in different geographic areas, or some other combination.

Commission said it will consider such service-specific rules "over the next several months," after it completes action on petitions for reconsideration of broadband PCS allocation rules. Auctions will be held only when there are mutually exclusive applications for initial license and only for services that "principally involve the transmission... of communications services to subscribers for compensation," new rules say. Definition excludes most mass media services from auctions, FCC said. Bidders will be required to submit short application and "substantial" up-front payment of at least \$2,500, Kwerel said. Winning bidders then will submit longer application and enough additional money to represent 20% of winning bid. To assure participation by minorities, small businesses, women and rural companies, FCC adopted broad range of preferences including set-asides and opportunity to pay for licenses in installment.

In related action, FCC decided public safety entities will have to move to another portion of spectrum from 2 GHz band if spectrum is needed by PCS and other emerging technologies. Public safety services originally were exempt from relocation. On reconsideration, agency gave them 5 years to move if sharing isn't feasible.

Commerce Secy. Ronald Brown got preliminary indication March 10 that 18% budget increase his agency requested for FY 1995 may be in jeopardy. At hearing of House Appropriations Commerce Subcommittee, senior Republican Rogers (Ky.) asked Brown why Commerce should get such large boost when funds are tight in rest of govt. Brown said that Commerce was small agency with "big mission." He said it had by far lowest budget of any cabinet dept. Rep. Moran (D-Va.) wanted to know whether NTIA's information infrastructure grants would benefit only few people for short period of time, rather than "contribute in a major way" to expansion of information superhighway. Brown said that NTIA just this week set out guidelines for first set of grants. Agency has \$26 million available for grants in current fiscal year, has asked for \$100 million in FY 1995. NTIA will have its own appropriations hearing, possibly next week. FCC is due to testify late next month.

Cable equipment maker Antec said it bought Electronic System Products (ESP) of Atlanta for undisclosed price. ESP will continue development of software and hardware for on-screen program guides and interactive TV.

**Financials:** Paramount lost \$36.6 million in 3rd quarter ended Jan. 31, vs. \$66.8 million loss year ago, when figure was inflated by \$66.9-million accounting change. Revenue increased 7.4% to \$1 billion... ValueVision had \$126,840 profit in 4th quarter ended Jan. 31, vs. \$139,534 profit year ago, with revenue more than doubling to \$14 million... International Cablecasting Technologies said SEC declared effective its registration of 7.1 million shares of common... Great American broadcast revenue for 1993 was "virtually even" with 1992, company said. Net revenues were \$44.6 million for 4th quarter, \$205.2 million for year. Total operating expenses were down 4% to \$33.6 million for quarter, \$133.7 million for year. Company predicted "material increases" in revenues for first quarter 1994... QVC reported 14.2% increase in net revenue to \$1.22 billion in 1993, up from \$1.07 billion. Operating income in 1993 of \$152.2 million jumped 28.8% over \$118.2 million in 1992. Net income last year was \$59.3 million, up from \$55.1 million. QVC said it took after-tax \$18.8-million charge in its unsuccessful effort to acquire control of Paramount... TCI cash flow for year ended Dec. 31 increased 13.5% to \$1.9 billion, according to unaudited figures. Growth came despite \$44 million revenue that it said it lost in 4 months beginning Sept. 1 because of FCC rate regulation. TCI also said it had \$21-million one-time expense to comply with rate rules. Revenue jumped 16.2% for year to \$4.2 billion, and debt dropped \$385 million to \$9.9 billion... Viacom net profit rose to \$26.3 million in 4th quarter ended Dec. 31 from \$11.7 million year ago, although that was reduced by \$12.75 million payment to Nynex and Blockbuster as dividends on preferred stock acquired as part of Paramount deal. Viacom also had gain of \$11.5 million from interest earned by money contributed by Nynex and Blockbuster to buy stock. Total revenue for quarter was up 3.7% to \$530 million and operating profit 15% to \$78 million. Cable system revenue gained 6% for year, but cable operating profit dropped 6% because of deregulation, company said... MTV Networks revenue was up 27%, operating profit 39%. Full-year net profit soared to \$170.9 million from \$49 million year ago... Outlet Communications net profit grew to \$2.7 million in 4th quarter ended Dec. 31, from \$167,000 year ago, largely because of reduced interest. Broadcast revenue grew to \$13.4 million from \$12.6 million... Cablevision Systems net loss for 4th quarter ended Dec. 31 increased to \$86.9 million from \$65.9 million year ago, and cash flow dropped 21% to \$52.6 million because of \$15.5-million charge associated with incentive stock plan. Quarterly revenue grew to \$172 million from \$157.5 million.

NARUC has weighed in on proposals that electric utility companies be able to compete in telecommunications by urging Congress to step carefully into complex regulatory issue. In resolution adopted at recent winter meeting, Assn. urged Congress to "examine fully and carefully the potential effects" of allowing electric companies' diversification and not to "preempt state regulation from providing appropriate consumer protections." Noting that Congress is considering easing way for electric companies' entry into communications by easing Public Utility Holding Company Act constraints, NARUC warned that there are "regulatory gaps and jurisdictional incongruities" in electric utility regulation and concerns are still warranted "about abuses such as cross-subsidies and excessive risks and charges to captive ratepayers of regulated utilities, especially those which are part of a complex holding company structure."

"Making Waves" is title of speech FCC Comr. Barrett will deliver at May 22-25 convention of Best. Cable Financial Management Assn. (BCFM) in San Diego. Registration before April 15 is \$495 for members, \$645 nonmembers -- fax 619-296-5297.

General Instrument indirectly confirmed that it's subject of Justice Dept. civil antitrust inquiry, saying it can't comment on pending investigation. Inquiry reportedly is to determine whether GI has capability of improperly dominating delivery of digital cable services through its DigiCable technology. News reports cited GI deal to supply one million digital set-top converters to TCI, although TCI also ordered 300,000 digital units from Scientific-Atlanta, 100,000 from Hewlett-Packard. GI also has signed deals to license DigiCable technology to other manufacturers, as it did with VideoCipher that dominated satellite industry. Hal Krisbergh, pres.-GI Communications Div., said every VideoCipher contract, following model first set by TCI and HBO, requires GI to license technology "very broadly," and even specifies terms of licenses. He said GI has license deals with S-A, H-P and Zenith and is in talks with about 20 other companies that want to build cable equipment using that technology. "They [MSOs and programmers] know the game," Krisbergh said. "They don't want the technology to be in the hands of only one player." He said it's "very healthy" that GI technology is becoming industry's standard because "without a standard there's no industry," but licensing rules prevent GI from dominating.

Maclean Hunter said its U.S. cable systems remain on market, following agreement last week to end 5-week fight against takeover by Rogers. Merger agreement came March 7, after Rogers sweetened offer to \$13.50 per share from \$13. Maclean had sought other offers, but said none of 50 expressions of interest indicated higher value than Rogers. Deal goes to stockholders with endorsement of Maclean board. Rogers closed off one of Maclean's last options when it agreed to trade off some of its cable assets if proposed acquisition goes through. Under agreement, Rogers will swap systems owned by it and Maclean Hunter in Western Canada and Northern Ontario for operations owned by Shaw Communications in Southern Ontario. Shaw will acquire about 140,000 new subscribers in deal, for which it would pay still undetermined cash amount to Rogers. Action eliminated Shaw as potential rival bidder for Maclean. Analysts valued swap at about \$1 billion (Canadian).

U S West (USW) has formed Interactive Video Enterprises (IVE) to produce interactive TV services. At outset, IVE will concentrate on "development and implementation of interactive advertising, promotion and merchandising" of services for retailers, manufacturers and local merchants, USW said. It formed IVE to capitalize on its experience in handling "billions of consumer transactions through print media," USW Mktg. Resources Group Pres.-CEO Sol Trujillo said. He also becomes chmn. of IVE. Other IVE officers: Robert Grant, pres., recently vp-USW Mktg. Resources; Kevin Randolph, exec.-vp, previously vp-New Ventures for Mktg. Resources; Andrew Orgel, exec.-vp, was chmn.-CEO, Interactive Enterprises, has broadcasting background.

AT&T, TCI and U S West (USW) said they had agreed to extend joint video-on-demand and pay-per-view services test through June 30. They said they would add new feature to Viewer-Controlled Cable TV trial to "further test customer acceptance" and usage of "futuristic services" planned for introduction on networks. New service, called "Hits at Home," will be improved to provide "personal intermissions," companies said. Feature will allow customers to take break from movie, picking it up at 15-min. intervals on different channel.

Time Warner signed 3-year deal to buy up to one million set-top units from Scientific-Atlanta, terms not disclosed. Purchase involves SA series 8600X.

**NCTA and Consumer Federation of America (CFA)** sent joint letter to FCC expressing "significant concern" that "Commission's video dial tone policy and practice remains ad hoc, with criteria for evaluating applications still unwritten months after the FCC approved the concept of video dial tone." Citing "major acceleration of telephone company applications to provide video dial tone service," associations said: "FCC needs to more carefully define the service and the roles of the telco, customer-programmers and others. And, video dial tone-specific safeguards must be adopted." Agency should undertake rulemaking to consider mechanisms "that protect consumers and competitors against cross-subsidy, discrimination and other undesirable practices," letter said. Meanwhile, CFA joined Center for Media Education in asking FCC to deny US West applications to provide video dial tone in Denver, Minneapolis-St. Paul and Portland, Ore., because proposals are "extraordinarily vague and incomplete." Joint petition to deny also was filed by Ore. and Minn. cable associations. That petition said USW applications lack clarity and "fail to comply with the Commission's requirements because they would allow USW to control programming and, thus, create a bottleneck in essential facilities."

**FCC supports idea of utility companies' providing** communications competition to those already in field, but said their regulation could be complicated. In March 7 letter to House Telecom Subcommittee Chmn. Markey, FCC Chmn. Hundt said that in case of electric or gas company providing communications, Commission would have jurisdiction only over communications part of company, while other elements of corporate structure would continue to be regulated by other federal agencies and by state. He said: "Thus, the enforcement of the cross-subsidization prohibition may be more complicated in these circumstances than in a case in which a single agency has jurisdiction over all of the entities." Hundt also said draft language proposed by Rep. Boucher (D-Va.) could be interpreted as (1) requiring FCC to regulate rates for services that generally aren't subject to regulation and (2) preempting states. Boucher said he was pleased that FCC was in fundamental agreement with notion of utility provision of telecommunications services.

**Ameritech's real intention** in applying for video dial tone (VDT) authority in Ill., Ind., Mich., O. and Wis. is to "allow it to construct a cable system that will be operational if, and when, its federal court challenge to the Cable Act's cross-ownership restrictions succeeds," Great Lakes Cable Coalition said in petition asking FCC to deny VDT. Coalition also said it appears that telco already is installing some equipment that would be needed for VDT, ignoring requirement that it get FCC approval. Group said Ameritech had failed to provide detailed technical and economic analyses to support VDT application, and proposed to select programming itself rather than acting as common carrier. "Ameritech's 70-channel, nonintegrated analog system is simply not the type of unfranchised cable system the Commission envisioned in its VDT order," Coalition said.

**FCC Chmn. Hundt**, who canceled scheduled appearance March 21 at NAB convention in Las Vegas, instead will address March 23 lunch via satellite from Buenos Aires. Hundt pulled out of personal appearance at opening session to participate in World Telecommunications Development Conference, along with Vice President Gore.

**TCI, KBL COM/Paragon Communications and** International Cablecasting Technologies DMX For Business have placed \$22-million order for 55,000 DBS digital audio receivers made by ComStream. Project will carry up to 120 stereo channels.

**New FCC rate rules** are "adding some complexity" to final negotiations on price of Southwestern Bell's proposed purchase of 40% of Cox Cable systems, officials confirmed. They refused to confirm numbers, but indicated that lower cash flow caused by latest rate rollback could reduce telco's cash outlay. Companies originally had said SWB could pay \$1.6 billion, but price was to be set in negotiations on final agreement. Officials pointed out that, since rate rule details won't be released until later this month, it's still not clear how much impact they will have. Companies had hoped to finalize agreement this month, but now say they expect to do so in April. They said deal still is expected to close late in 3rd quarter.

**Home shopping network** ValueVision (VV) and infomercial company National Media (NM) have signed merger agreement valued at \$150 million. As result, VV has withdrawn proxy to elect its own slate of officers. VV owns 8.6% of NM, will pay \$11.50 per share for at least 5.8 million (majority) of NM shares. VV said it would finance acquisition through private placement of straight debt securities. Salomon Bros. and Gerard, Klauer, Mattison & Co. have been retained as financial advisers.

**Bell Atlantic (BA) Network Services** has formed 3rd party software developers program to encourage design of custom applications capable of running on interactive networks. BA said production output from its developers program could reach "potentially into the thousands." Move is aimed at speeding up availability of services. BA said program development would be "as profound a force as the shift within the computing industry to PCs from mainframe [computers]."

**Cable objections** to Pacific Bell's video dial tone (VDT) proposal "ignore today's regulatory world of price cap regulation," company said in FCC reply comments. It said telco customers won't cross-subsidize VDT because of established safeguards and because telephone rates won't be raised. "With correct calculations, the VDT proposal is economically justified," PacBell said.

**C-SPAN** made history last week when its TV cameras were allowed into U.S. Supreme Court chamber, a first. Occasion was first in series of 6 panel discussions (being telecast by C-SPAN) sponsored by Supreme Court Historical Society and Friends of the Library of Congress. Chief Justice William Rehnquist participated in first of series, aired by C-SPAN March 13.

**NCTA appointed** June Travis, COO of Rifkin & Assoc., as exec. vp, succeeding Decker Anstrom, recently promoted to pres. Travis has more than 20 years of cable experience, including executive spot with Time Warner-owned ATC. She's founding member of Women In Cable and board member of C-SPAN and Cable In Classroom.

**RAB will offer** full-day revenue-generating workshop -- "How to Make More Money Without Using Inventory" -- March 21 during NAB convention. Registration is \$295 -- 1-800-RAB-SELL.

**Viacom** said it has taken control of Paramount, following cash payments for 50.1% of stock. It said majority of Paramount board will remain in place until company becomes subsidiary of Viacom.

**In update of FCC phone system**, Comr. Quello's number changes today (March 14) to 202-418-2000, Comr. Barrett's to 202-418-2300.

**Radio revenues** in Jan. were up 12% over same month 1993, according to RAB.

**Personals**

**Suzan Mischler** resigns as CBS Entertainment vp-entertainment and information specials to spend more time with family... **Lauren Marrus**, ex-Institutional Investor, appointed vp-Cap/ABC Multimedia Group... **Brian Sikorski** promoted to vp-sports sales, ABC TV Network... **Andrea (Andy) Peluso**, NAB Public Affairs Dept. and head of convention newsroom operations, leaves after next week's convention in Las Vegas to become exec. secy. to MSTV Pres. **Margita White**.

**Joe Gianquinto** advanced to vp-administration, Group W Network Services, new position... **Wallace Hammond**, ex-BellSouth Communication Systems, named exec. vp, Phoenix Network... **Erin Scanlon-Manning** promoted to research dir., Tribune Entertainment station sales group... **Stu Ginsburg**, ex-Our Thing Ink, named Bender, Goldman & Helper vp-corporate entertainment, East Coast... Cable Networks appointments: **Jim McDaniels**, ex-Time Warner CityCable, national sales mgr.; **Bill Hammer** promoted to dir.-sales development-N.Y.C.; **Gerald Himmel**, ex-MJI Bestg., sales mgr.-Chicago... Additions at Hearst New Media & Technology Div.: **Steven Horen**, ex-Chemical Venture Partners, dir.-business development, **Mark Samis** new media center mgr.

**Patrick Gushman**, ex-Media Business Corp., named vp, Satellite Bestg. & Communications Assn., and exec. dir., T. Howard Foundation for Education... **Joe Abruzzo**, ex-Nielsen Mktg. Research, appointed senior vp-research dir., Network TV Assn., succeeding **Steve Singer**, resigned.

**Richard Metzger**, ex-Rogers & Wells law firm, appointed acting chief, FCC Common Carrier Bureau; Metzger had been serving since beginning of year as special adviser to FCC Gen. Counsel William Kennard; **David Nall**, ex-Squire, Sanders & Dempsey law firm, named deputy chief, Common Carrier Bureau Tariff Div.; **Kathleen Wallman**, ex-Arnold & Porter, appointed deputy chief, FCC Cable Bureau... FCC Washington events: Comr. **Quello** addresses FCBA luncheon, Marriott Hotel, March 17; Chief Engineer **Thomas Stanley** speaks on "PSC Opportunities for Small Businesses, Women and Minorities," Rm. 856, FCC hq, March 14, 11 a.m.; he also speaks at "PCS License Valuation & Bidding Strategies" session, Sheraton Carlton Hotel, March 15, 9:30 a.m.-4:30 p.m., and at Personal Communications Industry Assn. Conference on "Microwave Relations," Renaissance Hotel, March 17, noon; **John Winston**, acting dir.-Office of Small Business Activities, participates on panel at "PCS Opportunities."

**Carter Maguire** promoted to exec. vp-domestic networks sales and mktg., Turner Cable Network Sales... **Richard Lefler**, ex-National Basketball Assn., joins ESPN as dir.-international sales... **Liz Noyer**, ex-ABC News spokeswoman, appointed senior vp-communications, Nickelodeon... Elected to Tvb board: **Ed Bradley**, Meredith Bestg.; **Thomas Burchill**, Petry; **Grace Gilchrist**, WXYZ-TV Detroit; **Wayne Godsey**, Pulitzer Bestg.; **Donald Robinson**, Seltel... **Robert Ross**, ex-KYW-TV Philadelphia, named vp-engineering, Group W TV... **Carl Kanefsky** promoted to news dir., WHYY-TV Wilmington, succeeding **Nancy Karibjanian**, who remains part-time anchor and reporter.

**Stephanie Storms** promoted to vp-deputy gen. counsel-cable, Viacom; **Scott Kolber** advanced to dir.-technology and business operations... **Pierre Juneau**, ex-Canadian Radio-TV & Telecommunications Commission chmn., named Rogers Communications trustee to hold Maclean Hunter shares in case of takeover.

Published Weekly Since 1946


  
**TELEVISION DIGEST**  
 With Consumer Electronics  
 (ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

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

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**OBITUARIES**

**Lawrence E. Spivak**, 93, founder, producer, moderator and panelist of *Meet the Press*, died March 9 of congestive heart failure at Sibley Memorial Hospital in D.C. Program started on Mutual radio in 1945, shifted to NBC and TV 3 years later. Spivak originally owned *Meet the Press*, longest running TV program ever that will become 50 years old next year, sold it to NBC in 1955 while continuing as producer, panelist and sometimes moderator. He retired in 1975, but appeared on several programs after that. Son survives.

**James P. Nolan**, 65, pres. emeritus of NABET, died March 9 in N.Y.U. Hospital after brief illness. Cause of death wasn't given. He joined union in 1958 as engineer at ABC, became pres. in March 1986. Nolan had retired as NABET pres. last Oct. after leading union's merger with much larger Communications Workers of America, which he told friends was his "legacy." He was driving force in NABET for nearly 4 decades, leading reorganization in late 1960s when internal strife and membership revolt threatened union's existence, and participated in many network negotiations. Wife, 2 sons, 3 daughters survive.

# 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 Feb. and year to date:

|                              | FEB.<br>19-25 | 1993<br>WEEK | %<br>CHANGE | FEB.<br>12-18 | 2 MONTHS<br>1994 | 2 MONTHS<br>1993 | %<br>CHANGE |
|------------------------------|---------------|--------------|-------------|---------------|------------------|------------------|-------------|
| TOTAL COLOR....              | 708,132       | 772,769*     | - 8.4       | 387,968       | 3,337,996        | 3,347,380*       | - 0.3       |
| DIRECT-VIEW..                | 689,696       | 759,845*     | - 9.2       | 379,246       | 3,260,511        | 3,286,952*       | - 0.8       |
| TV ONLY.....                 | 638,285       | 719,886*     | -11.3       | 360,099       | 3,025,556        | 3,120,951*       | - 3.1       |
| TV/VCR COMBO                 | 51,411*       | 39,959       | +28.7       | 19,147        | 234,955*         | 166,001          | +41.5       |
| PROJECTION....               | 18,436*       | 12,924       | +42.6       | 8,722*        | 77,485*          | 60,428           | +28.2       |
| VCR DECKS.....               | 415,710*      | 354,364      | +17.3       | 143,076       | 1,561,131        | 1,620,623        | - 3.7       |
| CAMCORDERS.....              | 94,327*       | 93,290       | + 1.1       | 30,331*       | 345,714*         | 325,802          | + 6.1       |
| LASERDISC PLYRS <sup>r</sup> | 4,687         | 8,935        | -47.5       | 3,115         | 31,023           | 39,722*          | -21.9       |

Direct-view TV 5-week average: 1994--484,172\*; 1993--483,239 (up 0.2%).

VCR deck 5-week average: 1994--230,120; 1993--223,043 (up 3.2%).

Camcorder 5-week average: 1994--52,069\*; 1993--47,293 (up 10.1%).

\* Record for period. <sup>r</sup> Revised to include players with karaoke features.

**GOVT. PROPOSES CUTS IN TV SET ENERGY USE:** Reversing 1988 decision, U.S. Dept. of Energy (DoE) has proposed reductions in energy consumption of TV sets that would cost manufacturers slightly more than \$10 per set. Despite comments by industry that solid-state TVs are extremely efficient, DoE said its proposal could save "significant amount of energy and is technically feasible and economically justified."

In 1988, DoE dropped proposals to regulate TV energy consumption, saying that while efficiency of sets could be improved, payback to consumer wouldn't justify costs. Decision exempting TV from appliance energy standards also banned or invalidated any state attempt at regulation (TVD Dec 12/88 p16). However, DoE's Michael McCabe told us last week that more recent legislation required new look at improving TV sets' energy consumption.

DoE examined 3 levels of energy reduction and picked most severe of those for its proposal, which it forecasted would reduce consumption from estimated 205 to 138.5 kwh per year for 19-20" sets. It proposed formula for energy goals based on screen size, since larger screen sets use more energy. Mandatory limits would go into effect 3 years after date of final rule, which McCabe estimated could come in 12-18 months. Major energy economies would be achieved by requiring standby power for remote controlled sets to be no more than 2w, DoE said, quoting industry estimates that sets currently require 2-6w, and by limiting white screen power to 73w and black screen power to 41w (for 19-20" sets, others on sliding scale based on formula).

DoE estimated that retail price of average set would go up \$19.37, reducing energy costs \$5.71 annually, resulting in payback of retail price increase to consumer in 3.5 years, "which compares favorably with the 12-year product life." From 1996 to 2030, DoE said, that would reduce sulfur dioxide pollution by 599,000 tons, nitrogen dioxide by 528,000 tons and carbon dioxide by 263 million tons, by requiring less generation of electricity.

Examining whether such rules would result in hardship, DoE used estimates that average TV manufacturer "has a negative return on equity of 1.9%," and said standard would add "negative short-run return on equity" of 3.3%, but in long run addition would be only negative 2.2%.

Written comments on proposed rule are due by May 18, and public hearing is scheduled on energy conservation standards for TVs, along with group of home appliances, for April 5-7. Requests to speak at hearings must be made by 4 p.m. March 25 -- Michael McCabe, DoE, 202-586-9127.

**PHILIPS TO MAKE 32" TUBES IN U.S.**: Philips' entry in very large screen (VLS) tube manufacture here will be with 32" size. Company is expanding facility at Ottawa, O., to add capability for production of 31"-35" tubes, including 16:9 types (TVD Jan 31 p13), that will bring its total color tube capacity here to about 4.1 million annually.

"First-stage" expansion is being completed, said Philips Display Components Sales & Mktg. Vp Ed Egert, with production starting in May. That will permit production of 300,000 VLS tubes annually, with 32" as first size because of "heavy demand." Philips has been producing 19", 20", 25", 26" and 27" tubes in U.S., importing 31" tubes from its facility in Aachen, Germany. Company had planned to build \$100-million tube plant in Saline, Mich., but scrubbed it when parent company started major cutbacks in 1990 (TVD Nov 26/90 p10).

Philips at outset will import screened faceplates from Europe, sealing them to U.S.-made funnels, presumably because of severe glass shortage here. Only other manufacturers of 32" tubes here are Toshiba and Sony, and Philips' version won't be interchangeable with either. As for next sizes from new VLS production line, "we'll make what the market calls for," Egert said. As for 16:9, he indicated Philips is leaning toward smaller sizes -- 26W" and 30W" -- both of which reportedly are outselling big 34W" in Japan and Europe. In this respect, it differs sharply from Thomson, which says it has no plans to go smaller than 34W" (it currently imports tubes from Europe) and is considering possibility of making even bigger version -- 38W" -- in U.S.

**535,000 PROJECTION TV SALES IN 1994--USPL**: U.S. Precision Lens, supplier of optical systems for vast majority of projection TV (PTV) sets, is forecasting 15% increase in U.S. consumer sales of such sets to record 535,000 this year, more than half of them 50" and larger.

USPL's prediction contrasts sharply with EIA Consumer Electronics Group's consensus forecast of 2% increase to 475,000 from last year's 465,000 (TVD Jan 10 p11). USPL also expects PTV export market to rise modestly to 35,000 from last year's 30,000, for total sales of 570,000. At EIA's estimated average factory price of \$1,787 last year, value of PTV production could top \$1 billion for first time. However, increasing price competition, which USPL said creates concern about profitability of PTV, could hold value below \$1 billion.

Forecasts are contained in USPL's 12th annual report on "Projection TV, Past & Future," advance copy of which has been made available to us. On basis of sales in this year's first 2 months -- at annualized rate of 630,000 (see separate report) -- its forecast could turn out to be conservative. USPL's prediction of 15% increase matches domestic market gain in 1993 over 1992 (465,000 vs. 404,000). Based on experience, company contends that "the condition of the economy does not necessarily influence PTV sales unless a huge downturn occurs."

One "major factor in the growth of the market in 1993," USPL says, was reduction in depth of PTVs -- 20-35% for 50-54" models -- that gives projection set "the appearance of a large direct-view set on a matching storage table." One trend USPL doesn't like is tendency to sell tinted plastic "screen protectors," which it says increase reflections and degrade picture quality. Other points made in USPL report:

Larger sizes will continue to grow, with sales of 55" and above representing 12% of total this year (vs. 11% in 1993); 50-54", 40% (vs. 36%); 40-45", 46% (49%); 40-44", 2% (2%). LCD projection continues to be no match for CRT-based models on consumer market, with no commercially available rear-screen LCD models available. "Poor brightness and contrast, inadequate lamp life and high costs" have precluded such models. "Despite the enormous amount of effort, most PTV makers still believe the obstacles to making a rear-screen LCD set will not be overcome in the next few years... We believe CRT-based systems will dominate the consumer market for the foreseeable future." About 25,000 LCD sets were sold worldwide for consumer use.

As for 16:9 widescreen sets, slow sales to consumers last year aren't necessarily portent for future. High prices and limited software have been stumbling blocks, but increasing amounts of letterbox material on broadcast and cable channels gradually should stimulate demand, possibly reducing costs through economies of scale. Among cinema or zoom features to display 4:3 pictures on 16:9 sets, "we have found that a nonlinear expansion [presumably of type developed by JVC] is the most effective technique." HDTV should be boon to projection in long run, since "better signal quality is most noticeable at larger screen sizes."

Among other trends that could increase popularity is development of tabletop PTVs, but price "will be a major factor in the success of this product." Home theater applications and in-wall installations will be small but growing market segment in 1994.

European and Japanese markets last year continued downtrend started in 1992. In Europe, PTV sales were about 13,000 sets, same as in 1992, with about 20,000 CRT-based sets sold in Japan. Projector sales for institutional market totaled about 37,000 CRT sets (up 23% from 1992) and 35,000 LCD-based sets worldwide.

**VIDEO PRODUCTS SOLD AT RECORD PACE IN FEB.:** Although direct-view TV sales fell short of last year's record for Feb., records for month were set for total color sales, TV/VCR combos, projection TV and camcorders, according to EIA figures. Based on seasonal rates, all major products except direct-view color sold at record annualized rates in both Feb. and year's first 2 months.

While direct-view color ran marginally behind 1993 for first 2 months of 1994 (see State of the Industry), combos, projection TV and camcorders set records for year-to date -- combos and projection by big margins of 41.5% and 28.2%, respectively, with camcorders up respectable 6.1%. Continued big sales of combos and camcorders brought total color sales for year to date to just 10,000 (0.3%) shy of 1993's record.

In terms of annualized sales rate -- based on seasonal trends for last 5 years -- most products were at record pace so far this year. Direct-view color, selling at rate of 24.5 million in Feb. and 24.4 million in year's first 2 months, was just hair below 1993's actual record of 24.6 million. But TV/VCR combos, which sold 1.63 million last year, were going at 2.1-million pace for both Feb. and year to date. And projection TVs were moving to dealers at extraordinary annualized rate of 640,000 in Feb. and 630,000 in Jan.-Feb., compared with record sales of 465,400 in 1993.

VCR sales to dealers were at record annualized rate of 12.9 million in Feb. and 12.8 million in first 2 months, compared with 12.45 million record, set in 1993. Likewise, camcorders, which set record of 3.09 million sales last year, were at 3.7-million rate in Feb. and 3.88 million in Jan.-Feb.

EIA announced retroactive revision of its data on laserdisc player sales as result of "internal audit" by Pioneer, biggest producer of players. On basis of new information supplied by Pioneer, EIA said, it's revising all figures back through 1992. Revised figures include "players with karaoke features," previously excluded. EIA said data include "video-only players [and] A/V combination players," presumably also included in earlier figures (details in separate report, this issue). Even revisions failed to bring player sales anywhere near record performance in 1994 to date -- they were 21.9% below 1993 in year's first 2 months and down 47.5% in Feb.

Here are EIA's figures on sales to dealers for Feb. (data on month's final week and year's first 2 months are in State of the Industry):

| Product           | Feb. 1994  | Feb. 1993            | % Change | Feb. 1992           |
|-------------------|------------|----------------------|----------|---------------------|
| Total color.....  | 1,770,686* | 1,756,787            | + 0.8    | 1,421,950           |
| Direct-view...    | 1,729,095* | 1,727,952            | + 0.1    | 1,396,734           |
| TV only.....      | 1,604,974  | 1,636,163*           | - 1.9    | 1,343,373           |
| TV/VCR combo.     | 124,121*   | 91,789               | +35.2    | 53,361              |
| Projection....    | 41,591*    | 28,835               | +44.2    | 25,216              |
| VCR decks.....    | 786,370    | 763,129              | + 3.0    | 804,213             |
| Camcorders.....   | 163,342*   | 158,484              | + 2.4    | 132,259             |
| Laserdisc players | 12,754     | 22,360* <sup>r</sup> | -43.0    | 12,994 <sup>r</sup> |

\* Record for any Feb. <sup>r</sup> Revised.

**First Zenith TVs equipped for StarSight** electronic program guide are being tested in homes across country, StarSight Senior Vp Brian Klosterman said. He said TVs were first production models of sets scheduled for sale this summer and early results confirm system is "meeting consumer needs." Zenith said trials involved "few dozens of sets," but gave no details.

**Federal judge in San Francisco adjourned hearing** March 9 without reaching decision on Circuit City effort to block former executive from joining Good Guys. CC filed suit Feb. 28 (TVD March 7 p16) contending Robert Baird took chain's plans for West Coast when he joined GG. Suit seeks \$1 million and injunction barring Baird from joining GG for one year.

**3DO TO PUBLISH SOFTWARE:** In effort to assume more control over its destiny, 3DO said last week it plans to develop, publish and distribute limited number of software titles itself. Announcement represents significant move away from 3DO's much-touted stance as licensor and facilitator, rather than direct participant at retail competing with its own licensees, as do Nintendo and Sega.

This is 2nd major strategic move by company in last 3 weeks to shore up problem areas. To encourage Matsushita to reduce player price, and nudge AT&T and Sanyo into introducing their machines earlier, 3DO devised incentive program giving hardware licensees 2 shares of 3DO stock for every machine sold through Sept. 30 at aggressive prices such as Panasonic's new \$499.95 retail (TVD Feb 28 p15).

3DO confirmed reports that Goldstar and Samsung have signed hardware licenses (TVD Jan 24 p14), and said it has understanding with Creative Technology -- best known for Sound Blaster computer audio cards -- to jointly develop card that would allow personal computers to play 3DO software. Finally, 3DO said it would fund ad campaign in spring "to promote awareness" of system and all licensed hardware and software products.

Strategic change on software deals with problems that became evident during Christmas launch, said Chief Financial Officer Rex Golding -- dearth of distinctive programs and company's lack of contact with dealers. "We became convinced we needed to have direct linkage with the retail channel, and the only way we were going to get there would be if we had something to sell," Golding said. Company was concerned by paucity of exclusive 3DO titles -- "we were seeing a lot of [titles ported from] 16-bit and other platforms" -- and of "killer application" that would drive hardware sales as Sonic the Hedgehog and Mario did for Sega and Nintendo, respectively.

Golding insisted that "we're not trying to compete directly with our licensees," saying "Studio 3DO" would be producing 2-3 titles per year to show system's capabilities. He said decision hasn't been made as to budget or how many developers would staff operation. He said 3DO would add "small distribution infrastructure" of undefined size to get products to shelves. News release said 3DO also "intends... to provide publishing and distribution services to other 3DO licensees," although Golding said it didn't intend to compete with affiliated label deals offered by such companies as Crystal Dynamics and Electronic Arts, which provide those and other services to smaller publishers.

**Rent-to-own industry (RTO) suffered another major defeat at state level last week when Wis. Supreme Court let stand lower court decision that RTO transactions are subject to consumer laws covering credit sales. Specific case involved industry leader, Thorn EMI's Rent-A-Center (RAC). In Wis., consumer credit laws require disclosure of cash price, effective interest rates and total costs to consumers. Unlike 30 other states, Wis. doesn't have laws limiting permissible interest on credit sales.**

Prototypes of digital VCR head were demonstrated by Alps Electric at "Alps Show," technology exhibition last week in Tokyo. Heads are designed for 1/4" tape cassettes for HDTV VCRs being developed by Digital VCR Conference. Alps said 2-layer head, made of ferrite and new carbon steel compound, can be produced as cheaply as head for conventional 8mm VCR. Attendant at exhibit said head was developed in cooperation with VCR manufacturers, and prototype will be submitted to VCR makers for testing.

**NONTAPE RECORDER DUE:** Norris Communications, Poway, Cal., said it plans July delivery of Flashback, personal voice recorder that uses flash memory module instead of tape. Company plans mockups later this year of versions that will play back and record digital music.

Recorder, which will list for \$199, looks like computer mouse that has been stepped on and accommodates SoundClip solid-state modules about size of 50¢ coin. Mockup of SoundClip we were shown had Intel logo pasted on. Pres. Elwood Norris said first SoundClip modules would have capacity of 30 min. and list for \$69. SoundClips with 60- and 120-min. capacity will be available later.

Company said it will produce Flashback at its affiliated American Surface Mounted Devices factory in Cal., hopes to sell 150,000 in first 12 months. Norris said company is in talks with unnamed "billion-dollar" vendor to which it would supply stepup Flashback product with LCD readout.

Company plans to show "lab prototypes" by year-end of Flashback version capable of recording 75 min. of music with digital sound. He didn't offer timetable, but sources said it's doubtful 180-Mbyte solid-state devices with capacity to record and play back 75 min. of CD-quality music could reach market at mainstream pricing for at least 3-4 years.

Microprocessor-controlled Flashback will be targeted at early-adopter buyers who are weary of microcassette recorders and other voice recorders because of tape wear, poor sound quality and multigenerational degradation, company said. Recordings can be downloaded to PC or personal digital assistant, they said. Recorder is powered by 2 AAA batteries for 3 hours of use. Product will be available through consumer electronics outlets and department stores, to be serviced through Casio independent reps company has signed up, Sales & Mktg. Vp Stephen Brightbill said.

Grundig Satellite Communications was formed in Wales by Gooding Consumer Electronics (70%) and Germany's Grundig (30%) with goal of 30% of U.K. market and million receivers per year by 3rd year. Company is headed by Alfred Gooding, who also is head of RACE Electronics, OEM satellite receiver manufacturer. Gooding Consumer Electronics was formed late last year to take over Grundig's French TV factory with grant from French govt. (TVD Dec 27 p13). It also acquired Minerva and Continental Edison brand names from Grundig and Thomson, respectively.

**Long-time NATM member Lechmere won't attend annual meeting this week in Tucson. Montgomery Ward signed agreement in Feb. to buy 24-store Woburn, Mass., chain (TVD Feb 7 p12). Industry observers said Lechmere's absence was indication it was leaving buying group. NATM members traditionally don't compete head-to-head, and new owner would put Lechmere in many of same markets. Lechmere purchase is expected to be completed this week.**

Thanks to ViewCam, Sharp has passed JVC in domestic Japanese camcorder market share "and is now nipping at the heels of Sony and Matsushita," the 2 leaders, Nikkei Weekly reported.

#### THIS WEEK'S YEN RATE

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

**NINTENDO/SEGA SILLY SEASON:** "Roses are red, violets are blue, so you had a bad day, boo hoo boo hoo." That was "personal message" from Nintendo of America (NOA) Chmn. Howard Lincoln to Sega of America Pres. Thomas Kalinske in news release last week as public grudge battle shattered image of harmony that had predominated at recent Senate hearings (TVL March 7 p10).

It presumably was last word in verbal donnybrook that erupted in wake of article in March 5 Washington Post detailing Nintendo's efforts last year to bring offending portions of Night Trap and Genesis version of Acclaim Entertainment's Mortal Kombat to attention of media and lawmakers.

Article said Nintendo had made videotapes of portions of Night Trap for Senate subcommittees that have been putting heat on industry to create violence rating system. It said Nintendo employee played Night Trap on Sega Genesis console so news crew from KOMO-TV Seattle could shoot footage of controversial game material.

After article appeared, Sega issued news release quoting Kalinske as calling Nintendo's actions -- which weren't secret within industry -- "desperate response to Sega's rapid growth... from a company frightened by its slipping market share." He chided Nintendo for "plotting a marketing ploy that would play off parental concerns about violence" while Sega was developing rating system that it since has implemented.

Nintendo followed with blast at Sega, saying retailers had "decided to pull the obscene game Night Trap from their store shelves," that "Congress itself decided that Sega's game required a congressional investigation of the entire industry" and that "the American public... decided that Sega's games were unfit for American youth." It concluded: "We also recognize that all people can have a bad day," and offered poem from Lincoln to Kalinske.

Home 3D TV set will be demonstrated at NAB convention March 21-23 in Las Vegas by StereoGraphics Corp. (SGC) to show feasibility of stereoscopic broadcasting. TV set is capable of switching automatically between standard and 3D reception. To watch 3D image, viewer "wears a pair of lightweight CrystalEyes stereoscopic eyewear," said SGC, which claims to be world's largest supplier of 3D electronic stereoscopic equipment. SGC founder and R&D Vp Lenny Lipton said last week that "all the technology is in place now for home stereoscopic TV," using broadcast-compatible NTSC signal. Set used for demonstration was modified 27" Mitsubishi monitor, with infrared emitter to provide sync signal for eyewear that uses liquid crystal lenses. SGC said "2 high-quality images alternate at a flicker-free rate of 120 fields per second," each image having same number of TV lines as standard broadcast image. Lipton said that in mass production, 3D capability would add "just a few dollars" to cost of TV set.

Thomson's RCA brand will be highlighted in TV commercials during NCAA basketball championships beginning this week. Ads run in conjunction with "RCA Player of the Year" competition capped by selection on April 3.

"Sound Sensations -- the Inside Story of Audio" will be new permanent exhibit at N.Y. Hall of Science, Flushing, N.Y. Sound Sensations was called first interactive museum exhibition on audio technology. Exhibition opens to public March 26.

**GOOD GUYS EXPANSION PLANS:** Good Guys (GG) will open 12-14 stores in 1995 and move into new market in effort to expand from Cal. base. GG Pres. Robert Gunst, speaking after Montgomery Securities analysts meeting in N.Y., declined to identify new market. Chain is said to be interested in Seattle-Portland. New stores would be in addition to 9 planned for this year -- 3-4 in San Diego which GG entered last fall. Only GG location outside Cal. is in Nev.

Despite intense price competition, Gunst predicted 2nd-quarter fiscal 1994 sales will "exceed expectations." Improvement tied to increase in computer offerings, category GG expanded chainwide in 1993, he said.

GG also will pursue variety of merchandising strategies. It will continue to mail 24-page circulars twice monthly to top 20% of customers representing 60% of chain's sales. It said it had "modest sales" in 2-month test of Apple Computer's En Passant CD-ROM. Program allowed 30,000 Apple CD-ROM owners to use disc to browse through catalogs from 18 retailers and make purchases using toll-free number. "It was a tremendous opportunity to display product, but whether consumers want to shop off it remains to be seen," Gunst said.

GG executive said chain won't expand into music software and had no plans for corporate sales, strategy used by some east coast retailers. Chain will continue to emphasize price and image as upscale dealer. "Our TV advertising use to be based solely on image, but now we're adding image plus price and we're getting more bang for our bucks," Gunst said. "We have special buys and special values."

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**Batteries Plus** will open 30 company-owned and franchised stores this year as Hartland, Wis., chain seeks to expand nationwide. Since embarking on program in 1992, battery retailer has sold 48 franchises. Nine have opened -- in Athens, Ga.; Davenport; Duluth; Ft. Wayne and S. Bend; Minneapolis; Orlando; St. Paul; Tuscon. Company also plans to open 7 of its own stores, 4 in Chicago, 3 in Milwaukee. Largest concentrations are 5 each in Minneapolis and Denver. Chain is projected to have 66 by year-end, 18 company-owned, 48 franchises. Stores typically sell 1,000 battery types, with cellular and laptop computer offerings to expand this year, Mktg. Mgr. Dale Hintz said. Chain has moved to new hq: 625 Walnut Ridge, Hartland, 50029, 414-369-0690.

**Canon** reenters audio in U.S. with long-awaited introduction of hi-fi speakers designed and built by U.K.-based Canon Audio subsidiary and marketed in 23 European countries. Two models of consumer hi-fi speakers will be sold by Canon USA Video Div. through "high-quality audio dealers," with separate professional speaker targeted at commercial installations to be sold directly to installers. Canon USA Pres.-CEO Haruo Murase said Canon is making "renewed commitment to audio," having delved in audio product marketing in 1960s, when it fielded open-reel tape recorders. Canon USA is seeking "wider presence" in consumer audio market, but will go about speaker introductions in "very conservative" and low-profile manner, he said.

**Computer City** will open 2 stores this month -- in Saugus, Mass., and Montclair, Cal. -- as part of strategy to launch 24 by year end. New outlets would be in addition to 6 in Boston and L.A. Each 34,000-sq.-ft. store is stocked with 5,000 SKUs.

**CAMBRIDGE SOUNDWORKS EXPANDS:** Newton, Mass., direct marketer Cambridge SoundWorks plans to make and market Henry Kloss speakers and sell other consumer electronics in new facility to be opened this year in San Francisco area, company said in prospectus accompanying proposed sale of 1.4 million shares.

Company said it plans to use part of \$9.64 million net proceeds from stock sale to open west coast "production facility/factory outlet" and additional "Listening Room" factory outlets in Mass. Proceeds also will be used for new product development, prospectus said, adding that plans are afoot this year to introduce powered speakers for "emerging" multimedia PC markets. Cambridge is "exploring" possibility of selling products through home shopping networks that "fit the company's direct marketing strategy."

"Focal point" of current store operations is factory outlet in home base of Newton. Cambridge is in process of opening 2,000-sq.-ft. "satellite" locations in Hanover and Danvers, Mass., "to leverage local advertising in the Greater Boston area by providing consumers easy retail access to multiple factory outlets," prospectus said.

Cambridge described San Francisco market as its largest outside its Boston base. "Any such facility will be supported by extensive local advertising" to raise awareness of Cambridge as "a local manufacturer," prospectus said. It said that by opening more factories, company "will be able to achieve economies in shipping and provide more rapid order fulfillment" in Western U.S. San Francisco facility, and others to follow, will be patterned after company's original Mass. factory, prospectus said.

Henry Kloss, chmn. and dir. of product development, owns 723,064 shares and has largest stake (49.1%), followed by Pres. Thomas DeVesto, with 522,600 shares (35.5%). Kloss and DeVesto each drew 1993 salary of \$238,474, plus \$45,000 bonus, prospectus said. Company's results for 1993 and 1992 are in financial table, this issue. Underwriters are Hambrecht & Quist and Tucker Anthony Inc. Cambridge's symbol on NASDAQ will be "HIFI."

**CES MEXICO EXHIBITORS:** More than 30 manufacturers have signed to exhibit at CES Mexico '94 Oct. 4-6, EIA announced last week.

Company names released by EIA include U.S. and Latin American companies. Only major U.S. TV manufacturer is Zenith, which also has signed as exhibitor at CES S. America in Brazil (TVD Jan 31 p19). Among other exhibitors are Arista Enterprises, Argus Industries, Audiovox Cellular, Blaupunkt, Case Logic, Croton Watch, Fidelitone, Gran Prix Electronics, Hatzlach Supply, Jasco Products, Kabat Assoc., Recoton, Seiko, Vanguard (USA).

EIA last week announced 26-member CES Mexico Advisory Committee, composed of U.S. and Mexican members. Locale of Mexico City show has been changed to Palacio de Los Deportes. Originally scheduled location, World Trade Center, under construction, presumably won't be ready in time.

**Correction:** Some misplaced decimal points affected our analysis of 1993 VCR sales in Feb. 14 issue (p13). Sales of S-VHS units in U.S. totaled about 87,100, or 0.7% of total sales. S-VHS hovered at 0.6-0.9% all year, except in Feb., when category hit 1.1% of sales.

**EIA REVISES LASERDISC DATA:** At request of Pioneer, largest maker of laserdisc hardware, EIA has revised figures on laserdisc player sales to dealers for 1992 and 1993 and for first 7 weeks of 1994. In past, data have excluded karaoke players, but revisions include them.

Pioneer's audit, EIA said, "confirmed that not all eligible laserdisc models sold by Pioneer were reported to EIA" for periods in question. EIA Mktg. Services Dept. accordingly corrected its figures in consultation with Pioneer, and "clarified" its definition, noting that figures are "made up of video-only players, A/V combination players and A/V combination players with karaoke features."

Officially revised figure on laserdisc player sales to dealers for 1993 is 287,095, up 36% from previous reported total for year, 211,096. Revision for 1992 brings total for that year to 223,653, up 5.7% from EIA's original figure of 211,675. Revised Jan. sales figure is 18,269, up 41.5% from 12,914 originally reported, and 5.2% ahead of revised Jan. 1993 figure of 17,362. Figures for Feb. and year's first 2 months are in our State of the Industry feature this week.

EIA also updated its consensus forecast for 1994 to 300,000 players from previously forecast 225,000 (TVD Jan 10 p11).

EIA says it will release comparable-week figures for 1993 and 1992 as sales data for each 1994 week are released. Here are Jan. and Feb. sales figures for 1994, 1993, 1992:

|      | January |          | February |          |
|------|---------|----------|----------|----------|
|      | Revised | Previous | Revised  | Previous |
| 1994 | 18,269  | 12,914   | 12,754   | --       |
| 1993 | 12,754  | 14,418   | 22,360   | 14,607   |
| 1992 | 27,055  | 25,609   | 12,934   | 12,300   |

Fuji Photo is "strongest company" in Japan, according to rating by Nihon Keizai Shimbun on basis of positioning to deal with changes facing business in Japan. Ratings include financial strength, "vitality and technological prowess as well as environmental awareness and other social contributions." Matsushita Electric was ranked 6th on basis of "perfect score in environmental concern and fairness but 339th in financial strength." Sony was No. 17, with perfect score in vitality and technical prowess, but 594th in financial soundness and profitability. Among other companies, of 1,008 ranked: Canon was No. 4, Kyocera 8, Sega 9, Nintendo 12, Sony Music Entertainment 18, Toshiba 39, NEC 42, Sharp 46, Matsushita Kotobuki 52, Mitsubishi Electric 54.

**Simplified registration fee announced for Summer Consumer Electronics Show (CES) and Personal Communications & Computing Show (PCC):** Buyers, service technicians and international attendees are entitled to complimentary advance registration to CES; nonexhibiting manufacturers, reps and miscellaneous categories pay \$10 fee; on-site registration is \$35. PCC exhibits-only registration is \$10 in advance, \$35 on-site. Media registration is free.

"**New battery technology** that could revolutionize how consumer electronics and telecommunications industries power their products and services" will be announced by Bellcore at N.Y. news conference March 15. Bellcore claims "major research breakthrough in lithium-ion battery technology." Company will display prototypes and "demonstrate how the new battery can power a hand-held consumer device."

**PHILCO BRAND ON K MART REMOTES:** K mart will introduce first of what are expected to be 3 Philco brand universal remotes -- not made by Philips -- in Aug. with \$9.95 street price.

Three-function device, built by Universal Electronics, represents another extension of Philco name that has become de facto house brand for K mart. Retailer already sells Philco TVs made by Philips, which has reserved brand name for special situations. Remote line is expected to include at least 2 other models, Universal Pres. Thomas Tyler said at Montgomery Securities meeting in N.Y. last week.

Also at meeting, Recoton said it would unveil at least 3 new wireless products, including 5-speaker home theater system, at Summer Consumer Electronics Show in June.

Universal, which sells under own One-For-All brand, builds remotes in China for companies including JVC, Jasco, Radio Shack, Thomson. Last will introduce 3-function multicolored remote in May and 4-function backlit unit in Aug. at \$25.

Overall, OEM was 33% of Universal's 1993 sales of \$89 million with One-for-All brand accounting for most of balance. Eventually, company wants 50-50 split between retail and OEM sales, Tyler said.

Company projected 1994 sales at \$118 million, although heavy inventory from fall may not be shed until June-July, Tyler said. Inventory in late Dec. totalled \$45.6 million vs. \$6.4 million year earlier. At least \$37 million of inventory was finished products, chips accounting for rest. Bulging inventory was tied to chip shortage and drop in retail reorders, Tyler said. Inventory will be "burned off" in first half and remote prices have been cut 10%, he said. Gross margins will drop to 39% in 1994 from 42.5% year earlier, Tyler said.

Universal claims 40% share of remote market. It accounted for 7 million of 13 million devices sold in U.S. in 1993, Tyler said. If OEM is added, share rises to 50%, he said. Figure could rise further as household penetration for universal remotes increases to 75% by end of decade from 24%, he said.

While features and pricing of Recoton's new 900 MHz wireless products weren't available, company said line will expand to 13-15 products from 8 by year-end. Rest of line consists of wireless microphone, portable outdoor speakers and antenna for use with new digital DBS system, designed to allow consumers who buy 18" satellite dish to continue receiving local broadcast channels. New Thomson/DirecTV DBS system will carry major networks only in less populated areas of country. Wireless products accounted for \$15 million in sales in 1993, Recoton Pres. Robert Borchardt said.

## Consumer Electronics Personals

Roger Hackett named Go-Video CEO and interim chmn.; Terren Dunlap will remain a dir. and consultant on special projects.

Appointments in JVC management restructuring: Donn Barclay shifts to vp-national accounts from vp-consumer video mdsg.; Marty Krog, JVC midwest office, appointed national accounts mgr.; Bill Sims, national sales and mktg. mgr. for personal audio and information products, promoted to gen. mgr. and mdsg. mgr. for consumer video; Kevin Weinhoeft, Home Audio & Entertainment Product Div. national sales and mktg. mgr., becomes gen. mgr. and mdsg. mgr. for Consumer Audio Div., now encompassing portable audio and information products; Tom Corona, gen. mgr.-mobile electronics, adds mdsg. mgr. title; David

## 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         |
|-----------------------------|----------------|---------------|-------------------|
| Cambridge SoundWorks        |                |               |                   |
| 1993-year to Dec. 31        | 14,267,000     | 653,000       | .44               |
| 1992-year to Dec. 31        | 10,046,000     | 601,000       | .41               |
| 1993-qtr. to Dec. 31        | 5,222,000      | 307,000       | .21               |
| 1992-qtr. to Dec. 31        | 4,395,000      | 469,000       | .32               |
| Esquire Radio & Electronics |                |               |                   |
| 1993-year to Dec. 31        | 58,601,000     | 1,301,000     | 2.69              |
| 1992-year to Dec. 31        | 102,752,000    | 1,678,000     | 3.47              |
| 1993-qtr. to Dec. 31        | 8,471,000      | 723,000       | 1.49              |
| 1992-qtr. to Dec. 31        | 23,249,000     | 274,000       | .57               |
| General Electric            |                |               |                   |
| 1993-year to Dec. 31        | 60,562,000,000 | 4,315,000,000 | 5.05              |
| 1992-year to Dec. 31        | 57,073,000,000 | 4,725,000,000 | 5.51 <sup>a</sup> |
| National Semiconductor      |                |               |                   |
| 1994-39 wk. to Feb. 27      | 1,686,000,000  | 181,600,000   | 1.38              |
| 1993-39 wk. to Feb. 28      | 1,455,800,000  | 84,100,000    | .63               |
| 1994-13 wk. to Feb. 27      | 544,700,000    | 63,800,000    | .48               |
| 1993-13 wk. to Feb. 28      | 491,500,000    | 26,900,000    | .19               |
| Paramount Communications    |                |               |                   |
| 1994-9 mo. to Jan. 31       | 3,757,000,000  | 180,600,000   | 1.50              |
| 1993-9 mo. to Jan. 31       | 3,210,100,000  | 149,900,000   | 1.26 <sup>b</sup> |
| 1994-qtr. to Jan. 31        | 1,013,500,000  | (36,600,000)  | --                |
| 1993-qtr. to Jan. 31        | 943,700,000    | (66,800,000)  | -- <sup>b</sup>   |
| QVC Network Inc.            |                |               |                   |
| 1994-year to Jan. 31        | 1,222,104,000  | 59,301,000    | 1.18              |
| 1993-year to Jan. 31        | 1,070,587,000  | 55,092,000    | 1.24 <sup>b</sup> |
| 1994-qtr. to Jan. 31        | 372,489,000    | 2,846,000     | .06               |
| 1993-qtr. to Jan. 31        | 341,834,000    | 18,870,000    | .40 <sup>b</sup>  |
| ValueVision International   |                |               |                   |
| 1994-year to Jan. 31        | 37,614,497     | (1,925,084)   | --                |
| 1993-year to Jan. 31        | 14,545,194     | (1,670,798)   | --                |
| 1994-qtr. to Jan. 31        | 14,010,440     | 126,840       | .01               |
| 1993-qtr. to Jan. 31        | 6,670,474      | 139,934       | .02               |

Notes: <sup>a</sup>Restated. <sup>b</sup>After special charge.

Bent, ex-Rabson's, joins as mdsg. mgr.-color TV; Ron Serasio, Ike Takeuchi and Jim Wyllie named asst. branch mgrs. for West Coast, East Coast and Southeast offices, respectively.

Jon Poto, ex-Sharp, joins Samsung as national sales vp... Ralph Coker ex-Thomson and Philips, joins Fournier Furniture as vp-sales for consumer electronics furniture, including Ladd product line... Mike Costanza, onetime national accounts mgr. for Sony Magnetic Products, joins Maxell as national sales mgr., Consumer Products Div... Randy Patton assumes pres.-CEO post at Threshold, will remain co-owner and board member at PS Audio, which recently bought majority of Threshold.

Henry Brief retires at year-end as ITA exec. vp after 15 years with Assn., will remain consultant; successor will be Charles Van Horn, now ITA exec. dir.... Appointments at Grundig Satellite Communications Ltd., Wales-based joint venture of Gooding Consumer Electronics and Grundig: Alfred Gooding as chmn.; Koen van Driel, ex-Astra Satellite and onetime Grundig U.K., managing dir.; Anthony Sethill, ex-Amstrad, mktg. dir.; John Evans, ex-RACE Electronics, mfg. dir... Paul Papadeas, Daytona Beach car audio retailer, appointed events dir., International Autosound Challenge Assn.

Appointments at A\*Vision Entertainment: Steve Burak, ex-Buena Vista Home Video, as Northeast regional sales dir.; Robert Cowan, ex-HBO Video and Warner Home Video, midwest regional sales dir.; Jackie White, ex-LIVE Home Video, southeast regional sales dir.

# TELEVISION DIGEST®

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

With Consumer Electronics

MARCH 21, 1994

VOL. 34, NO. 12

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**NAB/TvB ON ROLL:** More than 65,000 expected at Las Vegas convention this week, possibly topping record. New high of 815 exhibitors set. (P. 1)

**HUNDT SEEKS 'SOCIAL COMPACT,'** says he will bolster broadcasters through ownership rules, other flexibility. Role in education and violence cited. Able to get help in final rules this week. (P. 2)

**HOUSE PANEL VOTES SPECTRUM FLEXIBILITY:** Broadcasters still trying to improve legislative position. Cable dodges markup bullet. (P. 4)

**VIEWERS WANT LOCAL NEWS,** will pay for a la carte cable channels, survey shows. Commercial broadcast networks far outpace cable networks. (P. 5)

**NESS NAMED TO FCC:** Clinton appoints attorney-banker to Democratic seat. She's been active in communications in both roles. (P. 5)

**STERN HEARING POSSIBLE,** Quello tells FCBA. FCC receives new complaints about 'shock jock.' Quello and Barrett in dispute. D'Amato weighs in. (P. 6)

**NAB MONEY SOURCES** and spending detailed in budget. Assn. expects 10% revenue growth, surplus of \$1 million. Convention biggest revenue source. (P. 7)

**HDTV TO MISS OLYMPICS:** Broadcasters likely to pass up showcase opportunity because of lack of new-format equipment. Efforts still under way. (P. 7)

**TvB AND NAB ON HIGH ROLL AS CONVENTIONS START:** Everything was in place at weekend as more than 65,000 broadcasters, equipment manufacturers, lobbyists, engineers and others began descending on Las Vegas for concurrent TvB, RAB and NAB conventions. NAB's is March 20-24, and 3 groups will have several joint sessions, along with Law and Regulation Conference. Other groups meeting under aegis of NAB include SMPTE, BEA, Society of Best. Engineers.

NAB isn't officially predicting attendance record will be set, breaking last year's record 64,510, but preregistration is up "in double-digits, showing the broadening horizons of the convention and the recent upkick in the economy," NAB Pres. Edward Fritts said. But "it's a very strong possibility... how much is the big guess," one official said. Backing up his assessment is fact that TvB and NAB station memberships both have shown dramatic increases since Jan. 1993. Latest additions are 3-station Midwest TV group at TvB and 4 TV and 4 radio stations owned by Multimedia (whose CEO Walter Bartlett was NAB TV chmn. 1974-1975) have rejoined NAB. Added to that is fact that 1,723 broadcasters attended Feb. RAB sales conference in Dallas.

### Consumer Electronics

**SEGA'S VIDEOGAME STRATEGY** revolves on component approach, with 32-bit add-on to Genesis as highly competitive interim product before Saturn. (P. 11)

**EMERSON EMERGING FROM CH. 11** as 'a new firm,' targets foreign sales, accessories, small appliances, more dealers. Firm making plans to 'avoid another computer fiasco.' (P. 12)

**BAD NEWS AT ITA:** Convention haunted by threats of demise at hands of electronic delivery via DBS, land lines. Magnetic media 'endangered species.' (P. 13)

**BLOCKBUSTER PUSHING TECH** with hiring of IBM veteran as technology vp, will test standalone videogame stores, hails results of multimedia trials. (P. 14)

**BATTERY BREAKTHROUGH** claimed by Bellcore with low-cost, flexible plastic rechargeable lithium ion cell without liquid, easy to make. (P. 14)

**NATM MEETS** without Lechmere, being merged into Montgomery Ward. More consolidations seen. Group reports \$3.37 billion 1993 sales. (P. 15)

**GO-VIDEO, GOLDSTAR TALKING** of possible payment to end dispute over dual deck. Departure of founder Dunlap seen end of litigation as way of life. (P. 15)

**CARVER SUING CARVER CORP.,** charging underpayment of royalties, seeks to stop amplifier production, after resigning all posts. Company to countersue. (P. 16)

Record 815 exhibitors, including 118 in Multimedia World and 184 for radio, will be showing wares in Las Vegas, using 565,000 sq. ft. of floor space in Convention Center and Las Vegas Hilton. Keynote address at Multimedia World by Gerald Held of Oracle Corp. will concentrate on what it will take to run information highway.

Fritts speech today (March 21) will stress industry's recent successes in Washington, say it's "a result of increased support and personal involvement by broadcasters." He will express "a renewed optimism and excitement about our future" and role free TV will play in information highway.

FCC Chmn. Reed Hundt, who canceled on-site appearance to join Vice President Gore in Buenos Aires to participate in World Telecommunications Development Conference, will address NAB March 23 lunch via satellite. Other major speakers include FCC Comrs. Quello and Barrett, Bell Atlantic Chmn.-CEO Raymond Smith (who replaces Hundt as keynoter at all-industry opening session March 21)), Jules Cohen, head of engineering firm bearing his name; James Chiddix, Time Warner Cable; Joseph Dionne of McGraw-Hill.

Quello will receive NAB's Distinguished Service Award and ABC News Pres. Roone Arledge and Chicago Cubs long-time announcer Harry Caray will be inducted into TV and radio Hall of Fame, respectively. Thomas Vaughan, PESA/Micro Comm, will receive TV engineering award, Charles Morgan of Susquehanna Radio same award for radio.

Major happening at TvB will be release of McKinsey & Co. and Teller/Gorman study on issues TV stations will face.

**HUNDT PRESSES FOR 'SOCIAL COMPACT' WITH BROADCASTERS:** FCC must bolster "the traditional social compact between broadcasters and society," FCC Chmn. Hundt said in interview last week with Television Digest. Efforts to help broadcasters could include giving them flexibility to use spectrum to generate new revenues and reviewing ownership limits, he said. Chmn. also said that cable would be pleased with some provisions in final orders to be issued March 22.

"I would like to do whatever it takes to continue this social compact between broadcasters and society," Hundt said. "It is going to be necessary to work with the industry... to make sure that the economic viability of the industry is assured even while society continues to ask broadcasters to perform various public functions." He said he has assigned Gen. Counsel William Kennard and Mass Media Bureau Chief Roy Stewart to review ownership rules, including sampling opinion at NAB convention this week, and report back in April. He said Commission then will begin drafting notices of inquiry and rulemakings on ownership limits, duopolies, etc.

"The deal is [broadcasters] should do well by doing good," Hundt said. "That's what we want from the broadcasting industry." He suggested, for example, that broadcasters could find new revenues by providing educational programming for students during day. He also said that TV violence "is primarily a business issue." Citing recent study saying that 52% of Americans would accept legal restrictions on TV violence, Hundt said that "to make a product that consumers are not happy with is a business problem. They should listen to their customers and they should take it as an opportunity to create a new kind of family programming. If broadcasters and cable do that, then they will be solving the problem and there will be no need for Congress to come in." Hundt said he remains bullish on future of broadcasting, despite recent downturns, which he attributed to business cycles. "The fundamentals of this business are very strong and I believe they are going to grow even stronger."

Hundt said he feared he hasn't "done a very good job of articulating why it is so important that I go to Buenos Aires" with Vice President Gore to world telecommunications conference instead of attending NAB convention, continuing this week in Las Vegas. Buenos Aires conference will set agenda "for the development of telecommunications on a worldwide basis" for next 4-5 years, he said: "I think that is very, very important for American businesses. There is such a fantastic business opportunity for telecommunications worldwide... I would like to see all American companies who wish to participate in this activity have a chance to participate. I would like to see those markets be open on a nondiscriminatory basis to American businesses." Going to South American conference is "patriotic" thing to do, he said.

Hundt said he sees over-air broadcasting "not only surviving, but flourishing" in era of telecommunications superhighway. Important thing, he said, is that broadcast TV is "free. I think that as long as we have the ability to disseminate broadcasting materials at no price, there's going to be an awful lot of people who are going to want it."

Final FCC orders implementing cable rate decisions made last month will include many suggestions made by industry, Hundt said, not "to please them [cable], but because they were right." He didn't specify what industry suggestions would be incorporated. Final orders, expected to run to hundreds of pages, are expected to be released early March 22 (Tues.), officials said.

Hundt dismissed charges that FCC was "voting on press releases" in Feb. 22 decisions. Commission has long been criticized for making decision, then giving staff weeks to work out details of final orders, rather than voting on final orders in first place. Hundt said he was aware of criticism, but wants to be sure that doesn't apply to FCC while he's chmn.: "It certainly was not a problem with respect to that particular set of decisions. I can tell you that the staffs of the commissioners spent... hundreds and hundreds of hours going over the documents that we voted on on a line-by-line basis. In no way did we vote on anything that was incomplete or skimpy." Hundt said he has heard such charges and "I'm going to take such steps as are necessary to make sure that that criticism is not applicable to the Commission during my time here."

Orders to be released March 22 will give cable industry "as much sureness and as much clarity as we possibly can," given likelihood of petitions for reconsideration and court challenges, Hundt told us. Some in industry have worried that decisions would be far from final, and industry could face even more uncertainty. Demand for certainty was one of reasons that FCC acted on all rate rules as package, Hundt said: "That should permit the cable operators to assess all of their options at one time and make a decision." He dismissed reports that Feb. 22 decisions were "hard-won compromise" between Hundt, who wanted bigger rate cuts, and Comr. Barrett, who wanted less: "What happened is that the bureau made a recommendation and the commissioners supported that recommendation. This was not any hard-won compromise where 2 competing positions were crudely banged together."

Some have claimed that Hundt has been inaccessible to industry. "The facts are then that I meet every day 2 to 3 hours with CEOs, representatives of companies, trade associations, consumer groups, anybody who wants to come in," he replied. "I don't know of any CEO in the cable industry or telephone industry that I haven't met with." He said Commission even delayed rate decisions until Feb. 22 to make sure there was time to hear all points of view. Criticisms of his inaccessibility largely come from those who "have found that we have not agreed with everything they said," Hundt said. He also dismissed questions on whether Commission was too influenced by Congress and Vice President Gore, noting that there's almost always divided sentiment in Congress on every issue, so FCC almost always is doing something that someone in Congress wants done.

**FCC will examine newest batch of TV sports contracts** as part of inquiry into migration of sports to cable. "It is not our intention to adjudicate whether specific contracts violate the antitrust laws," Commission said, but it will consult with Justice Dept. on whether they're prohibited and will use "analytical tools drawn from antitrust law." FCC also noted that its responsibilities for overseeing sports programming extend beyond antitrust and said that those who believe new contracts or migration in general hurt public should suggest remedies. Among information FCC seeks: (1) Terms of new TV contracts signed by professional sports and college conferences with cable and broadcast networks. (2) Information on rates charged by regional sports channels. (3) Whether movement of NFL games to Fox from CBS would affect availability to homes. (4) What effect NFL plans to scramble satellite feeds would have, and what terms would be available for sports bars and satellite dish owners. (5) Future ABC plans to deliver out-of-market college football games via pay-per-view. Inquiry is for use in FCC's final report to Congress, due July 1. Comments are due April 11, replies April 26.

**Jones said** it will begin publishing CD-ROMs designed to accompany educational programming on Mind Extension U. Company said it hopes to have more than dozen interactive titles by end of 1995.

**Moody's lowered** Cablevision Industries (CI) debt rating to B1 from Ba3, saying action reflected concern about CI's high leverage and fears of FCC regulatory action.

**White House** said President Clinton will appear in antiviolence public service spots to be aired by TV-radio and cable networks. Spots don't mention congressional and public crusade against violence on TV. President Clinton met privately at White House with network executives before spots were revealed. Spots end with toll-free number 1-800-We-Prevent at National Crime Prevention Council, which co-sponsors ads along with Justice Dept. Broadcast and cable networks, meanwhile, committed ad time to public service campaign to reduce TV violence, to be created by Ad Council. Cable networks said they will provide at least \$4 million in ad time. Four broadcast networks made unspecified commitment to carry 3 PSAs to be created by Council.

**CPB's funding** of minority programming and other activities was stressed by Pres. Richard Carlson in testimony before House Labor Appropriations Subcommittee March 17. He said half of \$77.7 million in TV-radio programming support it's seeking would be expended on shows by and for minorities and underserved populations. Carlson also said CPB was negotiating with the 5 Corp.-supported minority programming consortia for substantial increase in funding.

**Savoy Pictures** Entertainment and Fox TV Stations announced formation of new company, SF Bctg. LLC, to acquire TV stations. SF Bctg. is capitalized at \$100 million -- 58% by Fox, 41% by Savoy, 1% by Savoy executives Victor Kaufman and Lewis Korman. Thomas Herwitz, former vp-gen. mgr. of Fox's WTTG Washington, is pres.

**COMMITTEE OKAYS FLEXIBILITY:** House Commerce Committee March 16 gave broadcasters what some in industry claimed as victory by adopting amendment to information superhighway legislation that would give them some flexibility in using new spectrum they would receive from FCC for digital transmissions and advanced TV services.

Bill (HR-3636) sponsored by Telecom Subcommittee Chmn. Markey (D-Mass.) and senior Republican Fields (Tex.) also laid down ground rules for local competition in video services between telcos and cable. Unlike spectrum flexibility, which has been major point of contention for last month, most other issues of interest to cable were resolved without much debate. Under amendments by Rep. Boucher (D-Va.), cable would see its pole attachment rates increased, and telephone companies would be given some flexibility in applying for FCC permission to offer new services. But another amendment was passed by Committee, from Rep. Synar (D-Okla.), would make certain that telephone companies wouldn't be able to subsidize their video services with revenues from regulated services, which would even out playing field somewhat for cable.

Amendment by Rep. Tauzin (D-La.), adopted unanimously by committee, would allow broadcasters to use spectrum for ancillary and supplementary services in their new digital spectrum, but require them to give back analog spectrum when new services are established. It also would provide that (1) FCC collect fees for those services, (2) any broadcasting over advanced services would be subject to broadcast regulation, such as children's TV requirement or equal time rules.

Compromise seemed to settle objections made during Telecom Subcommittee markup that govt. could lose money in spectrum auction if broadcasters were allowed to use spectrum for PCS, and it would be unfair to have broadcasters in essence pay price set only for them for spectrum not available to others. FCC would establish royalty or other assessment. Some observers said broadcasters lost in bargain because law would require them to give up analog spectrum, while FCC rules are more ambiguous, and because there are new regulatory restrictions on high-end spectrum that weren't there under FCC rules.

NAB claimed victory, based on fact that committee "has acknowledged the importance of broadcasters to use their broadcast spectrum flexibly to stay competitive in tomorrow's marketplace," Pres. Edward Fritts said. INTV Vp David Donovan said his group was "generally pleased" because legislation would establish concept that ancillary and secondary services could be offered. Media Access Project Exec. Dir. Andrew Schwartzman said bill as passed was "light years superior to what had initially been introduced. But it's still light centuries from something I would consider satisfactory."

Industry attention shifted quickly last week to Senate, which took up spectrum flexibility issue in brief hearing March 17. Ron Loewen, vp-gen. mgr. of WIS-TV, Columbia, S.C., and Jonn Lowen, senior vp of Chris Craft, argued case for increasing flexibility. However, Schwartzman said that spectrum issue wasn't relevant to issues in Senate bill (S-1822) that deals primarily with wired network, and should be taken out entirely. Senate bill is more restrictive on what services broadcasters could offer. While House would allow "ancillary and supplementary" services, Senate bill as now written would require services in higher spectrum to be related to programming. Independent broadcasters and others also were concerned about part of House bill that would require closed-captioning of programs offered over

advanced TV. Amendment by Rep. Moorhead (R-Cal.) that was adopted would require FCC to study burden closed-captioning puts on broadcasters.

Cable, meanwhile, had its own worries, but escaped much more drastic harm than it had expected from bill that would guarantee that telcos would be competitors. Rep. Barton (R-Tex.) had offered amendments to require cable to make certain that signals from adult channels didn't leak into adjacent channels and to require any cable operators to provide personal identification number for each subscriber in order to sell PPV programs. First part was adopted, but 2nd part was dropped after other lawmakers, reacting to measure many were seeing for first time, said it was too broad for immediate consideration.

Fields helped industry with amendment that said cable operators that also offered telecommunications services still would have to pay only one franchise fee -- not one for cable and another for telecommunications. Boucher amendments would: (1) Peg interim pole attachment rates for cable and their telecommunications affiliates to rates for electric utilities, which are higher than many rates now being charged. (2) Grandfather Bell Atlantic's application to offer video services. (3) Allow telcos to apply for Sec. 214 permission from FCC to offer video before they would have to meet other video requirements of equal network access.

NCTA spokesman Richard D'Amato said legislation is "both well balanced and provides a real regulatory framework we can work with in terms of achieving a competitive marketplace." D'Amato said there "weren't any victories" for cable, but it was important that cable industry has "worked and cooperated" with Congress and let Hill know cable wants to see legislation passed this year.

Separate bill (HR-3626) also passed by Commerce Committee, and different version passed by House Judiciary Committee, will have some effect on cable. HR-3626 generally deals with lifting MFJ restrictions on RHCs. But one hot issue in that debate is so-called "incidental" services. In context of this debate, question is whether RHCs can use long distance services to receive programming from satellite. Commerce version, by one sponsor, Committee Chmn. Dingell (D-Mich.), would use blanket approval for RHCs to offer interexchange service to provide cable service. Judiciary version, by other sponsor, Committee Chmn. Brooks (D-Tex.), is much more specific in how interexchange exception would be used, pegging it in most cases specifically to use of satellites to receive programming. Differences will be worked out by 2 panels in next few weeks.

Former NBC correspondent Arthur Kent and NBC settled his \$25-million lawsuit against network. He had charged fraud, defamation and breach of contract in suit scheduled for April trial in L.A. Kent was fired in Aug. 1992 in contract dispute. NBC said settlement "involved dismissal of the litigation in return for a fair and appropriate payment by NBC News to Mr. Kent. The terms of said payment are confidential." For last year, he has been host of *Man Alive*, Canadian Bestg. Corp. documentary. NBC News Pres. Andrew Lack said he hopes Kent will return to network after Canadian contract expires.

Quetzal Bilingual Communications has been fined by FCC's San Diego field office for operating KURS(AM) Chula Vista, Cal., with excessive nighttime power. FCC said KURS practice was to reduce power at sunset, return to higher daytime power after FCC field office closed.

**CABLE VIEWERS WANT LOCAL NEWS:** CNN-like local cable news channels would be most popular cable-only offerings on a la carte menus, according to Warren Publishing's new survey of consumer attitudes on a la carte. Even though such channels exist in only few markets, they trailed only broadcast networks in likely a la carte subscribership, with 61% of 15,000 persons surveyed saying they would sign on. All 4 commercial broadcast networks far outpaced all cable networks in potential a la carte popularity, with 75% saying they would subscribe to NBC, 74% to CBS, 72% to ABC, 65% to Fox. Several cable networks would outperform PBS, which would have only 54% a la carte penetration. Survey, conducted by marketing research firm PNR & Assoc., is statistically accurate within 3%.

Demand for local news channels would be relatively insensitive to price, survey respondents indicated, with subscribership dropping to 49% at \$1.50 per month from 59% at \$1. Even at \$3 per month, 12% would subscribe, according to our projections. Size of TV market was factor, with 65% in smallest TV markets saying they would subscribe, vs. 57% in largest markets, possibly reflecting amount and quality of other broadcast news programming in larger markets. Top-rated cable networks round out top 10 in likely a la carte subscribership -- Discovery (57%), USA (56%), TNT (55%), CNN (52%). ESPN, perennially among ratings leaders, ranked only 13th in a la carte appeal at 44%, presumably because it attracts mainly males.

Some cable networks are likely to be disappointed with their a la carte appeal, including Black Entertainment TV. BET ranked 39th out of 41 channels, with fewer than 5% saying they would subscribe a la carte. Bravo did almost as badly, ranking 37th, with fewer than 6% willing to subscribe. Mind Extension U. ranked 36th, but Learning Channel was 18th. Court TV, despite heavy publicity given to its coverage of high-profile trials, was 34th, between Home Shopping Network and QVC, with 9% willing to buy it a la carte.

Food, hobby, home and garden and consumer education channels were 4 of 5 most attractive "concept" channels for a la carte subscribers in our survey. Game show channel ranked 2nd, with more than 25% of respondents saying they would buy game show channel a la carte. Golf channel was 23rd among concept channels, with less than 9% willing to buy it a la carte, although golf devotees seemed less price-sensitive than most. Subscribers generally were very willing to pay up to \$1 per month per a la carte channel, our survey indicated, with most existing and concept networks likely to see little difference in penetration at prices ranging from 50¢ to \$1. Price breaks varied widely among channels, but in most cases subscribership would drop sharply at rates higher than \$1, our projections showed. In many cases, a la carte penetration at \$1.50 per month would be half that at \$1. Only handful of channels showed possibly healthy results at \$2 per month.

Study to be published this spring by Warren Publishing, *Cable A La Carte Pricing: A Survey of Consumers & Operators*, is based on statistically valid survey of more than 15,000 consumers conducted by PNR & Assoc. Warren's *Cable A La Carte Pricing* report is priced at \$1,995 per copy. Specialized reports, providing data for individual TV markets, also will be available. For further details, contact Warren's Lynn Levine at 202-872-9200.

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Cablevision Industries acquired Communication Systems, with 3,000 subscribers in Lexington and Richland, S.C. Daniels & Assoc. represented seller, terms undisclosed.

**NESS NAMED TO FCC:** It's now official. Administration March 15 announced intention to appoint attorney-banker Susan Paula Ness, 45, to remaining vacancy at FCC in Democratic seat. Her appointment had been expected since last fall, and is likely to be sent to Senate along with GOP nominee Rachelle Chong (TVD March 7 p2). In announcing his "intent" to nominate Ness, President Clinton said: "As a former communications lender, Susan Ness brings to the FCC valuable perspective. Her extensive experience covers many communications industry sectors... She will be an excellent addition to this important Commission."

Ness, who graduated cum laude from Boston College Law School in 1974, served for nearly 10 years as senior lender, later group head, in the Communications Industry Div. of American Security Bank in Washington. During mid-1970s, she was on staff of House Banking, Currency & Housing Committee. She later founded and directed judicial appointments project of National Women's Political Caucus and was Clinton-Gore fund-raiser in 1992 campaign. She has been active for several years in Md. politics on Democratic side and served as vice chmn. of Montgomery (Md.) County Task Force on Community Access TV, which recommended formation of nonprofit community TV corporation. Her portfolio as lawyer includes common carrier, broadcasting and publishing clients and she has been frequent speaker on broadcast finance at industry conferences. Ness is member of Federal Communications Bar Assn., as is Chong.

Ness and Chong will give FCC 2 female commissioners for 2nd time (Comrs. Anne Jones and Mimi Dawson served at same time 1981-1983). Ness was born and raised in N.J., has bachelor's degree from Douglass College at Rutgers U., where she was on board of campus radio station. She also received master's degree in business administration from Wharton School at U. of Pa. in 1983. She's admitted to practice law in D.C. and Md. (lives in Bethesda, Md.). She's married to Arnold & Porter law firm partner Larry Schneider, who doesn't practice communications law; they have 2 children, Elizabeth 9 and David 5. Ness will succeed Ervin Duggan, who resigned in Feb. to become pres. of PBS.

Former FCC Comr. Duggan called Ness "an old and dear friend" and said he's "delighted" by nomination: "She is steady, wise, deliberate and generous, and will make a great colleague at the FCC." Close friend Joe Waz of Wexler Group said of Ness: "Her years on the financial side of the business will be a valuable complement to her service at the FCC."

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While 65% of Americans say they favor free press, 69% say govt. should be able to restrict media to protect military secrets, 60% favor curbs on covering of terrorism, 59% back limits on coverage of explicit sex, 52% favor restrictions on "unnecessary violence." Those are findings of poll by Times Mirror Center of the People and the Press. Results were similar in several other countries surveyed. In U.S., 73% believed TV news reports, 68% newspapers. Church leaders were judged believable by 60%, govt. leaders by 49%. U.S. findings were based on 1,494 telephone interviews with adults in Jan. Paul McMasters, exec. dir. of Freedom Forum First Amendment Center and pres. of Society of Professional Journalists, said he wasn't surprised by results: "Most Americans believe that they believe in a free press, but when it comes right down to it they really don't. That's sad because most Americans appear to give up quite willingly freedoms that have been fought for long and hard." Poll results showed "regrettable tendency [of public] to suggest the government does know best," said Jane Kirtley, exec. dir. of Reporters Committee for Freedom of the Press.

**STERN HEARING POSSIBLE:** Saying it was "the subject I'm not supposed to talk about," FCC Comr. Quello told Federal Communications Bar Assn. (FCBA) that "administrative hearing" may be ordered against alleged indecency broadcasts of Howard Stern on Infinity radio stations. Noting that agency has received new complaints against Stern since latest \$400,000 fine against Infinity Feb. 1 for his on-air statements -- raising total Stern fines to \$1.6 million over 3 years -- Quello asked: "How many 'next times' can the Commission tolerate? At some point, common sense alone would dictate that it is obvious the fines have not had a deterrent effect."

If legal judgment is that latest Stern complaints did involve indecent programming, Quello said: "I will not shrink from a further judgment that forfeitures, however sizable, are not deterring illegal action. If the facts dictate that further conclusion, I will confront the issue of a possible administrative hearing as a sad reality -- but one that Infinity, and not this Commission or this commissioner, has made necessary."

Quello's comments ignited minor firestorm within FCC. Responding to report about Quello speech, Comr. Barrett told AP: "I wish Jim Quello would button up his lip." That, in turn, prompted Quello to send handwritten note to Barrett suggesting that he "read or check facts before mouthing off to the press." Barrett said Quello was premature in going public with issue before investigation, saying: "I would have to see the complaints first before I reached any decision." Quello told us Barrett's statements were "rather intemperate" and said his speech wasn't prejudging situation, just saying what might happen if complaints were borne out: "I knew this was rather controversial ground. The idea was to send a warning shot across their bow."

"Your remarks in AP were much more intemperate than mine," Quello said in note to Barrett. He said his speech text was carefully checked and "considered temperate" by FCC legal and policy staff before he gave it. Commissioners are expected to meet to discuss issue soon, Quello said.

Sen. D'Amato (R-N.Y.), meanwhile, called FCC delay allowing Infinity to buy L.A. radio station "one of the most blatant examples of abuse of regulatory power, arrogance and regulatory lawlessness that I can remember." He said Commission was improperly joining 2 different FCC proceedings -- indecency complaints against Stern and license transfer -- and that delay and Quello statement dropped Infinity stock value \$200 million. D'Amato acknowledged that Stern program "is not everyone's cup of tea," but said "if they do not like it, they can turn it off." If Stern violated law, he should be punished, D'Amato said, but FCC should follow proper administrative procedures and show concern for First Amendment.

Also in his FCBA speech, Quello said that if many attorneys are experiencing "a remarkable spurt in billable hours," it's "far more a result of the dynamism of telecommunications clients, the explosion of new communications services and the implementation of congressional mandates, than the result of FCC overregulation." He said he favors relaxation of multiple and cross-ownership restrictions, citing increasing channels offered to public and DBS services that will start in spring. However, he said, any relaxation of rules should be accompanied by capping any one company's total U.S. viewers at 25% to prevent domination by single entity.

Of broadcasters' drive to permit their use of frequency assignments for ancillary services not related to

broadcasting, Quello said: "I have a tendency to support all legitimate measures that would provide additional income for universal free TV... Free, universal broadcasting... must be allotted highest priority in any future communications transmission highway." On cable side, "perhaps, most importantly, we must promptly institute relief for small systems. We must remember that if cable is to be a competitive player in the future electronic superhighway, it must have investment capabilities from a profitable business."

Quello attempted to put to rest repeated rumors that he plans to resign soon. "Rumors of my early demise through retirement are grossly exaggerated," 79-year-old commissioner said. "I plan to serve out my remaining 2 years and 3-1/2 months [his term expires June 30, 1996], God and my wife willing... So, don't 'lame duck' me too soon."

**CBS reinstituted** "Network Div." and named veteran exec. Peter Lund pres. Reporting to him will be TV Network, affiliate relations, sales, marketing, communications. Lund also remains exec. vp of CBS Best. Group, with TV and radio station groups reporting to him. Citing CBS success with Winter Olympics and David Letterman, Best. Group Pres. Howard Stringer said: "The value of a network has never been more obvious [and] we are now poised for even more growth and leadership... As we concentrate on new strategic goals in programming, Peter will play a pivotal role in shaping our future."

**FCC seeks comments** on legislation that would permit agency to collect regulatory fees to cover costs of many of its activities. Commission said goals "are to ensure that the fee collection process does not have an adverse impact on its regulatory activities" and that fees "impose little or no additional paperwork burden on the public." FCC also proposed revising its rules on collection of fees for applications and other filings. Comments are due April 7, replies April 18.

**FCBA has taken title** of author George Gilder's book, *Life After Television: Living in a 500-Channel World*, for its May 13-15 seminar at Nemacolin Woodlands Resort, Farmington, Pa. Panel on "Who's on First at the FCC" will include William Kennard, gen. counsel; Blair Levin, chief of staff; Byron Marchant, senior legal adviser to Comr. Barrett; Maureen O'Connell, legal adviser to Comr. Quello -- 202-833-2684.

**Technology Notes:** General Instrument said it signed deal to license DigiCipher technology for cable and satellites to Motorola... **EDS** and **National Amusement Network** signed 10-year deal for strategic partnership to develop nationwide interactive multimedia network. Network is intended to link more than 100,000 game terminals in 3-5 years.

**TV/Com and Germany's Fuba** said they signed multimillion-dollar agreement to develop and market MPEG-2 digital video compression products for Europe. Fuba will distribute products in Europe and participate in development.

**Perry Media Corp.** said it bought magazine Radio & Records and its auxiliary businesses from Westinghouse, price not announced. R&R founder and publisher Robert Wilson and exec. vps Erica Farber and Richard Krizman will remain with weekly publication.

**CableLabs' 1994 budget** increased slightly to \$12.6 million, from \$12.4 million in 1993. Budget approved by board will allow hiring about 9 new staffers, Pres. Richard Green said.

**NAB MONEY SOURCES, HOW IT'S SPENT:** For fiscal year starting April 1, NAB is projecting 10% increase in revenue to \$28.73 million, from \$25.96 million it expects for year ending March 31. Expenses for new year are projected at \$27.72 million, leaving expected surplus of \$1.01 million, compared with now-expected expenses for current year of \$24.2 million (down from budgeted \$24.51 million), leaving surplus of \$1.76 million. That compares with \$1.42 million loss (on revenue of \$23.1 million) for year ended March 31, 1993 -- all of it caused by lobbying Congress for passage of 1992 Cable Act and override of presidential veto.

By far largest source of income for upcoming year will be NAB convention, budgeted to bring in \$14.06 million in gross revenues (with net of \$9.1 million), up from \$13.42 million in 1993. Next largest source is expected to be \$4.33 million in dues from TV members, up 1.1%, followed by next fall's radio convention, budgeted at \$4 million, up 94% from \$2.1 million year ago. That's result of combining NAB radio show with RTNDA and 2 engineering conventions and resulting increase in exhibitors. Other income producers for NAB: Radio dues \$3.2 million (up 0.3%), associate members \$1.2 million (up 5.7%), NAB services \$1.21 million (up 3.8%), ad revenue \$149,000 (down 25.4%), interest and other revenue \$500,000, up about 10%.

On other side of ledger, NAB expects to spend \$7.39 million on "general and administrative" operations (up 7.1%), \$4.89 million on convention (up 7.5%), \$3.2 million on govt. relations (up 29.4%), \$3.12 million on Oct. radio show (up 127.6% because of combination with 3 other shows and NAB's assuming expenses), \$1.7 million for legal dept., down 9.9%; \$1.3 million for research (up 3.2%); \$1.2 million for Radio Dept. (up 12.9%); \$1.2 million for NAB Services (up 1.7%); \$842,972 for public affairs (up 1.6%); \$835,684 for science and technology (down 6.2%); \$823,183 for TV Dept. (up 4.9%); \$601,892 for meetings and special events (up 6.5%); \$250,000 for "board contingency" items, up from \$50,000; \$173,891 for human resources (up 6.9%).

**NAB salaries by depts.:** Govt. relations \$1.07 million (up 7.9%); legal \$950,273 (up 5.7%); human resources \$134,019 (up 7.8%); public affairs \$589,485 (up 4.4%); NAB Services \$331,855 (up 5.1%); advertising \$218,959 (up 5.1%); research \$920,797 (up 11.8%); radio \$737,883 (up 3.2%); TV \$438,921 (up 3.8%); general and administrative \$2.31 million (up 7.1), which includes NAB Edward Fritts' salary of \$410,000 for year ended March 31, 1993, plus \$30,591 in other benefits.

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**NAB** is scheduling series of renewal seminars for medium- and small-market radio members, will charge no fee for one person from each station. Stress will be on EEO rules and fines. First 2 will be May 10 at Holiday Inn Monticello, Charlottesville, Va., and May 17 at Charleston House, Charleston, W.Va.; licenses in those states expire June 1, 1995. Second registrant from member station will pay \$30, 3rd \$50, nonmembers \$300. Seminars in 1995 have been scheduled for stations in Ala., Fla., Ga., N.C., S.C., P.R., V.I. To register -- Christina Griffin, NAB, 202-775-3511.

**Comcast** lost \$859 million in year ended Dec. 31, vs. \$270 million loss year ago, but said cash flow increased 53% to \$606 million. Because of consolidation of cellular properties and its 50% ownership in Storer, revenue was up 49% to \$1.3 billion. Net loss included \$743 million writeoff to comply with new accounting standards for postretirement benefits. Operating loss was \$83.6 million, vs. \$204 million loss year ago.

**HDTV TO MISS OLYMPICS:** Long-ballyhooed large-scale debut of U.S. digital HDTV system at 1996 Olympic Games in Atlanta apparently won't occur. Olympics rights-holder NBC has told EIA's Advanced TV Committee that there won't be enough equipment and technical support from manufacturers to make large-scale HDTV demonstration practical. Equipment in earlier 1,920 x 1,035 format apparently would be available, but not in newer 1,920 x 1,080 format approved late last year by FCC's Advanced TV Advisory Committee (TVD Nov 15 p6), we're told. NBC officials weren't immediately available for comment.

Equipment makers still were working to find some arrangement for HDTV demonstration broadcasts from Olympics, but some weren't optimistic. One possibility could be that NBC would license someone else to conduct smaller scale HDTV demonstration, but network, which paid \$456 million for broadcast rights, was expected to demand higher license fee than manufacturers could justify. After "extensive" EIA discussions, Group Vp Gary Shapiro said that, despite NBC decision, HDTV demonstration during Olympics was "still alive. We're exploring every possible alternative."

NBC officials reportedly met with 14 manufacturers to determine availability of HDTV equipment in 1,920 x 1,080 format. Officials said that manufacturers didn't believe that they could make enough equipment available for large-scale demonstration, even on present timetable. Possibly more importantly, HDTV schedule has history of slipping, and network was afraid that any more slippage would make successful demonstration even more unlikely.

EIA had hoped to set up demonstration HDTV viewing sites in at least 8 major U.S. cities during Olympics, much as NHK did for MUSE HDTV broadcasts of 1988 Olympics in Seoul, and European manufacturers for HD-MAC broadcasts of 1992 Olympics in Albertville. U.S. manufacturers had hoped that successful demonstrations from Atlanta could help jump-start HDTV in U.S., just before first commercial HDTV broadcasts and availability of first commercial receivers. Shapiro had pressed FCC to set 1996 Olympics as "latest possible date" for HDTV broadcasts, saying that "nothing sparkles more for HDTV and demonstrates its value than world-class sports programming." He said then that "while one event does not make an industry, I believe that one deadline can set a standard."

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**Viacom** formed "transition team" headed by CEO Frank Biondi to consolidate assets of Viacom, Paramount and Blockbuster on completion of deals, company said. Team includes: Philippe Dauman, newly promoted Viacom exec. vp-gen. counsel-chief administrative officer; Thomas Dooley, promoted to Viacom exec. vp-finance, corporate development and finance; Ronald Nelson, exec. vp-chief financial officer, Paramount. Blockbuster COO Steven Berrard will join transition team on completion of Blockbuster merger. "Today, Viacom and Paramount begin to operate as a unified organization," said Viacom Chinn. Sumner Redstone.

**TCI** bought 49% voting control of TSX Corp. (formerly Texscan) for \$12.4 million. TCI also provided unsecured, short-term debt financing of \$4.6 million to cable equipment manufacturer. TCI paid \$5.88 per share, equivalent to market price before deal was announced. TSX used cash to repay virtually all long-term debt and to repurchase some warrants attached to TSX stock. TCI gets 2 of 5 seats on TSX board and agreement that major corporate actions need approval of 4/5 of board.

**PRIMESTAR RAISES \$565 MILLION:** Cable operator-owned Primestar Partners said it acquired \$565 million in credit to build and launch 2 Loral-built 'DBS' satellites. However, Primestar isn't FCC-licensed DBS operator -- it's authorized to lease 14 medium-power transponders from its part-owner GE American Communications to provide traditional direct-to-home (DTH) satellite TV. FCC defines DBS (direct broadcast satellite) as high-power (100w) Ku-band service, for which it has granted 10 permits, one of them to TCI-controlled Tempo, which has authorization to operate 11 transponders. TCI is major Primestar partner. Sources at FCC Common Carrier and Mass Media Bureaus told us neither bureau had authorized Primestar to construct, launch or operate 2 new satellites.

Industry observers have long speculated that Primestar would attempt to acquire Tempo's DBS license, but even if it did, it wouldn't be enough capacity (11 transponders) for 2 satellites. Source at Hughes said many in industry were confused by Primestar announcement and not sure whether plans might bring coordination difficulties if it attempted to provide high-power service from location reserved for medium-power satellites. Medium-power birds require 2° spacing, high-power satellites need 3°. Others wondered whether Primestar was attempting to circumvent FCC's DBS rules by "upgrading" existing service to conform with operational definition of DBS. Possible source of confusion is that FCC and congressional definitions of DBS differ; latter in Cable Act of 1992 included services such as Primestar in its definition.

Primestar may try to acquire licenses of other FCC DBS permittees. Robert Johnson of licensee Dominion Satellite TV said that when Primestar Pres. John Cusick offered to buy Dominion's permit: "We wouldn't give them the time of day. I think Primestar is trying to hook up with [Echostar Pres. Charles] Ergen for 22 of their frequencies," which Johnson said "we will contest in federal court." Echostar recently combined with DirectSat to fill 2 satellites for 100 channels of DBS.

Primestar hasn't decided to reveal whether it will seek fixed satellite service (FSS) license or DBS license through Mass Media Bureau, Mktg. Vp Jeffrey Smith said. It has various "options" for DBS or FSS slots, he said. Each of Loral satellites will carry 32 transponders, operating at 107° W, which is considered high power by FCC for coordination purposes.

U S West (USW) filed with FCC to make Salt Lake City and Boise its 5th and 6th cities scheduled for video dial tone (VDT) network. RHC asked Commission for approval to provide multimedia network capable of serving 160,000 customers in Salt Lake City area and 90,000 in Boise. USW said it will have 20 cities on its multimedia construction list by end of year. Depending on how quickly FCC acts on applications, company said it hopes to provide VDT to more than 800,000 homes in Denver, Minneapolis-St. Paul, Omaha and Portland within 2 years. It then plans to extend multimedia network to at least 500,000 more customers each year. USW said goal is to build VDT network at capital investment of about \$1,000 per customer.

BMI and TV Music License Committee said they reached licensing agreement for TV stations' use of music through Dec. 31. Pact covers blanket and per-program rights, calls for stations to pay BMI additional \$14 million in 1994 over amount called for under current interim licenses. Both sides predicted new agreement that would take effect in 1995 would be reached quickly.

**DBS SHOTS FIRED:** Primestar Partners squared off last week with Thomson and DirecTv Div. of Hughes as battle for control of emerging high-power satellite TV market heated up. Primestar, backed by fresh injection of \$565 million in credit to build and launch 2 DBS satellites, told Satellite Bnst. & Communications Assn. (SBCA) conference in N.Y. that it would expand medium-power service to 30 channels from 14 in early April, and to 77 by midyear. Each new satellite will carry 32 high-power (107-w) transponders, providing up to 150 channels.

Company will begin replacing 70,000 analog integrated receiver/decoders (IRDs) with digital version this year, and in early 1995 will upgrade existing equipment using General Instrument (GI) DigiCipher technology to support MPEG-2 standard. Cable operator-owned company isn't FCC-licensed DBS operator, but is authorized to lease 14 medium-power transponders for direct-to-home (DTH) satellite TV.

Primestar Pres. John Cusick took aim at DirecTv, saying his company's service "is not wedded to a dish in every place, and that's the best way to drive costs down." Existing system consists of 39" dish and IRD and is distributed through cable operators that lease equipment and programming to consumers starting at \$29.95 monthly. U.S. Satellite Bnstg. (USSB) Chmn. Stanley Hubbard, whose company is partner with DirecTv and Thomson, charged that Primestar was front for cable industry and trying to "throw cold water" on DBS.

DirecTv/Thomson system, whose receivers will be sold in hardware packages under RCA Digital Satellite System (DSS) brand at \$699 and \$899, uses 18" dish, IRD, universal remote, low noise block downconverter (LNB). DirecTv will market program packages at \$21.95 and \$29.95 monthly. Both have \$150 installation.

DirecTv Vp Eddy Hartenstein said company is pushing ahead with plans for late April or early May launch in 5 markets. Although he declined to identify markets, he didn't dispute our earlier report that they would be Albuquerque, Jackson, Little Rock, Shreveport, Tulsa. Hartenstein said launch is on schedule, although live demonstrations scheduled for ITA meeting and SBCA conference last week were scratched. Hartenstein said company was concentrating on launch, rather than demonstrations.

Senate passed bill that would allow radio and TV advertisers some leeway in making disclaimers about their products. Approved as amendment to banking bill, legislation by Sens. Bryant (D-Nev.) and D'Amato (R-N.Y.) would allow advertisers to use toll-free numbers or other means as alternative to reading lot of information too quickly to be understood. Senators also had introduced measure as free-standing bill (S-1447). NAB called passage "a great victory for the radio industry" and said slight differences between Senate and House should be easy to work out in conference.

Paris-based company Chargeurs bought 10.3% of Lyonnaise-Communications for undisclosed price March 14, broker Communications Equity Assoc. reported. Lyonnaise-Communications has 228,000 subscribers on 11 French cable systems.

ACS Enterprises said it completed purchase of wireless cable systems in Cleveland and Bakersfield, Cal., for \$28 million. Cleveland system has 13,000 subscribers, Bakersfield 2,500.

**Local zoning law** adopted by Ind. legislature is "unintelligent, uninspired and may be a disservice to Indiana cities and towns as well as satellite dish owners," American Satellite TV Alliance (ASTA) charged, because it reiterates 2-part FCC 1986 zoning preemption rule, then adds unnecessary 3rd provision that outlaws prohibition on installation of satellite antennas 2 ft. or less in diameter. Extra provision "accomplishes nothing in a legal sense" because any law prohibiting installation of any size antenna automatically would violate 2nd provision of law, which makes it illegal to prevent reception of satellite signals, and also would be illegal under FCC rule, which preempts any local laws, ASTA Gen. Counsel Luritz Helland said. He said new law may prove counterproductive if it misleads local officials into believing that ordinances banning satellite antennas greater than 2 ft. would be permissible because they satisfied 3rd provision.

**Pacific Bell's application** to FCC to offer video dial tone in Cal. is "wholly inadequate and insufficient" because company would build VDT "on the backs of California ratepayers," Cal. Cable TV Assn. (CCTA) said in reply comments. Pacific's proposal to upgrade for VDT in areas around Orange County, L.A., San Diego and San Francisco also doesn't provide "sufficient cost allocation information," CCTA said. PacBell also would use "untested" technology that "puts at risk reliable telephone service." FCC can't rely on Pacific's "naked promise" that it won't increase rates, CCTA said.

**Cable operators** "have every interest in delaying" arrival of video dial tone (VDT) "as long as possible," U S West said in FCC filing on cable operators' bids to stop telco's VDT plans: "The regulatory process provides cable interests with a convenient means of raising spurious arguments which are aimed solely at obstructing competitive entry." RHC said that it need only file illustrative tariffs to get Sec. 214 approval, that its VDT application would serve public interest and that there's no risk for existing telephone customers.

**APTS applauded bill** approved by House Commerce Committee (HR-3636) as "an important first step" toward goal of "public right-of-way" on information superhighway. One provision would require FCC to develop rules "to reserve appropriate capacity for the public at preferential rates on cable systems and video platforms." Another, by Rep. Swift (D-Wash.), would include public broadcasting among entities to be guaranteed access at preferential rates on common carrier systems.

**Japanese Ministry of Post & Telecommunications** said it will cooperate with 50 cable companies to launch interactive cable. Ministry said it invested nearly \$5 million in core operating system, to be completed by end of month. Interactive services are to include video-on-demand and interactive games.

**Licensed U.S. broadcast stations**, as of Feb. 28, according to FCC: FM commercial 4,986, AM 4,934, FM educational 1,666; UHF commercial 593, VHF commercial 559, UHF educational 243, VHF educational 123; FM translator and boosters 2,141, UHF translators 2,458, VHF translators 2,334; UHF low-power 955, VHF low-power 512.

**NBC** said new America's Talking cable network will have more than 10 million subscribers at launch July 4. Vp David Zaslav said network has commitments to reach more than 34 million cable subscribers in 5 years, and deals include virtually every major MSO.

**In political ad complaint decisions**, FCC: (1) Ordered WTVT Tampa-St. Petersburg to refund \$500 overcharges to Lawton Chiles and \$675 to Bob Martinez, but denied attorney fees and punitive damages, and dismissed complaint of Bill Nelson. (2) Found *prima facie* evidence of violation by KABC-TV L.A. in cases of primary election overcharges for Dianne Feinstein, John Seymour and Thomas Hayes, but dismissed complaints by 9 other candidates, as well as all complaints involving general election. Commission ordered discovery and suggested complaint resolution. (3) Found *prima facie* evidence of violation by WLEX-TV Lexington, Ky., involving Mitch McConnell, ordered discovery and suggested complaint resolution. (4) Dismissed complaint by McConnell Senate Committee against WCPO-TV Cincinnati. (5) Dismissed complaint by Harvey Sloane against WTVQ-TV Lexington, Ky.

**Interactive Multimedia Notes:** Fujitsu and Toshiba said they will make unspecified investments in multimedia consortium **General Magic**. Fujitsu said it will take seat on board and offer personal intelligent network communicator products using General Magic technology in Japan. Consortium already includes Apple, AT&T, Matsushita, Motorola, Nippon Telegraph & Telephone, Philips... Interactive TV company **IT Network** filed SEC registration to issue 3.2 million shares of common at \$10-\$12. Underwriter is Robertson, Stephens & Co... **Time Warner** said it will use Scientific-Atlanta set-top convergers to deliver interactive program guide in Rochester, N.Y., cable system.

**Compression Labs** will announce new line of MPEG-2-based communications equipment for cable, satellites and telephones at NAB convention in Las Vegas this week. Magnitude product line includes modular encoder and choice of 4 decoders. Line will be used by Bell Atlantic for its video-on-demand trial in Va. Enhanced MPEG-1+ version of encoder is available immediately, can be upgraded to MPEG-2 in Dec., Labs said. Professional versions of decoders also are available now, with consumer versions in Dec.

**Financials:** **Silver King Communications** had \$2.4-million net loss in 2nd quarter ended Feb. 28, vs. \$1.9-million loss year ago. Revenue for company, which owns 12 UHF stations carrying shopping programming, increased to \$12.1 million from \$11.3 million... **TCA Cable** net profit dropped 19% to \$3.9 million in first quarter ended Jan. 31 because of \$1.9-million loss from income tax accounting change. Revenue rose 7% to \$39.3 million, and operating profit 4% to \$19.5 million.

**Cap/ABC** board will ask shareholders to increase number of authorized shares tenfold at May 19 annual meeting to provide for 10-for-1 split. There are 15.33 million voting shares outstanding, plus 3 million shares held by company. Cap/ABC shares are running over \$700. Board also approved dividend of 5¢ per share, payable May 18 to holders of record March 31.

**SFX Bcstg.** said it exercised option to buy **WYHY(FM)** Nashville from Legacy Bestg. Partners, price not disclosed. SFX, which owns **WSIX(FM)** Nashville, has been operating WYHY since Sept. 1993 under local marketing agreement. SFX owns 10 radio stations, also has joint operating agreement with **WJDX(FM)** Jackson, Miss.

**FCC Comr. Quello** and ABC correspondent David Brinkley will be honored by RTNDA Foundation at April 6 banquet celebrating First Amendment, Mayflower Hotel, Washington. Quello will receive First Amendment Leadership Award, Brinkley the Leonard Zeidenberg Award.

## Personals

Geoffrey Cowan, ex-UCLA Center for Communications dir. and former CPB dir., appointed dir., Voice of America... Brian Fontes, senior adviser to FCC Comr. Quello, has recused himself from all matters involving Fidelity Capital Investments and Cellular Telecommunications Industry Assn... Amy Zoslov, FCC Mass Media Bureau, moves to Cable Services Bureau as senior attorney, Competition Div... Sheryl Wilkerson, ex-Federal Judicial Center, joins majority staff of Senate Commerce Committee.

Preston Beckman promoted to senior vp-program planning and scheduling, NBC Entertainment; Mary Anderson advanced to senior gen. attorney and managing dir., NBC Cable & Business Development... Maureen Smith promoted to vp-children's research, Fox Bestg... Sandy Genelius advanced to assoc. dir.-communications, CBS News.

Lisa Gregorisch, ex-KSTU Salt Lake City, named news dir., KDAF Dallas... Reed Manville resigns as pres.-gen mgr., KNBC-TV L.A.; John Rohrbeck, pres. of NBC-owned TV stations, will manage station on interim basis... Teresa Real named Westinghouse Bestg. International attorney... Arnie Witchel, ex-KEYT-TV Santa Barbara, named gen. sales mgr., WTOL-TV Toledo... Elizabeth Cheng promoted to programming dir., WCVB-TV Boston... Philip Waterman, ex-WFLD Chicago, named gen. sales mgr., WAWS-TV Jacksonville.

Pepe Miller advanced to vp-ad sales, midwestern region, A&E Networks... Fred Bonner, ex-Discovery Communications vp-new technology development, leaves to start Media Inter-Technologies consulting firm... Encore appointments: Ganesh Basawapatna, Asvan Technology founder, vp-technology and business development; Mark Bauman promoted to senior vp-finance administration and chief financial officer; Stephanie Hunt advanced to asst. mgr.-conventions and promotions... Closes Ruff, ex-TCI Cable, named gen. mgr., United Artists Cable of Baltimore... Jon Stitle advanced to vp-ad sales, A&E Networks, Detroit... John Lack resigns as ESPN exec. vp-mktg. and programming, plans not announced... Clay Conrad promoted to vp-international development, Prevue Networks... Mauricio Gerson, ex-Telemundo, appointed programming dir., USA Networks Latin American network... Patrick Kelley, ex-TCI, joins Antec as mgr.-advanced network planning... Laurence Rebich promoted to senior vp-mktg. and sales, Showtime Satellite Networks.

Jack Grubman, ex-PaineWebber, joins Salomon Bros. to head global telecommunications equity research team... Jonathan Dolgen, ex-Sony Motion Picture Group, named chmn., new Viacom Entertainment Group... John DeSimeo promoted to senior vp-publicity and promotion, Castle Rock Entertainment... Terry Curtin, ex-Morgan Creek, named senior vp-worldwide publicity/field promotions, MGM/UA Distribution.

Changes at NPR: Mary Lou Joseph advanced to vp-national affairs, new post; Sandra Rattley-Lewis promoted to vp-cultural programming div.; Midge Ramsey named vp, new station and program services unit... Changes at PBS: Bruce Miller moves from dir.-interconnection transition planning to dir.-broadcast and technical services, succeeding Jim Hargreaves, retiring later this year after 6 years at PBS. Shari LeVine, joins PBS ad/promotion as mgr.-professional development, succeeding Sally Curran, who resigned in Nov. Departures from PBS: Ann Nall, dir.-individual giving and membership support and 13-year PBS veteran, to become fund-raising dir. for DIMAC,

Published Weekly Since 1946


  
**TELEVISION DIGEST**  
*With Consumer Electronics*  
 (ISSN 0497-1515)

**PUBLISHED BY WARREN PUBLISHING, INC.**

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

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Boston-based nonprofit fund-raising consultancy; Evelyn Fine, dir.-corporate and member relations and 5-year PBS veteran, to develop 2 new retail ventures in U.S. and Europe... Art Luebke, former pres.-gen. mgr., Ozarks Public TV (KOZK Springfield/KOZZ Joplin, Mo.), joins KRMA-TV (PBS) Denver as station mgr.

Mike Mahone promoted to senior vp, RAB, responsible for member service operations, new business development, audio services; Wayne Cornils, exec. vp-services, will be in charge of annual conference, sales and mktg.-oriented meetings to be held in conjunction with NAB, and staff liaison for 3 standing committees.

Michael Berg joins Verner, Liipfert, Bernhard, McPherson & Hand, Washington law firm, as of counsel... Mark Van Bergh becomes of counsel, Roberts & Eckard, Washington law firm; Joy Butler, ex-Reed, Smith, Shaw & McClay Philadelphia office, joins as associate... Carol Laham, ex-Federal Election Commission, becomes member of Wiley, Rein & Fielding, Washington law firm.

Karen Kane, consultant, joins General Instrument as dir.-corporate communications... Penelope Longbottom promoted to vp-corporate affairs and administration, Hughes Communications.

WRH

# 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 Feb. and year to date:

|                 | FEB. 26-<br>MARCH 4 | 1993<br>WEEK       | %<br>CHANGE | FEB.<br>19-25 | 9 WEEKS<br>1994 | 9 WEEKS<br>1993     | %<br>CHANGE |
|-----------------|---------------------|--------------------|-------------|---------------|-----------------|---------------------|-------------|
| TOTAL COLOR.... | 302,170             | 303,739            | - 0.5       | 708,132       | 3,640,166       | 3,651,119*          | - 0.3       |
| DIRECT-VIEW..   | 295,091             | 298,324            | - 1.1       | 689,696       | 3,555,602       | 3,585,776*          | - 0.8       |
| TV ONLY.....    | 268,553             | 287,906            | - 6.7       | 638,285       | 3,294,109       | 3,408,855*          | - 3.4       |
| TV/VCR COMBO    | 26,538*             | 10,418             | +154.7      | 51,411*       | 261,493*        | 176,419             | +48.2       |
| PROJECTION...   | 7,079*              | 5,415              | +30.7       | 18,436*       | 84,564*         | 65,843              | +28.4       |
| VCR DECKS.....  | 108,489             | 129,258            | -16.1       | 415,710*      | 1,669,620       | 1,749,881           | - 4.6       |
| CAMCORDERS....  | 15,250              | 18,593             | -18.0       | 94,327*       | 360,964*        | 344,395             | + 4.8       |
| LASERDISC PLYRS | 3,192               | 3,310 <sup>r</sup> | - 3.6       | 4,687         | 34,215          | 43,032 <sup>r</sup> |             |
|                 | -20.5               |                    |             |               |                 |                     |             |

Direct-view TV 5-week average: 1994--404,837; 1993--405,825 (down 0.1%).

VCR deck 5-week average: 1994--178,972; 1993--178,477 (down 0.3%).

Camcorder 5-week average: 1994--35,518\*; 1993--35,415 (down 0.5%).

\* Record for period. <sup>r</sup> Revised to include players with karaoke features.

**SEGA TRYING VIDEOGAME COMPONENT STRATEGY:** Until last week, biggest question mark about Sega's move into 32-bit videogame market was whether Saturn CD-ROM-based system, due this year in Japan, would make it into U.S. before Christmas. Answer disclosed last week -- announcement of Saturn-like Super 32X add-on for Genesis to debut this fall in both countries -- was combination of yes and no, leaving software developers, market watchers and competitors still seeking firm indication of how company plans to approach advanced game and multimedia markets in next 18 months.

**This much appears certain:** By introducing 32-bit capabilities that can be added to 13 million existing Genesis consoles in U.S. for mere \$150, Sega has added wild card to 1994 videogame picture. If nothing else, availability of 32X will cause Genesis owners to pause before considering 3DO (now \$499, possibly lower by fall), Jaguar (\$249, with \$200 double-speed CD-ROM drive promised this summer), CD-I (\$399 now, with \$299 version expected in 3rd or 4th quarter) or any other game/multimedia system.

**Of course, Sega easily could bundle 32X with Genesis to create package price-competitive with anything expected in fall.** Sega of America Pres. Thomas Kalinske said Super 32X represents "excellent job of balancing those tradeoffs" between adding advanced technology and desire to protect investment in current platform. Company expects to sell 2.5 million in first year, including "more than a million" in U.S.

**Super 32X, which carried code name "Mars,"** plugs into Genesis cartridge slot, using 2 Hitachi SH2 RISC chips plus new digital video processor, to produce arcade-like game play including "fast processing speed, high-color definition, texture mapping, improved computer polygon graphics technology, ever-changing 3D perspective, software motion video, enhanced scaling and rotation and CD-quality audio." Super 32X will accept specially programmed cartridges for maximum effect, or will deliver slightly enhanced performance from standard Genesis or Sega CD games.

**Sega of America said "more than 30" Super 32X games are under development.** Mktg. Vp William White said he expects company to have 8-10 Super 32X games available at launch in fall, with pricing at about same level as current top-of-line Genesis or Sega CD games. Spokesman in Japan said 50-60 new games will be available there when Super 32X debuts in Nov., some from outside developers. Sega said software designed for Saturn won't be playable on Super 32X, although it was unclear whether reverse would be true. Developers in U.S. said they hadn't received specs or development systems.

Most pertinent questions arising from Super 32X announcement: (1) How closely will its capabilities mirror those of Saturn? (2) Would successful launch risk short-circuiting sales potential of Saturn -- now seemingly scheduled now for 1995 debut (although Sega doesn't confirm that timetable)? Companies on both sides of Pacific insist Saturn, with sound, video and other processors more sophisticated than Super 32X (although with same 2 RISC chips at its heart), will have far greater capabilities. Super 32X "is not a replacement for Saturn," White said, describing it as more closely typifying "a high-low strategy." Spokesman in Japan said Super 32X is pure game device, whereas Saturn is designed for broader multimedia, communication, karaoke and other functions. Saturn, he said, will be priced lower than 3DO, but still higher than is practical for game-only product.

However, consumer who buys Super 32X this year probably isn't going to be prepared to shell out additional \$350-\$400 in 1995 when Saturn hits market. That raises possibility that Sega will adopt component strategy for Saturn, perhaps making \$200 double-speed CD with additional processors available to those who already own Genesis/Super 32X combo. Integrated unit could be marketed for those who are starting from scratch. Electronics Arts Exec. Vp Bing Gordon said: "Although the whole industry believes CD-ROM is the wave of the future, there is reason to believe the mass market is not going to understand the value of the improved play" as justification for higher price CD-ROM-equipped console. "A component strategy may be the way to go."

**EMERSON EMERGING FROM BANKRUPTCY A NEW FIRM:** Its reorganization plan approved by U.S. Bankruptcy Court, Emerson Radio, shed of its major debt and negative net worth, is planning new start under new ownership. Rescuer is Swiss-owned Fidenas Investments Ltd., which will be 60% owner after reorganization is completed. "Our troubles are behind us," said Exec. Vp Eugene Davis, architect of plan: "For all intents and purposes, Fidenas and Emerson are the same company."

Complex reorganization plan, which had backing of major bank creditors but was opposed at first by insurance companies, eliminated \$180 million (80%) of Emerson's debt. Fidenas invested \$90 million, of which \$15 million supplied working capital during reorganization; \$75 million will fund emergence from bankruptcy -- \$30 million in equity and \$45 million in long-term debt. In exchange, Fidenas at start will own 90% of stock, but has promised to let stockholders of "the old Emerson," whose shares will be worthless March 31, acquire up to 30% of company at \$1 per share. Remaining 10% will be held by company's creditors. Fidenas Chmn.-CEO Geoffrey Jurick holds same post at Emerson.

The Emerson that emerges is related to original pioneering Emerson Radio & Phonograph only in name. That company, headed by brothers Benjamin and Max Abrams for 44 years, was sold in 1966 to National Union Electric (TVD Jan 31/66 p11), which 7 years later sold name for TV and radio (but not air conditioners) to Major Electronics (TVD Nov 26/73 p11). Major later changed its name to Emerson Radio. Fidenas group won control in proxy battle in 1992 after company piled up debts and stockholder suits under old ownership.

New management, sales and marketing executives last week indicated they would move cautiously to expand product line and distribution in and out of U.S. Davis praised loyalty of "dealers, employees and suppliers," and Sales Vp Merle Eakins said company already had hit 105% of its sales plan through March 31 -- "and not at fire sale prices." Goal for fiscal 1995 is 25% increase over current year, he said.

"We are taking Emerson out of the United States," said Davis, who indicated Latin America (principally Brazil and Mexico) and Spain, France and Eastern Europe would be first targets, partly in joint ventures, and aiming at large mass marketing retailers -- Emerson's forte in U.S. -- that now are growing dominant in Europe. (Fidenas first became interested in Emerson in connection with possible franchising of brand in Europe, Davis has said in past.)

Eakins and Mktg. Vp Gerald Calabrese stressed that Emerson will be seeking new markets and new products, but will emphasize current strengths, described as strong distribution, service, logistic support. "We're not a high-tech brand but a good, quality product, at good value." Emerson is a dominant brand at Target, also is featured at Wal-Mart, K mart, Service Merchandise.

Among new product categories being considered are accessories and small domestic appliances, latter inspired by success of microwave line. But officials indicated there are no plans for major appliances. As for components, Calabrese outlined that market as including maintenance and service products (presumably head cleaners, etc.), cables and connectors, black boxes, remote controls. Emerson presumably is most interested in maintenance products. Calabrese said company had doubts about remote controls, which he described as "too price-sensitive."

Asked about H.H. Scott audio brand, to which Emerson holds rights, Calabrese indicated company had eye on its eventual revival as "high-quality" brand, but for time being "we'll keep it on the shelf until we have a total plan -- we won't field just one or 2 models. We don't want to repeat the mistakes of [previous regime] -- not knowing who we're aiming at." Alluding to excesses of the old Emerson, Davis added: "We will avoid another computer fiasco."

**TECHNOLOGICAL THREATS CONFRONT ITA ATTENDEES:** Perhaps ITA didn't deliberately invite foxes into henhouse, but attendees at annual spring seminar of magnetic and optical media trade group in Tucson were confronted by predictions of their demise at hands of everything from electronic delivery via DBS or land lines to solid state storage devices. Speakers cited only 2 pieces of good news -- predictions that changes would come over next decade or 2, rather than tomorrow, and that digital transmission could create short-term market for blank media, as people download perfect music and video from satellites or broadband networks.

Although point was made in several panels, most direct presentation came from ITA alumnus -- John Bermingham, long-time executive of Sony Magnetic Media, now vp of AT&T's Advanced Communications Technologies Group. Declaring magnetic media "an endangered species" and classifying optical discs as short-term interim solution, he said that "during the careers of most of the people in this room -- myself included -- we're going to see a change from magnetic media storage to solid state storage." Bermingham based prediction on "3 clear trends:" Increasing sophistication of data compression algorithms, trend toward denser and less expensive solid state electronic devices, and "coming availability of broadband communications into the home." First 2 go hand in hand, he said, better compression permitting storage of more data on increasingly efficient solid state devices. He said microelectronics industry is doubling number of transistors it can cram onto single chip every 18 months, and within about 15 years chips containing "up to a billion components each" will make possible storage of "about 30 minutes worth of audio on a single chip the size of your fingernail."

First example already is here in telephone answering machines, and Bermingham cited increasing use of flash memory technology in portable data devices -- market he predicted would reach \$6 billion by 1998. Beyond that, he said, "it won't be long before solid state becomes the medium of choice for full-length audio and video recording as well." (As reported here last week, voice recorder using flash memory instead of tape is due on market as early as this summer [TVD March 14 p13]). "We know that solid state memory may not catch up to tape in terms of cost for another 10 years or so, but that doesn't mean it won't begin to displace magnetic media before that time," Bermingham said. "Solid state recording has some clear advantages... so consumers might be willing to pay a premium for chip storage over magnetic media storage, just as they're willing to pay more for CDs than for prerecorded audio tape or what's left of the LP business."

"So the question comes down to... whether a consumer would be willing to pay \$19.95 or \$24.95 for solid state storage of, say, the birth of a child... [vs.] using a videotape that may cost \$7-\$8 in the 8mm format. That's a question you should be asking yourself -- what is the perceived value of solid state storage to the consumer?" He listed ruggedness, portability and lack of moving parts in playback devices as major advantage, noting that "all magnetic media, even those newest technologies, still involve mechanical devices... conceptually identical to the tinfoil recorder that Thomas Edison discovered in 1877."

Bermingham presented vision of future in which "audio components and video players will be the same device. And they will [include] wallet-sized packages containing a digital recorder and player [with] 100 gigabytes of built-in memory as well as removable cards on which programs can be downloaded." Device, he said, "will be battery powered and have a small color viewing screen, and it will go from home to car to pocket. The wallet [would] be used to digitally copy any software from any electronic source. An embedded computer program [would] keep track of the copied material and route royalties to the appropriate copyright holders."

Many of Bermingham's comments echoed earlier presentation by Laurence Lueck of Magnetic Media Information Services consulting firm. Although reaching similar conclusion as to ultimate market direction, he listed interim steps, including near-term opportunities in digital recording for metal-particulate (MP) and metal-evaporated (ME) tapes. He also predicted significant market toward end of decade and beyond for recorded and, especially, "very small diameter" recordable optical formats. However, Lueck noted that factory value of all recordable optical media last year was only about \$100 million after "20 years of very expensive R&D effort and plant expenditures of embarrassingly large amounts."

Lueck said he doesn't expect electronic on-demand software delivery to have "any significant effect on discrete media usage over the remaining years of this decade," mostly due to "nontechnical" hurdles. But he advised ITA members not to spend money on R&D or production facilities for current generation of tape "unless you are absolutely sure you can recover your money in 3 to 4 years" -- instead to concentrate on MP or ME technology. He urged optical disc producers to continue their efforts because "there is a future, and it is a good enough future to reward those who persevere."

**BLOCKBUSTER HIGH ON TECH:** Blockbuster

Entertainment showed it seeks to stay in forefront of new technology with last week's hiring of IBM veteran Robert Carberry as technology vp. He will be in charge of NewLeaf/Fairway venture, operation that plans to make digitized entertainment software available for downloading to in-store kiosks (TVD March 8/93 p16); he also will handle Blockbuster's interests in video-on-demand. Carberry previously was pres. of NewLeaf/Fairway, joint Blockbuster-IBM venture, following long IBM career.

Blockbuster also said it has lined up 5 test markets for standalone videogame stores scheduled to open in 2nd quarter. Stores, which will rent and sell titles, will be located in malls, strip malls and free-standing locations, with company planning to determine which works best. Five test stores will be in Orange Park, Fla., Richmond, Tampa, Virginia Beach and one other unnamed location. If successful, game stores could operate as 3rd retail division after video and music.

In presentation at recent Intermedia show, Business Development Dir. Michael van der Kieft, who is running CD-ROM rental test in Blockbuster's San Francisco area stores, said company wants ultimately to provide customers with "an entertainment card, instead of a video card," that could be used in Blockbuster video, music, videogame store or entertainment center. "You could, in the future, even use that card to activate a set-top decoder to get entertainment products sent into the home," he said, outlining vision of company merging with Viacom/Paramount.

In presentations over last few weeks at industry conferences, van der Kieft has said Blockbuster will focus CD-ROM software rental and sale test on top entertainment and educational titles. Pilot program, which began in late Nov. in more than 50 San Francisco and San Jose stores, has been extended to June 30 from March 31 in preparation for national rollout. In test, Blockbuster is selling and renting software for Sega CD, CD-I, Panasonic 3DO, Macintosh CD and IBM PC CD-ROM, as well as hardware for all 3 set-top systems.

"The support for what we're doing is very strong," van der Kieft said, citing results of study in which Gallup Organization questioned more than 800 customers who had rented CD-ROM discs or equipment from Blockbuster, as well as 500 who had visited store but hadn't made transaction. He mentioned agreements with manufacturers but declined to disclose relative sales and rental rates among hardware systems. However, he quickly cautioned, there isn't "a big business there yet."

Software sales and rental pattern shows "it's a game business," said van der Kieft, which he ascribed in part to fact that Blockbuster has had healthy Nintendo and Sega cartridge business, so consumers are used to going to Blockbuster for that kind of product. Company will emphasize games, reference and children's educational titles. Preliminary data have shown that "there's a strong, strong desire for children's education in the computer market." Although customers in poll were overwhelmingly supportive of Blockbuster's efforts, strongest negatives came from those who had rented CD-ROM titles.

**PLASTIC LITHIUM BATTERY:** Prototype of flexible plastic rechargeable lithium ion battery, as thin as credit card, was demonstrated last week in N.Y. by Bellcore, research wing of former Bell companies, which bills itself as "nation's largest research consortium." Unlike current lithium batteries, new unit contains no liquid electrolyte and may be bent, rolled or folded into virtually any shape.

Bellcore said new battery can offer better performance than nickel cadmium types at only half the weight. It will be promoted as ideal for portable products -- it was demonstrated powering cellular phone, and video shown at news conference depicted camcorder. Other suggested uses included pagers, laptop computers, handheld videogames.

Prototype shown was 3.8v type. To power cellular phone, 2 cells were placed back to back to double voltage, far thinner than 6-layer NiCd batteries used for same voltage. Company engineers said battery uses low-cost materials readily available, manufacture is simple and battery may be recharged "hundreds of times," reaching full capacity as quickly as 30 min. As demonstrated, battery may be punctured, or even cut in half, and returns quickly to rated voltage.

Although development was announced to prospective licensees only day before news conference, Bellcore said it already had stimulated interest from manufacturers who license its liquid lithium ion technology. Bellcore claims 11 patents on technology. Licensing will involve up-front fee and negotiable percentage of gross sales.

Because all materials and processes are available, Bellcore estimated product could be brought to market in 1-2 years. Sony was first company to manufacture lithium ion cells using liquid electrolyte, in 1991, based on technology developed in 1981.

\* \* \* \* \*

Matsushita Battery plans to start shipping sample lithium-ion batteries to OEM customers in 2-3 weeks, with 2 cylinder-type cells and one square cell set to be marketed this year. Company said 3.6-v cells will have up to 2-1/2 times more energy density than nickel cadmium batteries, 1-1/5 times more than nickel hydrogen cells. Matsushita projects worldwide market for rechargeable batteries will grow to 2.25 billion units sold in year 2000, half of it in nickel cadmium batteries, rest divided between nickel hydrogen and lithium-ion.

Stereo sound was feature of 45.6% of color TVs sold to dealers in Jan., up from 37.4% one year earlier, according to EIA figures released last week. Total of 649,022 sets with stereo were sold in Jan. 1994, up 16.7% from 556,014 in Jan. 1993, while total color TV sales dipped 4.3% for month.

**THIS WEEK'S YEN RATE**

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

**NATM MEETS SANS LECHMERE:** With original member Lechmere conspicuously missing from NATM meeting in Tucson last week, after announcement it will merged with Montgomery Ward (TVD Feb 7 p12), consensus in corridor talk among retailers at annual event was that consolidation of chains may be just beginning.

Lechmere is expected to complete merger with MW this month, in 2nd consolidation in less than year -- in Dec., Fretter completed purchase of Silo from Dixon's (TVD Dec 20 p16).

"Best Buy is expanding and Circuit City is going through controlled growth," said Gregory Coulles, Roberds consumer electronics vp-mdse. mgr. "Everybody is going everywhere and that is the retail landscape of the '90s. But there's no sense complaining about it because you're got watch your own business and run it in an intelligent fashion." Other retailers said it's too early to generalize. "It's something different every day, but I'm not sure it's a trend yet," said Steinberg's Vp James Steinberg.

While Lechmere hasn't formally left NATM, industry observers said departure was inevitable. With MW connection, Lechmere would compete against many NATM members, which NATM has tried to avoid. "We consider ourselves a national retailer and we're strong in many areas and getting stronger in computers," NATM Exec. Dir. Saul Gold said. "Our strength is our combination and forming partnerships with suppliers."

Although immediate impact of Lechmere departure couldn't be gauged, 24-store chain would take about \$800 million in annual sales with it. Several vendors said they doubted exit would have "negative effect" on NATM.

At meeting, NATM reported rise in 1993 sales to \$3.37 billion from \$2.7 billion year earlier and said it would revive Capehart brand for promotionally priced TVs and VCRs. Brand, which NATM used for dehumidifiers last year, had 2% share of TV market in 1986-1987, Gold said. (TV Digest survey for 1987 model year gave it 0.55% [TVD June 29/87 p12]). "We've got to bring some opportunities for low-cost retail," Gold said. "Below-cost retailing has become absolutely crazy, and you've got to have some protection."

In 1993 product sales, NATM registered largest gain in projection TV at 44.7% against 15.1% for industry, and Gold said group would continue to push sets as "high-end" category. On down side, group reported 28.7% drop in camcorder sales vs. 1.3% decrease for industry. "The fall selling season [for camcorders] was a poor one -- camcorders didn't move for us until December and that's a problem."

Overall statistics for NATM in 1993 in changes in unit percentages (followed by industrywide changes): TV (projection and direct-view), +28.7 (+12.1); camcorders, -28.2 (-1.3); VCRs, +3.3 (+4.4); audio components, +17 (+3); car audio, +17.1 (+9.4); CD players, +7 (+5.6); portable audio, +31 (+3); rack, +26.2 (-11); receivers, +10.4 (+15); shelf, -18 (+22); speakers, +23 (+15); systems +28.6 (+7); tape decks, flat (-6.6); car, 17.1 (+9.4); computers, +35.9 (+7.4); typewriters, flat (+0.5); fax, +5.9 (+34.4).

Sony has started shipping TV sets with screens up to 19" from Malaysia plant to Japan. Imports of sets, formerly made in Japan, will be 30,000 monthly to start, but are scheduled to increase, Japanese reports said. Tubes for sets are made by Sony in Singapore.

**GO-VIDEO, GOLDSTAR TALK:** GoldStar and Go-Video are discussing license to permit Korean manufacturer to ship dual-deck VCR in April, avoiding patent litigation. Go-Video Exec. Vp Kevin Sullivan told us company had been talking with several manufacturers, including GoldStar, last 6-8 months.

One source indicated 6-figure payment was being discussed. Go-Video had threatened legal action almost as soon as GoldStar introduced dual-deck at Winter Consumer Electronics Show.

Prospects of settlement follow Terren Dunlap's resignation as Go-Video chmn. (TVD March 14 p16). New lineup under Pres. Roger Hackett, CEO and interim chmn., "is not a regime that intends to be litigious any more," Sullivan said. "We want to run it as a business. We are desirous of solving things in a businesslike manner."

Dunlap continues on board and as consultant. Go-Video has sued at least 22 companies on conspiracy and antitrust charges. Some were dismissed and others settled for total of \$6.8 million (TVD June 3/91 p 10). Go-Video claims patents on "all formats of dual-deck technology."

GoldStar configuration, which will carry \$799 street price, includes 2-head 8mm play-only deck and 4-head VHS record-playback deck with flying erase head. Other features are one-touch recording, index search, front A/V jacks, on-screen programming.

\* \* \* \* \*

Go-Video sank back into loss column in quarter and half-year ended Jan. 31, despite 37% and 59% increases in sales (see financial table). "Due to the timing of deliveries of our new 7-model product line and the resulting price allowances and reductions... to balance inventory mix and promote after-holiday sales, we experienced a loss at the bottom line" in quarter, Hackett said.

He said dual-deck VCRs are displayed in 3,000 stores and in more than 100 million catalog mailings.

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Fujitsu and Toshiba are latest companies announcing plans to invest in General Magic, formed to establish wireless network communications standard. Neither would disclose size of investment or share of General Magic being acquired. Fujitsu said it plans to build communications network in Japan based on General Magic's Telescript and Magic Cap technologies within 2 years; Fujitsu already operates major computer network in Japan. However, Yasunori Kanda, gen. mgr., Personal Business Systems Group, said Fujitsu doesn't plan to sell General Magic-related hardware products in U.S. Fujitsu plans to nominate Exec. Vp Mikio Otsuki to General Magic board when investment is finalized. Toshiba said it plans to develop communications systems and hardware using General Magic technology for commercialization after 1995. General Magic, outgrowth of project begun at Apple in late 1980s, is backed by equity partners that include Apple, Matsushita, Mead, Motorola, News Corp., Philips, Sony.

Despite decline in direct-view TV set sales (excluding VCR combos) in Feb. (TVD March 14 p12), EIA said sales of sets 25" and over were up 16%, offsetting 21" decline in combined sales of 13" and 20". In TV/VCR combos, Feb. 35% growth was distributed evenly between larger models and those 13" and under. Although total VCR deck sales were up only 3%, stereo models rose 24%, represented 40% of mix, up from 31% in Feb. 1992.

**CARVER vs. CARVER CORP.:** Robert Carver has resigned as chmn., dir. and employee of Carver Corp., filed lawsuit against company he founded and seeking to bar it from making products using its current amplifier design, according to company. Carver couldn't be reached for comment and U.S. Dist. Court, San Francisco, where suit was filed, said documents were in hands of judge, couldn't be seen.

Carver Corp. reported increased losses for 4th quarter and full-year 1993 (see financial table). Carver has been inactive for last 2 years. According to company, Carver, who holds 20% of its outstanding securities, charged that it underpaid royalties "payable under the terms of a license agreement" covering amplifier technology patents owned by Carver and his wife, alleging underpayment of more than \$666,000.

Carver is asking "damages in the amount of the alleged underpaid royalties," company said. Under his interpretation, according to Carver Corp., it would be required to pay royalties to him on "virtually all amplifiers and receivers currently sold or under development by the company." Carver also served company with notice of default, stating that "failure of the company to cure the alleged defaults by March 30, 1994" will result in termination of license, barring company from manufacturing any of its current amplifier designs, which represented about 60% of its sales in 4th quarter 1993.

Company acknowledges "calculation errors" that it said resulted in some underpayments, but said Carver's "interpretation of the payments is incorrect" and it actually overpaid royalties by more than \$200,000. Company said Carver advised it that his employment agreement expired March 31, 1990, and asked court to rule that "the noncompetition period has terminated," which company contests. Company has started action to determine which products are covered by Carver's parents, amount of royalties overpaid or underpaid and injunction to prevent termination of license until those issues are terminated.

Reporting financial data, Carver Corp. attributed losses to writeoffs of \$1 million of assets of former subsidiary U.S. Sound, \$230,000 for tooling of discontinued items, \$830,000 in excess, obsolete and defective materials and products. Company said its professional amplifier sales declined primarily because of "changeover to a new product line and a lengthy vacancy in the pro sales manager position."

Adaptor for Super Nintendo Entertainment System (SNES) to play Game Boy cartridges will be introduced in June at \$59.95 suggested retail. Super Game Boy accessory also assigns colors to Game Boy graphics, according to 4 gray shadings that appear on standard monochrome Game Boy screen, based on 32 preset palettes or customizable by player. New titles designed specifically for Super Game Boy will be able to display up to 256 colors. Nintendo said 7-8 million consumers own both Game Boy and SNES. Nintendo of America Mktg. Vp Peter Main said company doesn't have "imminent plans" to introduce Game Boy with color screen, which he estimated "would have to be \$89 to \$99" at retail, about double current basic Game Boy price.

Matsushita confirmed last week our report in Feb. that it would introduce minicomponent system with Video CD player in U.S. in fall (TVD Feb 28 p18). Company, which will market product here under Technics brand, declined to give price in U.S., but system will sell for about \$1,180 when it goes on market in Japan next week.

**REDESIGNED SHARP LINE:** Sharp will unveil new line of about 30 redesigned TVs including its first 25" TV/VCR at dealer meetings next month, company said.

Lineup, scheduled for May-June delivery, will be concentrated heavily in 25" and 20," but also will include company's first 2 widescreen sets (TVD Jan 10 p14), Sharp TV Product Mktg. Mgr. Jon Lezon said.

In joining Emerson and Sanyo in 25" combo market, Sharp will ship sets in Nov.-Dec., although it hasn't set price. TV will be packaged with remote that can operate insert-eject VCR function and feature 2-way automatic repeat, which allows tape to automatically rewind at end and switch to blue screen between video segments.

In 25", Sharp will add 8 models at \$279-\$369 low-end versions, with scan-only remotes and others with on-screen menu, A/V inputs, message board. Seven 20" TVs will feature direct access remote, channel scan and flashback, at \$219-\$279. Sharp will continue to top line at 27" with 4-5 models at \$549-\$599. High-end pieces will have PIP and enhanced stereo.

In commodity categories, Sharp will show four 13" sets at \$169-\$189 and five 19" units at \$189-\$219. Lines will include one white TV packaged with white remote. Lezon said sets' features have been scaled back so "we can maintain profitability as much as we can."

Delivery date on widescreen sets has been delayed to July from June. Previously announced 30W" and 34W" direct-view models will be non-PIP sets with 500 lines of resolution, 7.5w per channel surround sound, front and rear A/V jacks, S-video outputs, universal remote, at \$3,499 and \$4,000.

All TVs will be packaged with redesigned, smaller remotes that contain large buttons for commonly used functions such as channel and volume control, Lezon said.

**PIONEER ACHIEVES BLUE LASER:** Blue laser with wavelength of 425 nanometers capable of stable operation at room temperature has been successfully produced by Pioneer, company said. While it again said commercialization of blue laser is years away, it hailed latest development as paving way for next generation of laser optical disc products with high-density recording.

Spokesman said blue laser will be capable of recording 4 times more data than existing red laser in comparable space, but next-generation products also must await development of high-quality compression methods, software media, other elements.

Pioneer blue laser uses 2nd harmonic generation (SHG) method, as opposed to laser diode-direct principle employed by others. Pioneer said it achieved stable blue laser by passing 850-nanometer infrared laser through SHG element -- in this case, crystallized phosphoric titanic kalium (KTP) developed by Du Pont. Pioneer said SHG blue laser is achieved through KTP-segmented waveguides that simultaneously double frequency of laser diode through quasi-phase matching (QPM) technique and control diode wavelength using optical feedback system called Distributed Bragg Reflection (DBR).

Latter point is important, Pioneer said, because DBR makes for blue laser with sufficiently short wavelength and stable enough emission for conformity with lenses of normal laser pickups.

**CE EXPORTS, IMPORTS UP:** U.S. consumer electronics (CE) exports increased 4.2% last year over 1992, but imports were up 9.5%, resulting in 10.7% rise in CE trade deficit to \$14.6 billion from \$13.2 billion, EIA said in analysis of Commerce Dept. data. CE exports totaled \$3.21 billion, imports \$17.83 billion, up from 1992's \$3.08 billion and \$16.29 billion, respectively.

Total U.S. exports of all electronic products last year hit record \$85.4 billion, up 9.5% from nearly \$78 billion. Imports also set record, \$102.54 billion, up 15.8% from \$88.55 billion. Resulting total deficit in electronics increased 62.1% to \$17.18 billion from \$10.59 billion.

**Industry segments with positive trade balances:** Electron tubes, \$200 million in 1993, up from \$74 million in 1992; telecommunications, \$1.27 billion, up from \$173 million; defense communications, \$1.44 billion, down from \$1.38 billion; industrial electronics, \$4.87 billion from \$4.31 billion; electromedical, \$1.26 billion from \$1.12 billion.

In addition to consumer segment, negative balances were registered by passive components, \$3.39 billion, down from \$3.11 billion; solid-state products, \$209 million, down from positive balance of \$691 million; computers and peripherals, \$7.99 billion, up from \$2.02 billion.

\* \* \* \* \*

**Top 10 foreign markets for U.S. electronics exports in 1993** as listed by EIA, based on Commerce Dept. data (in billions worth of U.S. exports): (1) Canada \$13.83. (2) Japan \$8.4. (3) U.K. \$6.55. (4) Mexico \$6.45. (5) Germany \$5.12. (6) Singapore \$4.9. (7) Taiwan \$3.45. (8) Netherlands \$3.42. (9) S. Korea \$3.22. (10) France \$2.85. All others \$27.16. **Top 10 suppliers of electronic products to U.S. (billions):** (1) Japan \$34.85. (2) Singapore \$9.65. (3) Taiwan \$9.05. (4) Malaysia \$7.5. (5) S. Korea \$6.98. (6) Mexico \$6.64. (7) Canada \$6.31. (8) China \$3.83. (9) Germany \$2.65. (10) Thailand \$2.36. Others \$12.41.

## Consumer Electronics Personals

**Gerard Kleisterlee** appointed chmn., Philips Display Components, worldwide business group with hq in Eindhoven, responsible for manufacture and sale of TV and monitor tubes, succeeding Ton Vervoort, who moves to undisclosed Philips post; Kleisterlee formerly was Display Components gen. mgr. for Europe. Philips said its Display Components, world's largest color tube manufacture, makes about 17 million tubes annually at factories in 8 countries.

**Andrew Duncan**, ex-Thomson Consumer Electronics, joins Gemstar as consumer electronics mktg. dir., assuming some of former duties of **Jeff Conway**, who resigned as sales vp... **Todd Rozylowicz** advanced to vp, Sharp Consumer Business Products Group from gen. mgr., field sales, company's Audio/Video Div., replacing **Gary Schwartz**, resigned to pursue other opportunities... **Robert Carberry**, ex-IBM, joins Blockbuster Entertainment as vp-technology, responsible for New Leaf/Fairway digital music delivery venture (see report, this issue)... **Mitchell Rubin**, ex-Regal Group, named Voice Powered Technology International vp-gen. mgr... **Kevin O'Connor**, Venture Stores book buyer, appointed video buyer.

New assignments in Electronic Arts (EA) reorganization along category lines: **Jack Heistand**, overall senior vp-mktg., appointed senior vp-gen. mgr., EA Sports; **Robert Garriott** named senior vp-gen. mgr., newly created Simulations & Interactive Movies Div.; **Monty Finefrock**, vp-studio operations, named senior vp-gen. mgr, new

## 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        |
|------------------------|---------------|---------------|------------------|
| Carver Corporation     |               |               |                  |
| 1993-year to Dec. 31   | 26,274,000    | (5,408,000)   | —                |
| 1992-year to Dec. 31   | 25,596,000    | (1,328,000)   | —                |
| 1993-qtr. to Dec. 31   | 6,066,000     | (3,040,000)   | —                |
| 1992-qtr. to Dec. 31   | 6,892,000     | (951,000)     | —                |
| Comcast                |               |               |                  |
| 1993-year to Dec. 31   | 1,338,228,000 | (859,225,000) | — <sup>a</sup>   |
| 1992-year to Dec. 31   | 900,345,000   | (270,232,000) | — <sup>b</sup>   |
| Go-Video               |               |               |                  |
| 1994-6 mo. to Jan. 31  | 23,365,532    | (97,899)      | —                |
| 1993-6 mo. to Jan. 31  | 14,727,589    | 81,383        | .01              |
| 1994-qtr. to Jan. 31   | 11,800,889    | (272,057)     | —                |
| 1993-qtr. to Jan. 31   | 8,606,588     | 60,220        | .01              |
| J2 Communications      |               |               |                  |
| 1994-6 mo. to Jan. 31  | 706,000       | 171,000       | .05              |
| 1993-6 mo. to Jan. 31  | 1,018,000     | (243,000)     | — <sup>c</sup>   |
| 1994-qtr. to Jan. 31   | 242,000       | 104,000       | .03              |
| 1993-qtr. to Jan. 31   | 383,000       | (169,000)     | —                |
| Osborn Communications  |               |               |                  |
| 1993-year to Dec. 31   | 27,398,647    | (2,173,092)   | —                |
| 1992-year to Dec. 31   | 26,862,882    | (4,506,917)   | —                |
| 1993-qtr. to Dec. 31   | 7,907,665     | (100,395)     | —                |
| 1992-qtr. to Dec. 31   | 7,797,584     | (1,381,403)   | —                |
| TCA Cable TV           |               |               |                  |
| 1994-qtr. to Jan. 31   | 39,279,000    | 3,864,000     | .16 <sup>a</sup> |
| 1993-qtr. to Jan. 31   | 36,650,000    | 4,775,000     | .19              |
| Tektronix              |               |               |                  |
| 1994-39 wk. to Feb. 26 | 940,060,000   | 36,665,000    | 1.20             |
| 1993-39 wk. to Feb. 27 | 949,342,000   | 27,049,000    | .90 <sup>c</sup> |
| 1994-13 wk. to Feb. 26 | 332,825,000   | 15,479,000    | .51              |
| 1993-13 wk. to Feb. 27 | 311,233,000   | 9,134,000     | .30              |

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

Entertainment Div.; **Steve Salyer**, senior vp-business development, and **Stewart Bonn**, senior vp-CD group, assigned responsibility "of defining EA's strategy for developing and electronically distributing entertainment, education and information software into the home."

Interactive Multimedia Assn. (IMA) 1994 officers: Pres., **Robert Lippincott**, Ziff-Davis; vp, **Philip Corman**, Digital Equipment Corp.; secy., **John Osterhout**, Kodak; treas., **Vicki Vance**, Apple... Named at Hearst New Media & Technology Div.: **Mark Samis** New Media Center mgr., **Steven Horen** div. dir.-business development... **Greg Ballard**, ex-Warner Custom Music, named COO, Digital Pictures... **Tim Wetmore**, ex-SR/A PR firm and freelance journalist, appointed editor of Video Pro, bimonthly supplement to Video magazine.

**David Bixler**, ex-Academy, named senior vp, ITC Home Video... **Debbie Foster** joins A-Pix Entertainment as national sales coordinator... Promotions at Baker & Taylor: **Chris Arns** vp-sales, **Al Strutz** vp-business development for multimedia, **Brad Grob** dir.-business development for multimedia, **Michael Small** dir.-sales administration... **Arnold Gross** named dir.-gen., Handleman's new Mexico City operation.

Gemstar-NBC deal for transmission of on-screen program data and other information on extended data service (EDS) carrier compatible with its Index Plus VCR indexing system (TVD Jan 17 p16) could be announced this week at NAB convention. Gemstar spokeswoman declined to confirm deal or announcement time.

Tri-national glass plant in Kota, India, was dedicated last week by Corning Chmn. James Houghton. Sancor Glass plant, 50% owned by Samtel Group of India, 45% by Corning and 5% by Samsung-Corning of Korea, at start will make glass for monochrome TV tubes, adding color glass later. Samtel Group is leading producer of TV picture tubes in India. Last year, Corning said, about 5 million b&w tubes and more than one million color tubes were produced in India, with monochrome growth expected at 20-25% annually in next few years, color tube growth at 25%. New 255,000-sq.-ft. plant was built at cost of \$73 million.

Joint ventures with computer companies are in future for Eastman Kodak's imaging business, Chmn. George Fisher said, as quoted in Wall St. Journal. According to Journal, Fisher said restructuring of Basic Imaging Div. is planned within 3 months to strengthen focus on electronics, with alliances -- presumably with several partners -- due by year-end to strengthen Kodak in digital imaging area. Fisher is quoted as saying key electronic imaging leaders would be hired from outside company.

Aiwa has revised upward its forecasts of financial results for current fiscal year that ends this month. It projects consolidated sales at 210 billion yen (\$1.98 billion), up 19.2% from last year, with net profit up 63.9% to 3.6 billion yen (\$34 million). It cited good sales in U.S. and Europe and strong domestic sales of minicomponents with CD+Graphics and TV/VCR combinations.

Esquire Radio, N.Y.-based supplier of Southwestern Bell phones, is subject of sweetened takeover offer from Steel Partners II, which is offering to acquire all Esquire shares for \$51.50 each. Last month, Esquire rejected \$50 offer from Steel Partners.

Hong Kong and Taiwan will suffer if U.S. cancels most-favored-nation (MFN) status for China, Foreign Minister Qian Qichen warned last week after icy talks with Secy. of State Warren Christopher. Because of transshipment of Chinese exports through Hong Kong to U.S. and large investments in Chinese industries by Taiwanese businessmen, trade with those friendly areas would be devastated, Qian warned. Hong Kong govt. estimates \$24 billion in trade would be jeopardized and as many as 75,000 jobs would be lost there if China were to lose MFN status, Financial Times reported.

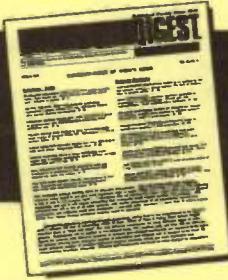
TV/VCR combination sales in first week of March were more than double those of same 1993 week, according to EIA data on sales to dealers (see State of the Industry). Only other product category increasing over same week last year was projection TV, continuing strong pace with 30.7% advance to new record for week. For year's first 9 weeks, VCR combinations, projection TV and camcorders were in record column, with all other products below last year.

Rex Stores, bolstered by new outlets, reported 61.6% jump in net income to \$5.8 million from \$3.6 million in 4th quarter ended Jan. 31. Sales for quarter rose 29.8% to \$121.7 million from \$93.7 million. For year, net income increased 80.3% to \$8.6 million from \$4.7 million on 27.9% gain in sales to \$298.1 million. In fiscal 1994, Rex opened 28 stores, plans to add 30-35 in fiscal 1995.

Bernie's TV and Appliance, poised to open 6th store in Sept., has leased 21,000-sq.-ft. temporary quarters in Manchester, Conn. (TVD Jan 10 p14). Space previously housed Nationwide member Al Seiffert's, which closed in Jan. It had generated \$8 million annually in consumer electronics and major appliances sales.

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MARCH 28, 1994

VOL. 34, NO. 13

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**NAB SETS RECORD** for attendance at more than 71,000. No major glitches seen. Bell Atlantic's Smith says broadcasters should cooperate with telcos. (P. 1)

'**BROADCASTER ROLE ASSURED**' in information highway, NTIA's Sugrue tells NAB. Quello, Barrett see relaxed ownership rules. (P. 2) NAB Notebook. (P. 9)

**COPYRIGHT CHALLENGE SEEN** from new technologies. Broadcasters urged to get wide reuse approval. (P. 4)

**CABLE RULES DELAYED** from March 24 deadline, now due March 29 or 30. Complexity of paperwork cited. Delay 'not a big deal.' (P. 4)

**OLYMPICS HDTV PUSHED** at NAB convention. Demonstration in 1996 called last chance. Equipment said to be available. (P. 5)

**STATIONS 'RETURN TO BASICS'** to get ready for multimedia. Localism called important. (P. 6)

**DBS WILL HURT CABLE**, help broadcasters, by diverting millions of subscribers, cutting into ads, Hubbard says. (P. 6)

**PHILIP MORRIS SUES ABC**: Cigaret maker seeks \$10 billion in defamation suit against Day One. (P. 7)

**CABLE RULES ATTACKED**: Isaacs calls rate cuts 'political decision.' (P. 7)

**NAB CONVENTION SETS ATTENDANCE RECORD**: NAB officials were enthralled with success of their convention in Las Vegas last week. More than 71,000 attended (by far a record) and no major glitches developed. "It really is impressive how well oiled this machine is," said NAB Chmn. Wayne Vriesman of Tribune Bestg. "There wasn't a hitch." He gave credit to NAB staff, naming in particular Exec. Vp John Abel.

"This convention above all others seemed to dazzle the attendees with a wide array of new technology which will have a major impact on the marketplace," NAB Pres. Edward Fritts said. He gave credit to fact that 12 groups participated under NAB umbrella, upturn in economy, "intense interest" in upcoming switch to digital technology, convergence within industries and "a desire to learn more about it." One problem, he said, is that with 12 groups conducting sessions it "makes it impossible" to avoid conflicts. One embarrassment was March 23 panel on program content. It featured 10 panelists, 2 moderators -- and they equaled about 20% of audience in room made ready for hundreds.

Just about only complaint from exhibitors was long registration lines first 2 days for visitor passes. Traffic on floor was very good -- "4 to 5 deep," as Anthony Watt of Accu-Weather put it, and "incredibly

### Consumer Electronics

**BASIC COMPTON, KODAK PATENTS** on multimedia and VCR heads hit as Patent Office examiners reject claims, recommend invalidation. Reversals to be sought. (P. 11)

**TCE SHOWS OPERATING PROFIT** for 1993 on 10% sales increase. Chmn. Prestat forecasts continuing improvement in 1994, net profit in 1995. (P. 12)

**BLOCKBUSTER WILL DOWNLOAD** videogames to stores starting in summer as record companies balk at in-store CD manufacture. Plan to be offered to others. (P. 13)

**JAPANESE VCR EXPORTS** to U.S. plunge as prices rise. Shipments in Jan. lowest since early 1980s. Average dollar cost of Japanese deck up 1/3 in year. (P. 13)

**PIONEER RAISES DEALER PRICES** for projection TV, is negotiating to move line into Best Buy as it seeks to boost video business. (P. 15)

**AUDIO SALES IN STRONG START**, EIA Jan. figures showing 13.6% gain in factory dollar sales. (P. 15)

**150,000 DCC MACHINES SOLD** by all manufacturers since launch, Philips says. Netherlands and Japan lead in acceptance, but U.S. is 'relatively slow.' (P. 16)

**3DO IN JAPANESE DEBUT**, with reports of sellout of first shipments as dealers offer discounts. Matsushita claims 40,000-order backlog. (P. 16)

good," said Ellen Rainey of Comark. Comark announced multimillion-dollar deal with Pappas Telecasting for purchase of 2 transmitting systems, up to 7 over life of contract.

Half-way through convention, NAB announced official attendance of 71,082 (up 10.2%) over previous record 64,510 in April 1993 in Las Vegas. Figure went somewhat higher, but no total had been announced by our deadline. International attendance increased 27.3% to 14,669, vs. 11,523 last year. There were long lines everywhere -- pay phones, fast-food restaurants, NAB registration and at many sessions.

Broadcasters will be better off by cooperating with telephone companies than competing against them, Bell Atlantic Chmn. Raymond Smith said in keynote speech. His call for closer relationships came just minutes after NAB Pres. Edward Fritts, in opening session speech, said: "I predict that in tomorrow's race for the gold, Marconi will give Alexander Graham Bell a real run for his money." Deals already being considered by some broadcasters show that both scenarios -- cooperation and competition -- may be right.

Telco-broadcaster cooperation is part of what Smith called "the midgame," as opposed to "endgame." In speech to NAB 5 years ago, he talked about eventual convergence of computers, TV, telephones. More difficult task, he said he now realizes, is how to get to that point, with adding value to broadcasters' programming as one step in eventual convergence. He based prediction on what he said were technological advantages of fiber networks, such as Bell Atlantic's Stargazer video system, over wireless technologies such as broadcasting. Wireless technologies won't have same capabilities for interactive multimedia "point-casting" for some years, Smith said after speech.

Response from some broadcasters is to hedge their bets. Allbritton's WJLA-TV Washington has reached tentative agreement to make some of its programming available on Stargazer, sources said.

But Markey-Fields measure, which contains spectrum flexibility for broadcasters, still is moving and may pass House by Memorial Day, congressional staffers said at NAB govt. affairs breakfast. Prediction came from David Leach, Democratic House Commerce Committee staffer, with Republican staffer Catherine Reid agreeing bill would move quickly. Schedule for Senate side isn't as certain, in part because passage of S-4 technology support bill by Hollings took longer than expected, Senate Commerce Committee Democratic counsel John Windhausen said. He said he hoped Senate panel would mark up Hollings bill (S-1822) by Memorial Day and take it to Senate floor during summer. Windhausen said staff would be willing to look at provisions of Hollings bill that provide some flexibility for broadcasters to use spectrum, although not as much as House version. But he also advised them to "do a better job complying with the Children's TV Act" and to stop framing debate on fairness doctrine in terms of talk-show host Rush Limbaugh. Hollings supports restoration of doctrine, Windhausen said. Leach said his boss, Commerce Committee Chmn. Dingell (D-Mich.), also does, but after House passed bill several times and Senate didn't, Dingell doesn't see much use in pursuing issue.

In annual "State of the Industry" report, Fritts was very bullish on future of free TV and radio: "This has been one great year for our industry... Not only are our advertising revenues up, but our audiences are as well... We are on a roll for a banner year." He expressed "renewed optimism and excitement about our future." He said broadcasting -- "here today -- is the most convenient 'on-ramp' for tomorrow's information highway. The opportunities for our industry abound."

NAB lobbying efforts in Washington are "pick-and-shovel work," Fritts said, "but it's also smart, solid and effective grass-roots lobbying." He cited several successes in Congress, including cable bill, retaining tax deductibility of ad expenses and right to amortize intangible assets, such as network affiliation contracts. As for political campaign reform legislation, he said Senate has passed its version, "which is a disaster... The House has passed a bill far more acceptable" to broadcasters. "The worst of both worlds," Fritts said, would be one set of campaign laws for Senate, another for House. If that happens, he said, "it's very likely" NAB will challenge lowest unit rate law in court.

**'BROADCASTER ROLE ASSURED':** Speaking at NAB policymakers breakfast, NTIA Deputy Dir. Thomas Sugrue said: "There's one point I want to get across... broadcasters will be a part of [White House] National Information Infrastructure [NII]." He promised them "active participation" in planning and operation, and admitted Administration "offended a lot of people" by leaving broadcasters off original Advisory Committee. Stanley Hubbard of Hubbard Bctg. since has been added to committee and more broadcasters are likely to be signed on, Sugrue said. White House is committed to "open what has been a cable monopoly market to competition," he said. FCC Comr. Barrett said that "clearly broadcasters have to have a role" in NII.

Relaxation of ownership restrictions, now under study by FCC, "is necessary," Comr. Quello said. It's coming." He proposed imposing 25% cap on national population reachable by any single entity. Barrett said anyone opposed to relaxing ownership rules doesn't understand economics of broadcasting, but he said he wants to make sure that diversity in programming and ownership are protected.

Both commissioners said they had received no pressure from Congress to restore fairness doctrine. Said Barrett: "I have never had any pressure put on me" from Congress on any issue. He said he would have voted against repeal in 1987, but "I don't know what my position will be" if doctrine comes before FCC again. Quello said: "The fairness doctrine doesn't belong in a country devoted to freedom of speech and freedom of press."

Asked about FCC EEO enforcement policies, Quello said that perhaps agency is "guilty of a little bit of overkill" on first offense, particularly for small-market radio stations, and should issue warning instead of fine. Black Comr. Barrett said major EEO issue is licensee's effort to recruit minorities and women in work force: "I make no apologies about my position... When I look in the mirror, I don't see blond hair and blue eyes."

Quello said he and Chmn. Hundt "have a good relationship... I'll give him whatever help I can." Barrett said there won't be much difference in FCC's current operation with 3 commissioners than when full complement of 5 are aboard. Two women slated for nomination -- Rachelle Chong and Susan Ness -- "are very bright and will bring a lot to the table," he said. Moderator Henry (Jeff) Baumann, NAB exec. vp-gen. counsel, didn't bring up subject of broadcast indecency. Quello and Barrett got into minor flap (which we're told now has been settled) on issue (TVD March 21 p6), and Baumann told us it was his decision not to mention subject.

Barrett said "I will be very supportive" of Rep. Tauzin's (D-La.) proposal, if he can get it by House Commerce Committee Chmn. Dingell (D-Mich.), to permit broadcasters to use frequency reserved for HDTV for ancillary, non-broadcast, revenue-producing uses until HDTV is on-line. Quello also said he supported proposal but Sugrue said any such use should be subject to payment of fees by broadcasters.

**Interactive Multimedia Assn. (IMA)** is claiming "real victory" in decision by U.S. Patent & Trademark Office (USPTO) rejecting controversial patent that agency had granted for Compton's NewMedia multimedia search and retrieval system. On reconsideration, USPTO rejected all 41 patents that it had approved, based on evidence of "prior art" in field. IMA, among others, had claimed that Compton's didn't show that technology was "new" and "nonobvious," as required for patent. IMA Exec. Dir. Philip Dodds said latest decision would be major boost for developers and publishers of multimedia titles, but "there is still much to be done to improve the overall process" of awarding patents. IMA said, for example, that better trained patent examiners, improved prior-art database and more open patent-granting process would help avoid such mistakes.

**Comsat World Systems** said Orbit Satellite TV & Radio Network signed nonpreemptible, 72-MHz lease for delivery of programming from U.S. to Italy, Middle East, N. Africa. Orbit obtained rights for ABC, All News Channel, BBC, CBS, CNN, ESPN, NBC. It will announce additional agreements "shortly," Comsat said. Orbit also plans to begin service this year that will transmit Middle Eastern programming back to U.S. to target communities with large populations from that area, Comsat said.

**Hyperion of Tenn.** started construction of 154-mile fiber competitive access network (CAP) in Nashville area to provide dedicated, private line service to business and govt. users. Venture is partnership of Viacom, InterMedia Partners, Hyperion Telecommunications.

**Cable network ad revenue** was up 17% in 1993, compared with 1992, Cable Ad Bureau said. Ad sales by 21 participating cable networks reached \$2.4 billion, vs. \$2.1 billion year ago.

**Society's alcohol problems** won't be solved by congressional mandate that all beer and wine ads include warnings about use of product, Peter Coors, CEO of Coors Brewing, told NAB convention. "We're convinced this proposal will not contribute much to solving the problems of [alcohol] abuse," he told receptive audience. "We're also concerned about the impact [of such a law] on the constitutional foundations of commercial free speech."

**Effort to end federal funding of public broadcasting** has been announced by Donald Wildmon's American Family Assn. (AFA), which recently called on its more than 600,000 reported members to contact their members of Congress on issue. Campaign, which APTS derided as as "blatant fund-raising" appeal, focuses partly on recent Tales of the City miniseries, which logged comparatively high ratings, but also sharp criticism from state legislators in Ga. and Okla.

**Tribune Co.** reported 12.7% rise to \$48.1 million in broadcast and entertainment revenues in Feb., up 3.4% to \$93 million for year to date, with TV up 5.6% to \$37.1 million in Feb., 2.2% to \$74.5 million year to date. Radio increased 7.1% to \$3.6 million for month, 3.9% to \$6.8 million for year. Company said timing of cable royalties pushed entertainment revenues up 77.2% to \$7.4 million in Feb., 10.7% to \$11.7 million for year. Tribune's combined total revenues were up 12.9% to \$154.5 million for month, 9.8% to \$318 million year to date.

**Paramount Home Video** signed exclusive marketing and distribution agreement with Xiphias, L.A.-based CD-ROM developer, companies said. Products will play interchangeably on Macintosh or Windows-based PCs.

**FCC postponed April 14 meeting to April 20;** agenda hasn't been set.

**COPYRIGHT CHALLENGE SEEN:** New technologies such as on-line video servers and CD-ROM products will put strain on traditional copyright-related rules ranging from syndicated exclusivity (syndex) to obtaining permission to reuse material, NAB convention panelists said. Fox Vp Molly Pauker raised issue of how syndex would work in video dial tone (VDT) or other environment that would allow viewers to have access to programs stored in remote databases.

At request of broadcasters, legislation pending in House (HR-3636) would extend traditional syndex rules to video platforms provided by telephone companies, such as VDT. But some believe those rules are workable only in controlled environment in which viewers have access only to local broadcast channels or to program packagers. How, industry observer asked, would such rules be enforced if viewers have infinite choice to dial up any video server around country and download programs? Pauker said one answer is to gain broader exclusivity rights than exist today.

Need for stronger protection also applies to other media, panelists said. They advocated writing contracts with content providers that could give broadcasters maximum flexibility to use material again in any form. One strategy is to try to fit existing rules into new media, Cap/ABC Vp Charlene Vanlier said. She said her company ran into problems when it started to compile CD-ROM products and found itself chasing down music rights from old 20/20 episodes. Another strategy, Vanlier said, would be for networks and others to do more work in-house, such as writing music, to avoid potential ownership problems later. Pauker said broadcasters should be aggressive in writing contracts to obtain rights to still photos, music, video and other content for all media.

Strategy of thinking about new applications for product could avoid problems Fox now is having, Pauker said. In current NFL negotiations, Fox is trying to sell games over cable channels in some markets in which it doesn't have TV affiliate, but Fox has only broadcast rights -- not cable rights -- to NFL games. Networks also will have to face questions of rights in markets where local broadcasters obtain cable channel as part of retransmission consent and run network programs out of normal broadcast sequence. "We have more questions than we do answers," Vanlier said.

Noting that Authors Guild already has published position papers urging members to resist granting broad creative rights to electronic publishers, Pauker conceded that Fox and other broadcasters already were "behind the curve in the world of licensing" for National Information Infrastructure era. Bruce Rich of Weil, Gotshal & Manges law firm said recent court decisions "give a flavor" that copyright owners plan to aggressively challenge freedom of publishers to "digitize" data and repackage it in form of CD-ROMs and other media and services without signing licensing deals. He cited contributory infringement class-action suit brought recently against CompuServe by group of music publishers over computer downloading of copyrighted songs.

TCI said it will form 4 divisions in reorganization: Domestic cable and communications, international cable, programming, venture capital. Move will enable it to sell minority stakes separately by division and increase its ability to navigate strategic investments, company said. Liberty Media Chmn. Peter Barton will head Programming Div., with Liberty being folded into structure after TCI completes buyback, expected by midyear. TCI Exec. Vps Fred Viera and Larry Romrell will run international and venture capital divisions, respectively.

**FCC DELAYS CABLE RULES:** Cable lawyers got unexpected weekend off when FCC missed March 24 deadline for issuing full package of cable rate decisions, including new benchmarks (TVD Feb 28 p1). Rules now are expected to be released March 29, though that could slip to March 30. Delay caused some inconvenience and disruption of schedules of lawyers and cable operators who had hoped to get quick start on interpreting rules, but CATA Pres. Stephen Effros said it's "not a big deal."

Delay doesn't reflect problems or disagreements over rules themselves, senior FCC officials said. Commission staff is fine-tuning some wording in general package that agency plans to distribute, including such things as forms and even software spreadsheet package that will be available on disc to make it easier for cable operators to find their specific benchmarks. "If the delay means that this gets a little more understandable, then it's worth it," Effros said.

Delay violates FCC's informal agreement with House Commerce Committee Chmn. Dingell (D-Mich.), who has objected in past to more than 30-day delay between when Commission decisions are made and release of final orders. Deadline has been missed occasionally in case of extremely complex actions (benchmarks and cost-of-service rules are expected to total several hundred pages), and Hill is understood to have accepted cable rate rule delay without complaint.

FCC finished main work on orders, which include all policy decisions, and on basic rules implementing them within about 2 weeks after Feb. 22 meeting, officials said, but it's taking longer than expected to finalize language, forms and computer program. Part of reason, one official said, is that FCC is responding to "legitimate industry concerns" about such things as small cable systems and those with already low rates: "It would be easy if we just said 'everybody cut your rates 17%.'" Although agency plans to release hundreds of pages of documents March 29 or 30, most will be "just for the lawyers," official said. As part of package, it will issue much shorter summaries that will "include all the operator needs to read to comply" with rules, he said.

City of Orangeburg, S.C., doesn't have right under state law to operate cable system as utility or as part of city's recreation function, S.C. Supreme Court ruled. City had argued that cable was "essential service" to many subscribers and therefore fit state definition of utility. S.C. law allows cities to provide utility service. However, court ruled: "We do not believe that the value and necessity of cable television is so self-evident that this court should declare that a cable television system provides an essential service." City also failed to convince court that cable falls under cities' authority to provide services fitting "recreation function." Court said state law was too broad to justify any linkage to intent: "However plain the ordinary words used in a statute may be, the courts will reject that meaning, when to accept it would lead to a result so plainly absurd that it could not have been intended by the legislature." Orangeburg's attorney Hamilton Osborne of Sinkler & Boyd, Columbia, said he wasn't surprised at outcome: "I knew it would be a difficult case."

Rumors are rampant that PBS will sign new home video distribution deal with Turner Home Entertainment. Representatives of both declined comment, although PBS spokesman Robb Deigh confirmed that PBS was talking with single distributor. Announcement on new home video distributor is expected within next few weeks.

**OLYMPICS HDTV PUSHED:** Opportunity to demonstrate HDTV during 1996 Olympics "cannot, must not be lost" despite NBC decision not to conduct demonstration (TVD March 21 p7), Rebo Studios founder Barry Rebo said in HDTV keynote at NAB convention. "There will be no comparable opportunity before the end of the century." Main roadblock to NBC participation in HDTV demonstration was lack of 1,920x1,080 camera and VTR, but equipment that could be available in production quantities within months was displayed quietly at convention.

HDTV industry "can't wait any longer to reach out to the consumer," Rebo said. "Marketing of HDTV in the United States has fallen behind the rest of the world. We've got to demonstrate HDTV to consumers and see if they will support it." He suggested that equipment makers and others participate in "multisource funding" of independent HDTV demonstration at Olympics if NBC doesn't change its mind. No one is sure how much that effort might cost, but one observer suggested that 20-camera HDTV coverage of Olympics independent of NBC could cost "a couple of hundred million dollars."

NBC "had severe problems" with technical ability to provide quality HDTV demonstration as early as 1996 Olympics, Advanced TV Systems Committee Chmn. James McKinney said. Problem, he said, is that equipment makers would only have one year after HDTV standard is set to provide equipment and technical support. He said that camera makers, for example, won't start building cameras to new HDTV standard until it's finalized. Officials of Sony, one of largest camera makers, confirmed that they wouldn't begin work on cameras capable of new 1,920x1,080 format until standard is final. Making such cameras is "a very expensive development and takes time," officials said. Executive of one camera entity said making specialized CCD chips for new camera could take 2-3 years after development starts.

Prototype of one 1,920x1,080 camera was demonstrated by Philips subsidiary BTS. Its LDK 9000 camera uses CCD scaled down from original 1,250-line European standard to 1,080-line proposed U.S. standard, experts said. BTS executives said they could begin production runs of camera within "a couple of months" of first order and could deliver them in 3-4 months at about \$500,000 per camera, including lens. BTS doesn't have 1,920x1,080 VTR, but official said DCR 6000 unit shown at convention could be modified and could be available in production quantity within 6 months of first order.

Meanwhile, there's "a lot of tension on advanced TV" as FCC's Advisory Committee moves toward setting final HDTV standards, said NAB Deputy Gen. Counsel Barry Umansky. Broadcasters are pressing for "maximizing use of spectrum," including variety of non-HDTV services, he said. Richard Wiley, who heads FCC's HDTV panel, said he favored "considerable flexibility for broadcasters" to use spectrum for ancillary data services and variety of video qualities: "But I don't favor precluding HDTV. Offering 6 channels of subquality NTSC would make a mockery of what the FCC is trying to do."

There's legal justification for FCC simply to designate new digital advanced TV (ATV) services as mere upgrade of existing services, rather than new service, said Jonathan Blake, legal counsel to Assn. of Maximum Service TV (MSTV). Competitors for spectrum have said using broadcast spectrum for multichannel NTSC, data broadcasting and other nontraditional services should require FCC to give competitors chance to compete for spectrum, citing

Ashbacker doctrine, which guarantees current nonusers equal opportunity for licenses. Doctrine, set years ago by federal courts, "is not an obstacle," Blake said.

FCC gave additional 5 MHz of bandwidth to cellular operators without violating Ashbacker, Blake said, and it could do same for broadcasters. "We have developed the policy justification," he said, and will distribute it soon. One of problems with proposed congressional legislation is that it would appear to impose new fees on broadcasters for any new services that aren't ad-supported, Blake said, and MSTV will oppose those provisions actively.

Broadcasters should be lobbying to get right to flexible use of spectrum, rather than being required to use it only for HDTV, Viacom Bestg. Chmn. Edward Horowitz said. In MSTV keynote, he said: "The challenge is to persuade the FCC and Congress to allow us to use the 2nd channel to build the infrastructure to deliver information, as well as simulcast." Wiley said end of ATV standard-setting process "is in sight." He said he would support review of FCC's planned schedule for stations to implement HDTV. One possibility, he said, could be "sequential rollout" of HDTV, in which large-market stations might have to begin HDTV first.

Contrary to earlier impressions, all HDTV channel assignments won't be equal, said Oded Bendov, vp-Dielectric Communications. At technical session, he estimated that high UHF channels may require 8 dB more power to achieve same coverage as low UHFs. "The question is whether the FCC will okay differential power levels for different channels," he said. Bendov also predicted outdoor antennas and low noise amplifiers would be needed for adequate HDTV reception beyond 30 miles.

True HDTV "should be the centerpiece" of digital advanced TV service, despite growing interest in multichannel NTSC, data and other services, Sarnoff Labs Pres. James Carnes said at news conference sponsored by Grand Alliance. Alliance didn't display HDTV video because hardware of system wasn't ready. Noting broadcasters' push for flexibility in HDTV channels, Carnes said: "Some flexibility is fine, but HDTV should be part and parcel of what broadcasters send out."

Grand Alliance isn't working directly on new Coded Orthogonal Frequency Division Multiplexing (COFDM) transmission systems, General Instrument Vp Robert Rast said, although it's cooperating with efforts to investigate possibility. "The clear distinction is that [Alliance transmission system is] in the 2nd generation and going to field test," he said. "We are in favor of the best technology possible for the U.S. If someone can demonstrate that they have that, we will have to pay attention."

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FCC might not be able to represent public interest in proposed 28 GHz negotiated rulemaking, so it should allow groups such as Media Access Project, Consumer Federation of America and Center for Media Education to have say during negotiations, groups said. Without such groups, FCC "risks becoming a mere passive broker" and "cannot advance the public interest by overseeing the hammering out of compromises between contending interest groups," they said. They also said FCC should pay for them to be on committee, which is charged mainly with determining whether satellite and MDS can coexist in same bands.

Emcee Bcst. Products will supply wireless cable transmitters to American Telecasting under blanket agreement. Terms weren't disclosed.

**STATIONS 'RETURN TO BASICS':** Broadcasters facing new competition in multimedia environment will have to return to basics even as they completely redefine their roles. That was seemingly contradictory advice that emerged from several panels at NAB convention. Least surprising revelation of Multimedia World (MW) conference running in conjunction with NAB convention was that everything of importance about opportunities and competitive challenges of "multimedia" couldn't be defined yet. Result was that attendees got urgent advice (1) not to be left behind and (2) to wait and see what develops.

Viacom's Paul Heimbach viewed localism as broadcasters' essential asset. He said stations must be "nimble" by storing their programming for access at different times and in different ways. He said they could offer local news at \$2 monthly for ad-free version, free for ad-inclusive version. Prodigy's Scott Kurnit said broadcasters can offer services linked to their programming on his and other on-line computer services immediately. Pointing to several agreements Prodigy has made with newspapers, in which paper takes full charge of offering on Prodigy, he invited broadcasters to make similar deals. Analyst Thomas Wolzien's strongest advice: "Build and maintain a sports brand name."

Broadcasters, like some newspapers, should offer electronic information services, panelists said. Use of local information from stations is "a real untapped area," said Redgate Communications Vp Deborah Baker. CBS already has used Winter Olympics to launch on-line forum on Prodigy that contains program listings and computer bulletin board, while several cable channels sponsor on-line services. Chicago Tribune and San Jose Mercury News have been available on America OnLine for months, and first such project on Prodigy, Atlanta Constitution's Access Atlanta, just started. Other newspapers owned by Cox and by Times Mirror will be offered over Prodigy in next few months. Several magazines also are on-line on America Online and CompuServe.

Baker said broadcasters have same market advantages as newspapers, including close relationship with audience. David Bohrman, who heads fledgling NBC News group exploring electronic outlets, said local stations could offer transcripts of news or other programs, use service for promotions, sponsor on-line forums. David McGowan, vp, WETA-TV Washington, warned that broadcasters should remember that there will be costs. McGowan, who had developed electronic applications for Time Warner, now is putting together Washington Week in Review section for America Online. His advice: (1) Devote best of staff to project and be prepared to spend some money. (2) Think in terms of creating "a new media form," and not just as way to promote programming. (3) Enable readers and viewers to talk to each other and to editors of publications.

Consultant Joanna Tamer of S.O.S. Inc. suggested that stations could provide unused news footage to cable channels for ancillary revenue.

Oracle Corp. Vp Gerald Held advised broadcasters looking for interactive services to "hide" sophisticated computing capabilities from viewer/users, who are far less comfortable with keyboards than remotes. James Chiddix, Time Warner senior vp-engineering and technology, who heads company's Orlando Full-Service Network (FSN) test, said key to success is accessibility to nontechnical consumers. Like other speakers, Chiddix was hard-pressed to tell broadcasters what they can do as FSN emerges. Time Warner has "had discussions" with broadcasters in Orlando,

he said, adding that they have "something unique" in form of local program experience. McGraw-Hill Bestg. Pres. Edward Reilly said his company will remain information provider, not hardware innovator. As such, he insisted on importance of standardization and open platforms and embraced 2-lines-to-home common carrier model for future networks.

Nippon Telegraph & Telephone (NTT) and Microsoft, meanwhile, said they agreed in principle for joint development of services that will allow consumers to access multimedia information. Companies plan first to develop method of exchanging information using CD-ROMs and analog or digital networks. They said flexible and secure software licensing system will be designed to allow information providers to distribute their products on real-time basis. NTT and Microsoft will design system that allows participation by 3rd party hardware, software and information companies.

**DBS CHALLENGE TO CABLE:** DBS "will give cable competition like it's never seen," Hubbard Bestg. Chmn. Stanley Hubbard said at NAB convention. Hubbard, who heads DBS company U.S. Satellite Bestg. (USSB), predicted there would be 50 million DBS customers within 10 years, but said that even if figure were only the 10 million that many cable officials concede, "this is still a great business."

Regional rollout of DBS to public will begin in late May or early June, said David Baylor, vp-operations of Hughes-owned DirecTV. Regional rollout will assure that there's adequate supply of DBS receivers as well as technical and marketing support in area to support introduction, and will allow DBS companies to test advertising and distribution, he said. Rollout will expand to national by late Aug., Baylor said.

"Our common enemy, cable, is the one that will suffer" from DBS, Hubbard told broadcasters. He said DBS would cut into number of cable subscribers, making it more difficult for cable to compete with broadcasting for advertising. "This will strengthen the viability of local stations," said Hubbard. "Cable sells ads so cheaply that it drives down ad rates and takes money out of the market. To the extent that we hurt cable, we benefit broadcasters."

Referring to plans to expand PrimeStar Partners' satellite project, Hubbard said cable-owned company is just "trying to muck up the market" by creating confusion over DBS that would discourage switches to satellite service: "Their game is over." USSB and DirecTV have clear lead over other potential DBS operators, both in startup time and in their 101° orbital location, Hubbard said. Location is most central for U.S. and will be site of most popular programming, much of it from cable networks, he said. "Those in the other locations had better figure out some great niche services because they won't be able to compete with 101°," Hubbard said.

DBS is "not a slam dunk," said consultant and former Comsat executive Michael Alpert. He said DBS "can't be a 'me-too' service" that relies only on cable program networks. He said that to be major success it needs new niche programming, HDTV, pay-per-view and sports programming that isn't available on cable. Satellite operators also must "take advantage of the economics of DBS," which has significantly lower infrastructure costs than cable, and "pass on some of the savings to consumers, dealers and installers" to spur market.

**ABC SUED FOR \$10 BILLION:** Cigaret maker Philip Morris filed defamation suit against ABC, charging that its news magazine program Day One -- on Feb. 28 and March 7 -- falsely accused cigaret companies of "spiking" (adding nicotine to) cigarettes. ABC News said that it "stands by its reporting on this issue." Programs primarily were about R.J. Reynolds, but mentioned Philip Morris. Company also said charges had been repeated on other ABC News programs, including World News Tonight, 20/20, Nightline.

David Kessler, head of Food & Drug Administration (FDA), meanwhile, charged that tobacco industry was systematically researching ways to add nicotine back into cigarettes during manufacturing process. Testifying before congressional subcommittee, he attacked manufacturers for disputing that nicotine is addictive.

Also named in suit, filed in Va. Circuit Court, Richmond, were ABC reporter John Martin and producer Walt Bogdanich. Philip Morris, whose best-known brand is Marlboro, disputed ABC contention that network had sought its appearance on program, saying it had sent ABC 2 written statements: "They did not use the statements, nor did Day One indicate they had asked us for comment," Philip Morris Senior Vp Steven Parris said. Countered ABC official: "We asked them repeatedly to appear for on-camera interviews and they declined. We gave them advance questions and they sent us statements which did not answer our questions." Responded Philip Morris Gen. Counsel Murray Bring: "These allegations are not true and ABC knows they are not true."

Parris acknowledged that in manufacturing Philip Morris removes nicotine, puts it back later. But he said finished product contains 20-25% less nicotine than tobacco leaf. He said company plans to pursue case to trial, even though Philip Morris would be subject to discovery process where it could be required to disclose manufacturing secrets.

Suit comes as local, state and federal govts. are enacting stiff antismoking laws. Pentagon recently banned all smoking at military installations, and Labor Dept. proposed sweeping ban on smoking in workplace, affecting some 6 million job sites, including restaurants and offices. Cliff Douglas of American Cancer Society called Philip Morris suit "a desperate act. They're seeking to counter in a big public way the public relations nightmare they've been facing."

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EON Corp. set up testbed in Northern Va. dedicated to 2-way TV technology that uses radio waves and satellites instead of cable or telephone wire. At same time, Allbritton's WJLA-TV Washington announced it would become first station to experiment with EON. EON and WJLA-TV will experiment with quiz and game shows, Redskins preseason games, news, other programs. Test will start with several households in Fairfax County, Va., this spring, eventually expand around Washington. Allbritton's cable NewsChannel 8 will take part. EON testbed begins this week with 10 households in week-long polling test. Group will be involved in 2 activities: (1) Continuous (every 5 min.) rating of programs for violent content and responding to questions about operation of EON, and (2) general attitudes about interactive TV and ways to use system. Company said that at peak, project will involve hundreds of households.

Home Shopping Network will form subsidiary Vela Research to develop digital compression and video storage retrieval with focus on pay-per-view, video-on-demand.

**FCC CABLE RULES ATTACKED:** FCC's latest round of cable rate cutbacks (TVD Feb 28 p1) were "motivated by a political decision to make Congress believe that it was doing more," Michael Isaacs, dir.-govt. affairs for Providence Journal Co., told Best. Education Assn. (BEA) session during NAB convention in Las Vegas. He said rate rules were forcing cable operators to sell out to telcos: "The Commission has got to decide if it is an important objective to have an independent cable industry. If it is, they have got to consider the effect of their decisions."

There's "a real divergence between the rhetoric and the reality of what is happening at the FCC," Isaacs said. Even though he said every speech by Commission Chmn. Hundt mentions job creation, agency's actions have cost "thousands of jobs" in cable industry. Commission also says it wants competition for telcos, Isaacs said, but its rate rules are making it impossible for cable to raise capital to build competing systems. He also attacked must-carry/retransmission consent rules, which he said caused "real disruption in cable channel lineups" because systems had to add shopping channels. Broadcasters pressed for rules to generate 2nd revenue stream, but "that didn't happen. What was the point?"

Former FCC Chmn. Richard Wiley, on same panel, said must-carry may have "overreached," but concept was good because it caused cable and broadcasters to find mutually beneficial ways to cooperate. Many stations granted only short-term consent, and 2nd round of negotiations is beginning. NAB Deputy Gen. Counsel Barry Umansky said "learning process" of first round is helping 2nd round. He said NAB "would be very surprised" if FCC Gen. Counsel William Kennard and Mass Media Bureau Chief Roy Stewart don't recommend relaxation of ownership rules. However, Wiley said "there seems to be an allergic reaction on Capitol Hill to any liberalization" of broadcast rules. Isaacs, whose company owns both cable and TV stations, said liberalized ownership rules were necessary to allow broadcasters to achieve economies of scale to compete with cable and DBS.

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As Congress lays groundwork for information superhighway, lawmakers should remember to set ground rules as well, NCTA Pres. Decker Anstrom said at Media Institute in Washington. He said that "we're willing to be flexible and open" to lawmakers during process but cautioned that "technology for its own sake is not the objective." Infrastructure will collapse "if travelers on the information superhighway are plagued by incompatible equipment and technologies." Anstrom also urged govt. to favor "private-sector solutions" to guarantee universal service and cited cable's recent voluntary enactment of violence standards as "clear evidence of the benefits of taking that route." However, he said, "my point is certainly not to suggest that the cable industry has found solutions to these difficult issues," but rather that "we recognize them." Anstrom called for dialog with telcos, software companies, publishers and public broadcasters to examine "the relationship between our technology and education." He said Cable In The Classroom now reaches 64,000 schools with 34 million students.

Scott Bullitt family donated profits from KING(FM) Seattle, valued at \$9 million, to 3 nonprofit groups in Seattle area -- opera, symphony and Council for the Arts. Nonprofit organization will be formed to run station and family is funding endowment to make sure classical music station doesn't lose money. Family sold KING-TV to Providence Journal Co. 2 years ago and reportedly has KING(AM) up for sale.

**FCC PATTERNS DEVELOPING:** FCC has made more than 100 decisions in must-carry and copyright areas since 1992 Cable Act, and "patterns" are developing, Alexandra Wilson, chief of FCC Cable Services Bureau, told NAB conventioners. On must-carry, she said, Commission is awaiting U.S. Supreme Court decision whether law is constitutional (case was argued at end of Jan. and decision is expected by end of June).

FCC has been forced into copyright questions, but "it's not our area of expertise," Wilson said. On retransmission consent issues, she said, "we had our phones ringing off the wall." New round of negotiations is coming soon, said attorney Gregory Schmidt, and "there's a lot going on right now." He cited Fox and CBS interim agreements, which soon expire. First round of negotiations made "strong stations stronger... weak stations weaker," he said, and most stations can't even determine what systems are in their coverage area. Wilson said FCC won't get involved in negotiations, but will monitor situation closely.

Wilson said FCC plans rulemaking on replacement for Area of Dominant Influence (ADI) since Arbitron no longer will provide ADI data. As result, Commission will have to find new way of determining which cable systems are in service area of each station.

NAB counsel Jack Goodman said more than 120 lawyers filed briefs in Supreme Court must-carry case. If broadcasting loses, Goodman said, he expects retransmission law to remain, despite cable arguments that it's linked to must-carry.

Benjamin Ivins, NAB counsel, cited several strategies stations can use under distant signal rule to become local under cable law. Filing at FCC for hyphenated market designation is one of most effective, although it could result in long rulemaking, he said.

President Clinton lent his support to antiviolence V-chip technology in interview in March 26 issue of TV Guide. He said of V-chip: "I don't understand all the technology and details... Philosophically, I don't have a problem with it, because that's a matter of a parent controlling access to programming in the home, and I think that's okay." Clinton was responding to question whether proposal by House Telecom Subcommittee Chmn. Markey (D-Mass.) for "violence chip" to be installed in all new sets appealed to him. Markey said that now that President is on board with idea, "I would think that the broadcasters would join the cable industry, the satellite industry and the advertising industry in recognizing the value of the V-chip."

**Program Notes:** ACTV and Turner Educational Services said they jointly will produce 2 interactive TV series using footage from CNN and Turner libraries. They also will form advisory board of MSOs and programmers to study ways to integrate classroom learning with interactive services... Nickelodeon will spend \$30 million over next 3 years to produce segments for Nick Jr., daily 9 a.m.-2 p.m. programming block for preschoolers... Home Shopping Network will launch segment on The Merchant, CD-ROM catalog produced by Magellan Systems of Calgary, Canada.

Taking advantage of eased govt. restrictions, 4 Japanese companies said they will form alliance to test 2-way communications -- Mitsubishi Corp., Mitsui & Co., Tokyo Electric Power and railroad firm Tokyu Corp., which owns Tokyo cable system. Test will begin by connecting cable system with TTNet.

**ENGINEERS CALLED KEY:** Search for new metaphor to replace "information superhighway" drew attention of many speakers at NAB '94 convention in Las Vegas. Comparing Clinton Administration's envisioned National Information Infrastructure (NII) with superhighway "chills me," Washington consultant Jules Cohen said in keynote speech at Best. Engineering Conference. Superhighway analogy "makes me think of I-95 near Washington where miles-long parking lots are in evidence during rush hours." Cohen said he prefers analogy of "high-speed rail systems" whose capacity can be increased by adding more cars or shortening intervals between trains.

Cohen defended future of over-air TV and radio and role of traditional engineers in era dominated by broadcast and computer integration. "So long as broadcasters maintain their programming skills and remember their obligations to be outlets for local needs, the public will continue to demand the universality of programming without a price tag," he said. As for radio, Cohen said even those who predict "a wired nation" and death of broadcast TV refrain from suggestions that over-air radio is doomed. "No wired system can match the ubiquity of radio," he said.

Broadcast engineers "are the principal drivers of change," Cohen said, noting that engineering community spearheaded evolution of "simple, single-tower AM broadcast facilities to elaborate antennas with as many as 12 towers to provide new services in an increasingly crowded spectrum." Engineers long have been "the inventors of advanced technology" and "were charged with the means for implementing that technology. So long as we are willing to adjust to the demands of change, we shall continue our useful role. If we resist change, we shall be crushed by the juggernaut of new technology."

Cohen implored engineers not to "forget that our primary role is the improvement of broadcasting and the expansion of its availability" by enlarging role broadcasters can play in delivery of "ancillary" digital sound and data services. Over-air transmissions "will remain the core of our existence." Cultivating niche opportunities in era of NII "should not be allowed to conflict with our providing a continually improved broadcast service," Cohen said, declaring that he hopes NAB doesn't become known as "National Association of Multimedia."

**Friendship Cable of Tex.** agreed to buy systems with 34,100 subscribers from Galaxy Cablevision for \$42.6 million, companies said. Systems are in Ark., La., Tex. Galaxy also said its talks on selling systems with 5,400 subscribers in Austin to Time Warner (TW) have been suspended while TW examines impact of new FCC rate rules. Finally, Galaxy said first round of bidding for its remaining systems in Ill., Ky., Tenn. and Tex. has been completed. Final round is set for next month, with options remaining as sale of all cable systems and liquidation of partnership or converting remaining assets into corporation.

**Group of 15** public radio national and regional organizations is expected to sign off on CPB reauthorization plan that calls for fuller geographic coverage by field and increased work force diversity but "no changes in the current regulatory framework." Industry's principal national organizations have agreed on targeted funding of \$425 million per year. Plan acknowledges that virtually every constituency in public radio considers its current CPB-distributed grant support is insufficient, but says that current regulatory structure "should serve as the blueprint for grant allocations for several years."

**NAB CONVENTION NOTEBOOK:** In satellite address to NAB convention from Buenos Aires, FCC Chmn. Hundt stressed his 3 favorite themes: "Economic growth, access and reinventing government." He was in Argentina with Vice President Gore at ITU World Telecommunications Development Conference. Hundt told NAB there's "a huge foreign market for American products and services made by many of you at NAB -- literally billions of dollars in new exports are possible." He said 42 TV stations, 175 radio stations and cable systems in Argentina "are hungry for U.S. programming." Addressing ITU, Hundt said: "To take advantage of modern technology, countries must adopt compatible regulatory rules, such as private investment, competition, flexible regulatory framework, open access and universal service." Gore said leaders of world must build and operate global information infrastructure that will "allow us to share information, to connect and to communicate as a global community."

**FCC Comr. Quello's advice at NAB on reinventing Emergency Best. System (EBS):** "Put it on a slow track until we find out how much it will cost small broadcasters." Mass Media Bureau Chief Roy Stewart said he wouldn't call EBS overhaul "a front-burner issue." FCC rulemaking has been pending more than 2 years on revising EBS, and it could be on agenda for Commission's April meeting. Small-market radio stations and cable argue that they can't afford new EBS equipment that will be required and that national EBS no longer is required.

Planned BEA panel on "Tomorrow's Video" scheduled during convention was cancelled because of dispute over views of Jerry Udwin, moderator and Washington consultant. NAB threatened to cut off BEA funding if Udwin moderated session, officials confirmed, so BEA tried to replace him and Udwin cancelled panel. NAB objected to Udwin's lobbying against portions of telecommunications legislation that would benefit broadcasters, although he said he simply was advocating partnerships between broadcasters and telcos: "I would never hurt broadcasting. My intent is only to advocate that they work with telcos because additional distribution mechanisms are in everyone's interest." Udwin also attacked NAB: "Blocking anyone's right to speak is a terrible position for any communications group to put itself in."

**Bcst. Engineering Conference** didn't go off without logistical hitches. Keynoter Jules Cohen came down with stomach flu and wasn't able to attend session in person, so NAB staffers and audiovideo crew scrambled to establish telephone "patch" to his Las Vegas hotel room. Cohen's phoned-in effort went flawlessly. Meanwhile, engineering session offering progress report on HDTV Grand Alliance played to overflow crowds. Attendees who jammed sides of large Convention Center meeting room, including Alliance board member James Carnes, pres., Sarnoff Research Labs, were asked to leave by fire marshal. Organizers hastily worked to deliver audio-only feed so unlucky visitors who had to stand or sit in corridors at least could hear proceedings.

Broadcasters have "strengths" in race to capitalize on opportunities in digital information superhighway, Tribune Co. Vp-Technology Jim Longson told Multimedia World panel. Advantages he cited included: (1) Familiarity with existing mass audiences. (2) Credibility with current advertisers. (3) Stake as license holders. (4) Proved ability to promote programming and services to public. "It's very important for us to build on these strengths now," Longson told broadcasters. They also need to "focus on our market, not our signal," he said.

AT&T announced 5 contract signings at convention: (1) "Multiyear" deal with Best. Satellite International (BSI) to broadcast entertainment and news programming over AT&T's Telstar 402 satellite following launch later this year. (2) Lease of 4 transponders on 402 to Spaceconnection Inc. for nationwide Ku- and C-band TV broadcasts. (3) Program transmission deal with Global Access Telecommunications Services over Telstar 302. (4) Contract for Prostar Entertainment Network to use Telstar 401 to beam programming to "out-of-home" market, including sports bars, nightclubs, military bases, hotel lounges. (5) Contract with Viacom for lease of 3 transponders on Telstar 302 to broadcast TV programming in analog to C-band TVRO satellite subscribers.

NAB sessions on enforcement of FCC rules and children's TV were sparsely attended. Charles Kelly, enforcement chief of FCC Mass Media Bureau, warned of enforcement of EEO rules: "This is something the Commission feels very strongly about, as does Congress... This is an area that can cause you a lot of pain." Audience consisted mostly of operators of small radio stations, and several comments were heard from floor that it was extremely hard for small-market stations to meet EEO requirements on minority recruitment. At session on duopoly and local marketing agreements (LMAs), moderator Barry Umansky, NAB deputy gen. counsel, said LMAs "are tricky, but they can be done." However, panelists warned of antitrust implications of even talking to competitor about LMA, saying that lawyers should be present at such negotiations.

RAB Pres. Gary Fries warned his members to change or else. He urged radio broadcasters to drop traditional methods of selling and move to "relationship marketing." That means "knowing your customer," he said, and old mass-market way of selling just won't work anymore. What's needed is strategic, targeted message to advertisers, Fries stressed. Use of technology also is important, he said. Exec. Vp George Hyde recommended that radio stations consider forming sales combinations with cable, doing cross-promotions, carrying audio portions of some cable channels such as Weather Channel, even providing programming to cable. He said cable ad revenue growth far exceeds radio's but "it's still a relatively small business." He said all local cable ad revenue in U.S. doesn't match radio ad revenue for just top 5 markets, and largest cable ad interconnect, in N.Y.C., doesn't generate as much total revenue as some single radio stations.

Broadcasters have opportunity for new revenue source from planned high-speed broadcast data service, WavePhore officials said at NAB briefing. Phoenix-based company has been field-testing proprietary technology that allows data rates up to 384 kbps, 30-40 times as fast as current broadcast data services that use vertical blanking interval. Service, which can be addressable and encrypted, requires set-top converter that currently costs \$2,000, but will drop to \$300 at mass production prices, WavePhore said. Data are carried in baseband signal, using active TV lines. Low power and spectrum shaping makes it invisible to normal TV viewers, according to demonstration at convention using local TV station. Company said service soon will be capable of T1 (1.5 Mbps) data rate.

CableLabs will cooperate with Pioneer to develop digital signal transmission system for N. American cable systems, groups said. Agreement calls for Pioneer to participate in development of transmission technology and LSI chips, with CableLabs providing technical assistance and testing. Results are expected in spring of 1995.

## Personals

House Commerce Committee Chmn. Dingell (D-Mich.) will receive Eugene C. Bowler Foundation Lifetime Achievement Award for "landmark contributions to telecommunications industry," Park Hyatt, Washington, 6:30 p.m., April 26; FCC Chmn. Hundt will speak at ceremony.

Michael Pritz, ex-Tellabs Data Communications Div., named dir.-business development, Antec... Bob Helms promoted to dir.-software development, Qualcomm OmniTracs Div.; Steve Twaddell advanced to dir.-Midwest region... Appointments at Viacom: Edward Horowitz promoted to senior vp-technology and chmn.-CEO, new media and interactive TV; Earl Doppelt, ex-Paramount, named senior vp-deputy gen. counsel; Michael Fricklas promoted to senior vp-deputy gen. counsel... Annette Lindstrom, ex-Pro Am Sports System, appointed dir.-affiliate mktg., Home & Garden TV; Mark Hale, ex-E! Entertainment, named vp-operations... Cheryl Snyder, ex-Instant Video Technologies, appointed Futurevision of America dir.-mktg. and sales.

Among PBS Nominating Committee candidates for 5 lay member seats on board: Charles Brown, former AT&T CEO; Robert Michel, outgoing House Minority Leader; 8 nominees for 4 professional seats: Charles Allen, KAET Phoenix (incumbent); William Baker, WNET N.Y.-Newark (incumbent); David Dial, WNIN Evansville, Ind.; Jerry Franklin, Conn. PTV; Claude Kistler, KSPS-TV Spokane; Judy Stone, Ala. Public TV (incumbent); Shirley Timonere, WGTE-TV Toledo; Jack Willis, KTCA-TV St. Paul-Minneapolis... Stephen Claypole, ex-Reuters TV, appointed managing dir., AP News Video Div.

Lisa Mateas, Turner Network TV senior vp-program scheduling and acquisitions, and Phillip Oppenheim, senior programming exec., expand responsibilities to include scheduling, acquisitions and programming strategies for Turner Classic Movies, which will debut April 14... Mark Ferra advanced to dir.-national accounts, Showtime Networks Sales & Mktg... James Vaughn promoted to senior vp-operations, Triax Communications... Martine Mahoney promoted to account mgr.-southeast affiliate sales, A&E Networks... Gerard Eymery advanced to chmn.-CEO, new France Telecom Multimedia, will be chmn., Multimedia Strategic Committee.

Thomas McGrath, Time Warner International exec. vp, promoted to pres. and named HBO senior vp-new business development... Robert Perkins, ex-senior vp-Pizza Hut, appointed pres., Q-Direct div., QVC... Tom Fabian, ex-Vyvx, joins Orion Atlantic as mgr.-satellite sales... Matthew Kreiner promoted to pres.-gen. mgr., WLUK-TV Green Bay, succeeding William Fyffe, who retires April 1.

Lawrence Jones, Fox senior vp, promoted to exec. vp-business operations, Fox Sports... George Boggs, ex-WXIN Indianapolis, appointed vp-gen. mgr., WDKY-TV Danville, Ky... John McNally advanced to gen. sales mgr., WLYH-TV Lancaster/Lebanon, Pa... Richard Moore, ex-WSB-TV Atlanta, named gen. mgr., KR Video, Philadelphia... Additions at WJZ-TV Baltimore: David Morris, ex-Group W TV, as gen. sales mgr.; Larry Scott, ex-WUPW Toledo, local sales mgr... Harold Protter, ex-KPLR-TV St. Louis gen. mgr., joins Warner Bros. effort to form 5th network.

Greg Hernandez, ex-ABC News, named NCTA dir.-public affairs... Marc Martin, former FCC Private Radio Bureau staff attorney, becomes assoc. in Washington office

Published Weekly Since 1945

# TELEVISION DIGEST

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Neonet and Predicasts and also may be received through facsimile service.

Warren Publishing, Inc. is publisher of *Communication Daily*, *Satellite Week*, *Television Digest with Consumer Electronics*, *Video Week*, *Common Carrier Week*, *Audio Week*, *Public Broadcasting Report*, *Mobile Satellite Reports*, *Consumer Multimedia Report*, *Facility Strategies*, *Television and Cable Factbook*, *Warren's Cable Regulation Monitor*, *Cable & Station Coverage Atlas*, and other special publications.

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of Skadden, Arps, Slate, Meagher & Flom... Al Teller, MCA Music Entertainment chmn., also appointed exec. vp, parent MCA Inc... Lynne Gross, Pepperdine U., elected chmn., Best. Education Assn., succeeding James Smith, State U. of N.Y., New Paltz; Ramsey Elliott, Fuller-Jeffrey Bestg., named vice chmn.; Joe Foote, Southern Ill. U., secy-treas... FCC Chmn. Hundt is lunch speaker June 22 at Wireless Cable Assn. convention, Las Vegas Hilton.

Former Rep. Tony Coelho, pres.-CEO, Wertheim Schroder, elected to TCI board... FCC Comr. Barrett addresses Institute for International Research and Telecommunications Industry Conference, Toronto Hilton, March 28, 1:30 p.m... Wendy Fishman, ex-E! Entertainment TV, named east coast dir.-daytime programs, CBS Entertainment... Ardell Hill promoted to vp-advanced technology, Media General Best. Group... Nina Hahn advanced to vp-development, Sunbow Productions... Thom McKinney, ex-Cable Ad Bureau pres., named pres., Rainbow Advertising Sales, succeeding Robert Fennimore, promoted to vp-Rainbow Programming Holdings... Changes at Harron Communications: Donald Pascarella to gen. mgr., Caseville, Mich., cable system; Allan Baker, ex-Simmons Communications, to mgr.-cable/DBS mktg., Tex. Div.

# Consumer Electronics

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

## STATE OF THE INDUSTRY

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

|                 | MARCH<br>5-11 | 1993<br>WEEK       | %<br>CHANGE | FEB. 26-<br>MARCH 4 | 10 WEEKS<br>1994 | 10 WEEKS<br>1993    | %<br>CHANGE |
|-----------------|---------------|--------------------|-------------|---------------------|------------------|---------------------|-------------|
| TOTAL COLOR.... | 349,819       | 373,737            | - 6.4       | 302,170             | 3,989,985        | 4,024,856*          | - 0.9       |
| DIRECT-VIEW..   | 342,111       | 368,476            | - 7.2       | 295,091             | 3,897,713        | 3,957,752*          | - 1.5       |
| TV ONLY.....    | 320,771       | 349,947            | - 8.3       | 268,553             | 3,614,880        | 3,758,804*          | - 3.8       |
| TV/VCR COMBO.   | 21,340*       | 18,529             | +15.2       | 26,538*             | 282,833*         | 194,948             | +45.1       |
| PROJECTION....  | 7,708*        | 5,261              | +46.5       | 7,079*              | 92,272*          | 71,104              | +29.8       |
| VCR DECKS.....  | 119,462       | 189,178            | -36.9       | 108,489             | 1,789,082        | 1,939,059           | - 7.7       |
| CAMCORDERS..... | 27,473*       | 22,910             | +19.9       | 15,250              | 388,437*         | 367,305             | + 5.8       |
| LASERDISC PLYRS | 2,197         | 2,316 <sup>r</sup> | - 5.1       | 3,192               | 36,412           | 45,348 <sup>r</sup> | -19.7       |

Direct-view TV 5-week average: 1994--406,862; 1993--427,290 (down 4.8%).

VCR deck 5-week average: 1994--180,776; 1993--195,868 (down 7.7%).

Camcorder 5-week average: 1994--37,777\*; 1993--36,318 (up 4.0%).

\* Record for period. <sup>r</sup> Revised to include players with karaoke features.

**PATENT OFFICE HITS BASIC COMPTON AND KODAK PATENTS:** Examiners for U.S. Patent & Trademark Office (PTO) last week rejected claims made in reexaminations of 2 significant basic patents, in effect recommending their invalidation.

At week end, examiner rejected 41 claims in Compton's NewMedia controversial multimedia patent. Decision is first phase of reexamination ordered by PTO Comr. Bruce Lehman after uproar of criticism by multimedia companies that material in patent was obvious and part of general knowledge long before patent was issued (TVD Dec 20 p18). Patent relates to search and retrieval system, fundamental element of vast amount of multimedia programming on market (TVD Nov 15 p16).

Compton's has 60 days to file response to decision, which doesn't overturn or invalidate patent. Rejection was based on several patents submitted as evidence of prior art that "preclude validity" of claims in Compton's patent, said Interactive Multimedia Assn. (IMA) in hailed action (and erroneously stating that PTO had rejected patent itself). Compton's officials weren't immediately available for comment.

Eastman Kodak's claim to master patent covering most home VCRs and camcorders also hit snag last week when PTO examiner rejected all 12 claims made in 1981 patent. Sony immediately requested stay of trial scheduled for June 14 in U.S. Dist. Court, Marshall, Tex., on Kodak's infringement charge.

Sony had asked PTO to review patent granted to James Lemke of Spin Physics, Kodak subsidiary that designed VTR heads. Examiner agreed with Sony that principles of recording head design cited weren't patentable because they were based on previously known technology in public domain. Suit, brought last April against Sony, generally was regarded as effort to stake out claim for position to license all VCR and camcorder makers (TVD May 31 p16, April 26 p15, April 5 p18). Kodak said it will respond to examiner's ruling within 60 days, by May 15.

In both Kodak and Compton's cases, patent holder can seek reversal of ruling and, if that fails, it can modify broad claims made in patent with more specific and restricted ones. Neither battle is over. Kodak spokesman told us that in such patent invalidation cases, hearing examiner has been upheld only 12% of time. According to patent expert, if amendment to patent is accepted, it becomes "very strong patent."

**PRESTAT OPTIMISTIC AFTER TCE OPERATING PROFIT:** Thomson Consumer Electronics returned to operating profit last year after 3 years of losses. Its sales were up nearly 10% from 1992, and Chmn. Alain Prestat confidently predicted "equal improvement in sales and profits this year" and return to net profit in 1995.

Prestat hailed "a record year" for U.S. operation, but declined to go into detail as company did last year when it revealed 1992 N. American sales had rose \$497 million over 1991 (TVD April 19 p10). In telephone interview from Paris hq last week, he cited "good results" in U.S., noting company's No. 1 market share in both TVs and VCRs. In announcing results, TCE said U.S. operation was "currently gaining share in the high end of the market."

As reported here, Prestat had forecast return to operating black for 1993 in Jan. meeting with press at Consumer Electronics Show (TVD Jan 17 p21). In results released last week, French govt.-owned company reported operating profit of 155 million francs (current equivalent of \$27 million) as opposed to operating losses of 335 million francs (\$58.3 million at current exchange) in 1992 and 228 million francs (\$39.7 million) in 1991. Sales rose to 33.483 billion francs (\$5.82 billion) from 30.55 billion (\$5.3 billion) in 1992.

Company's net loss was reduced 45% to 973 million francs (\$169.2 million) from 1.77 billion (\$307.5 million) year earlier. TCE still was burdened by 10.3 billion francs of debt at end of 1993, interest on debt and restructuring costs keeping it in red. Company said it had made "huge strides... to reduce costs and improve quality" and now was "poised to take full advantage of its critical mass and worldwide size."

Prestat said company will continue to improve its cost structure in both overhead and operation, while expressing "satisfaction at the successful turnaround and all the work accomplished." He said TCE regained TV and VCR share in Europe, where it's No. 2 (to Philips) and increased sales in Asia more than 1/3 in 1993's final quarter.

As for year ahead, he told us: "We see some good opportunities in the South American market, improvement in Asia reinforcing our position there and a big opportunity with the possible recovery in the European economy" -- which he forecast would come in 2nd half. "On top of that," he said, "we have the new opportunities -- DSS [Digital Satellite System in U.S.] and new businesses such as accessories."

Prestat reiterated that TCE is increasing R&D by 15% this year, to 5.5% of revenues, "which is probably one of the highest figures in consumer electronics," he told us. "We are not only working short term, but also to be the clear leader in various fields in 3, 5 and 10 years from now." Which fields? "We have selected a number of areas where we can put our money and strengthen our effort." He said they included "digital TV, interactive TV, digital recording, flat-panel display."

Asked to elaborate on his statement last fall that TCE plans move into software market after finances improve (TVD Sept 6 p9), Prestat said entry into software "will be linked to the progress of new interactive services around DSS [and] to digital interactive TV. Clearly, we are working with some partners in this field" that would take TCE in that direction.

While he made no references to specific partners, one presumably is IBM. Thomson announced last June that it was "exploring with the Consumer Systems Group of the IBM PC Co. areas of mutual interest and synergy involving the use of digital processing in future TV-based entertainment products." At that time, TCE Americas Exec. Vp Joseph Clayton referred to challenge of designing "consumer-friendly interface that links the capabilities of the computer and TV receiver in delivering even more entertainment and information to the home." TCE-IBM project is now believed to be near end of its 2nd year.

Western electronics industry has excellent prospects for regaining leadership, Prestat said. "It's clear that digital TV has created a very good opportunity for America and Europe compared to the Japanese competition, and we will probably take back the lead from our Eastern competitors. We are clearly no longer in a defensive posture... We are now taking the lead in a number of areas which make the overall prospects much better for us. The future is clearly much brighter..."

Asked about possible privatization of Thomson by French govt., he replied that wasn't "an immediate issue." Citing govt.'s move to sell off computer maker Bull, he said there currently was no timetable for privatizing Thomson. "There is no special plan under discussion today," he said, and indicated nothing was in prospect before next year -- year targeted for company's return to net profit.

Prestat said he plans to attend dedication ceremonies of TCE's new N. American hq in suburban Indianapolis in mid-May.

**BLOCKBUSTER TO DOWNLOAD VIDEOGAMES IN SUMMER:** After Blockbuster's much-publicized plan to download compressed digital copies of music programming to in-store kiosks hit roadblock of opposition from copyright conscious record companies, retailer changed course and found friend in videogame industry. Instead of beginning by manufacturing music CDs as originally announced, company has decided to test cartridge-based games first.

Blockbuster will begin using digital distribution system developed by NewLeaf Entertainment and Fairway Technology, both of Deerfield Beach, Fla., on videogames in summer. Announcement came from NewLeaf CEO Antonio Romero at closing session of National Assn. of Recording Merchandisers (NARM) convention in San Francisco last week. Both NewLeaf and Fairway were formed last year as part of IBM-Blockbuster joint venture. Former IBM exec. Robert Carberry was brought into Blockbuster to oversee venture, and company has just announced test of standalone videogame stores (TVD March 21 p14).

Other than saying that effort's "very first dollar of revenue will soon come from the videogame industry," Romero offered few details. Only explanation was that company was "prepared to do [videogames] now from a technology and a relationship point of view." He wouldn't reveal what game companies NewLeaf was working with or where test stores would be located. But he promised music products would follow shortly.

"We will begin to deploy our videogame system in a test mode in the next couple of months, and in the 2nd half of the year we will begin to deploy it in a production mode," Romero said. "Parallel with the videogame system, we will begin to deploy the preview and merchandising station, which is part of the music system. This is not going to happen overnight. Developing the technology will be an evolutionary process and not a revolutionary process."

Romero set out to debunk misconceptions about project: (1) It isn't strictly for music industry. Other potential products besides music and videogames include movies, interactive multimedia, audiobooks, business computer software. (2) It isn't compilation system -- consumers won't be able to pick and choose elements from their favorite titles. "We are focused on delivering product in the original format," he said. (3) It isn't exclusively for Blockbuster; NewLeaf is actively soliciting other retailers. Romero even indicated joint venture might be separated from its parents soon. "At some point in time, it would make sense for NewLeaf to be a stand-alone company," he said, declining further comment.

System complements existing wholesale channels and doesn't threaten them, Romero said. It can be used as just-in-time manufacturing system for retailers to improve customer service, as inventory replenishment system for stores to fine-tune selection or copy depth or as "minimill" for wholesale distributors to use in servicing their retail customers.

Technology developed by NewLeaf/Fairway allows entertainment software products to be downloaded by stores from high-speed telecommunications network similar to those used for automated teller machines. Programming is transferred to medium -- cartridge, disc or cassette -- while labels and other graphic materials are printed. Kiosk-based system can be used to provide information and let customers sample products, including videogames, Romero said. It also allows for cross-promotions that could involve coupons, and can develop database for making product recommendations based on customers' purchase patterns.

Early entrants to technology will shape it, Romero said. "The first participants will decide where the train tracks will lead and will even help design what the train will look like." However, he said, "many people will wait to just be passengers on the train." NewLeaf and Fairway are alone on digital distribution railroad right now, but Romero doesn't expect it to stay that way. "We are the only ones to declare our intention to offer such a set of products, but I'm sure others will come along."

**JAPANESE VCR EXPORTS PLUNGE, PRICES RISE:** VCR exports from Japan to U.S. in Jan. hit lowest monthly number since early 1980s, while average price in dollars squirted up to highest since that era, showing dramatically why Japan accounts for ever smaller percentage of VCRs sold in U.S.

Only 180,080 VCR decks were shipped here from Japan in Jan., down 28.2% from 250,737 in Jan. 1993, which was 2nd lowest monthly figure for that year. Jan.'s 180,080 decks were less than 1/10 of Japan's

record shipments of VCRs to U.S. in any single month -- 1,823,346, in April 1986. Average price of deck in yen -- 36,686 -- was 19.3% higher than average of year earlier and was highest since April 1990. In dollars -- at average exchange rate prevailing in Jan. -- average deck had value of \$329, up 33.8% from Jan. 1993. It was only 2nd time in recent years average value had exceeded \$300 -- and was \$100 more than average price of Japanese VCR as recently as April 1992.

U.S. market has no choice on camcorders -- some 95% come from Japan. In line with record sales performance in recent months, camcorder shipments from Japan were up 28.6% in Jan. Tokyo is trying to hold price line on camcorders and presumably is doing pretty good job. Average price of 59,012 yen was decrease of 11.9% from Jan. 1993 and, based on exchange rates, worked out to \$529.26 in U.S. currency, down 1.2% from year earlier.

CD player shipments from Japan, at 266,821, were lowest for any month since 1989. Videodisc player shipments were in their 5th month of increases. Color TV no longer is significant Japanese export to U.S.

Exports from Japan to Canada for Jan.: VCRs 14,742, up 47.4%; camcorders, 2,686, down 69.8%; videodisc players, 1,623, down 5.9%; CD players, 16,808, down 42.5%. Here are Finance Ministry figures on selected exports from Japan to U.S. for Jan., along with repeat of full-year 1993 vs. 1992 totals:

| Product           | Jan. '94 | Jan. '93 | % Chg. | 1993      | 1992      | % Chg |
|-------------------|----------|----------|--------|-----------|-----------|-------|
| Color TV.....     | 13,646   | 9,322    | +45.4  | 138,337   | 116,836   | + 9.8 |
| VCR decks.....    | 180,080  | 250,737  | -28.2  | 4,033,989 | 5,733,165 | -29.6 |
| Camcorders.....   | 161,716  | 125,726  | +28.6  | 3,148,183 | 2,646,061 | +19.0 |
| Videodisc players | 18,873   | 11,285   | +67.2  | 377,697   | 324,664   | -16.3 |
| CD players.....   | 266,821  | 329,105  | -18.9  | 5,876,012 | 6,390,532 | - 8.1 |

**NINTENDO PLAYS CHINA CARD:** As anticipated last year, Nintendo's Game Boy will be produced in China starting next month (TVD Oct 11 p14). Company has contracted with unnamed Chinese manufacturer for production of handheld game and is said to be in negotiation with 2 other manufacturers to make its Super Nintendo Entertainment System (SNES) as well.

Games produced in China will be exported to U.S., Europe, Japan. Company has suffered as result of early decision to concentrate production in Japan. Rival Sega assembles at least 70% of its products in China, Hong Kong, Taiwan.

Nintendo had sold 28 million SNES consoles as of year-end 1993, near half of them in U.S. It has cut sales projections for fiscal year ending this month to 500 billion yen (about \$4.72 billion), down 11% from last year. Its forecast last Oct. was 550 billion. Consolidated pretax profit forecast is unchanged from earlier projection at 121 billion yen (\$1.14 billion), down 26% from last year. Company's overseas sales (outside of Japan) are expected to be 50% of total this year, down from 58% year ago.

**Tube and glass shortage** (TVD Jan 31 p12) is focus of special study being undertaken by EIA's CRT Marketing Services Committee and its Electron Tube & Display Div. EIA said project will "analyze issues impacting CRT and CRT glass production capacity in North America. The focus of this project is to identify areas where actions in the supply chain are creating difficulties and to quantify -- to the extent possible -- the causes and effects of such difficulties. Special subcommittee, of division, which has been meeting on issue since Jan., consists of Ben Cellitti, Techneglas; Jeff Johnson, Philips; Duane Welch, Corning Asahi; Jim Smith, Mitsubishi Canada; Horace Johnson, EIA Components Group.

**WIDE-ANGLE 13" LCD TV: TFT 13" color LCD with wide viewing angle is promised by this year NEC, which suggests that one use will be wall-mounted TV display. Japanese reports said prototype has vertical viewing angle of more than 40 degrees, twice that of NEC's current LCDs.**

Panel has resolution of 1,280x1,024 pixels, with pitch of 0.201mm horizontally and vertically. In addition to TV display, suggested uses are for computer work station and CD-ROM display terminal. No prices were available.

Sanyo indicated, meanwhile, that it plans to invest more than \$60 million to double monthly production of TFT color LCDs to 200,000 by June. Sanyo was late in entering LCD market and is trying to develop products for small-screen requirements, such as car navigation system.

**Canadian retailer Future Shop**, which invaded U.S. in Dec. by opening stores in Wash. and Ore., will expand to Boise later this year, retail sources said. Chain features 20,000-30,000-sq.-ft. supercenters carrying major appliances, consumer electronics, computers. Boise store, which will employ about 30, will enter relatively untapped market, with Smith's Home Furnishings and handful of independents as only competitors. Since launching in Canada in 1982, Future Shops has opened 46 stores and staked reputation on low price. Other U.S. locations include Bellevue, Wash., and Salem, Ore. Company projected \$500 million sales for 1994.

#### THIS WEEK'S YEN RATE

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

**PIONEER BOOSTS PTV PRICES:** Pioneer has raised dealer prices 1-2% on projection TVs and is negotiating to introduce line into Best Buy, according to retail sources.

Price increase, coupled with move into Best Buy, drew strong reaction from dealers who have carried Pioneer projection sets as protected competitors to price-driven power retailers. "Frankly, I'm going to take a second look at their line because of this [selling to Best Buy]," said video buyer at major southern retailer that has carried Pioneer. Another dealer noted, however, that change was inevitable since Best Buy already sells Pioneer audio.

Pioneer Mktg. Vp Kerry McCammon said company had been negotiating projection TV agreement with BB for 2 years and "profitability is always going to be there" regardless of final decision. He conceded move would anger some retailers, but said BB has been "very supportive" and "we can't not allow them to merchandise our home theater systems without video." McCammon also said "dealer price adjustments" were made for projection TVs, but suggested retail prices weren't affected.

Meanwhile, Pioneer is carrying over Cinemawide TVs, designed to generate widescreen impact from conventional 4:3 program material. TVs -- 45", 50", and 55" -- use digital process to spread right and left picture edges out slightly to fill widened screen (TVD May 3 p11). Seven models will continue with \$2,499-\$3,499 retail, McCammon said. Sheltered Elite brand and conventional projection sets also will remain same, he said.

In laserdisc players, retailers said Pioneer will add at least 4 models, including CLD-D503, 2-side play unit at industry-low \$499 street price. Others include CLD-S303, single-play with karaoke features, microphone input, voice cancellation and echo at \$499 and CLD-M403, 5-disc changer with karaoke, at \$599. High-end CLD-D703 will replace last year's model at same \$998 price.

On audio side, Pioneer will introduce its first 100-disc CD changer at industry-low \$599 in May. All-in-one unit will have four 25-disc modules. Consumer has access to 3 modules while 4th is in use, McCammon said. Three custom files can be created containing up to 100 individual selections each, he said. Changer is 17" wide, fits into rack system and has same height as large A/V receiver.

"The 100-disc business has just been okay because of the \$800-\$1,000 price," said audio buyer at midwest retailer. "The \$599 price could make a real difference." Unit will be accompanied by 50-CD model that will be sold as part of 70w shelf system at \$999 and separately at \$499, retailers said. Unit also will have single disc loader with 50-CD capacity, hence "50+1" name, retailers said.

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Court rejected bid by Circuit City (CC) for order to bar former executive from joining Good Guys (GG). U.S. Dist. Judge Samuel Conti, San Francisco, said there was "insufficient evidence" to support temporary restraining order, but scheduled hearing May 13 on request for preliminary injunction. Conti required that GG Pres. Robert Gunst and former CC executive Robert Baird be available for deposition by April 6. CC sued GG Feb. 28, charging Baird took 1,000 pages of documents containing chain's west coast strategy when he joined GG Feb. 25 (TVD March 7 p16). Suit also seeks to bar Baird from working for GG for up to one year. Baird, who had been with CC 1990-1993, rejoined company Feb. 14, but left 2 weeks later, after official who hired him was transferred, sources said.

**AUDIO IN STRONG 1994 START:** Three of the 4 broad audio categories tracked in EIA factory sales figures set records for Jan., EIA Mktg. Services Dept. said in releasing figures showing 13.6% overall gain in sales to nearly \$516.5 million for Jan., up from \$454.6 million in Jan. 1993.

As in Dec., only category to decline was components (TVD Feb 28 p17), off just 3.4%. Biggest gain -- 25.4% -- was registered by systems. EIA said both compact and rack systems showed strong sales increases, primarily because of big jump in systems with multiplay CD capability -- up 23% over Jan. 1993 and totaling \$40 million. CD changer sales were strongest in compact systems, rising 79% to \$51 million. Sales of all rack systems rose 17%.

Aftermarket autosound systems were up 22.1%, as sales of in-dash CD players nearly doubled from Jan. 1993 to \$21 million, while power amp sales hit \$11 million and head unit sales continued to show strength.

Portables, as usual, accounted for biggest slice of audio pie, up 13.4%. Lion's share of gain was in portable CD players, up 44% to \$32 million, while tape recorder sales rose 10% to \$13 million, of which microcassette recorders accounted for nearly \$3 million.

Although separate component category was down 3.4%, A/V-equipped models were up 25% to \$27 million, EIA said, with home theater speakers soaring more than 150% to \$5.5 million. Particularly noteworthy and contributing strongly to decline was 15% drop in CD player sales. Here are figures on factory sales of audio equipment, as compiled by EIA Mktg. Services Dept.:

FACTORY SALES OF AUDIO EQUIPMENT  
(add 000)

| Product                 | Jan. 1994        | Jan. 1993        | % Chg.       |
|-------------------------|------------------|------------------|--------------|
| Portable audio*         | \$172,702        | \$152,253        | +13.4        |
| Components              | 108,152          | 111,937          | - 3.4        |
| Systems                 | 118,675          | 94,667           | +25.4        |
| Autosound (aftermarket) | 116,952          | 95,755           | +22.1        |
| <b>TOTAL</b>            | <b>\$516,481</b> | <b>\$454,611</b> | <b>+13.6</b> |

\* Includes home radio.

Sharp will expand year-old ViewCam line with introduction of 5 models at dealer meeting next month, according to retail sources. They said line will consist of 3" and 4" screens, and new models will be available in April starting at \$899-\$999. High-end 4" model will be replaced with new configuration. Future units could contain 5" LCD, although there are no plans for that size this year, sources said. On promotion side, company will continue TV ad campaign featuring hockey star Wayne Gretzky through end of year. Sharp will ship 3 full-size SlimCam camcorders with 12x zoom starting at \$650 and moving to \$679 and \$799 with color viewfinder. Michael Williamson, gen. mgr., audio/video mktg., confirmed Sharp would add new ViewCams, declined further comment.

Best Buy will add Salt Lake City as part of plan to open 40-45 stores in fiscal 1995, news reports said. While company wouldn't confirm plans, it told Salt Lake newspaper "we do have people out there looking at several sites." Minn.-based retailer also has shown interest in L.A. and recently reported plans for new warehouse in Va. (TVD Feb 14 p16), leading to speculation 151-store chain might push south toward Atlanta where it opened outlets last year.

**150,000 DCC SYSTEMS SOLD--PHILIPS:** Philips, heeding many requests by journalists to release DCC sales figures as company had done in quoting CD-I player shipments, told our affiliated Audio Week newsletter that total of 150,000 DCC machines had been sold to consumers worldwide under various brands from launch of first products in fall 1992 through end of 1993.

Philips DCC Project Mgr. Gijs (Gerry) Wirtz declined to offer country-by-country breakdown of sales, saying only that some markets had exceeded expectations while others fell short. Philips accounted for more sales than its Japanese development partner Matsushita, Wirtz said. Best DCC sales territories to date mirror those that were most successful in launching CD format decade ago, Wirtz said, indicating most successful country "by far" has been Philips' Netherlands home base. Japan also has been surprising success, he indicated, particularly in light of critics' predictions DCC would be nonstarter there because of consumers' preference for optical media.

In U.S., DCC has been "relatively slow in getting started," Wirtz said, with American market typifying those in which CD sales still are on growth curve. He said Philips' brands don't enjoy market share leadership positions here in key audio categories held by major Japanese companies such as Sony and Pioneer.

Wirtz said Philips views sales figure so far as "very much in line" with projections that were downgraded in midst of first-year launch to account for worldwide recession and other economic factors and having nothing to do with disenchantment with format. In Sept. 1992, Wim Wielens, then Philips Audio Managing Dir., predicted million DCC hardware sales worldwide in first 12 months.

Asked to comment on Philips sales estimates, Matsushita spokesman in Osaka said company believes 160,000 DCC units of all types were sold to retailers throughout world in same time frame. He said Matsushita share internationally reached 50,000. Of 160,000 shipped, he said, 40,000 were sold in Japan (of which Matsushita sold 22,000), while 120,000 in rest of world (of which Matsushita sold 38,000).

Wirtz said next generation of DCC products due at midyear will include home recorder with 18-bit playback, "turbo" tape transport system with 3 times faster search speed as current model, user-input text generation capability via keyboard on supplied remote. Other models will include ultrasmall playback-only portable, said to be 25-30% smaller than existing one, and Philips' first record-playback portable.

Biggest conversation piece of new line is bound to be dual-transport DCC dubbing deck, with one side offering DCC recording, other side analog recording. Wirtz said dual deck in U.S. will be contained in minicomponent system that also will include CD changer. Dual deck will be positioned to appeal to cassette "replacement" market, Wirtz said. He indicated consumer tests in Germany found that acceptability of DCC format rose by factor of 80% when dual deck was included.

Asked whether DCC hardware ever will reach pricing parity with analog tape products that DCC is positioned to replace over long term, Wirtz replied that DCC price levels already have come down and will decline more in near term because of innovations in key components. He said there's "less link between sales quantities and price levels than some people believe." Asked why Japanese manufacturers are

perceived to favor MiniDisc system over DCC, Wirtz didn't mention Sony by name, but made reference to "a powerful propaganda machine that's oiled with a little money."

Wirtz chided recent Sony campaign ridiculing cassette as old-fashioned medium prone to breakdowns, saying effort to promote bad image of tape is inconsistent with statistics that show it remains preferred medium in variety of consumer, professional and industrial applications.

Philips is pleased with Matsushita's commitment to DCC, Wirtz said, although its dedication has been called into question by those who see Panasonic parent as taking low profile. Again, he compared conservative-oriented Matsushita with more "hit-and-run" approach of relatively flamboyant Sony. Reminded that more Japanese companies have introduced MD players than DCC hardware, Wirtz said: "Being there doesn't necessarily mean being successful."

Disputing rumors that his own position at Philips was in jeopardy or had been eliminated, Wirtz responded only that "I absolutely believe in the system. There's work to be done. That's why I'm here."

**3DO MAKES JAPAN DEBUT:** Saleswomen wearing yellow Panasonic jackets enticed prospective customers into stores in Tokyo's Akihabara district March 20 to see demonstrations of Matsushita's REAL machine as 3DO finally came to Japan. Press reports indicated sellout in most stores, pending arrival of 2nd shipment March 26.

Matsushita officials were quoted in Nikkei Sangyo as saying they started receiving advance reservations in mid-Feb., and as of March 17 had backlog of orders for 40,000 players and 150,000 pieces of software. After price reduction to equivalent of \$515 from \$750 last month (TVD Feb 28 p15), inquiries from consumers and dealers doubled, company was quoted as saying. Nevertheless, some dealers discounted hardware to about \$425 and software was sold at 20% discount.

One dealer was quoted as forecasting another price cut next month, based on his experience with other game systems. Eventual pricing of 3DO console will have strong effect on future competitive devices. Sony has said its upcoming PSX machine will be priced at less than 50,000 yen (about \$470), but there are expectations in Japanese industry that it will carry list at less than 45,000 yen and will sell at street price of around \$375.

Matsushita reportedly plans to introduce 11 3DO titles this month, including Japanese versions of its English language titles, and total of 60 this year. Most widely anticipated is Jurassic Park, whose introduction in U.S. has been delayed and now is expected in Japan after July.

Software licensees in Japan now total 152, 3DO Japan said, and additional 65 companies are in negotiation for licenses. About 70% of licensees have purchased development tools, 3DO said, and some 99 titles are under development in Japan.

Paramount Home Video enters CD-ROM distribution, signing exclusive deal to market titles developed by Xiphias. First title will be based on Mighty Morphin Power Rangers TV show this summer. All Xiphias product distributed by Paramount will be playable on either Apple Macintosh or Windows-based PCs, eliminating need for dealers to stock dual inventories.

**DEALERS HERE TO STAY -- SCHULHOF:** Electronic software delivery should help business of software retailers, particularly those who take advantage of new opportunities and improve their store environment, Sony America Pres. Michael Schulhof said in keynote address to National Assn. of Recording Merchandisers (NARM) convention in San Francisco last week.

"Over the past 15 years, we [at Sony] have been forced to confront a variety of new challenges," he said. "For years, Sony's core business had been predicated on the development of solid-state technology, and on the production of magnetic recording products." But company was "forced" to invest in new technology -- digital -- that had potential to make existing technologies obsolete.

"The reason why Sony plowed so much money into this emerging technology was quite simple: We realized that if we didn't make obsolete our own technology, then the market would make it obsolete for us." More recently, he said, company had similar reasons for major investments in recording and movie businesses -- "we foresaw a day when hardware would merge with software."

"We are being inundated with a wide variety of new technologies and electronic delivery systems that will directly affect the way many of us conduct our business." He said new technology can ensure retail business "stays contemporary, and stays focused on the types of personal service that only retail experience can provide." Mail order shopping, he said, hasn't killed off The Gap or The Limited.

Like electronic media, music retail world has changed dramatically, he said. "In the past 2 years, massive consolidation occurred at both the wholesale and retail levels."

While electronic delivery of programming will compete with retail stores for consumer dollars, "there is no substitute for the shopping experience," Schulhof said. "Shopping satisfies basic human needs, needs that will never be completely satisfied by electronic browsing. Electronic delivery will effectively address the latest releases in music or video that are of interest to a smaller but important segment of the marketplace. This market segmentation will bring more customers into the marketplace. And once they're in the marketplace, they're more likely to become shoppers" in retail stores.

Schulhof suggested retailers ensure their position in electronic world by being "proactive." He cited Musicland, which has aligned with Prodigy. "Musicland offers thousands of music titles in its electronic catalog. Should consumers want to purchase a record, they can do so by modem. Musicland fills the order."

As example of effort by smaller retailer, he noted Justice Records, Houston-based independent that signed deal with CompuServe. CompuServe customers can access electronic store where they can "browse, read biographies of featured acts, or check out an album's liner notes," then order CDs by modem that arrive from Justice's warehouse few days later.

**Satellite Direct** is new monthly magazine launched by Orbit Publications, Vienna, Va., for owners of Digital Satellite System receiving equipment. First issue will be available in April in "selected markets" -- presumably those picked for launch of DSS (TVD Feb 28 p17) -- with national availability scheduled for Aug.

**NINTENDO SETTLES LAWSUITS:** Nintendo was involved in settlements of litigation in complex world of videogame patents last week with Atari Corp. and unrelated Atari Games (AG).

Nintendo America Chmn. Howard Lincoln said Time Warner, majority stockholder of software developer Atari Games (AG), "interceded and cooperated" to settle all litigation between AG and Nintendo. Nintendo said that under settlement "all of the claims of the parties are dismissed, including judgments of patent infringement and copyright infringement previously awarded to Nintendo against Atari Games; Nintendo receives certain payments in connection with the settlement as well as certain patent licenses from Atari Games and Atari Corp., and Atari Games again becomes a Nintendo licensee."

AG Senior Vp Dennis Wood said his company is "starting immediately to develop games" for Nintendo again. Litigation was filed by AG in 1988 charging Nintendo monopolized market for videogame cartridges by building "lockout system" into game hardware and cartridges (TVD Dec 19/88).

Atari Corp., meanwhile, announced settlement of its litigation with Nintendo involving its patent on horizontal scrolling in videogames. "For a cash payment," Atari said it had granted Nintendo "a license to certain patents." Atari said license doesn't include patents related to Lynx handheld game or new Jaguar game system. Atari Pres. Sam Tramiel expressed hope that settlement would "lead to resolution of other patent infringement claims," pointing out that its suit against Sega is pending in U.S. Dist. Court., San Francisco.

Atari meanwhile said it had entered into agreement to sell 1.5 million shares of common to Time Warner for \$8.50 per share -- \$12.8 million. That will increase Time Warner's interest in Atari to about 27% from 25%. Tramiel said funds would be used to roll out Jaguar nationally. While Time Warner is related to both Atari companies (it controls AG and has minority interest in Atari Corp.), 2 companies aren't directly related.

\* \* \* \* \*

Atari Corp. reported net loss of \$22.57 million for 4th quarter of 1993, vs. \$21.9 million in same 1992 period, while sales plunged to \$8,525,000 from \$25,467,000. For full year, net loss was \$48.87 million vs. \$73.5 million in 1992, while net sales totaled \$28.8 million vs. \$127.34 million. Tramiel said company's transition to new technology was complete and 64-bit Jaguar game has been launched in L.A. in addition to first markets of N.Y. and San Francisco.

Thomson will launch sweepstakes April 1 to promote RCA accessories. Coupons will be packaged with 4 RCA universal remotes (\$19.95-\$29.95) and 3 videotapes (\$4.95-\$6.95). Consumers rub off box on coupon to qualify for prizes. Prizes are 52" projection TV, full-size camcorder, stereo VCR, cordless headphones, 3-pack of videotapes. Contest runs through year-end.

**P.C. Richard**, fresh from first expansion into N.J. last fall, plans to open 4-5 more stores in state this year. Stores, 27,000-32,000 sq. ft., will come as chain revamps Long Island outlets. New stores will continue P.C. Richard's push into videogames and 35mm cameras, but music CDs and PC software won't be added this year, Pres. Gary Richard said.

**Correction:** Sharp will focus new TV line on 25"-27" and add 4-5 20" sets (TVD March 21 p16). Line will have seven 27" sets at \$549-\$599.

**'TAPELESS' MEDIA AT NAB:** Age of digital recording -- as foreshadowed recently at ITA seminar (TVD March 21 p13) -- also could mean age of solid-state nontape recording. That was one of messages at NAB convention last week in Las Vegas -- event where broadcasting technology usually foreshadows consumer developments.

In consumer field, there's still at least one more generation of tape-based VCRs -- Digital Video Cassette (DVC) format being developed by group of 10 manufacturers (TVD July 5 p12). Panasonic made first public U.S. presentation at NAB of new format designed to record and play back both conventional TV and HDTV.

Although specs given out by Panasonic last week already were well known and reported here almost year ago, company apparently changed its story on marketing plans in couple of months since briefing on subject in London at which it said system could be ready as soon as next Jan. (TVD Jan 31 p11). In England, company also said that next year it would introduce broadcast camcorder compatible with consumer standards.

At hurried news conference in Las Vegas, where Q&A time was seriously restricted, company said consumer DVC would be available in U.S. "by 1996" and would be geared toward consumer use for home theater program playback, with professional applications in relatively low-cost and high-quality broadcast ENG camcorders.

With growing number of computer companies exhibiting at NAB, tape sometimes seemed almost irrelevant, major theme being migration to tapeless digital media of future -- and present. File servers replaced VTRs and cart machines, as Hewlett Packard made major push into broadcast and production areas with all-digital broadcast video server for TV spot playback and disc recorder for editing, capable of storing 12 min. of uncompressed serial digital material.

Silicon Graphics and Sprint announced launch of "Drums" intelligent high-speed network to create "virtual studios," through which creators could send videos, animations and graphics in real time for long-distance collaboration on-line from multiple sites, without exchanges of tape.

Apple's Power Macintosh -- based on Power PC chip developed by Apple, IBM and Motorola -- made trade show debut at NAB within week of its official N.Y. rollout. It's already being embraced by desktop video companies and CD-ROM developers as important professional production tool and consumer computer for everything from editing and graphics to CD-ROM authoring and playback.

Other tapeless solutions were incorporated in dozens of PC- and Macintosh-based nonlinear editing systems featuring magneto-optical and hard disc storage. Traditional video and consumer electronics manufacturers, including Sony and Panasonic, unveiled their own entries at convergence of video and computers, with nonlinear editing systems based on 486 chip technology, named Destiny and Postbox, respectively.

With tapeless solutions already available in editing, distribution and commercial playback, joint development by Ikegami and video editor maker Avid Technology foreshadowed disappearance of tape from production end as well. Companies announced they were working together on digital disc-based camcorder for ENG. They said it would incorporate dockable storage unit containing hard disc drive technology and would reach market in 1995 first half.

With broadcasters curiously quiet on subject of HDTV and with mixed signals from Japan on future of Hi-Vision, first U.S. demonstration of JVC's nondigital W-VHS consumer HDTV VCR had low profile at NAB.

EIA demonstrated extended data service (EDS) system in hope of recruiting broadcasters to transmit such material as program titles, descriptions, weather alerts, etc., for display in text channel of closed-caption system of new sets.

An NAB no-show was Gemstar, which canceled its booth shortly before show, apparently not ready to make anticipated joint announcement with NBC on transmission of on-screen data (TVD March 21 p17).

**ANTAR TO PAY U.S. \$52 MILLION:** Eddie Antar, founder of Crazy Eddie chain, signed over foreign bank accounts to federal govt., but not before angry judge accused him of "\$52 million bait-and-switch."

Antar, who was convicted in July with his brother Mitchell of racketeering and stock fraud (TVD July 26 p14), signed SEC papers March 24 identifying accounts in Israel and Switzerland holding total of \$53 million, more than judge ordered repatriated. Brothers are scheduled to be sentenced April 15.

"It's all nonsense and garbage," said U.S. Dist. Judge Nicholas Politan, Newark, after Antar first refused to sign documents. "I have had it. I have the patience of St. Jude. The patience is over with."

Money would go to court-appointed trustee to turn over to SEC, which obtained \$73-million judgment against Antar. Figure has risen to \$90 million with interest. Politan in 1990 ordered Antar to return money after SEC charged he had obtained it through insider trading and had transferred it to Israel.

Antar, whose N.Y.-area chain was known for frenzied pitchman boasting of "Insaaaaaaane" prices, was indicted with brothers Mitchell and Allen in 1992 (TVD June 29/92 p9). Brothers were charged with falsifying inventory through variety of methods and transferring money from wholesale to retail accounts to pump up same-store sales figures. Eddie Antar was convicted on 17 counts and Mitchell on 6 of 8 charges, while Allen was acquitted. Federal prosecutors said they will ask Politan for 25-year sentence for Eddie.

Eddie Antar fled country in Feb. 1990 after failing to appear in court in connection with civil suit. He was tracked by federal marshals for 2 years before being arrested in Israel in 1992.

Projection TV continued to be star in EIA figures on sales to dealers for year's 10th week (see State of the Industry). It was 5th record week for projection sales this year and 8th consecutive week of increases over last year's same week. Camcorders and TV/VCR combos also had record week, but direct-view color continued to lag behind last year's record pace. For year to date, as of 10th week, combos, projection and camcorders were in record column.

Magneto-optical disc system capable of recording 5 hours of MPEG-2 quality motion video on 12" disc has been developed by NEC. Designed for professional use, it's claimed to have 5.8 times the recording density of standard CD and will be priced at about \$85,000 when available in Nov., company said.

**SERVICERS, VENDORS CLASH ON FEES:** Continuing drop in retail prices has intensified running battle over fee that manufacturers reimburse servicers for warranty repairs. Latest skirmish involves suit by 4 Conn. servicers against Philips, Sharp and Thomson seeking interpretation of state law requiring that manufacturers pay repair shop rates for warranty work.

Battle heated up earlier this month when Sharp and Sanyo-Fisher cancelled contracts with Conn. shops. Ind. has debated law similar to Conn.'s 1980 legislation and in Cal. 18 repair shops sued 33 manufacturers under law requiring them to pay rates include "reasonable profit."

"Because of the squeeze created by artificially low prices, the number of repairs we get out-of-warranty has decreased," said Wayne Markman, owner of Hamden, Conn.-based Markman TV, one of 4 shops that filed suit in State Superior Court, New Haven. "So we're doing more warranty work, getting less out-of-warranty business, and if manufacturers continue to pay us a low rate, where are we?"

As example, Markman said 19" TV may retail for \$189, but tube alone costs \$240, so many consumers buy new TV rather than repair old one. Rates also vary. While Markman charges \$75 for major repair on up to 19" TV, Sharp's schedule calls for \$52. While shop may charge \$90 for camcorder work, Sanyo has \$40 price. Suit also contends state law requires servicers to make profit on parts, something manufacturers haven't provided, Markman said. Parts prices increased 10-15% in Feb., but manufacturer reimbursements haven't been raised in 4 years, Markman said. "We're talking about one component costing as much as the whole product."

Both Thomson and Sanyo declined to comment on suit, but one vendor spokesman said repair shops are "going after manufacturers to reroute their revenue streams. What they're trying to do is put manufacturers over a barrel and say, 'we've been loyal to you for many years, now we need to charge you more,'" vendor spokesman said. "They're artificially trying to raise the price of providing service, and that is not acceptable."

Sharp official said he would like Conn. court to interpret law since it never has been challenged. "I don't think there is much direction about what the law means," said Donald Mossman, Sharp vp-gen. counsel. Conn. servicers originally filed damage suit in U.S. Dist. Court, New Haven in 1992. But federal judge last year referred case to federal mediation, where it's pending.

**Federal judge set BrandsMart founder Robert Perlman's income tax trial for Sept. 26 in Ft. Lauderdale.** Perlman, indicted in Dec. (TVD Dec. 27 p15), is free on \$250,000 bond. Retail executive is charged with falsifying 1988 tax returns by saying he made \$1.28 million when he earned substantially more, federal officials have said. Indictment said "substantial additional" tax is due for 1985-1988. Perlman has disputed charges, arguing that Brandsmart's earnings are reflected in his personal income tax returns because he's sole owner of company. Most earnings were returned to business and he made \$50,000-\$60,000 in 1988, he has said.

**Technical support hot line for professional users, consumers, dealers and prospective buyers of LCD products has been established by Sharp -- 201-529-6399.**

**PHIL & JIM'S CLOSES:** Phil & Jim's, financially troubled Cal. consumer electronics retailer, has closed its 5 remaining stores, but won't say whether that spells end for once-thriving chain.

Company shuttered stores in Anaheim, Anaheim Hills, Cerritos, Huntington Beach and Lake Forest and laid off most of its 70 employees. Closings come 2 months after retailer filed for Chapter 11 bankruptcy and closed 5 other stores. (TVD Jan 31 p18).

While Phil & Jim's plans to sell remaining inventory in liquidation sale, Pres. Philip Delgado told L.A. Times that chain would remain in Chapter 11 and is working on plan to restructure finances and debt. Company listed \$16 million in debts, \$8.7 million of them secured, and \$7 million in assets. Much of debt -- about \$2 million -- is tied to 100,000 extended warranties outstanding. Delgado said bankruptcy court abrogated warranties, so consumers with questions are being asked to contact manufacturers.

Large portion of secured debt was \$8.7 million owed Whirlpool, GE Credit, Maytag. Another 338 manufacturers had \$4.8 million in claims. Chain, which once had 400 employees and 12 stores, generated 80% of sales in major appliances, 20% CE products, Delgado has said.

Delgado said 40-year-old chain's financial troubles stem from increased competition from Circuit City and Good Guys and "huge inventory problem" left by a previous manager. But company also was hurt by feud between founding partners. In Dec., superior court judge ordered estate of Jim Ousterhout, company's co-founder, to pay Phil & Jim's \$1 million to settle dispute. Delgado said chain has yet to collect award.

**Mitsubishi**, in move to expand table projection TV line and improve picture quality, will introduce 50" model for fall delivery, retailers said. New unit is said to provide better picture than 45" set that launched category year ago (TVD May 17 p13). Product & Brand Development Mgr. William Lowenthal confirmed plans for 50" unit, but declined comment on features or price. Model is expected to carry \$2,999 street price, retailers said. Last year's model, which weighed 126 lb. and fit on same size shelf as 27" direct-view set, featured redesigned chassis and was only 20-1/2" deep. Company also has aggressive plans for 40" direct-view line with 3rd-generation unit street price expected to be around \$3,000, retail sources said. First model unveiled in 1992 had \$4,999 list.

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## Consumer Electronics Personals

Promotions at Zenith: **John Bowler** to vp-corporate research, **Wayne Luplow** to vp-consumer electronics engineering and HDTV, **Peter Skerlos** to vp-advanced development... **Gary Turner**, sales training and customer satisfaction mgr., appointed Thomson Consumer Electronics mgr., custom home theater, succeeding **Ralph Coker**, who recently joined Ladd Furniture (TVD March 14 p16)... **Christopher Cudena**, ex-Rolodex, named Sharp audio mktg. mgr... **Jeffrey Brooks** resigns as Sony senior ad vp, plans unknown... **Sherman Langer**, who resigned earlier this year as head of Sharp LCD Products Div., is now full-time consultant to Projectavision Inc.

**Al Teller**, MCA Music Entertainment chmn., also appointed exec. vp, parent MCA Inc... **Ron Ryan**, ex-Dateline Publications, joins Dysan International as mktg. dir... Yamaha promotions: **Greg Class** to sales operations mgr. from corporate and sales administration mgr.; **Albert Cardenas** to product development mgr. from project engineer... **Leslie Vaughan** advanced to BASF product mgr. for "new growth products," succeeded as asst. mgr. for audiovideo products by **Jennifer Weaver**... **Russ Arden** appointed Luskin's mdse. mgr... **William McDonough** named Broderbund pres.-COO, replacing **Edward Auer**, retired... **Paul Bronson** appointed Battery One-Stop managing dir.-CEO, succeeding **William Dittmer**, who remains on board.

**William Kanner** leaves Daniel S. Roher Inc. agency to form own N.Y. PR firm -- 212-545-7424... **Betsy Boesel**, ex-Samantha Dean & Assoc, named senior account supervisor for new Entertainment Div. of HWH Public Relations... **Paul McAfee** promoted to Kodak dir., corporate media relations from deputy dir., consumer, professional and international news... **Henry Kaplan**, Hi Tech Expressions pres.-CEO, moves to chmn.-CEO; **Bradley Naples**, ex-New England Digital Corp., appointed pres.-COO.

Appointments at VSDA: **Jeffrey Eves** as pres., **Rick Karpel** promoted to exec. vp... **Scott Young**, Wherehouse CEO, named pres., National Assn. of Recording Merchandisers (NARM)... **Jeff Rabinowitz**, **John Reina** and **Ralph Walin** promoted to sales vps, Columbia TriStar Home Video... **Patrick O'Brien** joins New Line Home Video as vp-finance... **Gregory Goeckner** appointed deputy dir.-special counsel, Motion Picture Export Assn. of America's Worldwide Antipiracy Operation... **Alex Campbell** promoted to senior dir.-sales, Rank Video Services America.

There's more emphasis on adult titles than games for kids in early LaserActive software introductions in Japan. Sega has introduced its first game for Pioneer system -- Triad Stone, action adventure game with high-quality automation. Two other titles are to be introduced by Pioneer in April, both for adults. One is mahjongg game and other is described as "sexy software" in which "player can enjoy sexy poses of actresses in 3D with a pair of optional goggles."

**CEBus development system** for designing products to operate with EIA's consumer electronics bus system (EIA Interim Standard-60) is being offered by Intellon Corp., Ocala, Fla. Windows-based design program uses Spread Spectrum Carrier technology developed by Intellon and specified as required communications technology to implement CEBus power line and RF products -- Intellon, 904-237-7416.

## 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        |
|---|-------------|--------------|------------------|
| Broderbund Software<br>1994-6 mo. to Feb. 28        | 58,145,000  | 10,701,000   | 1.06             |
| 1993-6 mo. to Feb. 28                               | 56,917,000  | 8,579,000    | .86              |
| 1994-qtr. to Feb. 28                                | 25,350,000  | 4,458,000    | .44              |
| 1993-qtr. to Feb. 28                                | 24,353,000  | 3,696,000    | .37              |
| Graff Pay-Per-View<br>1993-year to Dec. 31          | 18,629,975  | (1,947,771)  | --               |
| 1992-year to Dec. 31                                | 13,320,927  | 748,556      | .13              |
| Silver King Communications<br>1994-6 mo. to Feb. 28 | 23,546,000  | (5,334,000)  | -- <sup>a</sup>  |
| 1993-6 mo. to Feb. 28                               | 22,844,000  | (3,840,000)  | --               |
| 1994-qtr. to Feb. 28                                | 12,088,000  | (2,426,000)  | -- <sup>a</sup>  |
| 1993-qtr. to Feb. 28                                | 11,306,000  | (1,852,000)  | --               |
| Telemundo Group<br>1993-year to Dec. 31             | 177,809,000 | (14,059,000) | -- <sup>a</sup>  |
| 1992-year to Dec. 31                                | 153,572,000 | (26,743,000) | --               |
| 1993-qtr. to Dec. 31                                | 52,352,000  | 6,857,000    | .18 <sup>a</sup> |
| 1992-qtr. to Dec. 31                                | 44,533,000  | 1,421,000    | .04              |

Notes: <sup>a</sup>After special charge.

"Entertainment + Technology" is 22-page special multimedia supplement to March 21 Wall St. Journal, featuring articles on Hollywood, CD-ROM, remote controls, home shopping, virtual reality, videogames, etc. Among advertisers are Apple, AT&T, Radio Shack, USSB and Pioneer (for LaserActive). Eindhoven-dated article says total worldwide CD-I player sales have been 300,000 and suggests it may be "early casualty." Journal lists these as major players in multimedia: TCI, Bell Atlantic, Disney, Microsoft, Time Warner, Viacom, Silicon Graphics, Barry Diller, Oracle, Trip Hawkins, StarSight, Brian Roberts (Comcast), Microware, Sony, General Instrument, AT&T. Philips is conspicuously absent.

Filmless movie distribution will be tested by Pacific Bell and Sony Pictures starting in summer. PacBell will transmit movies digitally to some L.A.-area neighborhood theaters, which will screen them from HDTV projectors. Digital transmissions on optical cable will be compressed 25-1. Some live sports events are expected to be added to normal movie fare. Pilot project could pave way for millions of dollars in savings to movie companies by ending physical distribution of film. Theaters could save with elimination of projectionists. Service could be extended to 2-3,000 theaters nationwide within 2 years, PacBell said.

Zenith, little more than month after it began test of StarSight-equipped TVs, said on-screen captions providing program name and time remaining are most popular features among customers. About 60 persons chosen at random in Chicago, Tex. and Cal. also have said ability to use guide to program VCR is important feature, Zenith Sales Pres. Gerald McCarthy said. Tests, which will run through first shipments in May-June, are first significant trial of technology that StarSight (then InSight Telecast) introduced in 1990. Since then, several manufacturers, including GoldStar, Philips, Mitsubishi and Samsung, have signed licensing agreements for technology.

Daewoo celebrated export of its 2-millionth color TV set to Japan. Company said that last year it accounted for 62% of all Korean color TV exports to Japan. Of 2 million cumulative total, 1.2 million were OEM exports to NEC, which has discontinued its own TV production in Japan.