

TELEVISION DIGEST®

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

With Consumer Electronics

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BROADCAST BOARD OKAYED by Congress. Radio Free Asia created under new law that reorganizes services, aims toward privatization. (P. 7)

ADMINISTRATION FLOATS PLANS FOR HIGHER SPECTRUM FEES: Administration is using proposal to help states pay for jailing illegal aliens as platform for converting FCC to full funding from user fees starting with fiscal year that begins in Oct. Plan could lead to increases in fees Congress created last year. In addition, sources said that Administration is considering, but hasn't proposed, more fee increases to help cover \$13 billion cost of implementing GATT treaty.

Plan drew immediate criticism from House Commerce Committee Chmn. Dingell (D-Mich.), who sent letter to OMB April 28 asking for more details, from Senate Commerce Committee Chmn. Hollings (D-S.C.) and from NAB, which said that broadcasters shouldn't have to pay for such Administration initiatives.

Administration made proposal to convert FCC to fee-based funding in context of April 22 news release on \$350 million FY 1995 budget amendment for Justice Dept. that would help states pay costs of jailing illegal aliens. White House release said: "The budget amendment offsets the costs of the program by proposing that the [FCC] be fully funded by fee revenues, instead of partially funded as under current law." According to text of submission to Hill: "The FCC chairman supports this proposal and will propose authorizing legislative changes that, in concert with this appropriations language, would allow FCC to accomplish this goal [of becoming self-sufficient]."

Consumer Electronics

MAGNAVOX LINE REVAMPED for price-driven market, dropping 20" and 35" screen sizes, adding 32". 61" and 41" eliminated. StarSight VCRs promised early next year. (P. 10)

TV, VCR, CD PLAYER IMPORTS strong in Feb. New color breakdowns show 18,700 projection TVs, 206,300 TV/VCR combos in 2 months. (P. 11) Malaysia replaces Japan as No. 1 source of VCRs. (P. 14)

GOVT. HOPES TO JUMP-START flat panel display industry in \$600 million Pentagon project tying high volume plant construction to R&D grants. (P. 12)

PANASONIC SEES VHS-C comprising up to 40% of camcorder sales this year, rejects suggestions of significant declines in starting prices. (P. 13)

TCE, IBEW REACH AGREEMENT on 4-year contract that would guarantee jobs for 5,000, add investment at Ind. plant., in exchange for cost reductions. Vote seen this week. (P. 13)

SAMSUNG VIDEO CD player planned for 4th quarter, but CD-I is delayed for U.S. StarSight VCRs, TVs and TV/VCRs planned for first quarter 1995. (P. 14)

WORLDWIDE CE SALES FORECASTS by EIAJ show color TV demand exceeding 100 million sets in 1998, CD players declining, VCRs continuing upsurge. (P. 15)

Administration official explained that budget laws require that when new spending is proposed in budget amendment, equal amount of money has to be cut. In looking for places to cut, officials start with programs under same appropriations subcommittee as program to receive new money. Illegal immigration falls under Justice Dept., which is subject to same Senate and House appropriations subcommittees as FCC. Official explained there are 2 types of fees, those to be sent to federal Treasury (Sec. 8 fees) and new fees that go to financing Commission (Sec. 9 fees). It's latter category that would have to be raised.

Official said FCC generally endorsed plan, in part because Commission would be spared "having to beg and borrow from appropriators." Official added that Dingell may have thought Administration was trying to work out new arrangement without him. But, official said, any changes proposed would have to be approved by appropriations and by authorizing committees. He noted that Dingell chairs House authorizing panel and would be able to block suggestion from being implemented.

There was no official confirmation that OMB is floating separate plan to recover \$4-\$4.8 billion over next 5 years as means of recouping some of costs of GATT. New charge would be called "spectrum royalty fee." OMB spokesman said Administration is considering "wide range of options" but wouldn't comment on specifics.

Dingell asked for details on OMB's new plan, including whether OMB wants Commission to retain older fee revenues (Sec. 8 funds) for itself instead of turning them over to Treasury, or whether applicants would be forced to pay new processing fee, which would force them to pay twice for same services. Sec. 8 funds recover costs for issuing licenses and other grants, and OMB estimated about \$40 million could be collected in that category in FY 1995.

New Sec. 9 fees enacted last year, covering costs of rulemaking, enforcement, international and other activities, and 2 categories cover about all of FCC operations except gen. counsel's office and costs of commissioners and their staffs, Dingell said. He asked whether scope of Sec. 9 fees would be expanded.

Dingell also fired preemptive shot at rumored OMB "spectrum royalty fee" plan to raise fees for FCC licensees as means of covering about \$4 billion in revenue lost as result of GATT agreement. Earlier in week, Dingell had said in speech to awards dinner that: "When Congress wrote the self-funding mechanism, it was not our intention to raise money to be used at the whim of OMB." He said fees shouldn't be "diverted to whimsical and capricious" uses but rather for "furthering the growth of the telecommunications industry."

Panetta was criticized in letter for proposing new programs within Committee jurisdiction "without so much as the courtesy of a prior consultation," termed proposal to use funds that had been appropriated for FCC for immigration purposes as "an effort to try raiding programs within our jurisdiction in order to fund unrelated Administration initiatives." Dingell said: "I hope that in the future, initiatives that amend statutes or affect programs falling within the jurisdiction of this Committee will be brought to our attention directly, so that we will not have to rely upon the press, lobbyists or other Committees to learn of the Administration's intentions."

Although he normally doesn't send letters based on rumors, Dingell said, he did this time in connection with GATT-related fees to "let you know of my views on this matter before we are faced with a real problem." He wanted Panetta to know "in the strongest possible terms" that OMB should look elsewhere for financing of GATT shortfall than spectrum user fee or other money sources not related to GATT.

Hundt testified before House Appropriations Commerce Subcommittee April 18 that he wouldn't object if Commission were funded solely by fees. Subject got little attention at April 28 hearing by Senate Appropriations Commerce Subcommittee. Hundt's prepared testimony noted that plan would require FCC to become fully dependent on fees in fiscal 1995 "and reflects the overall challenge of finding sources of revenue to pay for the range of competing programs and priorities." As he did at House Appropriations Subcommittee hearing, Hundt asked for higher FCC budget, saying staff should be increased by 500 because of complexity of industries.

Senate panel Chmn. Hollings (D-S.C.) said he opposes OMB plan to increase FCC fees to offset cost to govt. of jailing illegal immigrants: "We're not going to turn the information superhighway into a toll road." Although FCC Chmn. Hundt testified at hearing, Hollings didn't ask him about proposal. "I don't need to," he said later. "I oppose it and I'm the one who votes."

In letters to FCC Chmn. Hundt, Panetta and Dingell, NAB argued that neither immigration nor GATT programs had anything to do with communications, said proposed fees also reverse decisions made last year in budget deliberations that established spectrum auctions. Enactment of "spectrum royalty" fee on broadcasters would reverse decision that broadcasters shouldn't have to pay for use of spectrum, Fritts told Hundt. He told Panetta: "It is intolerable to make us the 'bankers' for every brand new program the White House wants to create or to fund."

TCI-LIBERTY MERGER OKAYED: In decision that clarifies rules for vertical integration for cable, as well as other industries, and potentially clears road for TCI-Liberty merger, Justice Dept. said it will okay TCI-Liberty merger if consent decree is approved by courts. Consent decree forbids newly-merged firm from discriminating against independent programmers in providing access to their cable systems and forbids firm from limiting access of competitors to its programming. TCI Senior Vp Robert Thomson called consent decree "an important step forward toward the merger." TCI said re-merger is expected to be final within few months.

Decree essentially codifies in another forum already-existing prohibitions, Thomson said, but it's important because it clarifies Justice Dept. position on all vertical mergers: "This lends clarity, and that can't help but help." Action is result of first challenge by Justice Dept. of vertical merger is more than 10 years, Dept. officials said.

Details of consent decree are included in suit filed in U.S. Dist. Court, D.C., by Justice Dept. Filing antitrust action in court is standard procedure in Hart-Scott-Rodino actions, officials said, and consent decree gives Justice Dept. another legal tool to use in case of violations. Action, including competitive impact statement, will be published in Federal Register and there will be 60-day comment period before Justice seeks final court action.

Suit claims that proposed merger between TCI and Liberty (TVD Oct 11 p5) could have led to decreased video competition because competing media could have less access to programming. Anne Bingaman, Asst. Attorney Gen.-Antitrust, said consent decree "will help enable independent programmers to find markets for their products and will help ensure that consumers get the benefits of new and diverse programming." She said it also will help assure that potential competitors to cable, including video dial tone and DBS, will "have access to popular programming so they can better compete, lower prices and increase the quality and services available to consumers."

TCI and Liberty agreed to merge just 2 years after TCI spun most of its programming and some other interests off to Liberty. Deal valued Liberty at about \$3.2 billion, and officials said it positioned merged company for future investments. TCI originally spun Liberty off to avoid anticipated FCC vertical integration rules, but FCC structured rules so that Liberty holdings were attributed to TCI anyway.

Retired ABC Chmn. Leonard Goldenson and wife Isabelle are donating \$60 million to Harvard U. Medical School. Bequest is largest in school's 200-year history. Said Goldensons: "We believe it is essential to marry the advances in neurobiology with the needs of cerebral palsy research. We hope our gift will encourage communication and the sharing of medical ideas between Harvard Medical School and the cerebral palsy community." Goldensons' oldest daughter had cerebral palsy; they were founders of United Cerebral Palsy Fund in 1948. School renamed its research building after Goldensons. He's graduate of Harvard College and Law School, retired as ABC chmn. when company merged with CapCities in 1986, remains chmn. of Cap/ABC Exec. Committee.

Hallmark Cards is acquiring independent producer RHI Entertainment for \$365 million (\$36 per share). News caused RHI shares to rise 34% to \$35.62. RHI has produced episodes of Hallmark Hall of Fame, Lonesome Dove and made-for-TV movie The Yearling, which aired April 24 on CBS. It produced 29 movies for network and cable in 1993, is expected to provide about 3 dozen this year. RHI earned \$10.1 million last year (\$1.24 a share). Turner Bcstg. subsidiary New Line Cinema is RHI's largest shareholder with 30%, while Chemical Banking Corp. owns 13%, and both have agreed to sell to Hallmark.

Without comment, U.S. Supreme Court upheld FCC ruling that NPR didn't violate indecency rules with Feb. 28, 1989, broadcast of taped conversation between reputed mobster John Gotti and associate that was used in Gotti's trial. On tape, Gotti used "variations of the f-word 10 times," according to U.S. Appeals Court, D.C., which upheld FCC decision. Chattanooga resident Peter Branton, who heard broadcast on WSMC(FM) Chattanooga, filed indecency complaint with FCC. Commission dismissed it on grounds broadcast was part of "a bona fide" news story. Branton appealed, but Court dismissed action on grounds he didn't have standing. Branton's appeal to Supreme Court was supported in unusual brief by People for American Way and Washington-area citizens coalition, which said lower court ruling "threatens to significantly harm the public interest by severely limiting listener standing" in such cases. However, groups said, they oppose appellant "on the merits of his indecency complaint."

Turner Bcstg. and Intel will begin experiment in May in which Headline News is distributed to personal computers, firms said. Central PC in each office would receive Headline News signal, convert it to digital and compress it, then distribute it via internal computer network. Desktop PCs could display program in small windows while user is working on other projects.

CROWD DUE AT NCTA: FCC Chmn. Hundt, Comr. Quello and at least 15 FCC staffers will be among speakers at NCTA convention in New Orleans May 22-25. Pre-registration is up 28% from same time last year, when record attendance topped 16,000. Total exhibit space is up 29% to 249,500 sq. ft., and number of new exhibitors nearly doubled to 98, according to NCTA Vp Barbara York. Convention also will feature "Cabletown, USA" exhibit, in which MSOs and others will demonstrate new cable-related services.

Hundt will speak at invitation-only public policy breakfast, 7:30 May 24, York said. Quello will speak at retransmission consent session 1:30 May 23 (other speakers at session include Mark Barash of Pittsburgh Cable News Channel, Paul Bermel of CNN, David Reid of Continental). Comr. Barrett won't attend. FCC Chief of Staff Blair Levin speaks on information superhighway panel 2 p.m. May 24, along with Cox Pres. James Robbins, Time Warner Communications Pres. Thomas Morrow, N.Y. PSC Deputy Chmn. Lisa Rosenblum. FCC staff session 3:45 p.m. May 24 includes James Coltharp of Barrett's office, Deputy Cable Bureau Chief William Johnson, Maureen O'Connell of Quello's office, James Olson of Cable Bureau, Merrill Spiegel of Hundt's office, Cable Bureau Deputy Chief Kathleen Wallman. York said Cable Bureau Chief-designate Meredith Jones has been invited. Another FCC staff session 9 a.m. May 25 includes Patrick Donovan of Cable Bureau, Chief Economist Michael Katz, Gen. Counsel William Kennard, Common Carrier Bureau Acting Chief Richard Metzger, Ronald Parver and John Wong of Cable Bureau, Mass Media Bureau Chief Roy Stewart.

NCTA, as usual, isn't identifying House and Senate members who will attend invitation-only congressional seminar 12:30 p.m. May 22. Hill staffers participating in 3:15 p.m. panel May 23 include Jonathan Chambers, Kevin Joseph, Gene Kimmelman, David Leach, David Moulton, Darrell Panethiere, Michael Regan, Cathy Reid, Alan Roth, Kristan Van Hook, Gerald Waldron, John Windhausen, David Zesiger.

Convention sessions will feature nearly 370 speakers, York said. In addition to previously announced general sessions (TVD April 25 p7), sessions include: CTAM marketing 2:30 p.m. May 22; Living with the New FCC Rules with NCTA Gen. Counsel Neal Goldberg, same time; PR session with Disney Channel Pres. John Cooke and Edelman Senior Vp Michael Deaver, 1:30 p.m. May 23; On-line services connected via cable, same time, including Prodigy Senior Vp Scott Kurnit, Intel Vp Avram Miller, Zenith Vp Dean DeBiase; state/local regulator session, same time, including William Finneran of N.Y., Celeste Fasone of Newark, John Notte of R.I., Mass. Cable Comr. John Urban and Susan Littlefield of St. Louis.

A la carte channel marketing session 3:15 p.m. May 23 includes Continental Senior Vp Robert Sachs, Travel Channel Pres. Roger Williams, Discovery Pres. Ruth Otte; digital compression, interconnection and interactivity panels are at same time; video-on-demand technical session, 9 a.m. May 24; infomarts at noon May 24 include local ad sales, European regulation, consumer demand for interactivity, role of PUCs, affiliated transactions, piracy; simultaneous panels on financial markets (another session on stock market is at 3 p.m. May 25), channel marketing, and video telephony design, 2 p.m. May 24; international cable session, 3:45 p.m. May 24; session on using cable for alternative access, energy management and data services, same time; session on competitive multichannel providers, same time; panels at 9 a.m. May 25 will include role of ads in new technology, international programming, cable-telco issues, engineering superhighway.

At least 17 firms will participate in "Cabletown, USA," officials said. Special exhibit will display applications such as Cablevision Systems carriage of ATM and medical imaging in N.Y. and Times Mirror's data interconnect in Phoenix, York said. Other participants include CableLabs (with Antec, AT&T, Digital Equipment, General Instrument, Grass Valley, Intel, Motorola, Tandem), Cox, Jones, TCI, Time Warner, Viacom, Cable In Classroom, C-SPAN.

Convention's emphasis on convergence and new technologies is apparent in list of new exhibitors. New telco exhibitors include Bell Atlantic Video Services, GTE Main Street, U S West's Interactive Video Enterprises and PSI Telecom, in addition to previous exhibitors Alcatel, AT&T, Bell Atlantic, France Telecom, Northern Telecom, Teleport Communications Group. New multimedia exhibitors include 3DO, C-Cube, Compton's NewMedia, Emc3 USA, Fujitsu, Microsoft, MNI Interactive, Tandem, Your Choice TV, Zing Systems.

New cable channel exhibitors include Americana TV, Catalog 1, Classic Sports Network, Cupid Network, Ecology Channel, Faith & Values Channel, Gaming Entertainment TV, Gospel Network, Health Channel, Home & Garden TV, Kaleidoscope America's Disability Channel, National Empowerment TV, Outdoor Life Channel, Ovation, Parent TV, Popcorn Channel, Parenting Satellite TV Network, Recovery Net/Wellness Channel, S Shopping Network, Singles Network, Singlevision, Sportscope TV Network, Talk Channel, TV Macy's, ViaTV Network, Video Catalog Channel.

Viewing of basic cable networks was up 6% in April ratings period (which ended April 24), while viewing of ABC, CBS and NBC in cable homes dropped 6%, according to analysis of Nielsen data by USA Networks. Total rating for basic cable networks was 22 in April, vs. 20.7 year ago, USA said, while broadcast networks dropped from 30.8 to 28.9 in cable households. April was 2nd consecutive month of higher cable ratings, with March up 2% to 21.3. Cable viewing had declined earlier during 1993-1994 TV season, but USA Senior Vp-Research Timothy Brooks said new data indicates that dropoff was "a result of viewer confusion following the displacement of cable channels after re-regulation," plus impact of Olympics and Super Bowl. "We are now experiencing the return to the normal pattern of moderate cable audience increases and broadcast audience decreases, and that should continue for the foreseeable future." USA's analysis indicated that it was highest-rated cable network for 3rd consecutive month at 2.4, up 4% from 1993. It was followed by WTBS Atlanta (2.2), TNT (1.6), ESPN (1.5), Nickelodeon (1.1), Lifetime (1.0).

Nynex formed Entertainment & Information Services (NEIS) Group. It will focus on 3 areas: Interactive entertainment, advanced information and merchandising, video services. Walter Rickard, vp-corporate planning, was named group vp. Interactive entertainment group is "pursuing strategic alliances and partnerships to obtain distribution rights for broad-interest entertainment programming," Nynex said, and will develop new software for interactive video and video-on-demand products. Video Services groups will be responsible for packaging and delivering interactive programming and information, as well as traditional broadcast programming. Group also will develop "video jukebox" and server technology.

Chmn. of U.S. delegation to ITU plenipotentiary conference in Kyoto, Japan, has been appointed by White House: Jeffrey Smulyan, chmn. and 60% owner of Emmis Bestg., Indianapolis. Conference is Sept. 19-Oct. 14.

PORTALS PRESSES DEAL: Owners of Portals development are making what may be last push for out-of-court settlement of their dispute with FCC over moving FCC hq. Case is in U.S. Appeals Court, D.C. Former Rep. Elliott Levitas (D-Ga.), who represents Portals owners, said client offered settlement involving improved lease terms "conservatively" valued at \$100 million savings, and that settlement "may not be available" if court backs Portals.

Terms of Portals' proposed settlement are proprietary, but Levitas said it includes "significant" reduction in rent below original winning bid, option for govt. to buy FCC space at end of lease term for reduced price, and guarantee that if FCC needs more space it can get it quickly without going through full-fledged procurement procedure. Deal also would eliminate Portals' claims to back rent to beginning of original lease period, Levitas said: "If the lower court decision is upheld and this settlement isn't accepted, there will be a lot of people with egg on their face."

Portals owners are "just trying to get a settlement before the court decision because we have raised compelling arguments," said FCC Gen. Counsel William Kennard. He said that Portals' claims of \$100 million saving from settlement are "flatly contrary to the figures that we calculate, which show us that Portals would cost more than other available opportunities."

"This debate should not be about proximity to restaurants and lobbyists," Kennard said. "It should be about best serving the needs of the agency." He said FCC needs "at least" 400,000 sq. ft. and "probably will need considerably more if the telecom reform legislation passes." Portals can't make that much space available quickly, Kennard said, so it's proposing moving part of agency quickly, rest 2-3 years later: "That is not acceptable."

"This is not an open-ended opportunity," Levitas said. "There could be some people who look real bad if this ends up costing the taxpayers a lot more than it has to, just so the FCC can be near its lawyers, journalists and restaurants." Levitas dismissed other FCC reasons for rejecting Portals, saying that FCC itself has stipulated that handicapped access isn't problem, that adequate space is available, and that Portals would be ready quicker than any other acceptable space. He said deputy administrator of GSA has told FCC that Portals is best solution.

Court will hear oral argument May 5. U.S. Court of Claims had directed GSA Feb. 28 to order FCC to move to Portals (TVD March 7 p5). Levitas, pointing out that appeal is on expedited schedule, said decision could come within month. He stopped short of specifying that settlement offer will be taken off table if court rules in Portals' favor: "All I am authorized by my clients to say is that it may not be there. But realistically, you have got to figure that interest rates are up since the offer was made, time has passed, and the situation has changed."

In update of telephone system, 4 FCC offices received new phone numbers effective Mon.: Office of Managing Dir., 202-418-1919; Office of Plans & Policy, 202-418-2030; Office of Legislative Affairs, 202-418-1900; Audio-Visual Management Office, 202-418-0460.

TvB said Spot ads were up 16.2% for affiliates of big 3 TV networks in first quarter 1994, with local up 14.8%, national 18.1%, for 260 stations reporting. Independent stations (85 reporting), including Fox affiliates, showed overall increase of 8.7%, with national up 10.1%, local 7.7%.

TELCOS LEAD POLITICAL DONATIONS: Communications industry has contributed more than \$50 million to political campaigns and parties over last 10 years, with local exchange carriers and long-distance industry making up about half of total, according to 2nd survey of contributions, from Common Cause.

Broader view of local telephone industry shows sector contributed \$15.6 million to campaigns and parties (so-called "soft money"), accounting for about 31% of total, while long-distance chipped in \$8.5 million.

Other than those 2 major industries, balance of \$50.3 million contributed by communications industries between Jan. 1, 1984 through end of 1993 came from 6 groups: (1) Cable, which contributed \$7 million. (2) Entertainment, \$6.8 million. (3) Computer and telecommunications equipment, \$4.8 million. (4) Mobile and satellite, \$3 million. (5) Broadcasting, \$2.5 million. (6) Newspaper and electronic publishers, \$1.8 million.

NCTA was largest cable contributor at \$2 million, while other large donors included Time Warner, Hallmark, TCI, Viacom. Several TW executives, led by former Chmn. Steven Ross, contributed thousands in soft money, as did officials from Daniels & Assoc., QVC, Viacom, others.

Entertainment industry was led by \$740,864 from MCA and \$495,400 from Paramount, and extensive contributions from individuals. Those ranged up to \$410,000 from Marvin Davis to several others contributing at least \$200,000. Among broadcast interests, NAB's PAC contributed \$1.3 million, INTV \$178,883. Ronald Perelman, chmn. of SCI TV, contributed \$215,000 in soft funds. Overall, top soft money donors were MCA and officers Lew Wasserman and Sidney Sheinberg, followed by TW, Bell Atlantic, Interscope, Marvin Davis, MCI.

Most of donations went to members of House and Senate Commerce panels. Those contributions helped to boost committee members above collection levels for other legislators, Common Cause found. While average member of House received \$30,213 from communications industry, member of Commerce panel received \$88,359 and member of Telecom Subcommittee got \$103,189. Same pattern held in Senate, where average senator received \$76,737, Commerce Committee members \$130,609, Communications Subcommittee members \$152,391.

BellSouth isn't likely to go ahead with \$500 million investment in QVC, Chmn. John Clendenin told stockholders' meeting. Telco had agreed to invest \$1.5 billion in QVC if Paramount takeover succeeded. When bid failed, BellSouth retained option to invest \$500 million at \$60 per share. Clendenin noted that QVC stock price was below \$37, said it would have to increase significantly for telco to exercise option.

C-Cor will expand manufacturing in State College, Pa., because of increasing demand for cable equipment, Chmn. Richard Perry said. Firm plans \$10-million, 80,000-sq.-ft. facility. Perry said demand, including 750-MHz amplifier line, "has been tremendous, contributing heavily to a record backlog."

Superstar Satellite Entertainment will offer NFL Sunday Ticket for direct-to-home satellite subscribers. Package will include every Sun. NFL game broadcast except blacked-out home games. It will sell for \$99 between June 1 and Aug. 20, \$139 after.

RECUSALS POSSIBLE FOR FCC NOMINEES: Both nominees for seats on FCC have told Congress they would consider recusing themselves if necessary from issues Commission is considering, as result of their past employment. Senate Commerce Committee hasn't set date for confirmation hearing for Democrat Susan Ness, 45, or Republican Rachelle Chong, 34.

Ness said in forms submitted to Senate Commerce Committee by Office of Govt. Ethics that at American Security Bank she was responsible for \$250 million in loans to rural telephone companies, long-distance carriers, paging, satellite, radio, cable, programming and publishing firms. She's required to sell stock in Dean Witter mutual fund worth \$15,000-\$50,000 and preferred shares of Time Warner (which have been sold) as well as smaller amount of stocks in IBM, Motorola and Bell Atlantic she held in trust, and recusals will hold until interests have been sold. Forms also showed Ness to be active in Democratic politics, contributing to many candidates on national level and participating in campaigns in Montgomery County, Md.

Chong, from San Francisco, will have to sell shares she and her husband own in Home Shopping Network and in same Dean Witter fund. Chong is partner in San Francisco law firm Graham & James, represented several cellular companies in Bay area. In addition to becoming first Asian-American to serve on FCC, her materials supplied to Hill show what could be other "firsts": (1) First commissioner to have represented party in telephone "hacking" case. She represented parents of James White, of Brea, Cal., who was alleged to have gained unauthorized access to long distance service of Thrifty Telephone, which has stiff tariff on file in Cal. for just such occasions. Matter was settled out of court.

(2) First commissioner to use phrase "surfing the Internet" in public. In April 5 speech to her alma mater, Hastings Law School, she called Vice President Gore "a technowiz" and said: "This guy surfs the Internet." (3) First commissioner designate to admit being a "Trekkie." In same speech, Chong said: "Everyone thinks that the public is just dying for pay-per-view video 24 hours a day. I myself yearn for Star Trek: The Next Generation 3 times a day."

TV's ability to cover instantly any crisis around world gives media large role in setting govt. agenda, House Foreign Affairs Committee Chmn. Hamilton (D-Ind.) said. At hearing on effects of TV on foreign policy, he said TV encourages govt. officials to "react quickly, perhaps too quickly," in crises, allowing media "to set the agenda." Hamilton said those same qualities allow TV to bring to attention of policymakers situations that might not otherwise be noticed. Ted Koppel of ABC News and CNN Exec. Vp Ed Turner said that while TV coverage might have influenced policy after the fact, there was no attempt to set policy in deciding what events to cover, and that reporters don't take into account consequences of stories they cover.

FCC staffers met with cable equipment makers April 27 in Washington to discuss costs of requiring cable operators to participate in Emergency Best. System (EBS). Officials said goal was to document costs of adding EBS capability to cable. Audio recording of meeting is available from EBS staff, 202-632-3906.

Superstar Satellite Entertainment will be sales agent for DirecTV DBS programming packages for all independent consumer electronics retailers and select national and key accounts, DirecTV said.

CAP/ABC PROFIT DOUBLES: Cap/ABC net profit doubled to \$116.1 million in quarter ended April 3, partially because of 21% growth in broadcast revenue to \$1.1 billion. Results were boosted by reporting date change, which gave quarter 6 more days than in 1993. Firm reported "significant" growth in ad revenue at network and owned stations. Cap/ABC said it had "very significant" revenue growth in cable and international operations, with most of gain at ESPN. Publishing revenue grew 12%, and total revenue 19% to \$1.4 billion. Broadcast operating profit grew 54% for quarter to \$197.3 million.

In other financials: Washington Post broadcast revenue grew 13% in first quarter, but overall profit dropped to \$28.8 million from \$40.1 million (which was inflated by one-time credit of \$11.6 million). Total revenue dropped 1% to \$358.5 million... Great American Communications lost \$1.8 million in quarter ended March 31, vs. \$20.6 million loss year ago. Revenue increased to \$34.5 million from \$30.9 million... LIN Bcstg. broadcast revenue increased to \$41.9 million in quarter from \$37.7 million year ago. Broadcast cash flow increased 15% to \$14.4 million. Firm's cellular revenue grew 33% to \$222.4 million, and cellular cash flow was up 6% to \$84.8 million. Net loss increased to \$15.1 million from \$14.6 million loss year ago.

Disney filmed entertainment revenue grew 19% in quarter to \$1.1 billion, and division's operating profit increased 2% to \$160 million. Overall net profit was \$617 million, vs. \$118 million year ago... Scientific-Atlanta profit grew to \$11.9 million in quarter ended April 1, from \$6.9 million year ago. Sales grew to \$204 million from \$184.1 million, CEO James McDonald said, because of "growing commitment of cable television operators to invest in new technologies"... Silver King Communications said it reached agreement with Chemical Bank to refinance \$140 million debt... Moody's confirmed Comcast's credit rating, but said long-term rating outlook is negative because of reregulation and likely competition from telcos. Moody's announced last fall that it was considering downgrading Ba2 rating for Comcast senior debt because of company's planned participation in QVC bid for Paramount. In confirming that rating will remain Ba2, Moody's cited end of Paramount deal.

Elizabeth Burns, Morgan Murphy Stations, and Donald Cornwell, Granite Bcstg., have been reelected to NAB TV board designated seats. On radio side, designated board seats went to William Shearer, KGfJ(AM) L.A., and incumbent Carol Reilly, Griffin Group. Elected to major market radio seats: Joseph Field, Entercom Best. Group; William Figenshu, Viacom Bcstg.; Randall Odeneal, Sconnix Bcstg.; Paul Fiddick, Heritage Media; Mark Mays, Clear Channel Communications.

Philanthropists plan to launch MTV-like channel devoted to video clips of arts, group is expected to announce in mid-May. Programming will be distributed free 24 hours per day via satellite to cable systems and home dishes, with no ads, subscriptions or pledge drives, officials said. Non-profit service is to be funded from grant from foundation set up by founders of Adolph's Meat Tenderizer, Lloyd Rigler and Lawrence Deutsch.

Home Shopping Network (HSN) and Prodigy signed letter of intent to develop "online store" for personal computer users by fall. Items will include housewares, electronics, fashions, jewelry, etc. It also will provide bulletin board access to HSN hosts, "celebrity guests." Prodigy said service will make "first extensive use of full color photos of merchandise instead of product drawings."

BROADCAST BOARD APPROVED: Congress last week passed final version of legislation (HR-2333) that reorganizes govt. international broadcasting and creates Radio Free Asia. President Clinton is expected to sign bill. Senate approved measure, in form of conference report between House and Senate, with no debate. But bill squeaked through House evening of April 28 on motion by Rep. Snowe (R-Me.) to send legislation back to conference. Vote was 195-209, with controversy caused by conferees including in bill language adopted by Senate endorsing Clinton's lifting of economic embargo against Vietnam. In addition to many other foreign policy-related issues, legislation also created 2-year Commission on Protecting & Reducing Government Secrecy.

Key provision of bill creates new 9-member Bestg. Board of Governors under USIA, which would take over from current Board for International Bestg. to supervise broadcasting operations. Board would have 8 public members and dir. of USIA. Broadcasting services would be housed in new International Bestg. Bureau within USIA, which will include Radio Free Europe/Radio Liberty, Radio Free Asia, Radio and TV Marti, Voice of America, WorldNet. Most of new arrangements came out of Senate version of legislation (S-659); House bill as originally passed didn't contain them. Transition plan has to be submitted to Hill in 120 days.

New Radio Free Asia is created, with \$22 million cap on govt. funds, although current budget calls for \$10 million. Service will be aimed at China, Burma, Cambodia, Laos, N. Korea, Tibet, Vietnam. RFA shouldn't be used for govt. propaganda, Congress said, but should provide accurate and timely news, information, commentary. RFA will operate until Sept. 30, 1998, unless President wants to extend it. RFA is established as separate operation within USIA, and will have budget and operations distinct from RFE/RL. Sen. Biden (D-Del.), who pushed RFA, said in Senate speech that RFA "must be a source of objective news and information. It must not be a source for propaganda." Biden said he expects U.S. diplomats to find country that will host transmitter for RFA, said he was disappointed in \$10 million budget request from Administration. Conference report said members had "strong concern" that RFA may not get adequate financing in future, which could delay start. If there isn't enough support, Congress will look at alternative financing mechanisms, report said. Agency will have to report on RFA progress in 3 years.

For RFE/RL, Congress said private sector should take over financing no later than Dec. 31, 1999, and that private sector support should start "at the earliest possible time." Services would be housed in new RFE/RL Research Institute. Govt. grants could be cut off by Sept. 30, 1995. Until then, there is \$75 million cap on appropriations.

Other provisions of bill would: (1) Prohibit money from being spent for USIA transmitter in Kuwait. (2) Prevent RFE/RL from moving from Munich to Prague unless Congress, President, and new governing board approve. While Congress said it took no position on move, section was included to prevent transfer before new board has been confirmed. (3) Allow joint VOA/BIB transmitter project in Israel to continue. Dropped from legislation in conference was idea in House bill requiring study of potential for advertising on govt.-funded broadcasting services.

New commission has job of investigating "all aspects of classifying and protecting information and granting security clearances," conference report said. Commission will have 12 members, 4 each appointed by President, House, Senate.

Conferees said they were concerned that "excessive government secrecy not only reduces the ability of the public to participate in formulating foreign policy but also makes it more difficult to protect truly sensitive information."

SATELLITE COPYRIGHT DEBATED: Senate Judiciary Committee may mark up legislation (S-1485) to extend satellite copyright act this week, after scheduled session last week was cancelled. NAB and SBCA have sent panel letters outlining their cases. NAB April 26 sent letter to Committee Chmn. Biden (D-Del.) endorsing amendments added at Copyright Subcommittee that contained new rules on "white areas" including instituting "loser pays" rules in cases of dispute between TV station and satellite broadcaster. NAB Pres. Edward Fritts said, however, that issue of "fair market value" for network transmissions still needs to be addressed.

Legislation enacted in 1988 provided for below-market royalties because satellite carriers then were "small, start-up businesses." NAB said that carriers "have experienced dramatic subscriber growth, no longer need the government-imposed subsidy provided" by current law, and have enough money to pay higher rates. NAB said that Assn., networks and their affiliates are still opposed to amendment being floated by Turner Bestg. to allow time-zone specific feeds for programming, calling it "harmful expansion of the compulsory copyright licenses."

SBCA asked Committee to approve legislation without changing terms passed March 24 by Copyright Subcommittee. SBCA said in April 26 letter to Biden that it wants bill "just as it was reported," and without "fair market value" contained in House version (HR-1103) that NAB endorses. SBCA characterized fair market value as "yet-to-be-defined" concept that, if passed, "would significantly tilt the competitive balance in the video market place." SBCA Pres. Charles Hewitt said changes in how satellite fees are set are highly controversial and shouldn't be part of license extension bill, but would be more appropriate in copyright reform.

Carrying out threat made in Feb., NABET/CWA has called on its 12,400 members and public to boycott NBC TV programming April 28-May 25 (period of May sweeps) because there's no new contract. Previous agreement expired March 31 and, "despite more than 3 months of negotiations, talks remained stalled over 'takeaway' demands by NBC," union charged. NABET/CWA Pres. John Clark said demands by NBC would "mean the loss of hundreds of jobs held by skilled permanent workers whom the network wants to replace with a contingent workforce of daily contract workers at substandard wages and benefits." Union said it had collected "10s of thousands" of cards from viewers who pledged to support boycott. NBC had no comment.

Forty House members, led by Rep. Schumer (D-N.Y.), sent letter to presidents of 4 broadcast networks and MTV asking them to broadcast public service announcements for "Squash It" campaign to help teenagers avoid violent confrontations. Campaign was designed by Jay Winston at Harvard School of Public Health, who developed designated driver spots involving use of alcohol. Schumer and others noted in April 22 letter that campaign for "designated drivers" was very successful, said current campaign "is the most ambitious test yet for a public service campaign, but the potential is enormous."

INTERACTIVITY DEBATED: Making sure that new infrastructure is interactive and capable of true multimedia, rather than only 500-channel cable system, should be major goal of legislation being considered by Congress, said Daniel Weitzner, senior counsel, Electronic Frontier Foundation. He was among participants in April 25 discussion on America Online (AOL). Rather than rate deregulation, one of major focuses of debate is "whether the (interactive) Internet vision or the 500-channel vision will prevail," said moderator Michael Mills of Congressional Quarterly.

Congress must create incentives for setting up truly interactive networks, Weitzner said, because "evidence so far from filings at the FCC is that mere competitive forces will not ensure anything but 500 channels." Govt. also must ensure that cable and telco structures will support multimedia versions of AOL and Internet video, he said: "Congress should make sure that these new networks support a true diversity of information and communication services, not just those that follow the old mass media paradigm."

Govt. probably shouldn't set encryption standards, CATA Pres. Stephen Effros said: "The problem is that if the government sets up a standard, it will be a target for everyone to shoot at." Weitzner agreed that "one of the most valuable lessons that hackers and crackers have taught us is that there is no such thing as a perfectly secure network," but he said that means encryption is needed.

Legislation probably won't pass "in its current form," Effros predicted, but Gerald Kovachs, MCI senior vp-external affairs, said that "pass or not," S-1822 "sets up an appropriate mechanism to establish competition." Weitzner said there's "no question that the country is moving toward a more competitive communications environment," regardless of whether specific pieces of legislation are approved.

Continuing cooperation in news and programming that started in 1983, Japan Bestg. Corp. (NHK) and Cap/ABC said they signed "long-term comprehensive cooperation agreement" in programming and news. Length and terms of agreement weren't announced, nor were any specific projects. Existing relationship has been "mutually beneficial and both companies want to work even more closely [together] to address the rapid changes in the communications industry," said John Healy, pres.-ABC International Operations. Hiroshi Hirata of NHK said his company "recognizes the expanding and potentially significant field of multimedia and we believe that this agreement will help both companies address the new technological developments in a productive way." Under 1983 agreement, Cap/ABC and NHK have co-produced documentary on Pearl Harbor and made-for-TV movie *The Last U-Boat*, among other projects. Cap/ABC also has served as consultant to NHK in international programming. In forefront of new agreement will be news reporting and program development, partners said. Richard Wald, senior vp of ABC News, said: "This agreement is both a commercial contract and a long-term commitment which we expect will continue into the next century."

FCC started its first radio spectrum management course for developing countries, held under aegis of U.S. Telecommunications Training Institute (USTTI). Chmn. Hundt welcomed 22 participants from 16 countries at opening session. Course runs through this week, will include govt. and private lecturers, visits to FCC lab and monitoring station in Laurel, Md., HDTV test center in Alexandria, Va., and FCC's licensing processing center in Gettysburg, Pa.

NAB received several offers to buy its hq building in Washington but "none that are acceptable," Pres. Edward Fritts told Exec. Committee last week. "We don't have to sell the building, it's just an inconvenience to rehab it," he told us. It was discovered last year that building needed extensive renovation because of asbestos in walls and NAB would much prefer to sell than move into temporary quarters. Decision is likely to be made at early June board meetings. As is custom at May Exec. Committee meeting, candidates for higher posts come to Washington to address newly elected board members, who also are invited. Three of 4 radio candidates (none of whom currently is on Exec. Committee) spoke in person -- Douglas Williams, KWOX(FM) Woodward, Okla., for chmn. and 2 candidates for vice chmn.: John Quinn, WJDM(AM) Elizabeth, N.J., and Richard Ferguson, NewCity Communications. Richard McBroom, WONW(AM)-WNDH(FM) Napoleon, O., also chmn. candidate, sent letter that was read by current Chmn. Robert Fox. Unopposed are William Ryan, Post-Newsweek Stations, and Philip Jones, Meredith Bestg., for TV board chmn. and vice chmn., respectively.

FCC license renewal actions following EEO complaints, all subject to reporting conditions: (1) WIBW(AM/FM) Topeka was renewed with \$30,000 fine. (2) KFMS(AM/FM) Las Vegas renewed for short term with \$25,000 fine. (3) KTKT(AM)/KLPX(FM) Tucson renewed for short term, \$25,000. (4) WOW(AM/FM) Omaha renewed, \$25,000. (5) KFSD(FM) San Diego renewed for short term, \$18,750. (6) KISN(AM/FM) Salt Lake City renewed, \$18,750. (7) KMAJ(AM/FM) Topeka renewed, \$18,750. (8) KMZQ(FM) Henderson, Nev., renewed, \$18,750. (9) KUSC(FM) L.A. renewed, \$17,500. (10) Licenses of 8 upstate N.Y. radio stations were renewed, including WGHQ(AM)-WBPM(FM) Kingston, fined \$25,000, WLVL(AM) Lockport \$22,000, WHCU(AM)-WYXL(FM) Ithaca \$6,250. other stations weren't fined.

Bill to reauthorize CPB at \$425 million in each year of FY 1997-1999 will be introduced soon by Senate Communications Subcommittee Chmn. Inouye (D-Hawaii), he told PTV station executives at APTS annual meeting in Washington. Senate hearings are likely within month, he said. (House position on reauthorization is unclear.) Inouye said he would like CPB appropriations to move closer to those levels from current \$312 million, but said he saw "some dark clouds ahead" and urged industry to make better case to Congress.

CBS said age discrimination suit filed in 1991 by former Beijing correspondent John Sheahan has been "amicably resolved." Sheahan charged he was fired because he was over 40 years old; at time, he was 18 months short of 55, when he would have been eligible for pension and lifetime medical benefits. CBS said that of 9 on-air people fired in 1991, 4 were over 40, that in Dec. 1991, it had 93 correspondents, 68 of whom were over 40. Terms of settlement weren't disclosed.

APTS requested \$35 million in FY 1995 PTFP funding -- 3 times as much as recommended by Administration. Appearing before House Commerce Appropriations Subcommittee, Ky. ETV Exec. Dir. Virginia Fox dubbed Administration request "simply not adequate" and estimated total replacement cost of public TV broadcast infrastructure at nearly \$1.8 billion.

Liberty Media and Reebok are buying minority interest in Cable Health Club, new network largely owned by International Family Entertainment. Terms weren't disclosed. Channel started last fall.

Personals

Ruth Milkman, former deputy chief, FCC Common Carrier Bureau Policy & Program Planning Div., appointed senior legal advisor to FCC Chmn. **Hundt**... **Renee Licht**, ex-FCC acting gen. counsel and co-chief of Chmn. **Hundt's** transition team, detailed to Mass Media Bureau as acting deputy chief... **Brian Fontes**, senior advisor to FCC Comr. **Quello**, named senior vp for policy and administration, Cellular Telecommunications Industry Assn. effective June 1... **William Maher**, ex-NTIA, joins Washington law firm Halprin, Temple & Goodman as partner.

CBS promotions: **Jane Davey** to vp-new business development, media planning coordination, regional sales; **Kenneth Wachtel** to vp-news sales; **Jo Ann Ross** to vp-Olympic sales and sports mktg.; **Dean Kaplan** to vp-sales planning and proposals... **Joe Heston**, ex-WBAL-TV Baltimore, named vp-station mgr., WTAE-TV Pittsburgh... **Susan Koch**, former National Provider administrator, named dir.-human resources, WJLA-TV Washington... **Thomas Olson** moves up from pres.-Katz TV Group to pres. of Katz Corp., succeeding **Peter Goulazian**, who remains CEO; **James Beloyanis**, exec. vp of TV Group, succeeds **Olson**... **Jeff Gallop**, ex-WSEE-TV Erie, appointed gen. sales mgr., KSEE Fresno... **Warren Vandevor** moves from NBC to CNBC as vp-technical operations, new post... **John Harris**, ex-WESH Daytona Beach-Orlando, appointed news dir., WRAL-TV Raleigh-Durham... **Jeanne Kirkpatrick**, ex-U.S. ambassador to U.N., elected to Chris-Craft board.

Hauser Communications Pres. John Evans has become govt. relations advisor to Benchmark Communications, but will remain active in Hauser pending closing of cable system sales. **Evans** also was re-elected to NCTA board... **David Bartls**, promoted to vp-creative affairs, HBO Independent Productions... New at Court TV: **Wayne Loewe**, ex-Greenwich Time, Greenwich, Conn., named dir.-on-line services, new post; **Gregory Johnson**, ex-CNN, named vp-midwest sales... **Kristin Fitzgerald**, ex-Lifetime TV, named group sales mgr., Group W Satellite Communications... **Barbara Sparks** advanced to vp-gen. mgr., Jones Satellite Programming... **Harriet Seltler**, ex-ESPN, appointed senior vp-mktg., Q2 home shopping network... **Kenneth Wolfe**, ex-New Hampton catalog company, joins Home Shopping Club as senior vp-mktg... **Dennis Hanks** promoted to vp-gen. mgr., Capital Choice, CAI Wireless Albany system.

William McCarter, pres.-gen. mgr., WTTW Chicago, re-elected chmn., Assn. of America's Public TV Stations (APTS)... **Steve Bauman**, Family Communications pres., appointed pres., WNYC-TV-AM-FM N.Y., succeeding **Thomas Morgan**, resigned... **Daniel Victor**, ex-Paramount, joins Children's TV Workshop as vp-gen. counsel; elected to CTW board: **Antoinette Bush**, of law firm Skadden, Arps, Slate, Meagher & Flom; **Vincent Mai**, pres., AEA Investors.

Monty Bippes advanced to east coast dir.-creative services, King World... **Timoth Newman**, ex-RHI Entertainment/New Line TV, named dir.-midwest sales, ITC Entertainment; **William Behrens**, founder of syndicator Show Business Inc., joins ITC as dir.-southeast sales... **Elliot Bloom**, former PR agency owner, named vp-PR, Nielsen Mktg. Research... **Denise Hodge** promoted to program dir., WNRW Winston-Salem... **James Lomax**, former independent producer, director, writer and consultant, named senior producer, Potomac TV.

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EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Albert Warren Editor & Publisher
Paul L. Warren Sr. Ed. & Exec. Publisher
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Business

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Deborah Jacobs Information Systems Mgr.

NEW YORK BUREAU

276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001
Phone: 212-686-5410
Facsimile: 212-889-5097

David Lachenbruch Editorial Dir.
Paul Gluckman Senior Editor
Martin Brochstein Senior Editor
Mark Seavy Associate Editor
Cindy Spielvogel Associate Editor

CONTRIBUTING EDITOR, EUROPE

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

JAPANESE REPRESENTATIVE

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

Television and Cable Factbook

Michael Taliaferro Managing Editor & Asst. Publisher—Directories
Mary Appel Editorial Director
Richard Koch Asst. Managing Editor & Asst. Editorial Director
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OBITUARIES

William B. Ray, 86, ex-NBC News executive and for many years FCC's expert on political broadcasting, died of cancer April 22 in Sun City, Fla. After attending U. of Louisville and U. of Chicago, Ray joined NBC News in Chicago, and was named Central Div. news dir. in 1943. He later joined FCC and in 1961 was named chief of old Complaints & Compliance Div. Retiring from FCC in 1978, he was commissioned by agency to rewrite its policies for enforcing equal time law and fairness doctrine. During election years of 1980, 1982 and 1984, he was retained by NAB to answer hot-line telephone from members. His book, "FCC: The Ups and Downs of Radio-TV Regulation," was published in 1990 by Ia. State U. Press. Wife, 2 sons, survive.

I. Keith Tyler, 89, Ohio State U. broadcasting prof. emeritus, died April 4 at University's Medical Center in Columbus of injuries received in car accident. He was founder and former head of Institute for Education by Radio-TV, which administered Ohio State broadcasting awards for 58 years. Tyler also was chmn. of Greater Columbus Cable Commission at time of death. Wife, daughter, survive.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	APRIL 9-15	1993 WEEK	% CHANGE	APRIL 2-8	15 WEEKS 1994	15 WEEKS 1993	% CHANGE
TOTAL COLOR....	333,811	275,128	+21.3	265,824	6,133,101*	5,972,868	+ 2.7
DIRECT-VIEW..	327,892	271,207	+20.9	262,218	6,002,136*	5,874,603	+ 2.2
TV ONLY.....	303,148	255,204	+18.8	248,365	5,543,680	5,563,844*	- 0.4
TV/VCR COMBO	24,744*	16,003	+54.6	13,853	458,456*	310,759	+47.5
PROJECTION...	5,919	3,921	+51.0	3,606	130,965*	98,265	+33.3
VCR DECKS.....	171,785	146,031	+17.6	85,883	2,846,250	2,830,126	+ 0.6
CAMCORDERS.....	25,545	44,475*	-42.6	21,026	662,196*	610,050	+ 8.5
LASERDISC PLYRS	1,914	3,528r	-45.7	1,687	64,319	62,265r	+ 3.3

Direct-view TV 5-week average: 1994--420,885*; 1993--384,170 (up 9.6%).

VCR deck 5-week average: 1994--211,434*; 1993--178,213 (up 18.6%).

Camcorder 5-week average: 1994--54,752*; 1993--48,549 (up 12.8%).

* Record for period. r Revised to include players with karaoke features.

MAGNAVOX LINE REVAMPED FOR MORE MASS APPEAL: With avowed intention of keeping Magnavox brand focused on price-driven market, and in face of tube shortages and other procurement difficulties, Philips has dropped 4 TV screen sizes and added 3 others, eliminating 20" and 35" and cutting number of projection sets to 8 from 22. As we reported last week, company dropped 8mm camcorders to concentrate on VHS-C (TVD April 25 p11).

Philips indicated it plans to be in technological forefront, however. It promised two 4-head hi-fi VCRs with StarSight on-screen guide by first quarter 1995 and first consumer digital camcorder based on new industry specs (TVD April 18 p9) by March-April 1996 at less than \$2,000, to be followed by digital VCR. It plans to introduce first consumer ghost cancelers early next year, and its projection TVs introduced last week have jacks to accommodate them. As for widescreen TV, there has been no change from last fall when Philips moved 34W" from consumer to professional line.

Shortening of video product line is matter of economics, according to company. Philips left 31" and 35", for which it had sourced tubes, but added 32" tube that just went into production in Ottawa, O. (TVD March 14 p11). In projection, 61" and 41" were eliminated, but 47" and 53" were added as stronger selling categories. Overall, 46"-47" accounted for 50% of industry projection sales, while 50"-53" held 40%, said TV Mktg. Vp Mark Stephenson at sales meeting in Scottsdale.

Acknowledging 61" is "growing category," Stephenson called choice "a matter of resources," adding: "It's more difficult to make a 61 than a 53. We're not a niche marketer -- Magnavox is a mainstream brand... and 61 and 41 fell below that." Philips introduced more than 20 Magnavox direct-view models, down slightly from year ago. In camcorders, company added 5 models vs. 8 year earlier while maintaining same 14-item line in VCRs and expanding TV/VCRs to 7 from 4 with addition of industry's first 2 models containing VCR Plus. Philips is last major manufacturer to adopt VCR Plus.

When ghost cancellation technology was first demonstrated in 1992, plan was to have cable companies install device at head-end. Commercial sales to cable companies reportedly have been limited and Stephenson said company then decided to offer \$200 option to consumers. Processor will be built into projection TVs starting in 1995, Stephenson said. More than 170 TV stations in 95 cities in U.S. and Canada are transmitting Philips Ghost-Cancellation Reference Signal, according to Philips -- just over 10% of all stations.

In TV, Philips revived some features, expanded others. It added Video Theatre line, limited distribution group of 19"-53" sets, to be sold under Philips and Magnavox brands. New 32" table sets (\$899-\$1,099) carry remote locator first included with 2 Philips TVs in 1992. Locator, which also will be sold as accessory, starts with 25" Magnavox (\$499), allows consumers who have lost remote to hit TV's power button to activate beeper.

Smart Sound, which automatically adjusts sound level over 9dB range to eliminate blasting, will start at 19" (\$299) and expand to 18 models from 4 year ago. Overall, Magnavox direct-view TV line ranged from 5" (\$229) to 32" console (\$1,399). Philips brand has ten 13"-32" TVs. Gone from line, presumably victim of tube shortage, is 20" -- something that could hamper Magnavox in battle against RCA and Zenith, retailers said. Projection lineup has Magnavox sets starting at 46" (\$1,999) and moving to 53" (\$2,899) at high end. New 47" with remote locator is \$2,599. Philips brand has 2 models.

While Philips officials said they will continue to market Philips and Magnavox brands, latter will continue to be more heavily promoted. Stephenson said many retailers use Philips as step from Magnavox, but conceded not all dealers carry both brands. Some retailers said they carry Philips brand as protection against price-driven and better-known Magnavox. "They [Philips] tend to cater to warehouse clubs and commodity dealers with Magnavox and sometimes offer specialty dealers Philips," said video buyer at southern retailer.

Biggest expansion was in TV/VCRs. Among new entries are 19" (\$549) and 13" (\$449) 4-head models with VCR Plus. Dropped was 20" TV/VCR after Philips couldn't reach sourcing agreement. Company unveiled what it said was first 13" combo produced at new factory in Budapest and said it will have 25" 4-head model in 1995.

Highlights of VCR line were Philips' first Magnavox models with VCR Plus, 4-head hi-fi (\$359) and 4-head mono (\$279). Philips didn't add to VCR line launched year ago that packaged Voice Programmer with Philips and Magnavox VCRs. Instead, it will deliver "3rd generation" VCR Voice Programmer Smart Talk universal remote as separate accessory in June at \$99, Video Mktg. Vp James Newbrough said. Rest of Magnavox line comprises two 2-head (\$199); four 4-head mono (\$219-\$279) and three 4-head hi-fi (\$299-\$329). Philips brand has 4-head mono and hi-fi VCRs.

Camcorders were cut to 5 from 7 year ago, exclusively full-size and VHS-C. Magnavox line-up includes 2 full-size with 8x and 12x zoom (\$599-\$699) and 3 VHS-C (\$649-\$899). There were no new Philips brand camcorders, and Magnavox 8mm was dropped because of what Newbrough said were high return rates by consumers trying to play them in VHS VCRs.

Newbrough predicted industry sales of 3 million camcorders with VHS-C pulling close to 8mm at 36-38% of market, down from his prediction last year that VHS-C would be running at 45% share by end of 1993 (TVD May 10 p15). Business will remain flat for 4-5 years until new format is introduced, he said, adding that digital camcorder won't "revitalize" industry in near term -- "even at \$500 that's pretty expensive. When [analog] VCRs were there [at \$500] they were still coming down." As for camcorders, "I don't see anything in the near future [leading to] a breakthrough to a \$199 or \$299 camcorder."

Newbrough said TV/VCR market will hit 2 million for first time this year, from 1.63 million in 1993. He predicted gradual increase in screen size to 25" and above.

* * * *

Numbers game continued last week, Panasonic VHS Group Vp-Gen. Mgr. Stanley Hametz going beyond recent forecast by JVC Exec. Vp Harry Elias that VHS-C would outsell 8mm this year (TVD April 18 p11) with prediction that VHS-C would easily pass 8mm, accounting for as much as 40% of total camcorder sales. With full-size VHS running at 25% of market, he said, there was less than 100,000 difference between 8mm and VHS-C sales last year. Claims of 8mm advocates (who see that format as high as 50% of total) exceed import figures by at least 10%, he said, adding: "How many years can you sell more than you import?" Details on Panasonic's views are elsewhere in this issue.

TV, VCR, CD PLAYER IMPORTS STRONG IN FEB.: Strong momentum of imports (TVD April 4 p11) continued in Feb., except for camcorders, which were level with last year. However, source countries continued to change, Malaysia replacing Japan as No. 1 supplier of VCR decks for 2 consecutive months.

Both color TV and -- surprisingly -- b&w were up sharply in Feb., monochrome more than doubling last year's comparable figure. Mexico continued as far-and-away most significant supplier of color, its shipments up more than 40% both for Feb. and first 2 months, representing 68.1% of imports in full period,

65.7% in Feb. One-time major suppliers Taiwan, Korea, Japan and Singapore dropped sharply, with only Thailand and Malaysia showing major increases, China holding its own. In monochrome, whole story was China, whose shipments doubled in Feb, with Taiwan only other significant source (see separate report on shipments by country).

New breakdowns in color are beginning to make more sense than they did last month. As we reported then, Commerce Dept. data showed 5,823 projection TV/VCR combos imported in Jan. When we pointed out to Customs official that there ain't no such animal, particularly at average value of \$260, he conceded that there obviously was misclassification and promised to straighten it out. Some progress was made -- only 336 were reported in Feb., average value \$313. We ignored these obvious booboos in our count.

Tally of conventional PTVs looks okay, so we're carrying them in our table below. Only 18,700 were reported imported in first 2 months, 89% from Mexico, rest from Japan, which appears legit. Most PTVs are assembled in U.S. Another new breakdown is in TV/VCR combos, 206,300 imported in 2 months, 98,100 from Malaysia, 66,500 from Mexico, 19,300 from Thailand, 14,100 from Japan. Some 54% were classified as 14" and smaller, 30.3% above 14", and the rest unclassified as to size.

In Jan.-Feb., 37.5% of camcorders imported were 8mm, down slightly from 38.6% in all of 1993 and 42.7% in 1992. In Feb., however, 8mm camcorders were up 1.3% while "others" were down 7%. Japanese-made camcorders slipped to 86.3% of total in year so far, with Korea increasing its supply nearly threefold.

Flat-panel color TV category is something of mystery -- average price \$127, Malaysia representing nearly 60% of total, followed by Japan and Singapore. Some correction is evident here, as well, number of flat-panel color TV/VCR combos dropping from 798 in Jan. to 8 in Feb. -- 5 from Japan, 3 from Netherlands, average value a logical \$2,100, as compared with \$147 in Jan.

CD player imports are climbing once again, but it's indicated that overwhelming majority are low-cost portables and boomboxes as opposed to hi-fi components. Although Japan still is No. 1 source, Feb. results show China as No. 2, its shipments up almost sixfold from same 1993 month, followed by Malaysia accounting for 10 times more than year earlier, followed by Korea and Thailand, last not even on list a year ago. Here are selected imports for Feb. and 2 months, from Commerce Dept.:

Product	Feb. 1994	Feb. 1993	% Chg.	2 Mo. '94	2 Mo. '93	% Chg.
Total Color TV...	1,099,200	862,500	+27.4	2,047,700	1,701,400	+20.4
TV/VCR combos..	136,100	**	--	206,300	**	--
Projection.....	10,000	**	--	18,700	**	--
Flat panel color*	23,000	34,000	-32.4	51,700	55,200	- 6.3
Monochrome TV....	143,000	68,200	+109.6	293,800	205,300	+43.1
VCR Decks.....	974,900	804,500	+21.2	1,984,200	1,737,800	+14.2
Camcorders.....	160,400	167,300	- 4.1	372,600	308,600	+26.8
8mm.....	59,700	58,900	+ 1.3	140,000	101,800	+37.6
Other.....	100,800	108,400	- 7.0	232,600	206,800	+ 7.9
Videocass.players	44,900	64,100	-29.9	139,500	100,400	+39.0
CD players.....	556,300	431,300	+29.0	1,191,800	819,850	+45.9

* Not included in total color. ** Comparable data unavailable.

GOVT. PLAN TO JUMP-START FLAT PANEL INDUSTRY: Pentagon is promising up to \$600 million in seed money to develop flat panel display industry in U.S. Although subsidies will be indirect -- govt. money will go for R&D to companies which promise to build high-volume plants -- Pentagon denied N.Y. Times story indicating intent is to build civilian industry to make computer (and presumably TV) displays to compete with Japan.

About \$120 million would be earmarked for each of 4 plants, and already there are reports that IBM, AT&T and Xerox are ready to enter competition. In good position also is Motorola's Motif Inc. joint venture with In-Focus Technology. Obviously, if these giants build flat panel display plants, they'll serve domestic industry as well as military.

At news conference last week, Ken Flamm, principal deputy asst. secy. of defense in charge of dual use technology policy, said goals are for military to have early access to leading edge technology ("we want to have the very best available technology in our system before it's available at your corner Radio Shack"), to have specially designed systems for military uses and to get products at low cost. Latter means, of course, sharing with commercial civilian users to bring costs down.

Pentagon has been making grants for display R&D for several years -- ever since the outcry in 1990 that U.S. couldn't become competitive unless govt. subsidized development of "new consumer electronics industry" and flat screens for HDTV, movement that gave birth to dual-use (military and civilian) philosophy. In continuation of that policy, major grant of \$50 million by Defense Dept.'s Advanced Research Projects Agency (ARPA) was made recently to OIS Optical Imaging Systems to build pilot plant which could supply flat screens for computers and eventually TVs.

PANASONIC VIEWS CAMCORDERS: 8mm camcorders "have seen the best of their times," with VHS-C about to overtake them, "but we believe both formats will coexist." So said Stanley Hametz, Panasonic VHS group vp-gen. mgr. at N.Y. news briefing last week.

Hametz took sharp issue with Sony's statement that 8mm format comprises 50% of total camcorder sales. He cited Commerce Dept. figures showing 38.6% of total camcorder imports last year were 8mm and forecast VHS-C would rise to as much as 40% of market this year, with full-size in 20-24% range (which would put 8mm at 36-40%), noting that such major manufacturers as Thomson and Philips are deemphasizing 8mm.

Exploring future of camcorder, Hametz said CE industry "desperately needs another explosive new category," but nothing is in sight for short term. Major problem for camcorder is "how to carry it beyond 30-35% penetration" of U.S. homes. Price reduction isn't way it will be done, he said, scoffing at suggestions that \$250 might be "ideal price" as "pie in the sky." Basic rock-bottom price points "with satisfactory margins at all levels" are in \$599-\$699 area, he said.

One of ways to increase camcorder market, he said, is simplification. Point-and-shoot model ideally would have only 3 basic elements -- on/off, zoom and viewfinder, with everything else "automatic and non-intimidating." In response to question, he said "we don't believe playback is a must" in camcorder, but savings by eliminating playback aren't sufficient to justify removing it.

At other end of scale, bringing high-end features down to lower price points is part of Panasonic strategy, Hametz said, noting that electronic image stabilization (EIS), which originally was in \$1,195 camcorder, now is in \$999 model and color viewfinder is now down from \$1,500 to \$799-\$899.

Asked about color monitor camcorders, he said Panasonic won't introduce here the model parent company is showing in Japan. "Based on the success of the 2 now on the market [here], we don't think it would add anything," he said, citing "lack of success by Sony [with Handycam Snap] and the \$200 rebate by Sharp" on 4" ViewCam. "We're actively studying" monitor camcorder, he said, but it needs a more useful function than those on market now. TV tuner, offered as accessory in Japan, would be big help, he suggested, but he noted color TV antidumping duties would price that product out of market.

Hametz forecast TV/VCR combinations would become "a major component of the TV business," moving to livingroom and eventually comprising 15-20% of TV market. Asked about Video CD, he said it will be feature of high-end Technics CD players.

He chided press for what he considered tilt toward Sony particularly in terms of description of 8mm picture quality as exceeding that of VHS-C. Quality of the 2 formats is essentially equal, he said, adding that contrary to competitors' claims, Panasonic's digital electronic image stabilization does not degrade picture.

"We are asking [the press] for balance" in coverage, Hametz said. "We don't expect balance from Sony, he added, saying some coverage gives impression that "ghost writers are PR people from Sony."

UNION TO VOTE ON TCE PACT: Month after Thomson Consumer Electronics (TCE) threatened to move some operations out of Ind. (TVD April 4 p13), company reached tentative agreement with IBEW on 3-year contract. Union is expected to vote on ratification this week. Contract would take effect at end of current pact, which expires April 1, 1995.

Contract would guarantee jobs of 5,000 at plants in Indianapolis, Bloomington and Marion, Ind.; Circleville, O.; Lancaster, Pa., for 4 years (including final year of current deal). In addition, TCE committed to additional investments in 31" and 35" cabinet molding and finishing operations in Indianapolis. Earlier, TCE Operations Exec. Vp John Neville said company was "prepared, if necessary, to relocate" 31- and 35-in. TV assembly and associated plastics operations from Bloomington and Indianapolis to undisclosed site elsewhere in U.S.

Joint news release said agreement "improves the competitive position" of TCE by addressing "some of [its] cost problems, but the company continues to examine salaried employee expenses and other represented units for additional savings opportunities." Sides agreed on cost reductions relating to benefits packages and unspecified "revisions to work practices."

JVC will expand imports of videotape from U.S. factory to Japan to help make up shortage due to closure of its Hokota factory last weekend. Company announced it will increase production at its other Japanese plant in Mito. Shortfall of about million units monthly will be made up by imports from U.S. Japanese plant will concentrate on higher end products, expanding imports from Tuscaloosa, Ala., plant of lower priced tapes. JVC has been producing 5 million videocassettes in Japan and 4.5 million in U.S. monthly.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 102 yen = \$1, except where noted.

JAPAN DROPS TO No. 2 IN VCRs: Japan has slipped to No. 2 as source of VCRs on year-to-date basis, being shoved aside by Malaysia in year's first 2 months. Mexico increased its dominance as source of color TV, while Thailand and Malaysia showed sizeable increases, with most other traditional source countries down. Here are figures by country of origin from Commerce Dept. tally for Feb.:

VCR Decks

	Feb.	% Chg.	2 Months	% Chg.
TOTAL.....	974,900	+22.2	1,984,200	+14.2
Malaysia..	277,700	+41.9	548,000	-37.9
Japan.....	236,300	-24.1	471,400	-22.7
Korea.....	187,100	+ 6.0	378,800	+ 0.6
Indonesia..	142,300	+491.3	286,600	+170.0
Thailand..	71,000	+72.0	142,800	+ 0.2
China.....	28,300	*	83,700	*
Singapore..	26,600	-29.1	60,300	-41.2
Taiwan....	5,600	+28.9	11,600	-17.6
Hong Kong..	0	--	0	--

TV Sets

TOTAL.....	1,242,100	+33.5	2,341,500	+22.8
color....	1,099,100	+27.4	2,029,000	+10.4
b&w.....	143,000	+109.6	293,800	+43.1
Mexico				
color....	722,700	+40.7	1,393,700	+40.3
Thailand				
total....	111,100	+51.5	241,400	+64.4
color....	109,100	+50.7	238,400	+68.2
b&w.....	2,000	+106.3	3,000	-42.5
China				
total....	120,200	+57.9	229,100	+38.3
color....	39,000	+ 4.3	76,700	-10.8
b&w.....	81,200	+109.7	152,400	+91.3
Malaysia				
total....	155,000	+40.7	227,700	- 0.2
color....	144,800	+41.0	192,300	- 6.2
b&w.....	10,200	+36.8	35,400	+52.7
Taiwan				
total....	26,000	+25.4	65,800	+44.2
color....	1,800	-30.5	3,100	-61.8
b&w.....	24,300	+33.3	62,700	+67.6
Korea				
total....	33,900	-31.9	63,700	-52.9
color....	25,000	-30.4	41,300	-49.3
b&w.....	8,800	-35.7	22,400	-58.4
Japan				
total....	34,400	-24.8	54,300	-31.8
color....	26,900	-26.7	40,300	-31.9
b&w.....	7,600	-17.2	14,000	-31.4
Singapore				
color....	19,400	-37.9	43,900	-33.0
Canada				
color....	5,000	- 1.8	10,200	+ 0.1
Hong Kong				
color....	3,500	-46.6	3,500	-83.4
Philippines				
color....	300	-96.6	400	-97.8

* No significant shipments in 1993 period.

Note: Figures for color and b&w TV include kits. Some totals may not add due to rounding.

SAMSUNG DELAYS CD-I, ADDS VIDEO CD: Samsung has scrapped U.S. plans for CD-I this year, will ship Video CD player during 4th quarter, company officials said.

Decision to abandon CD-I plans this year was tied to software availability and lower cost of manufacturing Video CD player, which will retail at "substantially less" than \$1,000, said Mark Knox, Samsung national mktg. mgr, audio/laserdisc. "The tooling investment is less and won't be as complex as it would be with CD-I," he said.

While Knox conceded that Video CD faces same "chicken and egg" scenario as CD-I, "we already have the existing technology." Samsung licensed CD-I from Philips. Although Samsung introduced CD-I player in Korea in April, it has delayed U.S. plans until 1995 at earliest, said Samsung Exec. Vp Ki Ryong Song.

Although Video CD plans are still being finalized, player is expected to be combo that can handle variety of CDs. Combination with LD player (which retails separately at \$499) accommodates 12" analog videodiscs, 5" video CDs with audio and CD+G, Knox said. While company has hinted at 5-disc carousel changer that handles 5" Video CDs, Knox said product isn't likely this year.

As licensee of StarSight technology, Samsung will deliver 4-head hi-fi VCR, 25" and 27" TVs and 4-head 25" TV/VCR featuring on-screen guide by 2nd quarter of 1995, Song said. While he declined to comment on possible prices, industry officials have said technology carries \$100 premium. Samsung would join host of companies in introducing technology, including Zenith which is expected to be first with 6 TVs this summer.

Elsewhere, Samsung expanded 8mm camcorder offerings to 4 models from 2 years ago. Heading line will be 2 compact models with 12x and 8x zoom (\$799-\$699). Standard 8mm pieces also have 12x and 8x zoom (\$749-\$649). Lone full-size will be delivered in Oct. at \$599.

In VCRs, Samsung will have three 4-head hi-fi pieces (\$299-\$419); three 4-head mono (\$269-\$289) and two 2-head (\$229-\$239), last with VCR Plus. Also scheduled for Aug. delivery are 2 VCPs at \$169-\$179.

Another nail was driven in coffin of Japan's MUSE HDTV system last week when Postal Ministry formally established policy of developing digital technology for satellite, terrestrial and cable TV by 1996. "The standardization of ATV [advanced TV] broadcasting in the U.S. and satellite digital TV broadcasting in Europe is expected to progress strongly in the next year or 2," said report, which noted international standardization is planned for future. Japan's TV manufacturers objected strongly in Feb. when Postal Ministry official forecast switch to digital HDTV (TVD Feb 28 p11).

Consumer plans to buy TV sets rose in April with 6.7% of households surveyed indicating they expected to acquire new set in next 6 months, up from 6.4% in March, and relatively unchanged from 6.8% one year earlier, according to Conference Board. Board's Confidence Index rose 5 points in April to 91.7, up 24 points in year, indicating strong confidence in economy.

TV Lockout, simple key-operated black box which keeps TV turned off, is being offered by Recoton at \$25 list. Lockout can't be defeated or disconnected without key.

WORLDWIDE SALES FORECASTS: Worldwide color TV demand will exceed 100 million in 1998, but CD player sales will decline slightly in next 5 years, according to world forecasts by EIAJ for 7 consumer electronic products. Of the 7, laserdisc players show greatest growth potential, according to figures.

EIAJ sees U.S. sales of color TV, VCRs, car stereo and audio tape recorders -- in addition to CD players -- decreasing between now and 1998, bucking general worldwide trends. Products in which worldwide sales momentum will increase are VCRs and audio tape recorders, in addition to color TV. Decreases in average annual growth rate are shown by camcorders and laserdisc players, with worldwide declines in both CD players and car stereo.

Here are EIAJ's forecasts for worldwide demand. Sales figures are in thousands of units; average annual change refers to 5-year periods 1988-1993 and 1993-1998).

COLOR TV

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
TOTAL.....	95,916	+2.3%	106,042	+2.6%
Japan.....	8,230	-3.0	8,750	+1.4
Asia.....	20,661	+1.4	25,667	+5.4
China.....	13,000	+1.5	16,000	+5.1
N. America...	28,300	+4.2	28,000	-0.2
U.S.....	25,000	+4.0	24,000	-0.5
Cent./S.Amer.	6,160	+13.7	7,300	+4.5
W. Europe....	20,430	+1.3	22,580	+2.4
E. Europe....	6,630	-1.6	7,280	+1.8
Middle East..	3,745	+6.5	4,445	+4.5
Africa.....	750	+7.1	870	+3.9
Oceania.....	1,010	+2.7	1,230	+4.9

VCR

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
TOTAL.....	41,642	+1.6%	46,178	+2.5%
Japan.....	4,310	-8.9	4,010	-2.2
Asia.....	5,944	+8.9	7,633	+6.9
China.....	2,900	+14.3	3,800	+7.9
N. America...	14,570	+3.3	13,950	-0.9
U.S.....	12,400	+3.0	11,600	-1.4
Cent./S.Amer.	2,075	+3.2	2,530	+4.0
W. Europe....	10,920	+0.6	12,775	+3.7
E. Europe....	1,300	+13.3	2,380	+16.1
Middle East..	1,550	+5.6	1,770	+3.5
Africa.....	331	+14.5	405	+6.3
Oceania.....	642	+1.6	720	+3.0

CAMCORDERS

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
TOTAL.....	8,926	+9.3%	10,715	+4.0%
Japan.....	1,240	-1.8	1,390	+3.5
Asia.....	828	+37.0	1,214	+10.6
China.....	200	--	370	+19.8
N. America...	3,505	+8.7	4,020	+3.5
U.S.....	3,200	+8.6	3,650	+3.4
Cent./S.Amer.	210	+61.0	255	+5.5
W. Europe....	2,730	+10.0	3,260	+2.2
E. Europe....	91	+71.9	162	+12.5
Middle East..	127	+11.9	174	+8.8
Africa.....	55	+40.9	70	+7.0
Oceania.....	140	+14.9	170	+5.2

LASERDISC PLAYERS

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
TOTAL.....	2,459	+25.3%	3,915	+13.7%
Japan.....	600	-0.2	900	+13.0
Asia.....	1,185	+72.4	1,845	+14.0
China.....	530	143.7	900	+15.9
N. America...	446	+37.6	710	+11.6
U.S.....	370	+34.7	500	+11.4
Cent./S.Amer.	60	--	100	+15.3

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
West Europe..	147	+37.4	295	+17.4
East Europe..	7	--	30	+43.1
Middle East..	6	--	10	+10.8
Africa.....	2	+14.9	5	+20.1
Oceania.....	12	+58.5	20	+14.9

CD PLAYERS

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
TOTAL.....	19,004	+11.9%	18,024	-0.5%
Japan.....	1,530	+3.8	800	-13.8
Asia.....	2,365	+20.7	2,827	+5.9
China.....	200	+22.7	500	+27.2
N. America...	8,040	+13.4	7,400	-0.8
U.S.....	7,200	+13.0	6,500	-1.2
Cent./S.Amer.	410	+50.2	545	+7.8
W. Europe....	5,895	+9.0	5,450	-1.6
E. Europe....	61	+19.0	161	+30.2
Middle East..	176	+28.2	244	+9.4
Africa.....	62	+18.9	102	+12.3
Oceania.....	465	+12.9	495	+1.9

CAR STEREO

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
TOTAL.....	53,362	+3.0%	51,522	-0.8%
Japan.....	6,400	-0.4	6,000	-2.2
Asia.....	5,105	+18.2	6,292	+5.6
China.....	620	+21.8	900	+10.0
N. America...	20,240	+1.4	18,200	-2.2
U.S.....	18,000	+2.1	16,000	-2.4
Cent./S.Amer.	1,780	+20.2	2,230	+5.5
W. Europe....	16,150	+1.4	14,580	-2.6
E. Europe....	630	+57.1	890	+10.3
Middle East..	1,280	+8.6	1,360	+1.2
Africa.....	790	+7.4	980	+5.6
Oceania.....	987	+1.2	990	+0.2

AUDIO TAPE RECORDERS

	1994	5-yr. Av. Change	1998	5-yr. Av. Change
TOTAL.....	140,610	+1.1%	159,720	+1.7%
Japan.....	9,480	-2.3	8,000	-4.0
Asia.....	42,450	+2.2	50,730	+5.1
China.....	25,000	+1.6	31,000	+6.3
N. America...	45,210	+2.3	44,140	-0.6
U.S.....	39,500	+2.4	38,300	-0.8
Cent./S.Amer.	6,270	+5.6	7,480	+4.4
W. Europe....	28,050	-1.2	28,300	+0.6
E. Europe....	4,700	-5.8	5,800	+4.5
Middle East..	6,810	+5.7	7,140	+1.2
Africa.....	3,690	-0.6	4,100	+2.9
Oceania.....	3,950	+4.0	4,030	+0.5

Zenith's \$90-million revolving credit agreement with lending group led by GE Capital has been extended through June 1996, company announced last week. Financing will provide "working capital to support the core business" of Zenith -- consumer electronics and cable/network systems -- Finance Vp Kell Benson said. Agreement was to expire at year-end 1994.

"Samsung Answer Center" is new help line staffed by professional and technical employees to answer questions about Samsung (1-800 SAMSUNG). Change is part of reorganization of Service Div., establishing new Service Support Dept., replacing old Service Administration Dept.

John Cleese, spokesman in Magnavox commercials, will star in CD-I disc on how to conduct business meetings, first in 10 CD-I programs under agreement by Philips Media and Video Arts.

Philips and Matsushita have established 50-50 joint venture to manufacture dry batteries in Poland.

SEGA, MGM TO COLLABORATE: Deal announced last week by Sega of America and Metro-Goldwyn-Mayer (MGM) to "jointly create a lineup of interactive media titles, TV programs and motion picture titles" is only latest indicator of increasing synergy between entertainment media. Though movie and TV licenses are longtime game staple -- even before there were electronic games -- Sega/MGM announcement further cements relationship between interactive programs and linear movies

Sega/MGM agreement could be only first of Sega's deals with studios. "We have been approached by a number of parties in Hollywood," said Michealene Risley, Sega group dir. of licensing & character development. She said "there are other talks going on," though those prospective deals "may not be within the same framework" as one with MGM.

Joint news release described alliance as "non-exclusive" pact that calls for undisclosed investment by each party, collaboration in "the development, production and marketing of media products" that would bear both companies' brands, and possible development of games based on 1995-96 release from MGM and United Artists. Companies said they plan to release 2 CD-ROM games in first year, and that MGM is already developing "entertainment property" for Sega's PICO interactive learning aid.

Joe Miller, Sega's senior vp-product development, said companies will immediately work on range of titles for Sega CD, Super 32X and Saturn platforms. Also, he said, "we plan to work toward the simultaneous introduction of traditional film and interactive product, the development of entertainment product and the cross-pollinating of creative concepts between linear and non-linear entertainment products."

Allen Cole-Ford, MGM Exec. Vp-Strategy & Development, said Sega and MGM will put their respective creative groups together in effort to "develop new characters, not derivative works." Agreement is intended to produce characters that can lead not only to games success but that "deserve to be linear" as well, goal that largely has eluded Hollywood-Silicon Valley alliances to date. He said game launch will precede motion picture release in most instances, although day-and-date release eventually may become "optimum" situation. Also expected are videogames based on some upcoming MGM or UA films. "There is no page in the industry textbook that we're looking at," he said.

Cole-Ford said most MGM-Sega projects will go beyond "orthodox" approach of making videogame based on movie or movie based on videogame. Companies will collaborate on films and games concurrently, from beginning of development through completion of marketing. Movies and games will be "separate but parallel."

Much-touted synergy between Hollywood and Silicon Valley (often wryly referred to as creation of "Siliwood") has been hit-or-miss proposition over years ranging from Atari's failure with game based on E.T. to success of collaboration among Disney, Sega and Virgin last year with Aladdin cartridge. Advent of live action video in CD-ROM games has brought further linkage, to point where both industries are dealing with same trade unions and guilds. Virtually every major and minor studio has announced creation of "new media" div. or task force to figure out how they can leverage their current businesses into fresh revenue sources. One game industry veteran bemusedly points to "feeding frenzy" of new interactive media deals, said that "if you step back from some of them and ask where are the benefits, you can see they're not well thought through."

ANTAR SENTENCED TO 12-1/2 YEARS: Eddie Antar, one-time head of high-flying N.Y. CE retail empire, was sentenced last week to 12-1/2 years in prison and ordered to pay \$121 million for his role in stock fraud and racketeering scheme.

Antar, dubbed "Darth Vader of capitalism" by federal prosecutors, was convicted last year on 19 counts including allegations that he inflated stock value by falsifying inventory and transferring money from wholesale accounts to pump same-store sales. His brother, Mitchell, was sentenced to 51 months in prison, 2 years supervised release and ordered to pay \$3 million. Attorneys for Antars said they will appeal.

Shackled and speaking in slow, soft voice, Antar told U.S. Dist. Judge Nicholas Politan, Newark: "I am deeply sorry for what I have done. I know now I should have confronted my personal problems. I can't go back to the past, but if I could go back 3 years, I wouldn't have done what I did." Antar, who will also have 3 years supervised release, fled U.S. in 1990 before start of civil trial, but was arrested in 1992 in Israel where he had been living under assumed name.

U.S. Attorney Michael Chertoff, who sought 25-year sentence, said "one of the myths of this case is that Crazy Eddie was a successful business." He said chain reported "minimal profits" before going public in 1981 and "to even the person with the lowest amount of business understanding it would show Eddie Antar wasn't capable of operating a company." Crazy Eddie, founded in Brooklyn in early 1970s, had expanded to 43 stores by time it filed for bankruptcy in 1987.

John Barry, Antar's attorney, countered that Antar built "successful" business that reported \$111 million in sales in 1980, year before going public. "To say that Crazy Eddie was a myth as a successful business is absolute nonsense," Barry said, adding he will seek to have Antar serve sentence in minimum security prison.

Sentencing almost closes Crazy Eddie case. Allen Antar, who was indicted with Eddie and Mitchell, has been acquitted. Former CFO Abraham Grinberg, who cooperated in investigation, is scheduled to be sentenced this month.

EIA Digital Workshop, 6th annual event, is scheduled Oct. 5-7 at Westin Hotel, Waltham, Mass. Oct. 5 will be devoted to tutorial, followed by sessions Oct. 6 on digital video in cable TV, chaired by consultant Walter Ciciora; digital video in consumer electronics, Bailey Neal, Thomson Consumer Electronics; digital video in computers, Scott Stevens, Software Engineering Institute, Carnegie Mellon U., with non-technical panel discussion in evening. Oct. 7 workshops will be devoted to telecommunications, Robert Keeler, AT&T, and digital broadcasting, Mark Richer, PBS. Details, 202-457-8700.

Micron Display Technology, Boise, announced it has developed prototype of field emission display (FED) with video rate resolution of 700 pixels per inch. First model is monochrome, but company is preparing color version and is talking with consumer electronics companies about commercialization. MDT says it's only company in U.S. to develop FED video image display. Project was funded by grant from Defense Dept.'s Advanced Projects Research Agency (ARPA).

PIONEER RENEWS LD PLAYERS: Pioneer has replaced its 5 laserdisc players, highlighted by with new 2-side play model which can sell for under \$500. Model can switch sides in less than 8 sec., has independent CD tray for quicker loading, at suggested list of \$650. Basic leader model has \$535 list.

Step-up models have karaoke microphone, with "one-touch karaoke," eliminating lead vocals on recordings. They're priced at \$650 and \$770, latter with on-screen CD programming and 60-step memory. Top of line, at \$1,220, has 8-bit digital field memory, with twin one-bit digital-to-analog converter, jog and shuttle dial.

Pioneer continued intact basic line of 7 "cinema-wide" projection TV monitors with 16:10.7 aspect ratios, showing more of standard picture by eliminating overscan (TVD May 3/93 p10). Three 45" models are \$2,499-\$3,199, three 50" at \$2,699-\$3,499, single 55" at \$3,999, unchanged from last year.

VAC Service Corp. has launched program offering Bank of Delaware and PNC Bank credit card holders monthly service contract for TVs and VCRs. Under pact, which covers banks' 600,000 Visa and MasterCard holders, consumers pay monthly fee ranging \$2.39 for VCR or VCP to \$5.95 for TV under 21" and \$8.95 for set up to 37". If product breaks down, consumer calls toll-free line and VAC arranges either repair or replacement of unit. Repairs are completed by servicer in banks' Del.-Pa. area, while local retailers will replace product at VAC-negotiated price, company said. VAC is planning to expand program to cover other regions and products, said VAC Senior Vp Charles Romano.

Good Guys, citing improved Cal. economy, reported 691% increase in net income during 2nd quarter (see financial table). Rise in profit was tied to 37% jump in 2nd quarter sales to \$159.9 million. For first 6 months of fiscal 1994, net income increased 83%. Same store sales rose 26% during 2nd quarter, 18% for 6 months. San Francisco-based chain plans to expand Las Vegas locations and move into Pacific Northwest in 1995 and expand Hayward, Cal., distribution and service center to 460,000 from 284,000 sq. ft. (TVD March 14 p14)

Sales of camcorders ran well behind last year's pace for 2nd straight week in April, according to figures released by EIA (see State of the Industry). However, if pattern in first 3 months is indicator, then performance in early part of month gives little hint of how full period will run, since sales booked in last week of month have been larger than in all other weeks combined. For first half of April, camcorders were down 32.8%, laserdisc players off 11.7%. On other hand, color TV sales were up 24.9%, TV/VCR combos up 22.8%, projection TVs up 48%, VCR decks up 10.7%.

Acclaim Entertainment's entry into coin-op game business will come via game based on Warner Bros.' Batman Forever movie slated to hit theaters next year. Acclaim also will develop Batman Forever games for "a variety of home video game systems," though not for Sega's Genesis 32X or Saturn, which presumably will be handled by Sega itself.

Daewoo has applied for patents in 15 countries on lavender screen color TV claimed to reduce X-ray emissions by 50%. Coatings of iron oxide and zinc oxide are claimed to absorb more than 50% of gamma, X, ultraviolet and infrared rays. X-ray exposure has been reduced from normal 0.024 milliroentgen (mR) to 0.011mR, according to Daewoo.

Infringement suit by Thomson Consumer Electronics (TCE) against 5 companies that operate CD factories in U.S. is based on broad patent dating to 1972, when company filed application in France during R&D work on optical videodisc system to rival Philips' Laservision. Suit, filed in U.S. Dist. Court, Del., makes sweeping patent claims on current CD manufacturing technologies. Targeted are 5 companies -- Bertelsmann, EMI, Nippon Columbia, Quixote, Time Warner -- that TCE says have refused to sign licensing agreements. TCE persuaded virtually all major Japanese CD pressers to take licenses. Although TCE patent was granted in most European countries soon after application, corresponding patents in U.S. weren't issued until 1989.

Digital Pictures (DP) and Times Mirror formed series of joint ventures to develop interactive products, including cable TV programming, "interactive magazines," interactive ads. In addition, Times Mirror made undisclosed equity investment in DP. DP Pres. Tom Zito said company for last year "has talked to most of the major media companies about strategic partnerships," said Times Mirror "seemed to have the best understanding of where publishing and media are going to have to go." Zito, former journalist, said he expects to develop "a few prototypes" of interactive magazines with hope of publishing 1-2 of them on CD-ROM next year.

JVC's first car navigation system goes on sale in Japan June 21. "Multinavigator" GPS system will sell for about \$2,000 (excluding monitor) and will be produced in quantities of 2,000 monthly at start. JVC said KZ-N1 has automatic route set-up function, accessible by keying in only origination point and final destination. Beside CD-ROM maps, KZ-N1 also will accommodate audio CDs, CD+G discs and CD-I titles. JVC said it plans to expand car navigation lineup later. It said ultimate goal is to derive 25% of overall autosound revenues from car navigation products.

Tower Records official denied report in Billboard magazine that it's dropping all CD-I software, which has been subject of test in 7 stores since last year. Vicky Mehring, product mgr., said 3 of smaller stores in test had removed CD-I programs due to slow sales, but that other 4 in Boston, N.Y., San Francisco and Sherman Oaks, Cal. would be continuing test, taking "wait-and-see" stance. Test is expected to proceed at least through fall season, when Philips is scheduled to introduce \$299 player, which it hopes will boost machine population and software sales.

Warrantech, in first major push into satellite business, has launched Suresat extended service contract for Houston Tracker Systems (HTS). Program takes effect June 1, offers 3- and 5-year contracts covering HTS integrated receiver descramblers (IRDs). Warrantech also introduced 3- and 5-year contracts covering entire satellite systems including IRD, dish, horn, etc. Warranties will be sold through 93 independent distributors and 3,500 stores, company said. Contracts would be extension of one-year manufacturer warranty.

3M, reporting drop of 7.2% in first quarter net earnings on 3.3% rise in sales, said Information, Imaging & Electronics Group was affected for last few quarters by eroding prices for videotape, computer discs and photographic film, but greater efficiency helped increase operating income in first quarter.

Wells-Gardner reports first-quarter loss of \$1.3 million, including special charge of \$762,000 for management reorganization, compared with \$236,000 loss year earlier. Sales fell 23% to \$7.6 million from \$9.9 million.

Consumer Electronics Personals

Toshiaki (Ted) Urushisako, formerly senior exec. vp, Sharp Information Systems Group, named pres. of Sharp, succeeding **Suejuki Hirooka**, who continues as chmn.; **Perry Clay** advanced to senior exec. vp from exec. vp, Sharp Consumer Electronics Group (CEG); **Makoto (Mark) Sawanoi** moves to CEG senior vp from group vp...**James Sanduski**, ex-Sony, becomes Samsung national video products mktg. mgr.

Frank Myers resigns as chmn.-CEO and a dir. of Wells-Gardner Electronics; he declined to stand for reelection, citing health reasons; Myers, 64, remains on EIA Consumer Electronics Group board; he's succeeded at W-G by **Anthony Spier**, a W-G dir. and former pres.-CEO of Oce-Bruning Inc., engineering graphics firm... **Tami Landburg** promoted to national sales mgr., Carver/KLW Mobile Products Div... **Neal O'Reilly**, ex-Silo, named Tops video buyer.

Named at Spectrum Holobyte: **Stephen Morris**, ex-Microprose USA senior vp-finance & operations, as managing dir. of European subsidiary Microprose Ltd., replacing **Adrian Parr**; **Lou Gioia**, toy industry veteran who recently was senior vp-boys product mktg. at Mattel, named senior vp-mktg. & publishing; **Holly Hartz**, ex-Electronic Arts, as PR dir... **Scott Lahman**, ex-Tribeca Interactive, joins Activision as creative exec... **Bob Natwick**, ex-Grass Valley Group and Ampex, joins DiviCom as vp-sales & mktg.

Gerald Weber promoted to Blockbuster Music pres. from senior vp in charge of company's Domestic Consumer Div... **Peter Cline**, ex-Borden, joins Handleman as exec. vp and pres. of distribution; **Lawrence Hicks** promoted to exec. vp-mdsg. from senior vp; **Louis Kircos** advanced to exec. vp-corporate development and subsidiaries from senior vp; **Richard Morris** promoted to senior vp-finance, chief financial officer and secy. from vp.

Sanford Friedman, ex-Warner Bros., MGM/UA and Paramount, named vp-operations for domestic home video at Turner Home Entertainment... **Mindy Mervis** promoted to dir. of A*Vision Entertainment's KidVision label... **Fran Salamon** moves from vp-operations & planning for Ingram Entertainment to pres., Ingram Periodicals... **Renee Joshu**, ex-Hallmark Cards, named vp-mktg., Sight & Sound Distributors.

Electronic Arts 4th quarter net income grew 31% to \$11.3 million on 24% revenue increase to \$107.2 million. For year ended March 31, EA earned \$44.7 million, up 45%, as sales grew 40% to \$418.3 million. Revenues from N. America were up 14% in quarter from same period year earlier, though European sales dropped 13% and Australian revenues slumped 12%. Revenues from Japan, where EA has joint venture with Victor, jumped 140%, though company lost \$856,000 in quarter on its share.

Consumer Electronics Week schedule of promotional activities begins today (May 2) in Columbus, O., running through May 8. EIA-sponsored event includes workshops and seminars at 10 retailers on home theater, satellite systems, high end audio, car sound and security, accessories. Consumer can also enter drawing for \$1,000 gift certificate redeemable in participating stores. EIA plans other CE Week promotions this year for Salt Lake City, Nashville.

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
America Online			
1994-9 mo. to March 31	66,644,000	4,079,000	.51
1993-9 mo. to March 31	27,608,000	3,412,000	.51 ^a
1994-qtr. to March 31	29,188,000	1,824,000	.21
1993-qtr. to March 31	10,499,000	1,091,000	.16 ^a
Capital Cities/ABC			
1994-qtr. to April 3	1,404,949,000	116,081,000	7.56
1993-qtr. to March 28	1,178,337,000	58,372,000	3.55 ^b
Electronic Arts			
1994-year to March 31	418,289,000	44,737,000	.90
1993-year to March 31	298,386,000	30,858,000	.65
1994-qtr. to March 31	107,158,000	11,276,000	.23
1993-qtr. to March 31	86,581,000	8,595,000	.17
Gaylord Entertainment			
1994-qtr. to March 31	126,233,000	8,495,000	.10
1993-qtr. to March 31	117,877,000	(8,288,000)	— ^c
Good Guys			
1994-6 mo. to March 31	370,877,000	10,161,000	.78
1993-6 mo. to March 31	285,085,000	5,566,000	.44
1994-3 mo. to March 31	159,890,000	2,783,000	.21
1993-3 mo. to March 31	116,402,000	352,000	.03
Harman International			
1994-9 mo. to March 31	609,302,000	16,042,000	1.25 ^b
1993-9 mo. to March 31	489,640,000	5,972,000	.55
1994-qtr. to March 31	222,915,000	8,179,000	.55
1993-qtr. to March 31	167,581,000	4,001,000	.37
Heritage Media			
1994-qtr. to March 31	65,313,000	(604,000)	—
1993-qtr. to March 31	59,520,000	(2,522,000)	—
Knight-Ridder			
1994-13 wk. to March 27	603,863,000	30,372,000	.55
1993-13 wk. to March 28	583,894,000	23,136,000	.42
Meredith			
1994-9 mo. to March 31	592,684,000	22,164,000	1.55 ^a
1993-9 mo. to March 31	566,287,000	13,502,000	.88
1994-qtr. to March 31	205,763,000	7,216,000	.51
1993-qtr. to March 31	198,718,000	5,352,000	.35
Oak Industries			
1994-qtr. to March 31	61,785,000	7,392,000	.40
1993-qtr. to March 31	59,223,000	5,015,000	.28 ^d
Tandy			
1994-qtr. to March 31	992,135,000	41,795,000	.51
1993-qtr. to March 31	864,712,000	35,145,000	.43 ^c
Walt Disney			
1994-6 mo. to March 31	5,003,084,000	617,012,000	1.13
1993-6 mo. to March 31	4,417,815,000	118,445,000	.22 ^d
1994-qtr. to March 31	2,275,755,000	248,448,000	.45
1993-qtr. to March 31	2,026,459,000	214,850,000	.39
Washington Post			
1994-13 wk. to April 3	358,454,000	28,812,000	2.46
1993-13 wk. to April 4	361,706,000	40,105,000	3.40 ^a

Notes: ^aIncludes special credit. ^bAfter special charge. ^cRestated. ^dAdjusted.

Carver Corp. posted \$544,000 net loss in first quarter ended March 31 compared with \$662,000 loss in same quarter year earlier on 13.4% sales decline to \$5,516,000 from \$6,370,000. Company blamed sales decline on decrease in its professional audio sales caused partly by turnover of amplifier line. It also cited "major reduction" in number of Carver consumer products in line compared with year earlier.

Ninth Incredible Universe (IU) "gigastore" is scheduled to open this fall in Auburn, Wash., next to Supermall of the Great Northwest. New store, which would be 2nd in northwest (first IU was in Wilsonville, Ore., suburb of Portland), will cover 185,000 sq. ft., be 6th for company this year, following Miami (already open), Tempe, Ariz., Sacramento, Cal., Hollywood, Fla., Hilliard, O.

TELEVISION DIGEST®

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

REGULATORY HURDLES SEEN for new cable services; technology said to be solved. Telcos accused of delaying reform. Senate panel hears debate on telco entry. (P. 1)

'KILL AND STOP' NII, Hughes' Armstrong suggests. Claims fiber could cost \$300 billion, satellites could do job cheaper. DirecTv to be operational in month. (P. 3)

COMPRESSION TO BE LATE: Cable delivery won't begin until mid-1995, Cox's Best says. Delays on MPEG and boxes blamed. TCI may not wait for MPEG. (P. 4)

COURT REVIEWS PORTALS: Judges indicate it's only question of what owners should receive. Decision on FCC site likely within month. (P. 4)

QUELLO AND D'AMATO SPAR over Howard Stern. Quello criticizes senator's 'caustic remarks,' and lawmaker responds in kind. (P. 5)

FOX BOOSTS NEWS CORP.: Network and stations improve. So do BSkyB and TV Guide. Infinity results increase. (P. 5)

FCC BRAKES CITY on cable rate rules. St. Louis is told it misapplied benchmarks. TCI criticized for delaying process. Case is first of type. (P. 6)

SLOW DIGITAL GROWTH SEEN, except for cable and satellites. Study predicts other video technologies won't reach 50% penetration in 20 years. (P. 6)

CABLE SEES REGULATORY, NOT TECHNICAL, BARRIERS: Cable industry has cleared all main technical hurdles to launching new services such as local access telephony and those in projects such as Orlando full-service network, top cable technical officials said during NCTA Cable Technology Tour in Denver last week. Main remaining hurdles, they said, are regulatory and achieving true interconnectivity. Some of those barriers were topics of discussion at hearing on cable-telco entry held last week by Senate Commerce Committee.

Cable will enter local telephony sooner than most people believe, targeting residences and small businesses, Time Warner Communications Pres. Thomas Morrow said: "The barrier is not technical. The problem is that many states still make it illegal to compete with the RBOCs. Nothing will happen without speedy action by regulators." There's "significant opportunity for very quick movement" on regulatory front, Morrow said, referring primarily to legislation being considered in Congress.

Comcast Strategic Planning Vp Mark Coblitz said many PUCs also are "taking a more proactive role" in allowing competition: "Over a reasonable period of time, I believe that the regulatory barriers will come

Consumer Electronics

CABLE-CONSUMER ELECTRONICS compatibility rules spelled out by FCC, which sides with CE in interface dispute. 'Cable-ready' rules in effect in 1997. (P. 11)

MITSUBISHI, HITACHI REAFFIRM limited distribution tactics as they unveil lines, although defining term in different ways. Mitsubishi shows 50" table projection, lowers 40" tube price. (Pp. 12 & 17)

CAMCORDER PRICES hit all-time low in March exports from Japan to U.S., dropping below average of \$500 for first time, despite weakness of dollar. (P. 14)

PHILIPS POSTS TURNAROUND in consumer electronics, leading net income to 152% increase in first quarter, although sales were flat. (P. 15)

BEST BUY OPENING 6-8 stores this year in L.A., market it first targeted for 1995 expansion. (P. 15)

LETTER FROM SENATORS Lieberman and Kohl urges top videogame retailer to back only ratings system with prior outside review, endorsing IDSA's approach, not SPA's. (P. 16)

DSS SYSTEM WILL LAUNCH in late May in Jackson, Miss., nearly month after proposed startup, as companies work to integrate software. (P. 16)

FRETTER REPORTS LOSS for 1993, showing effects of \$45-million purchase of Silo last fall. (P. 17)

down." Bills in present form won't solve all problems, he said. He forecast that PUCs would mandate that telcos set reasonable, cost-based fees for cable to connect to local exchange telephony networks. But, as in case of fees for alternative-access providers to colocate in telco offices, Coblitz predicted that telcos at outset would propose fees far too high. FCC eventually will force them to lower fees, he said, but that will delay start of cable telephony by 18 months or more. Issue of reimbursing telcos for providing universal service also will remain after legislation, he said. Cable is proposing that, instead of going directly to telcos, same amount of universal service fees be placed into pool, possibly administered by govt., that would go to any company that took action to protect universal service principle.

"Cool feet" by RHCs is main roadblock to telecommunications reform bill this year, NCTA Pres. Decker Anstrom said. Cable would like some modifications, but would prefer current versions to no legislation at all: "I think that if the RBOCs want to kill the bill, they can. But they have to assess where that would leave them in 1995."

"Everybody needs certainty," Anstrom said. "I think there's a consensus that we want Congress to act on this, rather than the courts." Congressional action would provide certainty that cable needs for bank financing, he said. Cable support for telco entry into cable is big change, he acknowledged: "Our position used to be not only no, but hell no." Legislation appears to be "teed up to pass overwhelmingly this summer in the House," Anstrom said, but it had been stalled for 2 months in Senate before last week's hearing.

RHCs' reluctance to accept bill isn't uniform, he said, with those interested in cable apparently more supportive than those with little cable interest. That theory was severely tested, however, when Richard McCormick, chmn. of U S West (Time Warner's partner) told Commerce Committee that if legislation (S-1822) sponsored by Committee Chmn. Hollings (D-S.C.) and others passes, U S West would "stop building the information highway" in its territory. Hollings acknowledged that RHCs could block bill, but said it would come up again.

Conditions for RHC entry turned out to be one of chief debating points of hearing. While McCormick opposed conditions set out in bill, Anstrom and Center for Media Education Exec. Dir. Jeffrey Chester said they were necessary to make certain competition got off to equal start. NCTA position would delay telco entry by about 3 years, although McCormick estimated delay at 5-7 years. Anstrom, responding to McCormick's argument that telcos had to assume duties of carrier of last resort, said cable companies offering telephony would contribute to universal service support. He also made peace offering to committee, saying cable had received message from Hill about cable rates, and "we will comply with the regulations." Cable and telcos agreed that special conditions should be set for rural areas to allow in-region buyouts and joint ventures for communities larger than 2,500 limit now in bill.

Other key topic was whether local regulation was appropriate. McCormick objected, but Donna Halsted, member of Dallas City Council, said utilities using municipal rights-of-way had to pay for damage to streets and other city facilities. McCormick also was against telcos' having their business regulated at yet another level and of having to pay franchise fees to enter video business. Halsted said franchise fee "wasn't a tax," but Sen. Burns (R-Mont.) disagreed. Sen. Stevens (R-Alaska) said franchise fees paid to cities drained companies' resources, resulting in less money to spend on rural services. He said he's preparing proposal for regulatory parity.

Also testifying, NAB Pres. Edward Fritts supported bill, particularly portion that would give broadcasters flexibility to use spectrum. Committee is expected to complete hearings on its version of bill before Memorial Day, he said, which could mean action this summer.

CableLabs Pres. Richard Green said that assuring interoperability among cable systems, and between cable systems and telcos was "the most important thing." CableLabs Vp-Advanced TV Craig Tanner agreed that standards for interoperability were "absolutely the limiting factor" in deploying technology such as ATM (asynchronous transfer mode) digital switches in cable networks. He said ATM Forum, which has become de facto standard-setting body for ATMs, has swelled to more than 300 companies and will speed setting of standards to guarantee interoperability.

Cable still is facing some technology-related delays. Time Warner (TW) full-service network in Orlando was scheduled to start about now, but has been put off to 4th quarter because of equipment and software delays. James Chiddix, TW senior vp-engineering and technology, said he was "not overjoyed by the delays," but said they weren't particularly significant because system is prototype and bugs were expected. Process of integrating hardware and software was more difficult than TW expected, he said, and it will postpone

startup even further if necessary to get it right. Even then, full-service network will be just a start, Chiddix said: "We won't have it perfect from day one. This is an evolutionary process, and we did this to get the evolution started." Among other things, TW won't know at first which network products will be successful. He predicted that availability of network would spur "a huge body of new products," most of which would fail, but some of which would be great: "This is the hidden upside to all of this."

There will be no one "killer application" for full-service network, said Geoffrey Holmes, TW senior vp responsible for interactive TV. He predicted large number of smaller applications, ranging from consumer-supported activity such as interactive videogames and video-on-demand to advertiser-supported functions such as auto sales: "If you put all these things together, you don't need a killer application." Chiddix said full-service network would require additional capital expenditure of about \$700 per subscriber, amount that would need additional cash flow of \$14 per subscriber per month. Figure seems high, Holmes acknowledged, but he pointed out that average household spends \$14 per month on video rentals alone. Morrow said cable telephony could be "killer application" because of revenue it could generate. Coblitz said alternative access providers have 0.8% of \$26 billion local exchange market, so there was huge room for growth: "We are nowhere in competing for the local exchange market."

Court decision on cable appeal of rate rules isn't likely until at least early 1995 "under the most optimistic scenario," NCTA's Anstrom said. Assn. is expected to file its notice of appeal by mid-May, but courts are likely to wait for FCC reconsideration process to be completed before taking substantive action, he said. Delay will be "very tough" on some small operators, he predicted: "I wouldn't be surprised to see some Chapter 11 [bankruptcy] notices within the next 4 to 8 weeks."

'KILL AND STOP' NII URGED: Legislative proposals on developing National Information Infrastructure (NII) should be "killed and stopped" because they amount to "tax" on consumers rather than reliance on market to raise capital, Michael Armstrong, chmn.-CEO, GM Hughes Electronics, told reporters at American Institute for Aeronautics & Astronautics conference last week. "Government should focus on end users and applicants, and leave out the delivery mechanism," he said. Fiber, which he said could cost \$300 billion over 20-30 years, doesn't compare with satellite, which can "do the job faster, cheaper and fairer" today, he said.

Meanwhile, Hughes said its DirecTv DBS system would be operating "within 30 days" and described Digital Cinema satellite film distribution system. Company said system can save theater industry hundreds of millions of dollars by eliminating delivery of films to theaters.

Meanwhile, at SuperComm in New Orleans last week, panelists said quickest route to NII is to create fast lane where competition takes place at full throttle. Panel included USTA Pres Roy Neel, Telecommunications Industry Assn. (TIA) Chmn. John Major, Sun Microsystems Chief Technology Officer Eric Schmidt, Corel Systems Pres.-CEO Michael Cowpland, Newbridge Networks' Chmn.-CEO Terence Matthews. Briggs, Neel, Matthews, Cowpland and Major said they would favor all-out competition. Neel said: "It's ridiculous that we have government micromanaging the most dynamic industry in the country." Matthews recommended banning all regulations: "The industry won't fall apart."

Neel said "worst thing" Congress could do would be to "pick winners" when writing new laws: "Congress could send the superhighway vehicles into the ditch if they're not careful," by replacing one set of restrictive regulations with another. Major warned that if Congress lets RHCs into manufacturing it could hurt progress of NII. Working class population of U.S. will "probably be the last to benefit directly" from NII, Major said, but they "will soon see indirect benefits such as improved access to health care services." Briggs disagreed, saying that NII success would be immediate because of entertainment services. "I think entertainment will be the major driving force" of NII, he said.

Near-video-on-demand (NVOD) alone doesn't make economic sense, Encore Chmn. John Sie said. If half of cable households get access to NVOD, and if NVOD drains away half of video rentals in those households, it would add only \$800 million per year cash flow, he said, amount that would require 17 years to pay off capital investment "in the most aggressive projection." Since cable normally expects to recoup investments in 5 years, Sie said, "this analysis says [NVOD] is kaput, it doesn't work." He said coupling NVOD with multiplexed premium service such as that planned by Encore could allow cable systems to pay off investment in 4-1/2 years. Encore will launch 3 of its 6 planned multiplex services July 7, rest later in year.

At SuperComm in New Orleans last week, BellSouth was touting "killer" application of telemedicine projects. More than 7 different exhibits were wrapped into "Super Medical Office." Demonstration involved such things as new cancer treatment procedure using 3-D computer images on Cray unit. Other exhibits showed low-cost transfer of x-rays.

CBS Sports Div. laid off several employees, including Vps Jay Rosenstein and Jeremy Handelman, as network continued to downsize following loss of NFL to Fox and Major League Baseball to NBC and ABC. CBS said no further staff cuts are expected. It has been talking with potential sponsors about new football league.

COMPRESSION TO BE LATE: Cable delivery of compressed digital video signals won't begin in earnest until mid-1995, about 6 months later than planned, said Alexander Best, Cox senior vp-engineering and member of group working on MPEG digital compression standard. Problems are that MPEG standard continues to slip, and that there won't be enough DigiCipher II/MPEG set-top converters available in Jan., Best said on NCTA Cable Technology Tour in Denver last week.

MPEG group recently finalized more portions of standard, but more are still to be done, Best said. As result, "I'm not comfortable with the first quarter of 1995, it'll probably be mid-1995" for start of latest-generation digital compression, he said. TCI Vp-Technology David Beddow was more optimistic, saying MPEG changes are "settling down" and those yet to come "will not inordinately impact on the silicon." Despite that, he said, TCI is "anxious to see [MPEG] locked down" because "any significant changes would impact on our schedule." TCI might go ahead with digital compression even if MPEG isn't "locked down," Beddow said: "We hope to end up with the final standard at implementation, but we have to get on with life." He said some chip makers lagging in MPEG development "want to see the standard delayed because it gives them a chance to catch up."

TCI decision to begin compression before standard is final would be significant because it's likely to be single largest user. It's part-owner of PrimeStar, which will use compression on some of its 14 Ku-band transponders, and TCI gradually will move toward compression on other 18 transponders it owns or manages, as well as on 12 Ku-band transponders to be launched this summer on AT&T satellite. TCI is well on way to controlling virtually half of all U.S. transponders devoted to video, Beddow acknowledged. When 2 new PrimeStar satellites are launched beginning in May 1996, TCI, even after phasing out old transponders, still will control 64 video transponders, from about 130 used for video.

TCI also will be among most active in compressing those transponders to provide more channels, using its recently opened \$100-million compression, uplinking and authorization center. Beddow said TCI channels would be compressed at average of 7 video channels per transponder, for potential of nearly 450 video channels on its transponders alone. Company expects "explosion" of new program services to fill those channels. He said that about 40 new cable channels "that I consider really viable" are talking about satellite capacity, compression and uplinks to be provided by TCI, and another 40 have at least made inquiries.

For now, one of main problems is shortage of set-top units to convert digital signals to analog RF that TV sets can display, Best said. General Instrument is well along in development of DigiCipher II converters, he said, but companies such as Scientific-Atlanta and Hewlett-Packard, which earlier announced tentative licensing deals to build DigiCipher units, still haven't finalized deals (although announcements are expected at NCTA convention). Only company to sign definitive agreement allowing it to become 2nd source of DigiCipher units is Zenith, which obtained license as part of HDTV "grand alliance."

That means that 6 MSOs are expecting to take delivery of about 2 million GI converters in Jan., Best said: "Obviously, they can't do that. We need more manufacturers." Immediate upgrade to compressed video probably wouldn't have happened without competitive threat from DBS, Best said. Compression will give many cable systems capability of about 160 channels, vs. 150 for DBS

and about 100 without compression. Without DBS threat, cable operators probably wouldn't have taken interim step to compressed video before true interactive and video-on-demand are available in 5 years, Best said.

COURT REVIEWS PORTALS: Main debate at oral argument on whether FCC should have to move to Portals building in Southwest D.C. involved what remedy should be, not whether procurement was done properly. Two of 3 judges of U.S. Appeals Court, Federal Circuit, Chief Justice Glenn Archer and Justice Randall Rader, appeared to think lower court was right in finding that procedures had been violated (Judge William Cowen didn't speak). Parties predicted relatively quick decision, possibly within month.

Lower court decision that Portals contract must be reinstated was "unique credibility call by the trial judge," Rader said. "He heard all of the evidence. How can we second-guess a credibility call?" He said FCC would have been "happy" with less space elsewhere, but rejected Portals site on ground of inadequate space: "Isn't there a basis for a credibility call?" Justice Dept. lawyer Donald Kinner said there was no evidence to find Portals more credible than GSA, which he called "a clear error... The lower court substituted its decision for the discretion of the government to determine what its minimum needs are."

"It's clear to all of us that the FCC was doing all it can to avoid going to the Portals," Chief Justice Archer said. "The only question for me is what is the remedy." Kinner said maximum remedy would be for court to force govt. to reimburse Portals owners, Parcel 49C Inc., for cost of bidding and proposals. That apparently would clear way for resolicitation of bids for new FCC offices. Portals still could be candidate, he said, but rebidding would be "an opportunity to start with a clean slate and [for FCC] to state its minimum requirements clearly to everyone."

Portals lawyer Richard Conway said Appeals Court should simply uphold lower court order reinstating original contract. Another possibility, parties said, is that court could remand case to lower court for further determination on terms of new Portals contract, including occupancy date and provisions for additional space. FCC has rejected Parcel 49C offer to settle case out of court.

Widespread use of high-capacity asynchronous transfer mode (ATM) switches, heart of new cable interactive networks, still is 4-5 years off, CableLabs Vp-Advanced TV Craig Tanner said, even though many ATMs are operational. Main problems aren't technical; they're making decisions on how to use them, including management of flow control, he said.

Senate Commerce Committee scheduled May 10 hearing on nominations of Susan Ness and Rachelle Chong to FCC. Session is 2:30 p.m., Rm. 253, Dirksen Bldg. CPB nominee Alan Sagner may be added to agenda, but no decision had been reached.

Hungarian Teleconstruct agreed in principle to build cable system in Budapest. Company said it also wants to obtain license to lease portion of capacity for switched service.

FCC will consolidate broadcast fee processing Form 115 into Form 316, application for broadcast construction permits, licenses, transfers of control. It will accept old forms until June 30.

QUELLO AND D'AMATO DEBATE STERN: FCC Comr. Quello and Sen. D'Amato (R-N.Y.) last week exchanged angry words over shock-jock Howard Stern and his employer, Infinity Bestg.

Quello began action in letter to D'Amato arguing that senator's comments on floor criticizing FCC's actions in case involving Stern were "acrimonious and inaccurate" and contained "misleading implications." Along with 6-1/2 page letter setting out Commission's case for enforcing indecency and obscenity statutes, Quello sent 7-1/2-page transcript of some of Stern's comments and told D'Amato: "It would embarrass any responsible adult, let alone we Catholic Italian-Americans, to condone the egregious Stern broadcasts found by the FCC to be or to apparently be actionably indecent." Quello wrote: "Please, Senator, take time to read the more detailed excerpts of the indecency violations attached to this letter but please don't share them with your priest, even in confessional, and risk excommunication."

D'Amato in March speech, had said Commission "took revenge" on Infinity Bestg. because agency "did not like this particular show" and called delay in approval of Infinity purchase of L.A. radio station KRTH-FM "one of the most blatant examples of abuse of regulatory power, arrogance and -- yes -- regulatory lawlessness that I can remember."

Quello's response was that FCC, in unanimous decisions, simply was enforcing well-recognized laws: "I find it hard to understand criticism by a Member of Congress directed against the FCC for enforcement of established federal laws or for exhorting licensees to comply with FCC rules." He disputed D'Amato's charge of "bureaucratic abuses," saying it wasn't an abuse for FCC to take time to "carefully and deliberately" consider Infinity's past conduct in determining whether purchase should go through, citing history of indecency rulings against Stern going back to 1987. Quello noted that even though D'Amato's remarks seemed to indicate FCC hadn't yet acted on purchase of KRTH-FM, Commission in fact had granted application Jan. 31. Quello said FCC is obligated under law to determine whether transfers of licenses include willingness to obey laws, which he said include laws making it criminal offense to "utter indecent language" on radio.

It was "simply untrue" for D'Amato to say that FCC held up purchase because it didn't like content of Stern's programs, Quello said. Instead, he said, FCC was complying with its regulation prohibiting broadcasting of indecent speech. He also said it wasn't sufficient to contend, as D'Amato did, that turning off radio is adequate protection, citing U.S. Supreme Court ruling in *Pacifica* case. Quello disputed one newspaper's contention that FCC action was censorship, again citing Commission's legal obligations.

D'Amato responded May 4 by accusing Quello of using "ethnicity and religion" as basis for actions in Stern case and blasted Quello for sending "inaccurate and offensive" reply to senator's March 16 statement on Stern and his parent company. In Senate speech, D'Amato objected to Quello's reference to him as fellow Catholic and Italian, saying: "Nothing in that reply could have been more offensive to me personally than his attempt to suggest that my ethnic and religious heritage ought to disqualify me from taking a stand for the First Amendment when I see it being violated..." He charged that Quello had set indecency standards not at level FCC had found, but at "what personally offends him." D'Amato disputed Quello's assertion that Infinity had been found to have violated indecency standard, saying there had been only one final decision from FCC, in 1988 case, and

Infinity "has never gotten its day in court." Infinity has received only one administrative citation, which senator compared with "a traffic ticket." He said Infinity "is not receiving its right to due process" and disputed Quello's interpretation of court cases on indecency.

FOX BOOSTS NEWS CORP.: News Corp. said its U.S. TV profits increased 29% in quarter ended March 31 because of "substantial" improvements at Fox stations and network. Network prime-time ad revenue was up 20% and station revenue 18% (with 4 of 8 stations recording highest-ever March revenue). News Corp. profit jumped 54% to \$708 million and revenue rose 6% to \$6 billion.

Results for other divisions: **BSkyB** operating profit topped \$5.25 million per week; filmed entertainment operating profit soared 141%; **TV Guide** operating profit was up 15%; Asian satellite operator **Star TV**, 63.6% owned by News Corp., continued to see losses but was ahead of budget.

In other financials, **Infinity Bestg.** posted net loss of \$3,864,000 for first quarter 1994, down from \$6,430,000 loss year earlier. Net revenues increased to \$48,183,000 from \$35,165,000, mostly because of higher ad revenues and several recent acquisitions, company said... **StarSight Telecast** reported loss of \$6.4 million in 3rd quarter ended March 31, vs. \$2.4 million loss year ago. Revenue rose to \$3.8 million from \$685,000.

San Diego "must develop [its] own bold telecommunications policy" independent of federal or state govts., said report released by Mayor Susan Golding May 5. Report said city policy development for its version of national information infrastructure (NII) should respect state and federal laws, but "in the end, the relationship of the city to the state and federal government will require a new dialogue -- a 'New Federalism.'" Report recommended that city issue request for information from telecommunications industry and other parties on developing partnership of various types of service providers to construct telecommunications networks there. Network should link all of city's major institutions and facilities and have capability to be spread to neighboring communities, including Mexico and eventually Asia-Pacific, report said. Network should have capability of providing 2-way broadband services for applications in health care, telemedicine, education and applications to be developed, it said. Committee that drafted report said it "does not embrace Seattle's broad-based approach" to develop network that will be owned and operated by retailer and common carrier. Committee said it believed that "privately managed, privately owned grid serves the larger public interest." Profits should be made from provision of services, not network ownership, it said.

May TV sweeps programming included "less glamorized violence, but it still is a mixed bag," Sen. Simon (D-Ill.) said in May 4 Congressional Record: "While I wish I could say that the May sweeps are a testament to the industry's commitment to ending the practice of using violence to attract ratings, I cannot. Nonetheless, I remain hopeful that we will continue to see even more progress." Senator said he would continue to keep tabs on TV, urging programmers "not to think that the job is done." Simon said networks "obviously continue to believe that in order to earn ratings, they must put on their share of guns and blood." However, he said there were "far fewer" of such programs than during 1993 sweeps, and that this year violent shows carry advisory messages and are broadcast after 9 p.m.

FCC BRAKES CITY: FCC granted emergency stay of local rate order for TCI in St. Louis (54,013 subscribers), marking first time Commission has ruled on any rate orders. Although it ruled against city, it chided TCI for failing to submit proper forms to franchiser and gave MSO until May 9 (today) to provide information.

Susan Littlefield, St. Louis Cable Regulatory Administrator, called action "a victory for cities," saying it showed recognition of problems they have had obtaining information they needed to calculate benchmarks properly. Despite FCC's rejection of city's calculations, she said order "clearly criticizes operators who do not comply with that process" and clarified that "local governments have more options than they thought they did" before agency's March 30 rate order. Commission set stay to expire June 1 and ordered TCI to "respond in full" to city's requests.

FCC ruled that St. Louis "appears to have fundamentally misapplied our rules by ordering a refund back to subscribers in excess of the maximum liability that may be assessed." At issue was city's decision to approve TCI's basic rates temporarily while ordering reductions in converter and remote charges. Agency said city "approved those rates that the city felt justified while rejecting those rates for which the city sought more information." Result was "an aggregate revenue per-channel charge below that required by our rate regulations." Commission also clarified that "regardless of the particular obstacles" facing franchisers in obtaining information from cable operators, cities must "adhere strictly to the mathematical principles underlying the benchmark approach."

However, Commission blamed dispute largely on TCI's lack of disclosure and will consider further action against operator: "This regulatory conduct of St. Louis... results in large part from TCI's own resistance, over a prolonged period of time, to submitting its rate schedule on a timely and properly completed FCC Form 393... We will take up separately from this Order the question of whether and what sanctions may be appropriate in these circumstances." Littlefield said she was encouraged by stay's short duration and one-week deadline that she hoped would lead to quicker resolution: "There are going to be very legitimate differences of opinion. I think the Commission is trying very hard to be fair and reasonable."

"Sensory overload" is reason cable operators can't always provide all information requested by city, not lack of effort on part of operator, TCI Senior Vp Robert Thomson said. He declined specific comment on order, which he said he hadn't seen, but said "customers would be best served if the number of these issues [before FCC] diminished to zero" and were handled locally. Daniel Brenner, NCTA vp-law and regulatory policy, said precedential value of order was unclear but he hoped it would discourage cities from using "procedural advantage" as rate-setter to bully operators in rate reviews. He said city "displayed brute force" in effort to influence process: "If I were the city, I'd feel embarrassed. It's an illegal use of force, to me and apparently the FCC."

FCC said "we recognize that this is a new process for system operators, as well as for franchising authorities," but "this effort should include full cooperation with reasonable requests by local authorities for data in support of asserted costs and rates."

Home Depot and QVC said they will develop home improvement TV programs. Programs are expected to start this year, include instruction and shopping.

SLOW DIGITAL GROWTH SEEN: Except for digital cable and satellite broadcasting, no digital video technologies will achieve 50% household penetration in next 20 years, according to global survey of technology experts by International Institute of Communications, U.K. Slow growth is seen particularly for CD-ROM, CD-I, HDTV and virtual reality. While interactive TV, video-on-demand, digital terrestrial and flat-panel receivers are expected to fare better, survey said they still won't be in majority of homes by year 2015.

"If the timetable is that long, manufacturers are in trouble," said John Forrest, CEO of U.K.'s National Transcommunication Ltd. Jean-Luc Tenaud, consultant who directed study, acknowledged that survey was skewed heavily toward Europe (only 25% of respondents were from N. America) and conceded that technologies may progress differently in other countries.

Forrest said he expected new systems would have "rough ride" because consumer spending on entertainment and information has been fairly consistent and keyed to GNP. In U.K., figure traditionally has been 8% of disposable income, he said, and that's reflected in relatively small revenues for pay-per-view on BSkyB. He suggested new media may be only "reslicing the same cake" and doubted that digital systems "would change radically what we do with TV." Adam Brown, official of European Commission, said there was far too much technology and no one knows what people want and need. In interactive field, videogames are "the only solid item," he said, and differences between digital and analog are "greatly overdramatized" and aren't going to matter that much to public.

House Oversight & Investigations Subcommittee is investigating FCC procedures in awarding pioneer's preferences. Panel, headed by Commerce Committee Chmn. Dingell (D-Mich.), sent 8-page letter to Commission asking for answers on variety of issues as well as responses to several private parties alleging violations of FCC rules. Four allegations were made to FCC in letters dating back to Jan. that "are of particular interest" to Subcommittee, Dingell said. He's concerned that FCC rules "were egregiously and repeatedly violated," that Commission's behavior "encouraged ex parte contacts and foreclosed opportunities for notice and comment," whether value of preference was worth more than value of contributions of "so-called pioneers," and whether FCC's procedures were sufficiently vigorous to justify awarding preference. Such valuable awards should be based on "hard scientific data," Dingell said, and his Subcommittee "is not satisfied that the Commission's consideration and procedures met this test." Pacific Bell was main company objecting to pioneer's preference awards to American Personal Communications (APC), Cox Enterprises and Omnipoint on Dec. 23, with Pacific alleging improper contacts with FCC, including 25 by APC. Award winners denied any improper procedure, accused Pacific of trying to impede regulatory process. Pacific also had challenged value of licenses.

Canada will launch first digital direct-to-home (DTH) satellite service in April 1995 in what's intended to be strong alternative to U.S. DBS. New DTH is collaboration of BCE Inc., Canadian Satellite Communications (Cancom), Western International Communications. Estimates are for 90-channel digital DTH in long run, but Cancom spokesman said number could change as plans solidify. System will start with 45-50 channels, said Telesat, which will provide transponders. Cancom is talking with Telesat on use of Anik E-1 and E-2.

TELCO-CABLE PLANNING URGED: In billion-dollar world of alliances and mergers among converging telco-cable industries, tiny Elkhart (Kan.) Telephone company was case study at SuperComm convention in New Orleans last week. As nation's first telco-cable cross-ownership company, Elkhart cable prices are lower than FCC benchmarks, Pres. Robert Boaldin said. It keeps rates -- and overall costs -- low by combining as many cable-telco functions as possible. Boaldin said RHCs couldn't economize that way because of unions they would have to split installation and service between different crews, for example.

Elkhart's cable system is star configuration. Company is doing away with some remote headends, moving everything to 32-mile fiber network, Boaldin said. One of biggest challenges has been in standards: "Making these systems work together has taken a lot of time just trying to figure out what standards applied where and how." As some telco applications have been deregulated, Elkhart's cable side has taken over those functions. For example, it's much easier for his cable company to get wireless frequencies from FCC than it would be for telephone company, Boaldin said. Cable system will continue to handle those deregulated areas, rather than have telco administer them, he said.

Interactive telco-cable systems will have almost nightmarish set of standards and billing problems, said Robert Deubell, dir. of cable/interactive services at Cincinnati Bell. Every customer interaction should be looked at as revenue-generating opportunity, he said. Current system doesn't offer that, but future ones can, he said. Currently, customers have 2 main interactions with company: (1) Through bill, "which is usually negative." (2) Through customer representative, when user is trying to resolve billing or service problems, which is "mediocre at best." In future interactive systems, almost every customer request is opportunity for positive impact, Deubell said. When customers order something from selection presented on TV, they can be offered discount or free service, such as video selection for that night, he said.

Carrying out threat made in Feb., NABET/CWA called on its 12,400 members and public to boycott NBC TV programming April 28-May 25 (period of May sweeps) because union and network hadn't reached new contract. Current collective bargaining agreement expired March 31 and, "despite more than 3 months of negotiations, talks remained stalled over 'takeaway' demands by NBC," union charged. NABET/CWA Pres. John Clark said demands by NBC would "mean the loss of hundreds of jobs held by skilled permanent workers whom the network wants to replace with a contingent work force of daily contract workers at substandard wages and benefits." Union said it had collected "10s of thousands" of cards from viewers who pledged to support boycott. NBC had no comment.

Feasibility study and business plan for launch of fiber to interconnect all cable networks in Pa. is to be released by end of month, Pa. Cable TV Assn. (PCTA) Pres. Stanley Singer said. He said interim reports from Probe, firm that's preparing study under \$900,000 PCTA contract, are "pretty positive." Interconnect, called FiberSpan, probably will be turned over quickly to entrepreneurs, Singer said, and main need is to get all cable operators in state to agree to use it, and to let FiberSpan use their existing fiber: "Since it was birthed by the PCTA, I think they will."

Paramount Network, set to launch in Jan., said its 4 hours of weekly programs would air Mon. and Tues., 8-10 p.m.

Senate Judiciary Committee took about 5 min. May 5 to approve without amendment legislation (S-1485) to extend satellite compulsory license law. Vote was unanimous, although Sen. Metzenbaum (D-O.) said he had some questions about bill. His staff said senator wanted permanent extension, rather than 5 years as provided in bill, and was concerned about how new version would square with House measure, which provides for satellite carriers to pay "fair market value" for network programming. Senate version continues existing rates. Metzenbaum staff said there were no firm plans to raise those issues when bill goes to Senate floor. Neither fair market value issue nor Turner amendment to allow time-shifting of programming was brought up in brief discussion. Companion House bill (HR-1103) is awaiting action by full Judiciary Committee, after clearing Copyright Subcommittee last year.

Some 59% of entertainment industry executives, writers and directors feel media violence is serious problem, but most oppose govt. regulation of violent content, according to U.S. News & World Report survey of 867 persons in industry. Of Hollywood insiders polled, 40% said govt. should play role in reducing screen violence, but 61% favored voluntary measures to monitor children's shows, with 56% for voluntary restrictions on hours certain shows should be broadcast. Most of industry (87%) said media violence at least contributes to societal violence, but 57% said its influence was minor, 30% major. Also, 76% said they had stopped or discouraged their children from viewing violent programs, and 58% said they had avoided certain programs because of violence. Poll of 1,000 in general public found 59% wanted govt. to play role in reducing violence, 79% saw entertainment violence as serious problem.

Montgomery County, Md., ordered Southwestern Bell (SWB) (165,786 subscribers) to refund \$20 million to cable subscribers and cut basic cable rates to \$14.29 from \$14.68 and remote rental to 16¢ from \$5.21. County also wants to eliminate additional outlet charge, now \$6.26. SWB has said it will contest order at FCC. County Exec. Neal Potter issued order because long-time subscribers were paying \$7.32 for basic while newcomers paid up to \$14.68 for same services. Rate refunds are expected to cost \$10 million and equipment refunds \$10-\$11 million, county said.

Teleport Communications Group (TCG), alternative-access provider owned by cable MSOs, will have switched service capability in 12 cities by end of year, Comcast Strategic Planning Vp Mark Coblitz said. TCG has switches in 5 cities, 3 of which are operational.

Viacom confirmed that it's courting buyers for Madison Sq. Garden operations, including facility, Knicks, Rangers, MSG cable sports network. It has retained Allen & Co. to assist.

Senate Commerce Committee is expected to vote May 17 on bill supported by Sen. Thurmond (R-S.C.) to ban beer and wine ads on TV-radio. Assuming FCC nominees Susan Ness and Rachelle Chong encounter no difficulties in their confirmation hearings May 10, they could be approved by panel at same session.

Viacom-owned MTV said it will end 3-year affiliation with News Corp.'s Star TV and launch own 24-hour Asian-based networks by end of year. MTV said new networks will (1) include encrypted Mandarin service for Taiwan, Singapore and China, and English service for S. Asia, (2) be advertiser-supported, (3) be aimed at viewers aged 12-34. Networks will debut on Apstar-1, move to Apstar-2 when it begins operating.

Robert Wood Johnson Foundation will pay NBC \$2.5 million to air 2-hour news special, without commercials, on health care reform and provide additional \$1 million to promote program. NBC News Pres. Andrew Lack said network will control content and assume all production costs. He said foundation hasn't asked for emphasis on certain aspects of health care and has no say in what staffers participate. He confirmed that anchor Tom Brokaw would be involved. Foundation has no official position on health care reform but was criticized by some Republicans for sponsoring last year's series of health care forums in which Hillary Clinton met with citizens' groups. Lack said 2-hour slot would allow closer examination of issue and would represent views of Republicans and Democrats. Program is scheduled to air June 21, 9-11 p.m.

Scientific-Atlanta (SA) introduced its Broadband Integrated Gateway (BIG) product line aimed at "seamlessly" selecting, converting and delivering MPEG-packet based video, audio and data communications. BIG products will serve as an interface between data network formats, such as Synchronous Optical Network (Sonet), Asynchronous Transfer Mode (ATM) switches, MPEG transport layer, video servers and cable satellite distribution networks, SA said. BIG has ability to take compressed videos from MPEG file server and transform output into several standard formats, SA said. These MPEG-encoded videos can be delivered to any system that utilizes standard formats. That will allow single MPEG compressed video to be sent over single line and split among several different providers that use different technologies.

Commerce Dept.'s proposed \$4-billion expansion of radio emergency warning systems could act as "satisfactory upgrade" of Emergency Bcast. System (EBS) and spare small stations from "more costly concepts being contemplated in the FCC rulemaking proceedings," NAB said in letter to Chmn. Hundt. NAB also urged Commission to allow "unattended" operation of EBS for TV and radio broadcasters, citing: (1) Reliability of broadcast transmission and remote control equipment. (2) "Significant personnel costs" of attended operations. Changes would ensure that proposed benefits of "automated EBS system" aren't "illusory," NAB said.

Time Warner (TW) said it would impose hiring freeze and make \$100 million cuts in 1994 as result of FCC's March 30 cable rate rollback. TW Cable Chmn.-CEO Joseph Collins said it would take months to assess "precise financial impact" of rules but said TW's cutbacks were result of "misguided attempt by the federal government to micromanage our business." Meanwhile, TW stock jumped 13% May 3 to \$40 per share on rumors of takeover bid from Seagram or other potential suitors, including Bell Atlantic, BellSouth, TCI, U S West. Seagram owns 14.2% of TW and was said to be considering \$55-per-share offer for 324.8 million shares it doesn't own.

Big-3 network revenue grew 25% in first quarter, largely because of Winter Olympics, Bcast. Cable Financial Management Assn. (BCFM) said. Network sports revenue rose 92.6% to \$910 million, news revenue was up 17.7% and late-night revenue 17.6%, BCFM said. Prime-time was down 1.6%, children's TV 0.8%.

Great American Communications (GACC) said it will sell 4 TV stations to New World Communications Group for \$350 million in cash and warrants. Stations: KSAZ-TV (CBS) Phoenix, WBRC-TV (ABC) Birmingham, WGHP-TV (ABC) Greensboro-High Point, WDAF-TV (NBC) Kansas City. Great American said proceeds will fund acquisitions and reduce long-term debt.

Rules for accepting gifts that apply to federal regulators should apply also to Congress, Sen. Glenn (D-O.) said May 5. In floor debate on amendments to bill (S-1935) to require disclosure of gifts from lobbyists, he said that in recent years Congress "has bashed" FCC, FDA and other agencies for being too cozy with industry: "Now ask yourself: Suppose those agencies had rules that allowed the regulated industries or entities to treat the regulators to dinner, to trips, to the theater or to ballgames. How long would it be before some congressional committee would haul the regulators up before it and charge them with misfeasance, or nonfeasance, if not outright bribery? I daresay it would happen right after any controversial decision favoring the regulated industry." If it's not right for regulators to take "substantial gifts" from industries, he asked, "how can we justify gifts' being given to a person who votes on the laws being carried out by the regulators and who has oversight over the regulators' activities?"

CBS and group of major advertisers may start new football league using corporate logos instead of mascots. CBS executives confirmed that preliminary discussions had taken place but stressed that network hadn't made any financial commitment to idea, response to loss of NFC games to Fox. Chief organizers are said to be Mike Lynn, ex-Minn. Vikings gen. mgr. and commissioner of defunct World League Football; Federal Express Chmn. Fred Smith; ex-ABC Sports Pres. Jim Spence. Companies reportedly would sponsor team in their hq cities, pay \$10 million each over 2 years. Idea that players wear corporate logos was discussed as viable, but CBS has expressed concern that it could deter competing advertisers. Brandweek, ad publication, reported that potential sponsors met with CBS week ago at Federal Express hq in Memphis.

Jones will launch 2 more cable channels within 2 years, said Jones Educational Networks CEO Reynaldo Ortiz -- Health Network in early 1995 and Language Network in early 1996. Jones already plans to convert Computer Network from 4 hours daily on Mind Extension U. to full time Sept. 1. Launch of new networks is eased by Bell Canada investment in Jones, said Gregory Liptak, pres. of Jones Network parent Jones Spacelink. Ortiz said competing health networks are planned, as is competing computer network by partnership of TCI and Microsoft. Jones expects to get its networks started sooner, he said, and will have advantage of offering college degree and certificate programs.

Nynex said it will start 2nd phase of one-year video dial tone (VDT) trial in Manhattan, linking 3 apartment buildings and 50 subscribers to interactive services by end of May. Programmers offering video-on-demand include Advanced Research & Technologies, Liberty Cable TV, Urban Communications Transport. Nynex said it expects Time Warner, which has 254,883 subscribers in N.Y.C., to add programming when telco increases capacity later this year. First phase of VDT trial started in Jan. with regular cable programming.

NCTA is asking FCC to investigate alleged violations by Bell Atlantic of Sec. 214 rules on video dial tone (VDT). Assn. contended that telco may have begun building interstate VDT facilities before getting FCC approval. Petition cited press reports that BA had installed some fiber and was only awaiting FCC okay to install electronics.

FCC placed in record more information on cable rate calculations (MM Doc. 92-266). It includes: (1) Computer syntax for dependent variable MRIE. (2) Cable rate survey data for overlap variable OVL, not in original database -- 202-418-2038.

Three telecommunications experts wrote letter to FCC Chmn. Handt urging Commission to "move much more expeditiously" on video dial tone applications. Letter was signed by Henry Geller of Markle Foundation, Barbara O'Connor of Cal. State U., and Donald Vial, former Cal. PUC pres. now at Cal. Foundation on Environment & Economy. They said video dial tone decision is "a most important part of the NII [National Information Infrastructure] since it is a linchpin in the broadband, switched, interactive networks sought by the Administration and the pending legislation." Saying that cable companies and others seek to "delay competition through opposition," they said: "Large cable MSOs have undertaken projects and new construction aimed at providing competition to the local exchange carriers (LECs). This is a most salutary development... But, correspondingly, the LECs should also be allowed and encouraged to expediently build broadband common carrier facilities to meet this competitive threat."

TV Guide On Screen (TVGOS) doesn't include one-button VCR programming capability because "we're not convinced that taping is in the best interest of the cable industry," Mktg. Vp Lawrence Miller said. He said part-owner TCI is interested in getting earlier release window from Hollywood for premium and pay-per-view movies, and studios will be reluctant if easy taping is likely to cut into video sales and rentals. Electronic program guides planned by StarSight and Prevue include one-button VCR programming. TVGOS is testing its electronic program guide system, plans to make additional announcements at NCTA convention.

Interactive Network plans to launch standalone information services as additions to current programming, which consists largely of interactive games, said Donald Griffin, senior vp-engineering. New services would provide interactive access to news, sports results, business information, etc., he said. Interactive Network has churn rate of 3.5% per month, even among customers who made investment in interactive units, Griffin said. IN has only about 5,000 subscribers in 3 test markets, plans national expansion this year.

Number of TV stations reporting news staff layoffs dropped to 8% in 1993 from 21% in 1992, but 25% of radio stations reported cuts in 1993, according to survey by Radio & TV News Directors Foundation (RTNDF). Most of TV news staff layoffs were by attrition, survey indicated, and were offset by new hires at other stations. Survey found that TV news work force actually grew 3%. About 20% of radio stations cut news air time in 1993, up from 12.5% in 1992, and about 14% reduced reporting last year.

Political campaign reform bill may emerge from House-Senate conference committee in several weeks, but outlook for passage is slim, sources said. Group of Republican senators is planning filibuster to block measure. NAB opposes bill because it would require broadcasters to give candidates deep discounts in air time prices. Staffs of committees negotiating agreement deleted language that would have restored fairness doctrine, but observers said that part of legislation was of marginal importance.

Nationwide Communications said it will sell SMATV in Houston to Vanguard Communications for undisclosed price. It has 24,000 subscriber, and sale is last of its SMATV systems (it still owns 15 radio stations).

Program Note: Bravo and film director Martin Scorsese said they will launch Independent Film Channel Sept. 1. Cable channel will feature films and documentaries by "emerging" film makers.

"Unfair and outrageous," NAB said of Administration proposal to raise user fees for broadcasters to help states pay costs of jailing immigrant felons. In letter to Leon Panetta, dir. of Office of Management & Budget, NAB Pres. Edward Fritts said even though new illegal immigration program may be "a noble one," there's "no logical basis" to connect it to broadcast user fees. Suggestion "is nothing short of astounding," he said. Also, he told Panetta, current fee schedule is "extremely flawed," particularly for radio.

Sen. Inouye (D-Hawaii), chmn. of Communications Subcommittee, expects soon to introduce bill to set up guidelines for public interest access to airwaves and to national information infrastructure. Subcommittee staff is waiting for comments from industry, particularly public broadcasting. Inouye also is waiting for several more co-sponsors before introducing new authorization bill for CPB.

Scientific-Atlanta will supply components for Ameritech's video dial tone systems under 6-year agreement potentially worth \$300 million. Deal includes analog and digital components. Ameritech has 5 video dial tone proposals before FCC.

"**Equipment Authorization, Past, Present and Future**" is topic of FCC brown-bag luncheon sponsored by Public Services Div., May 10, noon, Rm. 856. Speakers: Charles Cobbs, chief of FCC Authorization & Evaluation Div., and Edward Gibbons, senior engineer -- 202-632-0244.

American Telecasting (ATEL) closed on acquisition of Family Entertainment Network and Wireless Entertainment Network (FEN/WEN) for \$9.7 million in cash and 638,889 common shares. ATEL will gain FEN/WEN's 12,200 customers in 5 Midwestern states.

First children's show to air concurrently on PTV and commercial TV was announced last week. Disney Presents Bill Nye the Science Guy will begin airing weekdays on PBS in fall in addition to its weekend commercial syndication via Disney's Buena Vista.

Affiliate of Charter Communications and LEB Communications have bought several cable systems, with total of about 101,000 subscribers, from McDonald Group, according to broker Communications Equity Assoc. Terms weren't disclosed.

USA Networks confirmed launch of Latin American network. Company said it will transmit compressed signal unscrambled for first month, making it available to cable operators with DigiCipher equipment.

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Personals

Pierson Mapes, 12-year NBC TV pres., will take early retirement, succeeded by Neil Braun, Viacom Entertainment chmn.-CEO. Mapes will remain during transition... Christy Kwon ex-Dick Clark Productions, joins NBC Entertainment as assoc.-specials, variety programs, late night... Howard Rosenstein, ex-Cosgrove-Meurer, named dir.-daytime programming, East Coast, ABC... Ricki Kohn, ex-Lintas: Cambell-Ewald, appointed senior vp-media and promotion, Fox Bestg... Doug Myrland, KPBS-TV-FM San Diego acting gen. mgr. since Feb. 1993, promoted to permanent post... Daryl Staehle advanced to dir.-sales and customer relations, APTV, video news service to be launched in fall by AP.

A&E Networks promotions: Scott Richardson to vp-public affairs and communications, new post; Joan Gundlach to vp-affiliate sales, central region; Mark Mersky to vp-local ad sales; Greg Jones to dir.-PR... Brian Gault advanced to vp-operations, Cable Networks Inc... Bill Goodwyn promoted to vp-affiliate sales and relations, Discovery Networks; Dawn McCall advanced to gen. mgr., Discovery Channel-Latin America... Michael Ozburn, ex-MCI, named dir.-industry affairs, General Instrument... David Almstead promoted to group vp, Liberty Sports, retains responsibility for Sunshine Network.

Michael Hammond resigns as National Media Corp. pres.-COO "to pursue other interests;" James Jernigan, promoted to senior vp-COO, and Michael Turchi, chmn.-CEO, also named pres... Barbara Shuler advanced to vp-international mktg. research, Warner Bros... Amorette Jones, ex-Orion Pictures Distribution, joins MGM/UA as vp-national field operations-West Coast... Hilary Rosen promoted to pres.-COO, Recording Industry Assn. of America.

FCC Chmn. Hundt addresses Dept. of Education Conference on Educational Technology, May 10, 10:30 a.m., Washington Hilton. He also will address Harvard International School Club, May 11, 8 p.m., Waldorf-Astoria, N.Y.C., and Radio Operators Caucus, May 16, 4 p.m., at Washington law offices of Gardner, Carton & Douglas... Richard Harris, retired Group W Radio chmn., receives NAB 1994 National Radio Award Oct. 14 at luncheon during NAB Radio Show, L.A.

Public broadcasting's state networks can't "pick and choose" which candidates participate in broadcast debates they sponsor, 8th U.S. Appeals Court, St. Louis, ruled last week in 6-5 decision partly overturning 18-month-old ruling by U.S. Dist. Court, Fayetteville, Ark. Case, involving minor-party candidate for U.S. House who was denied participation in Nov. 1992 debate sponsored by Ark. ETV (AETN), was remanded to lower court for further proceedings.

U.S. Dist. Court, Roanoke, sentenced unlicensed radio operator to 100 months in prison, \$2,000 fine and 3 years' probation for transmitting false air traffic control instructions to pilots. Rodney Bocook, who called himself "Roanoke Phantom," broadcast fake distress calls and profanity. FCC helped in investigation, which used "more of the Commission's resources than any other case in FCC history," it said. Joint effort involved FAA, FBI, local police.

Local and national spot radio ads increased 13% in first quarter 1994 over same 1993 period, Radio Advertising Bureau (RAB) reported. Southeast led in national ads with 27% growth; local gain was strongest in Southwest at 16%.

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EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Albert Warren Editor & Publisher
 Paul L. Warren Sr. Ed. & Exec. Publisher
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Business

Roy W. Easley III Controller
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NEW YORK BUREAU

276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001
 Phone: 212-686-5410
 Facsimile: 212-689-5097

David Lachenbruch Editorial Dir.
 Paul Gluckman Senior Editor
 Martin Brochstein Senior Editor
 Mark Seavy Associate Editor
 Cindy Spielvogel Associate Editor

CONTRIBUTING EDITOR, EUROPE

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

JAPANESE REPRESENTATIVE

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

Television and Cable Factbook
 Michael Taliaferro Managing Editor &
 Asst. Publisher—Directories
 Mary Appel Editorial Director
 Richard Koch Asst. Managing Editor &
 Asst. Editorial Director
 Maria B. Lawrence Asst. Managing Editor
 Susan B. Woodruff Production Manager
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Shaw Communications agreed in principle to buy CUC Bestg., Canadian cable company, for \$314.7 million (U.S.) in cash and securities. Shaw recently swapped some cable assets with Rogers Communications, increasing subscriber base to one million, and said it would receive \$600 million (Canadian) in financing from Toronto-Dominion Bank. CUC serves 350,000 subscribers in Ontario, operates cable in U.K. with 50% partner Telus, Edmonton, Alberta.

Second U.S. Appeals Court, N.Y.C., ordered Paramount to pay \$10 million to cover shortfall in pension fund it spun off in 1981 to insurer Pension Benefit Guaranty Corp. Court ruled that company transferred insufficient assets from plan when it sold N.J. Zinc to Horsehead Industries. Decision ensures that 600 retirees and employees at N.J. Zinc will receive full benefits.

APTS requested \$35 million in FY 1995 PTFP funding -- 3 times as much as recommended by Administration. Appearing before House Commerce Appropriations Subcommittee, Ky. ETV Exec. Dir. Virginia Fox called Administration request "simply not adequate" and estimated total replacement cost of public TV broadcast infrastructure at nearly \$1.8 billion.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	APRIL 16-12	1993 WEEK	% CHANGE	APRIL 9-15	16 WEEKS 1994	16 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	440,911*	368,101	+19.8	333,811	6,574,012*	6,340,969	+ 3.7
DIRECT-VIEW..	433,487*	362,438	+19.6	327,892	6,435,623*	6,237,041	+ 3.2
TV ONLY.....	409,138*	340,502	+19.9	303,148	5,951,818*	5,904,346	+ 0.8
TV/VCR COMBO	25,349*	21,936	+15.6	24,744*	483,805*	332,695	+45.4
PROJECTION...	7,424*	5,663	+31.1	5,919	138,389*	103,928	+33.2
VCR DECKS.....	163,595	181,742	-10.0	171,785	3,009,845	3,011,868	- 0.1
CAMCORDERS.....	42,099	52,717	-20.1	25,545	704,295*	662,767	+ 6.3
LASERDISC PLYRS	8,804	5,751 ^r	+53.1	1,914	73,123	68,016 ^r	+ 7.5

Direct-view TV 5-week average: 1994--425,490*; 1993--380,558 (up 11.8%).

VCR deck 5-week average: 1994--210,662; 1993--180,020 (up 17.0%).

Camcorder 5-week average: 1994--58,376*; 1993--53,306 (up 9.5%).

* Record for period. ^r Revised to include players with karaoke features.

FCC SPELLS OUT CE-CABLE COMPATIBILITY RULES: FCC finally dotted i's and crossed t's in its rules on compatibility between cable TV and consumer electronic (CE) products, detailing order carrying out mandate of Congress. Rules, which elaborated on bare-bones outline released last month (TVD April 11 p10), were being studied by all parties last week.

Partisans on both CE and cable side called order fair, noting that they had considerable task ahead because of Commission's ultimatum to agree on decoder interface connector in 90 days or face specs written by FCC. Deadline presumably is Aug. 2, 90 days after May 4 release of order. Engineering group of Cable-Consumer Electronics Compatibility Advisory Group (CAG) met last week in Chicago, and members agreed it was big order, but said agreement could be reached -- "because we have to," as 2 members on opposite sides of fence put it.

Commission appeared to be taking sides in dispute, which centered on whether back-of-set interface should separate security encoding from other features fed into set. CE contingent argued that combining 2 functions would permit cable operators to usurp features that should be in set, while cable group accused CE engineers of trying to block access to cable systems' on-screen menus (TVD Feb 21 p9).

In report and order, FCC backed comments filed by Circuit City, Mitsubishi and others that argued that "the decoder interface should provide the capability to separate signal access control functions from other functions served through the connector," adding: "This capability will allow nonsecurity functions to be provided through new products offered by retail vendors or to be incorporated into TV receivers and VCRs, thereby promoting competition in the market..." Commission said it was "advising the parties developing the new standard that the decoder interface standard we adopt must allow access control functions to be separated from other functions." Although FCC used word "must," cable representatives said that section seemed to be advisory rather than an order.

Commission reiterated that it soon would take look at setting standards for digital transmissions in separate proceeding. CE representatives had wanted digital signals covered in same order to avoid future incompatibilities.

As in its first proposal, Commission ordered near-term and far-term solutions to prevent cable from taking over or nullifying CE product features. It generally banned scrambling of basic tier programs,

eliminating need for set-top boxes for basic subscribers, and said it would initiate proceeding to consider prohibiting scrambling any signals that weren't scrambled before Cable Act was enacted in 1992. It ordered cable operators to educate consumers on options for proper operation of their equipment and availability of aftermarket remote controls that they may buy to operate decoder boxes. It ordered use of standard EIA-developed channel numbering (in effect eliminating "channel mapping" by cable systems).

FCC issued detailed regulations on "cable-ready" equipment and barred use of terms "cable-ready" or "cable-compatible" on sets made or imported after Oct. 31, 1994, to describe sets that don't meet those standards. Standards themselves will apply to sets built or imported after end of 1996. New section added will require products that don't meet "cable-ready" standards after that date to be "labeled with an advisory... on the device and on its packaging" that they don't fully meet FCC's requirements for cable compatible equipment.

"Cable-ready" standards provide that equipment must contain standard decoder interface (which will replace set-top box) and that equipment must be capable of receiving all standard EIA channels in 54-804 MHz range. Technical specifications are spelled out for adjacent channel, image channel and direct pickup interference, tuner overload, cable input conducted emissions, radiated emissions.

Rather than require that each model of CE equipment be tested for compliance, FCC decided to use simpler "verification" procedure, under which manufacture or importer verifies that specifications are being met. Commission said its decision was "influenced by the longstanding record of compliance of TV receivers under verification" in its equipment authorization program. It noted that requirements don't involve new or advanced technology that manufacturers can't meet. It said, however, it will "closely monitor" compliance through program of sampling equipment.

MITSUBISHI AND HITACHI PUSH LIMITED DISTRIBUTION: Echoing each other's statements about futility of trying to be all things to all people, Mitsubishi and Hitachi reaffirmed commitment to limited distribution -- although each defined "limited" differently -- as they unveiled new lines to dealers and media.

Mitsubishi, maintaining ad tag line, "The Big Screen Company," officially unveiled 50" "tabletop" projection TV, new 40" direct-view set with price reduced \$1,000 to \$2,999, 2nd generation of "reduced curvature" 35" direct-view sets. Jack Osborn, pres. of Mitsubishi's Consumer Electronics Group (CEG), said company is showing "very significant" increases in sales of larger screen sizes.

Osborn, in session with reporters at end of 2 weeks of dealer meetings at Cypress, Cal. hq, reiterated commitment to regional and local retailers. He said Mitsubishi isn't in "Sears, Montgomery Ward, Circuit City and Best Buy and [we] don't intend to be." Acrimonious end of Circuit City relationship year ago (TVD May 31 p11) put exclamation point on Mitsubishi's return to limited distribution philosophy "which built Mitsubishi in the U.S. [and which] has been wholeheartedly embraced," he said, adding that company's business in first 1/3 of year was up more than 20% -- more than 30% when absence of Circuit City business is factored in. Osborn cited steps to remove volume emphasis, including restructuring of sales compensation so that half is tied directly to volume, other half to "nonsales activities."

Osborn, marking first anniversary in post, said Mitsubishi's interchange with dealers has become more "business relationship, not a golf tee time or social outing relationship," apparent slap at prior regimes. He acknowledged company was met by "tremendous aura of hostility" from dealers year ago, which he said was "well-justified" because of past "unacceptable arrogance with no results to back it up." Osborn said Mitsubishi was working harder at evaluating accounts, doing more thorough mystery shopping, seeking dealers who will devote time and resources to presenting product properly and training salespeople. He said small number of "ham-fisted" accounts would be winnowed out during annual process of renewing dealer agreements (most due at beginning of June). He conceded that Mitsubishi probably was overrepresented in N.Y. area and Wash. state, understored in Dallas-Ft. Worth.

Even as CEG shifts hq to Norcross, Ga., later this year (TVD Feb 21 p10), components of engineering operations also are on move. Projection TV engineering in Japan is being shifted to Santa Ana, Cal., hq of Mitsubishi Consumer Electronics America (MCEA) Mfg. Div., where company makes all its projection sets. Color TV engineering will be concentrated in Braselton, Ga., where direct-view production is centered.

Although big-screen TV is at center of home theater, Osborn said Mitsubishi doesn't plan to market complete single-brand A/V systems by reentering audio. However, he revealed company was in "serious conversations" with 2 audio manufacturers to ensure "interoperability" of their products with Mitsubishi TV

and video gear. Osborn didn't identify manufacturers or level of interoperability. However, within its own TV/video product line, "Active A/V Network" feature on certain higher end models automates several basic functions -- turning on TV and VCR, setting appropriate inputs and activating videotape merely by pushing "play" button on VCR remote. Osborn rejected idea of Mitsubishi's returning to audio business on its own in near term, saying it's "not a business we know well enough" to enter. Product Development Mgr. William Loewenthal said that while Mitsubishi "wants to participate at some level" in audio, dealer feedback is mixed on strategy. "Some of them want us to be in the mainstream, others want us to be in the high end," he said.

Growth of projection TV business this year probably will be limited by supply, not demand, Business Planning Vp Michael Stapleton said. Industry cupboard is nearly bare, with less than month's supply at end of April, less than half of supply year earlier. Unanticipated consumer demand (sales to dealers were up 33% through 3rd week of April) has manufacturers "borrowing" goods earmarked for 2nd half to fill first-half orders, move that probably will lead to shortages later in year. Stapleton said relatively large number of key components from different sources -- screens, mirrors, lenses, CRTs -- hamper manufacturers' ability to ramp up production quickly to meet demand. Industry sales, he said, could reach 525,000-550,000 this year. Sales of 35" direct-view sets could reach 450,000 or higher, stretching supply, though not as thin as in projection, he said.

Company made major point of promoting what it called TV industry's first 7-day-a-week customer service operation, to be staffed by 40-50 specially trained representatives when it shifts into full operation after CEG moves to new Norcross. For now, operation is staffed by about 25 fulltimers and parttimers 7 a.m.-6 p.m. PST weekdays, 9 a.m.-5 p.m. weekends. Consumer Relations & Survey Research Vp Robin Holland said goal is to have service available 14 hours daily for consumer anywhere. Company is spending "in the millions of dollars" on computer system, software, added personnel and training, she said (each person gets 6-week training course).

Detailed look at Mitsubishi line will be included in future issue.

* * * * *

"You cannot sell to all retailers in all markets and maintain any importance," Hitachi Sales Vp Gary Bennett told news conference in N.Y. following Ft. Lauderdale national dealer meeting. "We have tightened our distribution policy and will continue to do so in the future," he said, and company will supply only "value-added retailers" -- dealing with Circuit City and independents, for example, but not Best Buy and Incredible Universe, or warehouse clubs that "consume each other." Those distribution policies plus "value-added product" have made it possible for Hitachi to "upsized" while competitors are downsizing, Bennett said, noting that company was hiring personnel, including 11 new retail sales trainers added to 10 taken on earlier.

Predicting surge for Hitachi this year, he compared company's planned sales growth with that of industry in general. Color TV sales, he said, will grow 4% to 24 million, but Hitachi is planning increase of more than 51%. He forecast company would gain 7% in 13" and 30% in 20" TV (vs. no gain for industry), 54% in 27" (vs. 24%), 109% in 30-32" (vs. 30%), 180% in 35" (vs. 20%). Hitachi isn't participating in price-driven 19", 25" and 26" markets (forecast at 4% and 13% increases and 50% decrease, respectively). In 30-32" consoles, he predicted 42% gain for Hitachi (vs. 20% industrywide) and in 35" consoles 40% (vs. 25%).

Bennett said Hitachi expects its sales of projection TVs will increase 75% this year, compared with industry gain of 22% to 570,000; 111% growth in 50-55" and 54% increase in 60" and up. He saw industry VCR sales remaining flat at 12.5 million, but Hitachi gaining 9% -- 24% in hi-fi category, where industry is expected to grow 11%. Camcorder sales should increase 3.6% to 3.2 million, all of growth coming in 8mm (up 7%), he said, while Hitachi will gain 66% in camcorders -- 120% in 8mm and 22% in full-size VHS.

Hitachi has strengthened product lines in all areas where it participates. Company is emphasizing big-screen TV business and has extended Ultravision line -- formerly only projection TV -- to 27-35" direct view. It now has three 35" models, all with PIP, starting at suggested list of \$1,599. Among TV features are lighted remote and "favorite channel" feature that displays 4 categories -- sports, movies, news, user's choice -- programmable with 4 channels for each. Four-segment still-picture preview of each category can be displayed to right of main picture.

In camcorders, Hitachi has redesigned line, including what it called first model (8mm) with both color viewfinder and electronic image stabilization under \$1,000, full-sized VHS with color viewfinder and 24x zoom at \$799, along with water-resistant Hi8 model that will float if dropped overboard. Projection TV line

has 11 models. VCR line features VCR Plus starting at minimum advertised price of \$269. (Product details appear elsewhere in this issue.)

JAPANESE CAMCORDER PRICES HIT ALL-TIME LOW: Japanese effort to stimulate camcorder sales seems to involve cutting prices as well as increasing features -- or so it would appear from figures on exports to U.S., which show average price hit all-time low in March in equivalent of U.S. dollars, despite growing strength of yen.

For first time in history, average price of camcorder exported from Japan to U.S. was less than \$500 in dollar equivalent, hitting \$497.89 in March when dollar was equal to average of 105.5 yen. That was almost \$45 less than average price in March 1993 when \$1 bought 111 yen. That's decline of 9.2% in dollars. In yen, average price was 52,527, down 17.3% from average in March 1993. Yen price in March was 60.8% below 1990-1994 high, set in May 1990. Average dollar price is almost \$100 below price in Jan. 1990, even though dollar bought 145 yen at that time.

In VCR market, where Japan is concentrating on high-end products, farming out lower priced models to its plants in other countries, average price in dollars was \$271.68, up 11.4% or \$27.81 from March 1993, while average yen price increased less than 1%. In keeping with rise of other Far East countries as primary VCR sources, Japan's exports of VCR decks to U.S. fell 21.4% in March, for dip of 15.8% in first quarter. Camcorder exports were up in both periods, while videodisc players showed big 51.6% jump in March and 41.1% increase for quarter. CD player exports collapsed by 53.2% in month for cumulative first quarter decline of 39.4%.

Japanese exports to Canada for first quarter (March figures in parentheses): VCRs 31,304, down 21.1% (13,972, down 21.9%); camcorders 17,603, down 54.4% (8,587, down 51.1%); videodisc players 2,971, down 32.9% (859, down 26.6%); CD players 55,347, down 46.2% (22,226, down 48.5%). Here are Finance Ministry figures for Japanese exports to U.S. in March and first quarter:

Product	March '94	March '93	% Chg.	3 Mo. '94	3 Mo. '93	% Chg.
Color TV.....	15,012	7,748	+45.4	44,791	26,652	+68.1
VCR decks.....	349,899	438,738	-21.4	840,099	997,325	-15.8
Camcorders.....	282,548	258,265	+ 9.4	593,204	500,830	+18.4
Videodisc players	35,131	23,173	+51.6	70,436	49,932	+41.1
CD players.....	273,301	583,806	-53.2	798,430	1,317,586	-39.4

Proposed merger of Electronic Arts and Broderbund Software (TVD Feb 14 p18) disintegrated last week as companies were unable to negotiate new price in wake of recent decline in price of EA stock, which under announced deal would have cut value of deal from more than \$400 million to just over \$300 million. Analysts also speculated that recently announced purchase of Software Toolworks by Pearson PLC for \$462 million may have caused Broderbund to reassess price EA would have paid, even under reconfigured agreement. Under terms of deal, Broderbund is making one-time \$10 million payment to EA.

Most workers at TCE plants approved new contract calling for concessions in return for guaranteeing jobs for 4 years (TVD May 2 p13). Press reports in Indianapolis said about 70% of employees covered by IBEW approved new pact. While majority at plants in Bloomington, Indianapolis and Marion, Ind., and Lancaster, Pa., voted in favor, proposal was narrowly defeated at Circleville, O., glass plant. It's understood union is considering options.

"Kodak's future calls for nothing less than total commitment to imaging," Chmn. George Fisher said last week in announcing that company would sell off its health care and other enterprises which don't directly relate to its core business. Company will be able to spend more money developing digital electronic imaging systems without unrelated activities, analysts said.

April retail sales showed double-digit increases. Rex Stores reported 35% rise to \$21.4 million from \$15.8 million year ago on 10% gain in same-store sales. For first quarter, Rex said sales increased 32% to \$66.8 million from \$50.8 million on 7% rise in same-store sales... Audio King, boosted by opening of new store in Des Moines, said April sales rose 32% to \$3.5 million from \$2.6 million year ago. Comparable-store sales were up 26%. Ten-month sales increased 34% to \$38.7 million from \$28.9 million on 33% rise in same-store sales... Sears, citing sales growth in Brand Central consumer electronics department, said April figures jumped 14.2% to \$1.89 billion from \$1.65 billion on 12.3% increase in comparable-store sales. For 13 weeks, Sears had 12.9% rise in gross revenues to \$7.53 billion.

Sanyo cylindrical lithium-ion batteries were introduced in Japan for sale starting this month, producing 100,000 monthly at start at Sumoto factory in Hyogo prefecture. Company said it will invest up to 6 billion yen this year to set up 2 dedicated production lines. Sanyo becomes latest major Japanese contender to enter increasingly competitive lithium-ion market.

DMA Design, of Dundee, Scotland, which created popular "Lemmings" videogame series, will develop games for Nintendo-Silicon Graphics "Project Reality." Terms weren't disclosed.

PHILIPS POSTS CE GAIN: Turnaround in profitability of consumer electronics operations helped spur 152% jump in overall Philips net income for first quarter, but continued economic stagnation in Europe was blamed for sales' remaining flat (see financial table).

Philips said overall sales in quarter actually rose 2% when adjusted for consolidation changes and exchange rate fluctuations. It said sales growth occurred "fully" outside Europe, where revenues fell 1% on comparable basis, and was "particularly strong" in Latin America and Asia.

Consumer electronics sales mirrored company's overall performance in quarter, remaining virtually unchanged at 5.2 billion guilders from 5.02 billion year earlier despite "unfavorable economic situation in Europe," offset by gains in rest of world. However, income from consumer electronics was 42 million guilders, compared with year-earlier loss of 28 million. Company said "slightly lower loss" at Grundig helped contribute to overall improvement in its largest consumer electronics sector. Income from other consumer products fell 28% despite 4% sales gain.

Strong upturn in components and semiconductors, where sales rose 16% to 2.9 billion guilders, was attributed to "the continuously favorable markets for semiconductors." Income from those operations doubled to 372 million guilders because of "strong sales and high utilization of capacity." Sales in lighting sector fell 5% on comparable basis, mainly because of price erosion in N. American lighting components market.

Philips said it remains "cautious with regard to the extent of improvement in net income from normal business operations in 1994, which is influenced by the rate of recovery from recession in Europe." In announcing move from red ink to black last year, Philips forecast continued economic recovery in U.S. for 1994, with Asian growth remaining at 1993 levels, but improvement in Europe "still some way off" (TVD March 7 p12).

Same day as announcement of first-quarter results, wire services quoted Finance Dir. Dudley Eustace as saying that Philips plans expansion of its media business through major acquisition, which it would fund by issuing new shares. "We have earmarked an amount we are prepared to spend, but it depends on the price," Reuter quoted Eustace as saying, without elaboration. Company now owns about 75% of PolyGram.

Royalties on patents used in MPEG will be subject of meeting in Sept. that will attempt to create single entity to handle all licensing as MPEG emerges as world digital compression standard. MPEG meeting in Paris in March approved formation of single licensing authority. CableLabs Exec. Vp Baryn Futa said MPEG "includes many different patents from many different companies and individuals worldwide," and added: "Unless a creative way is found to provide easy, reasonable, fair and nondiscriminatory access to such patent rights, the goal of a worldwide digital TV standard may be jeopardized." Futa urged all patent holders interested in participating in meeting to contact him by June 10 at CableLabs, 303-939-8500.

Sansui name will appear on TV sets again as result of joint venture with Kong Wah Group of Hong Kong to make color TVs in China. Venture is expected to produce 250,000 sets in first year. Sansui now is controlled by Hong Kong's Semi-Tech Group. Kong Wah, Hong Kong's largest TV maker, has 4 plants in China.

BEST BUY ENTERS L.A.: In dramatic shift, Best Buy (BB) has decided to open 6-8 stores in L.A. area this year, speeding move to Southern Cal. that as recently as last month was targeted for 1995 expansion.

BB said "available key real estate" in L.A. enabled it to change plans in move that will bring it head to head with archrival Circuit City (CC) and regional power Good Guys (GG). Locations consist of leased space and new construction openings planned by 3rd quarter, spokeswoman said. New sites fit existing format: 45,000-sq.-ft. store on 5-6 acres with 200-250-car parking lot, she said.

BB officials indicated first L.A. stores would be "a wash" in terms of earnings because added revenues will be offset by expansion costs. But chain is said to be planning to add 6 more L.A. stores by spring 1995, 8 more by fall.

Eventually, 152-store chain said it plans to operate 25-30 stores in Southern Cal. New locations will be served by leased L.A. distribution center that also may handle Phoenix outlets, sources said. In plotting L.A. strategy, BB hired GG personnel in last year including at least one store manager and Kenneth Weller, ex-sales vp, who joined BB as regional vp (TVD June 7 p18). Minneapolis-based retailer said it also would add stores in Las Vegas (2), Akron (1) and Cleveland (6) for total of 50 new openings by year-end.

BB's entry comes after what was seen as CC's attempts to hamper chain's L.A. expansion. CC purchased leases of 18 former Silo stores from Fretter in Feb (TVD Feb 7 p12). BB also bid for some locations.

GG Pres.-CEO Robert Gunst said he expected BB's move but "entry was slower than I had anticipated." GG has no plans to change merchandising strategy such as adding software, BB staple, he said.

New strategy was disclosed in April sales report that showed 90% rise in sales in month to \$251 million from \$132 million year earlier. For first 9 weeks, sales were up 98% to \$595 million from \$300 million. Same-store sales jumped 36% in April, 41% in first 9 weeks.

U.S. and China pose major competitive threats to Japanese electronics manufacturing, Sharp Pres. Haruo Tsuji warned in overview of challenges facing company, as printed in its international house organ, We're Sharp. "We are faced on the one hand with American companies who have managed to reinvigorate themselves extremely rapidly, and on the other hand with China and other countries in Asia making a concerted effort to become the supplier and manufacturing base for consumer electronics worldwide," Tsuji said. He pledged that Sharp would continue to innovate and that its production capacity for TFT LCDs would increase 50% this year to 180,000 per month.

Satellite dishes, camcorders and condoms have replaced mutton, candles and back-lacing corsets on Britain's cost-of-living index, Financial Times reported in celebration of index's 80th birthday. Among other items added in last decade: Videotapes, CDs and microwave ovens, while 7" single records, men's vests and kippers have been dropped.

Franklin Electronics net income inched up less than 1% in 4th quarter on 0.04% gain in sales (see financial table). For year ended March 31, Franklin posted 13% increase in net income to \$8 million from \$7.1 million on 1% rise in sales to \$66.1 million.

SENATORS WARN ON GAME RATINGS: Letter bearing signatures of Sens. Lieberman (D-Conn.) and Kohl (D.Wis) was sent to 15-20 top videogame retailers last week, urging them to sell only games "rated by an independent, premarket rating process" -- thinly veiled effort to warn them away from system backed by Software Publishers Assn. (SPA) that would have publishers assigning rating to games themselves, subject to later challenges.

SPA Exec. Dir. Kenneth Wasch was nonplussed by letter, implicit endorsement of core of system being developed by Interactive Digital Software Assn (IDSA), which is creating board of outside experts that would assign rating to programs before they go on market. "I'm surprised the 2 senators have taken the step of promoting one rating system over another when they haven't seen either one operate," Wasch said.

Source close to senators insisted letter wasn't endorsement for IDSA system or condemnation of SPA approach and didn't represent "active endorsement" of either. But tone was clear. Letter called SPA-backed system "less reliable and less credible than the IDSA approach," adding that it would "not be insulated from a publisher's marketing pressures." It also said system "may expose retailers to greater monetary costs" that would arise if product must be pulled from shelves.

Letter cited commitments made at Senate hearings by Babbages, Toys R Us and Wal-Mart (TVD March 7 p10) "to making a rating system effective in their stores," saying they "would not sell unrated products once a rating system is in operation."

"The stand these companies have taken will serve their customers well," letter said. "Commitments made by other major retailers to take similar steps, particularly the policy of not selling games which have not been rated by independent reviewers prior to shipment, will be a significant contribution to making the rating effort work. To the extent that a voluntary industry rating effort is widely used and effective, the need for the enactment of the federal legislation which we recently introduced is reduced."

Ultimately, letter is aimed at encouraging major retailers to create de facto standard by refusing to carry products not rated under IDSA-like system, which would force publishers with mass market aspirations to submit their games. "We're hoping to show them they have a real interest in seeing a system designed that doesn't have hidden costs for them," Senate source said.

Recoton, citing increased sales of wireless audio/video products, reported 68% jump in net income in first quarter as revenues rose 42% (see financial table). Gains also were tied to company's new line of computer and cellular phone accessories as well as addition of Sole Control remotes it acquired with purchase of Infrared Research Labs earlier this year. Recoton is expanding wireless offerings with 5-speaker home theater system and microphone at Consumer Electronics Show in June (TVD March 14 p16).

Hitachi, in major restructuring of sales force, has cut sales regions to 3 from 4, eliminating southern zone and merging it with east and midwest. Ten retail sales trainers have been added to existing 11-person staff, and 2 new national major accounts sales mgrs. will be hired. Western zone order desk moved to Norcross, Ga., from Compton, Cal., and western office has shifted to Hitachi facility in Anaheim from Compton.

DSS TO LAUNCH LATE THIS MONTH: New 150-channel high-powered digital DBS system will launch late this month in Jackson, Miss., nearly month after scheduled start, sources said.

Thomson/DirecTV Div. of Hughes joint venture had been expected to enter retail under RCA Digital Satellite System (DSS) early this month, but delays in integrating software programs have slowed project, DirecTV spokeswoman said. "All the different software needs to be debugged and we have to make sure the software systems are talking to each other," she said. Delay is unrelated to encoder problem encountered last fall (TVD Dec 20 p17), spokeswoman said.

System is expected to be introduced in Jackson and move to Albuquerque, Little Rock, Shreveport and Tulsa by June, sources said. Five markets will be added by midsummer, with nationwide rollout in Sept. Decision on whether to test system first in one market or in all 5 hasn't been made, spokeswoman said.

DSS will be sold at outset through 20-30 Sears stores, 20 Circuit City outlets and scattering of other retailers including Best Buy, Lowe's and Service Merchandise as well as half-dozen satellite dealers in Jackson area, said Consumer Satellite Systems (CSS) CEO Michael Schroeder, whose company is DSS distributor.

DSS will be sold in 2 packages. Basic system at \$699 consists of 18" dish, integrated receiver descrambler (IRD), low noise blocker (LNB), remote. Setup at \$899 adds dual output LNB. Actual cost of system including programming and \$150 installation will be in \$1,200 range, Schroeder said.

TOPS PAYS 'PHONY' AD FINE: Tops Appliance City has agreed to change some ad practices that N.Y. state found deceptive and to pay \$36,000 fine.

Settlement covers 2 stores Tops operates in Hawthorne and Westbury, N.Y. Edison, N.J. retailer regularly advertised "phony discounts and items for sale when there was only one of each item available in each store," N.Y. state attorney general's office said.

Among other charges were that Tops "conveyed impression" that some products were available at reduced price for limited time when they were everyday low prices, claimed it had lowest prices when they weren't always below those of competitors, claimed percent-off discounts without stating price being lowered.

Tops Pres. Philip Schmidt said that while chain cooperated with AG's office in 18-month investigation, "we don't agree with the attorney general's findings." He said Tops agreed to pay fine to avoid "costly litigation."

However, retailer has changed its print ads to reflect settlement terms and to "make them easier to read," Schmidt said. Tops also launched new toned-down radio campaign that contrasts with blistering "Forget About It" spots that scorched N.Y. airwaves for 2 years. New spots target 3 different age groups and types of music, easy listening, soft rock and progressive, Schmidt said. New TV ads will air in mid-June using softer approach. "The new ads aren't as abrasive and we're trying to appeal to different age groups," he said. "We found that people didn't always like our old ads when we talked about nuking the competition."

FRETTER YEAR-END LOSS Fretter, showing aftereffects of \$45-million Silo purchase last fall (TVD Sept 20 p12), said it lost \$1 million in year ended Jan. 31 against \$5.7-million profit year ago.

Slide in net income came despite 50.9% increase in sales (see financial table), which included revenues from Silo outlets after Dec. 11. Fretter formally acquired Silo from Dixons Dec. 3. Large part of loss was related to \$11 million set aside to cover store closings after Silo purchase. For 4th quarter ended Jan. 31, net income rose 47.6% on 149% increase in revenues.

Chain, based in Brighton, Mich., has closed 40 Silo and Fretter stores, leaving 242 in 22 states, operating as Dash Concepts (18), Fretter (42), Fred Schmid (22), YES! (3), Silo (157). It will expand in 2nd half in existing markets, adding Fretter stores in Mich. and Silo in Philadelphia, Phoenix and upstate N.Y., Fretter Senior Vp-Operations Daniel Hourigan said. Fretter also has completed move to new hq in Brighton and will sell 150,000-sq.-ft. former Silo hq in Philadelphia within 2 months, he said, and already has received 3 bids for site.

* * * * *

Harvey Group, parent of 7-store metro N.Y. Harvey Electronics retail chain, reported \$459,000 loss in 4th quarter ended Jan. 29, compared with \$308,000 profit in same quarter year earlier. Sales in quarter dropped 3.4% to \$7.3 million. For full year, revenues fell 11.6% to \$21.3 million and net loss grew to \$1.7 million from \$557,000. Comparable-store sales during year dropped 14%.

Pres. Arthur Shulman said sales in quarter were "strong through Christmas, but were negatively impacted by extremely adverse weather conditions through the end of January." He also announced completion of refinancing, including major prepayment related to earlier sale of company's food brokerage business and acquisition of new 3-year \$3-million revolving credit facility.

HITACHI EXPANDS LINE: Hitachi's TV line shows substantial lowering of suggested list prices (see separate report on Hitachi, this issue). Basic line starts with holdover 13" at \$199, stepping to 20" at \$299, with first UltraBlack tube 20" at \$399, holdover 20" TV/VCR combo at \$599.

First 27" TV, without UltraBlack tube, is \$499, UltraBlack model \$100 extra; model with cursor remote and favorite channel feature \$699; with illuminated universal remote, automatic volume memory circuit, on-screen icons, \$799. All four 31" sets have invar mask and are priced at \$899-\$1,299. Three 35" sets start with UltraBlack model at \$1,599, with 750-line model at \$1,799, invar tube console model at \$1,999.

Projection line includes Maxus series of 50" at \$1,999 in 2 finishes, 50" with storage area at \$2,399 and 55" at \$2,499. Ultravision lineup has 46" at \$2,499 in 2 finishes, 50" at \$2,799 and \$2,999, two 60" at \$3,999.

VCRs, all with front inputs, graphic menu, auto tracking, high-speed rewind and Video Brain remote, start with 2-head leader at \$219, stepping to 4-head at \$249, VCR Plus model with illuminated remote \$299, hi-fi stereo with VISS index and movie return auto rewind at \$329, stepping to \$349 model, synchro edit model at \$399, flying erase and jog/shuttle \$449, topped by model with VCR Plus cable box control at \$899.

Hitachi's major effort in camcorders includes 3 full-size VHS models of new design, starting with 12x zoom model with titler at \$599, adding built-in light and wind filter at \$699, 24x zoom with color viewfinder at \$799. Six 8mm models begin with 12x model at \$699, adding 24x and multibrand remote at \$799, color viewfinder at \$899, adding image stabilization at \$999; Hi8 with all top features is \$1,299, new ultracompact remote water-resistant model is \$1,899.

STARSIGHT'S STANDALONE RECEIVER: With first TVs containing StarSight's on-screen guide expected to hit market in June, company said it will deliver standalone receiver by late this year.

Device, about 1" thick with footprint similar to VCR, is being built by unidentified Singapore manufacturer. It will operate as independent component atop TV and will retail under \$200, said John Burns, StarSight exec. vp-mktg./sales. Marketing plans still are being devised, but company is leaning toward licensing consumer electronics manufacturer to sell branded product, rather than using StarSight name in infomercial, Burns said. Receiver will be packaged with universal remote and is compatible with TVs and VCRs, he said.

New version would be twist for StarSight, which previously relied heavily on manufacturers to build technology into TVs and VCRs. Unit has been through several designs including videocassette size version that would retail under \$100. "We want to get the price as low as possible and one of the advantages of dealing with the consumer electronics companies is they're professionals at getting cost out of a product," Burns said. Licensees include Goldstar, Mitsubishi, Philips, Samsung, Zenith.

StarSight plans come as General Instrument and Scala Inc. signed licensing agreement last week forming partnership to develop satellite TV interactive programming guide. StarSight and TV Guide On Screen are among companies competing to provide technology for project, Burns said.

In other developments, StarSight, citing increased costs related to marketing new guide, said net loss widened in 3rd quarter to \$6.4 million from \$2.3 million year ago. For 9 months, net loss rose to \$15.2 million from \$6.1 million year earlier. Losses came as company prepared for delivery of first Zenith TV sets containing on-screen guide. StarSight is planning promotions linked to Zenith TVs containing guides, Burns said.

Circuit City (CC) has filed plans to open first Conn. store, in Orange, by 1996. Richmond chain is seeking permit to build 31,303-sq.-ft. store. CC said it will demolish former Grossman's home improvement center and build one-story structure with 196-car lot. CC's move has been expected since it opened in Boston area in 1993, and will bring competition to regional chains including Bernie's, CompUSA, Sound Playground, Wiz. CC reported 32% increase in April sales to \$326.5 million from \$246.5 million year earlier on 13% gain in same-store sales.

Antidumping duty orders on personal word processors and portable electronic typewriters from Japan were revoked by Commerce Dept.'s International Trade Administration after "changed circumstances review" requested by Smith Corona, reflecting truce with Brother after 14 years of battles (TVD Feb 14 p16).

UNIVERSAL BATTLES INVENTORY: Universal Electronics, plagued by drop in sales of remotes, is struggling to reduce largest inventory in its history, it said in 1993 annual report.

Twinsberg, O., company, claimed to be world's largest source of wireless remotes, said that as of Feb. 28 backlog had increased to \$31.5 million from \$15 million in Dec. and \$10 million in 1992. Despite strong 4th-quarter sales, Universal didn't receive expected large reorders from retailers in crucial 6 weeks before 1993 holiday season.

Central to inventory problem was microprocessor chip shortage that resulted in 38-week lead times, company said. Shortfall forced Universal to order for year in Feb. 1993. Although leads have been reduced and Universal found other chip suppliers, "benefits will not be realized for several months and we expect our inventory to rise during the first half of 1994," it said. Neither chip shortage nor high inventory is expected to have "significant impact on future financial results," Universal said.

Overall, Universal has delivered 13 million remotes since its founding in 1987. In 1993, it had sales of \$89 million, including 54% of own brand, 24.7% OEM, 18.7% international, plus 2.2% Eversafe home automation and safety products.

On OEM side, Universal has developed 30 products for other companies, including Philco brand for K mart and remotes for JVC, Kenwood, Sony, Toshiba. It also designs remotes for 8 of top 10 cable MSOs including Time Warner and TCI under its Uniwand name or cable TV operators' brand.

Company has developed new chip for "upgradable" remotes introduced in 1993. E2 erasable ROM memory reduces costs and allows consumers to upgrade remote to handle new products. Universal said it has library of 45,000 infrared codes.

Overall, 246 million infrared remote control devices are in use in U.S., 10% of which are lost or broken each year, Universal said. Total of 23 million U.S. homes have universal remotes, half with 2 or more, it said. About 70% of sales are to replace lost or broken units.

Consumer Electronics Personals

Appointments at Mitsubishi Electronics America Consumer Electronics Group: Michael Spiekerman, ex-TRW, as asst. pres.; Robin Holland, ex-customer relations mgr., as vp-consumer relations and survey research... Emiel Petrone, Philips Media senior vp-entertainment acquisitions and development, adds responsibility for company's Digital Video Group, formerly headed by Graham Williams, resigned... Rick Stans promoted to Hitachi national sales mgr., succeeding Thomas Situla, who resigned last year... Peter Harris, ex-FAO Schwarz and Gemco discount stores, named pres.-CEO of Accolade, entertainment software publisher; Alan Miller continues as chmn... Carl Eilers, Zenith, receives Masaru Ibuka Consumer Electronics award at International Conference on Consumer Electronics in Chicago June 21 for contributions to FM stereo and multichannel TV sound; other awards: Leander Hoke, Philips, named IEEE Fellow for design and development of radio and TV receivers; Theodore Rzeszewski, Matsushita, IEEE Fellow for frequency synthesized tuning, flesh tone correction in TVs and HDTV; 1993 Outstanding Paper

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
Avnet			
1994-9 mo. to April 1	2,628,500,000	73,100,000	1.79
1993-9 mo. to April 1	1,642,500,000	50,600,000	1.40
1994-qtr. to April 1	900,000,000	25,300,000	.62
1993-qtr. to April 1	582,500,000	18,200,000	.50
Chyron			
1994-qtr. to March 31	9,811,000	323,000	--
1993-qtr. to March 31	8,346,000	257,000	--
Franklin Electronic Publishers			
1994-year to March 31	66,149,000	8,090,000	1.06
1993-year to March 31	65,383,000	7,142,000	.94
1994-qtr. to March 31	12,854,000	1,078,000	.14
1993-qtr. to March 31	12,774,000	1,028,000	.13
Fretter			
1994-year to Jan. 31	545,508,000	(696,000)	-- ^a
1993-year to Jan. 31	361,603,000	5,719,000	.77
Great American Communications			
1994-qtr. to March 31	48,449,000	(1,752,000)	--
1993-qtr. to March 31	--	--	-- ^b
LIN Broadcasting			
1994-qtr. to March 31	191,627,000	(15,095,000)	--
1993-qtr. to March 31	151,233,000	(14,592,000)	--
M/A-Com			
1994-26 wk. to April 2	162,971,000	4,542,000	.18 ^c
1993-26 wk. to April 3	166,246,000	4,104,000	.17
1994-13 wk. to April 2	83,851,000	472,000	.02
1993-13 wk. to April 3	87,111,000	3,730,000	.15
News Corp.^d			
1994-9 mo. to March 31	5,691,800,000	670,400,000	2.87 ^e
1993-9 mo. to March 31	5,598,100,000	451,900,000	2.14 ^e
1994-qtr. to March 31	1,826,900,000	160,300,000	.65 ^e
1993-qtr. to March 31	1,805,800,000	129,600,000	.62 ^e
Outlet Communications			
1994-qtr. to March 31	11,458,000	557,000	.08
1993-qtr. to March 31	10,027,000	2,957,000	.45 ^c
Philips Electronics^f			
1994-qtr. to March 31	7,302,000,000	139,037,000	.42
1993-qtr. to March 31	7,353,000,000	55,080,000	.17
Prism Entertainment			
1994-year to Jan. 31	20,018,000	1,516,000	.69 ^c
1993-year to Jan. 31	17,941,000	23,000	.01
Recoton			
1994-qtr. to March 31	29,045,000	1,469,000	.26
1993-qtr. to March 31	20,400,000	872,000	.159
Scientific-Atlanta			
1994-39 wk. to April 1	552,400,000	14,500,000	.38 ^a
1993-40 wk. to April 2	542,000,000	10,400,000	.28 ^a
1994-13 wk. to April 1	204,000,000	11,900,000	.31
1993-13 wk. to April 2	184,100,000	6,900,000	.18

Notes: ^aAfter special charge. ^bComparable results unavailable. ^cIncludes special credit. ^dConverted from Australian dollars. ^ePer ADR. ^fAt rate of 1.87 guilders = \$1. ^gAdjusted.

awards to Carl Scarpa, Hitachi, and Gangolf Hirtz, Thomson, Germany.

Ray Windsor, national sales and mktg. mgr., Fujitsu Ten-affiliated Eclipse, promoted to vp-sales and mktg... Bill Stange, ex-Jensen and Recoton, joins Ultimate Sound as eastern regional sales mgr., will be based in Md... Marina Bosi and David Robinson, Dolby Labs Digital Audio Group project engineer and senior vp-technology, respectively, to co-chair Audio Engineering Society convention, Nov. 10-13, San Francisco... National Assn. of Service Dealers officers: Robert Chesney, Quality TV, pres.; Thomas Failla, Dixie Jet, first vp; Lane Norman, Norman's Electronics, 2nd vp; Patricia Baker, Baker Appliance, secy.-treas.

TELEVISION DIGEST®

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With Consumer Electronics

MAY 16, 1994

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

AMERITECH SEES VDT BREAK-EVEN: RHC says alternative to cable could be profitable in 8 years. Growth based on 'strong consumer preference' for alternative to cable. Company sees nineteen MSOs affected by competition. (P. 1)

FCC ROSTER COULD BE FILLED THIS WEEK: Senate committee expected to approve Ness and Chong, and full Senate confirmation is possible. CPB nominee Sagner may have to wait. (P. 2)

HUNDT BACKS FEES to support FCC. New costs 'not a very big imposition' on industry, he says, are better than slowed license processing. Cable Bureau moving on rate cases. (P. 4)

CABLE CHANGES SLOW, despite May 15 date for new rate rules. Most operators using 60-day grace period. NCTA formally appeals rate rules. Systems fear new regulatory actions. (P. 5)

CABLE-TELCO BARRIERS WOULD FALL QUICKLY under bill introduced by Breaux and Packwood. Senators want all barriers lifted after one year, but Commerce Committee Chmn. Hollings disagrees. Regulatory parity with competing services also part of proposal. (P. 6)

NTIA SPECTRUM COMMENTS reflect concerns by industry, amateur operators. Transfer of 200 MHz of spectrum from govt. to private sector required by 1993 budget bill. (P. 7)

AMERITECH SAYS VDT WILL BREAK EVEN IN 8 YEARS: Ameritech's \$400 million video dial tone (VDT) systems in 5 states would reach break-even, including recouping previous years' operating losses, in 8th year of operation, according to replies to FCC questions on VDT plans. Company predicted that 9% of customers passed by VDT systems would subscribe in first year, growing to 39% by 10th year. It said it based estimates of penetration rates on market research and assumption that there's "a strong consumer preference for alternatives to traditional cable." Commission asked for additional information as part of proceeding on whether to approve VDT. FCC sent similar letter to U S West. Comments on Ameritech filing are due May 16.

Letters to both telcos were similar. U S West letter from Acting Common Carrier Bureau Chief Richard Metzger said "preliminary" economic and cost data submitted by U S West must be supplemented by: (1) Total revenue estimates. (2) Charges assessed to programmer customers and to end user subscribers. (3) Methodology used to set those figures and telco's estimate of 15% subscriber penetration. (4) Amount of depreciation, maintenance, operations, taxes and marketing expenses included in estimates. (5) Assumptions

Consumer Electronics

TOP VCR/CAMCORDER BRANDS AGAIN GAINED share, with top 3 VCR brands owning nearly 30% of market, top 3 camcorder brands claiming 52%, our survey shows. (P. 9)

PANASONIC SETS PRIORITIES as gaining TV market share, boosting 3DO player. Highlights are more aggressive TV pricing, new 3DO promotion, plans for Video CD. (Pp. 11&15)

HOT PROJECTION AND DIRECT VIEW TV SALES were seen in April, with VCRs showing slight increase, camcorders slumping for first time since July. (P. 12)

AC-3 LASERDISC STANDARD discussed at Laser Disc Assn. meeting, as Laser Disc Assn. tries to set course for era of digital home theater. (P. 13)

JUSTICE DEPT. LAUNCHES antitrust probe targeting discriminatory pricing in consumer electronics and major appliance industries. (P. 15)

SONY PLAYSTATION SOFTWARE for Japanese launch later this year will include 27 titles from 15 companies, with hardware slated at under \$500. (P. 16)

3DO, ATARI POSTED LOSSES in March quarter, with 3DO showing \$51 million loss for year, citing 'significant contribution' of royalties from Japan launch. (P. 16)

TOSHIBA WILL PLUNGE into flat screen TV and TV/VCR with introductions during dealer meetings this week. (P. 16)

on volume discounts for equipment buys. (6) Estimates of interest rates. (7) Assumptions used to set expected break-even date. Bureau also wants to know if U S West expects to use joint ventures or independent channel manager, how channels would be allocated (including U S West's role in programmer selection), who sets prices for programmers, whether more than 77 analog channels will be needed and how telco would provide more capacity.

Operating revenue will exceed operating expenses in most states by 3rd year, according to Ameritech projections, although Ill., which would have largest VDT operation, would be delayed until 4th year. Operating break-even would be delayed until 8th year, when net would be less than \$1 million, because of need to recoup losses in first 3-4 years, company said. By 10th year, when VDT is mature, commercial switched digital services will be largest single revenue source, even though it would account for less than 3% of customers. In case of Ill., Ameritech expects \$23.4 million commercial switched revenue, followed by \$22.6 million for residential switched digital, \$16.2 million for analog multicast service, \$6.6 million for compressed digital multicast, \$5.6 million for end-user connection.

Ameritech plans to devote 70 channels of VDT system to analog multicast channels, which would resemble current cable service, plus 30 for compressed digital video multicast. It expects that about half of both analog and digital channels will be leased to program providers at start, with analog exceeding 90% by 3rd or 4th year, and digital approaching 100% at same time. RHC said it didn't anticipate need for more than 70 channels, but said it would try to provide them if needed. Options include switching some to digitally compressed channels, narrowing geographic areas served by single system so different sets of channels could be offered in different areas, reallocating digital channels to analog, or using switched analog technology.

Company plans to use request for proposals process to select "common channel manager" to lease channels to individual programmers, it said. Selection will be based on economics, length of commitment and plans to allocate channels fairly to programmers, it said. Other details in Ameritech letter: (1) Switched digital service would generate only small portion of demand at beginning, but majority of customers eventually would use it. (2) Residential customers would account for 38% penetration at 10-year mark, commercial customers 1%. (3) Cable MSOs to be affected by competition from VDT systems include Cablevision Systems, Century, Coaxial Communications, Columbia, Comcast, Continental, Countryside Cable, Cox, Insight, Jones, Maclean Hunter, Marcus Cable, Metrovision, N-Com, TCI, TeleCable, Time Warner, Triax, Viacom. (4) Ameritech has no plans for joint ventures.

In other cable-telco developments, MCI said FCC should reject GTE's proposed video transport tariffs for its Cerritos, Cal., testbed, and N.J. Bell said FCC should reject NCTA bid for investigation of whether telco is building VDT facilities before getting VDT approval. Both of GTE's proposed tariffs are "patently unlawful," MCI said. Filing charged that GTE couldn't remain involved as video programmer in Cerritos because that would violate telco-cable cross-ownership restriction after waiver expires July 17, and GTE would lack certificate of public convenience and necessity to continue operating coaxial facilities after waiver expires. Cerritos tests have been completed, or are near completion, so there's no justification for extending waiver, MCI said. Filing also said that transferring ownership of coaxial facilities to regulated accounts could expose ratepayers to higher rates.

Despite NCTA claim that N.J. Bell is building VDT facilities before getting approval, company said it's deploying fiber in underlying telephone network only to provide exchange and exchange access service. Deployment is "an ongoing process, and will go forward whether or not the Commission grants authority to also provide VDT," telco said. "The Commission has never suggested that Section 214 approval is needed to upgrade the existing network."

FCC COULD BE AT FULL STRENGTH THIS WEEK: Senate Commerce Committee is expected tomorrow (Tues.) to confirm Susan Ness for Democratic FCC slot, and Rachelle Chong for GOP seat. Both could be confirmed by full Senate by end of week, although that's not definite. However, nomination of Alan Sagner to be CPB board member could be held up.

Confirmation hearing for Ness and Chong May 10 was dominated in large part by criticism of TV programming by Sen. Danforth (R-Mo.). They also were questioned closely by Sen. McCain (R-Ariz.) on their views on violence on TV and on fairness doctrine. McCain also opposed nomination of Alan Sagner to be member of CPB board, and last week put hold on Sagner's nomination until he receives background FBI briefing and other materials. Sagner, whose hearing followed that of FCC nominees, has contributed

\$283,405 to Democratic causes since 1985, according to McCain's count of disclosure form. Senator said Sagner, real estate developer, wasn't qualified because he had no background in public broadcasting.

Senators tried to pin down Ness and Chong on policy positions, with few results. On their written answers to committee on fairness doctrine question, nominees said they would do Congress's bidding. That wasn't good enough for McCain, who remarked that neither nominee had answered question, and asked whether they would like to answer it now. Chong, Republican nominee for term ending in 3 years, said she was aware of balance between need for discussion of controversial issues and constitutional issues. McCain said outlets for controversial views were proliferating, including 2-3 major talk shows in each city, and asked if there were enough diverse voices. Chong said "there can never be enough." McCain asked if there were enough to require a fairness doctrine. Chong replied, "No." He also asked about her statement in written reply to Committee that she would support "appropriate action" to combat violence on TV. Chong said that she wasn't yet well grounded in issue. She later described bill by Sen. Dorgan (D-N.D.) calling for violence report card as "creative approach." Chong said FCC has licensing authority over stations. Ness said she would like to see outlets for "public discourse increased," but said she also was worried about "chilling effects" of fairness doctrine.

But TV discussion was dominated by Danforth, who spoke at length on problems of programming, calling current offerings and "just so much garbage" and "thin gruel." He said broadcasters would put anything on air to make money, calling them "sleaze merchants," and attacked industry for dressing up in black tie and evening dress and giving each other awards. Instead of donning formal wear, Danforth said, industry figures should "wear coveralls" and award each other toilets.

On telecommunications issues, Chong, who represented cellular companies before Cal. PUC, said she has vision of "wireless future" with worldwide services providing voice, data and video. Chong, although GOP nominee, was introduced to panel by 2 Democratic representatives from Cal. -- Matsui and Mineta. Ness, introduced by Sen. Mikulski (D-Md.), spoke of advantages that advanced services could have in education, govt. services, health care.

Sagner's brief hearing was rocky, with McCain and Sen. Pressler (R-S.D.) criticizing PBS for what they saw as left-leaning programming. While McCain concluded that Sagner wasn't qualified because of his Democratic background, Pressler said that perhaps nominee could be more sensitive to programming foibles because of same background.

Settlement between Infinity Bestg. and African-American Business Assn. (AABA) over license transfer of WPGC-AM-FM Washington raises "unique" issues that will get extra scrutiny from Mass Media Bureau, FCC Gen. Counsel William Kennard said. Despite agency's rules against licensees' paying consideration exceeding costs in return for groups' dropping opposition to license transfers, he said WPGC deal includes "noncash" considerations: "I understand that the Mass Media Bureau will have some questions." AABA had contended that FCC shouldn't let Infinity take over stations in \$60-million deal because of what it called racially offensive broadcasts by Infinity jock Howard Stern. Group dropped opposition after Infinity agreed to fund training program to help local businesses learn how to produce ads, give ad rate discounts to AABA members for next 4 years and to fund \$25,000 training program for aspiring African American talk show hosts. Overall package was worth estimated \$2.75 million. Kennard also said FCC was likely to act on new broadcast station ownership rules in June or July. Meanwhile, debate between FCC Comr. Quello and Sen. D'Amato (R-N.Y.) over Stern continued (TVD May 9 p5). Quello, in letter, outlined legal actions taken against Stern, including unanimous decisions by FCC and copies of court decision affirming Commission's authority to fine broadcasters for indecent speech. Quello said it was ironic that D'Amato would criticize FCC for enforcing indecency when senator repeatedly had voted in favor of indecency bans. Quello said his references to being Catholic and Italian were "intended as a lighthearted, irrelevant portion" of 7-page letter and 8-page transcript he had sent to provide background on Stern and Infinity Bestg.

Cal. Cable TV Assn. (CCTA) is asking FCC to investigate whether Pacific Bell has begun work on video dial tone (VDT) system without Commission approval, or if it intends to. CCTA Pres. Spencer Kaitz said notices from Pacific's construction contractor and affidavits from PacBell management indicated that VDT construction was to begin this spring, even though FCC hasn't approved plans. Petition claimed that construction could begin within 3 weeks, citing affidavit from Laura Murdock, vp-inktg. and strategy for PacBell parent Pacific Telesis, filed with FCC as part of PacBell request for waiver of interLATA restrictions. CCTA also said there was evidence that PacBell was negotiating with programmers and planned to begin trenching in San Diego June 1: "The Commission must immediately investigate how Pacific is allocating costs for all of its wholesale and consumer marketing to ensure that these costs are not being borne by California's telephone ratepayers."

Speakers at May 24 general session at NCTA convention will include General Instrument Chmn. Daniel Akerson, Disney Channel Pres. John Cooke, Cablevision Industries Chmn. Alan Gerry, Comcast Pres. Brian Roberts, Landmark CEO John Wynne. Added to panel on a la carte pricing at 3:15 p.m. May 23 is Lynn Levine, dir.-Warren Publishing Mkt. Research & Data Sales Div., discussing recent special report on a la carte.

Rep. Coble (R-N.C.) has introduced resolution (H.J. Res. 365) designating Aug. 16, 1994, as TV Nation Day in honor of program by that name being created jointly by NBC and BBC tentatively scheduled to be broadcast on that date.

HUNDT BACKS FEES: It's "not a very big imposition" on industry to fund FCC through regulatory fees, Chmn. Hundt said in endorsing idea of fully paying for Commission that way. He limited his comments to regulatory fees that would go to FCC rather than more controversial idea of raising money through spectrum fees to implement General Agreement on Tariffs & Trade (GATT).

Fees would have "nominal effect" on industry, he said, but might make it easier for FCC to increase staff. It's "sensible policy [because] industry wants us to have more resources," Hundt said: "Industry doesn't want licenses to wait in turn because there is not enough staff. It is perfectly reasonable for industry to help us get the resources to get the job done right." As for controversial Office of Management & Budget (OMB) proposal to use money saved to fund jails for illegal immigrants, he said "that matter is best left to OMB."

FCC will "defer to the greatest extent possible" to local franchising authorities in deciding raft of appeals of local decisions on cable rate rules, but "still must see justice done" to operators, Cable Bureau Deputy Chief Kathy Wallman said at Commission briefing. Wallman said Bureau hadn't handled enough appeals yet to spot any trends, but "in many cases there is a serious disconnect between the franchising authority and the operator."

Hundt warned against putting too much emphasis on end of current rate freeze May 15 -- nominal effective date of latest cable rules. Rules actually will phase in over several months, he said: "There's no magic date." Wallman also said virtually every cable operator was taking advantage of option to defer rate cuts to July 15.

Cable Bureau introduced new concept in 2nd batch of decisions on petitions for stay of rate rollbacks imposed by cities. In cases involving Century system in Beverly Hills and Comcast system in Tallahassee, Bureau required that operators put all fees in excess of those proposed by city into escrow account, making it easier to refund them if FCC finds in city's favor. Cable Bureau officials said they would decide on case-by-case basis whether to impose escrow requirement. In both cases, Bureau stayed effectiveness of city rate orders pending FCC review. Decision isn't on merits of either case, both of which involve a la carte pricing.

Also at briefing, Hundt said FCC doesn't believe there's necessarily conflict of interests among cable, broadcasters and telcos since industries are converging. He said FCC is "working very hard on" video dial tone (VDT) issues. Commission sent letters to several telcos 2 weeks ago describing where it had problems with VDT proposals. Cable industry is opposing VDT "very, very strongly" in meetings with FCC officials, Hundt said: "Cable people are saying that they will be finished if VDT occurs. There is no question that VDT is a good goal, but there is a question of the fair means to that goal."

W. Hollywood, Cal., can go ahead with order requiring Century Southwest to refund \$160,000 to cable subscribers and reduce rates by \$53,000 per month, FCC said in order denying Century request to block city decision. Commission did stay city decision setting price of installations at zero, though it said city set that price only because Century refused to provide information on installation costs. FCC ordered Century to provide installation cost information within 10 days. Decision was 3rd by FCC on appeals of local franchising authority rate actions, and several more were expected by today (Mon.).

Arbitron, GE Capital and Veronis, Suhler made multimillion-dollar equity investment in ADcom Information Services, which is intended to provide more accurate ratings for cable systems. Financial details weren't available, but COO Richard Guire said investment gives investors minority stake in ADcom and provides enough capital to assure that rollout of new ratings service isn't limited by funding. Guire said ADcom uses lower cost technology, combining pay-per-view with passive measurement technologies, to install household meters in more than 10 times as many households per cable market as does Nielsen. That means that cable network ratings can be accurate down to headend level, rather than only for larger metropolitan areas, he said, heading off broadcaster attacks on accuracy of cable ratings. ADcom has been testing system in Cerritos, Cal., for year, Guire said, and is negotiating to operate in Carlsbad, Cal., by late summer, other cable systems by end of year.

Cablevision Systems announced employee layoffs and scalebacks that it attributed to FCC rate rules. Chmn. Charles Dolan said company would eliminate 160 positions (3% of work force), reduce outside service expenses and revise employee benefit and health programs. Cablevision took \$4.3-million writeoff in quarter for severance expenses. It also said rate rules were forcing it to reexamine plan to spin off programming operations to shareholders, as well as planned acquisition of Sutton Capital. Dolan expressed "deep regret" about cutbacks but said they "will allow Cablevision to comply with the new FCC guidelines while continuing our improvements to customer service and our commitment to deploy fiber optic technology and improve facilities."

FCC is expanding telephone Network Reliability Council to include representatives from cable, satellite and personal communications industries, FCC Chmn. Hundt said. New cable representatives include NCTA Pres. Decker Anstrom, Alexander Best of CableLabs and Cox, CATA Pres. Stephen Effros. Other new members include Steven Dorfman of Hughes, Mark Golden of Personal Communications Industry Assn., CTIA Pres. Thomas Wheeler. Council was established in 1992 in response to large-scale outages of public switched network. Hundt also named Ameritech Chmn. Richard Notebaert chmn. of Council, replacing former United Telecom Chmn. Paul Henson.

Proposal floated by Administration to raise \$4.8 billion in "spectrum fees" to pay for General Agreement on Tariffs & Trade (GATT) accord is "smoke and mirrors," Sen. Pressler (R-S.D.) said May 10. In Senate statement, he said: "I happen to remember that the Clinton Administration has proposed that same \$4.8 billion be used to help pay for some of the immigration costs in one plan... The money has been spent twice already on paper." NAB continued its objections, sending letter May 11 to members of House Ways & Means and Senate Finance Committees. NAB said it would oppose GATT ratification if fee were included.

St. Louis-based River City Bcstg. is buying 3 ABC TV affiliates -- KOVR Stockton-Sacramento, WLOS Asheville, N.C., WSYX Columbus, O. -- and 3 FMs from Continental Bcstg. for total of \$290 million. River City owns 5 TVs, all independents. Elsewhere, Univision TV Group is buying independent WGBO-TV Joliet, Ill., from Combined Bcstg. for about \$35 million.

Outlet Communications said it agreed to buy WYED (Ch. 17, independent) Goldsboro, N.C., from Group H Bcstg. for \$5.4 million. Acquisition, expected to close in late summer, is first for Outlet since it went public in 1987.

CABLE CHANGES SLOW: End of cable rate freeze and beginning of latest round of regulation May 15 was expected to be "a major nonevent," NCTA Exec. Vp June Travis said last week. She said most cable systems would take advantage of FCC-granted option to defer compliance with new rate cuts until July 15. There's no incentive to comply earlier, Travis said, and extension will give them chance to assure that franchise authorities agree with new rates so they don't have to be changed more than once.

NCTA, meanwhile, filed formal appeal of latest FCC cable rate rules May 12. Brief petition for review by U.S. Appeals Court, D.C., provides few details of arguments, which are to be fleshed out in later briefs. Petition only says that rules violate First and Fifth Amendments of Constitution, that rules exceed FCC's statutory jurisdiction, and that they're arbitrary and capricious.

FCC didn't release latest version of rate forms until May 6, NCTA Vp-Legal Daniel Brenner said, and some cable operators didn't get them until middle of last week, so they didn't have time to calculate new rates by May 15, making changes then even more difficult. In addition, there's requirement for 30-day notice of any rate changes: "Some may even have difficulty making the mid-June notification deadline."

Even smaller systems and those that theoretically could increase rates probably will move slowly, Travis said, because any changes trigger possibility of complaints to FCC and franchise authority certifications (only about 6,000 of more than 30,000 municipalities have certified). Unregulated systems are free to boost rates May 15, NCTA officials said, especially smaller ones, but 30-day notice requirement will slow actions, as will potential for additional local regulation and complaints.

NCTA probably won't petition FCC to reconsider latest rate rules, Brenner said, instead will focus on court appeal: "The industry believes there are substantial legal questions to be answered, and the sooner we can get certainty the better." Courts often reject appeals before reconsideration process is complete, saying that appellants haven't exhausted administrative remedies, but Brenner said NCTA believes that won't happen this time because FCC already has rejected reconsideration of earlier rate rules and has indicated clearly that it will stick by latest version. Several cable companies also are likely to file appeals, he said, and court probably will order all of them consolidated, along with appeals of earlier rate rules.

Cable effort to limit ancillary uses of HDTV spectrum (TVD April 25 p6) would slow and potentially undermine quick introduction of HDTV, Assn. for Maximum Service TV (MSTV) said in letter to Richard Wiley, chmn. of FCC's Advanced TV Advisory Committee. MSTV Pres. Margita White said she regretted NCTA letter objecting to ancillary services because it introduced "discord and confrontation near the end of an historical cooperative process." Broadcasters wouldn't substitute ancillary services for full-quality HDTV during most of day, White said, but programming such as news may not require full HDTV, and spectrum could be used for "complementary programming services, such as specialized news programs that emphasize international, sports, financial or other features." White said that (1) cable would be major beneficiary of quick introduction of HDTV, (2) cable didn't need to wait for HDTV standard to be set to begin its own HDTV service, and (3) it was inappropriate to finalize restrictions until standard became final.

House Economic Policy Subcommittee, part of Foreign Affairs panel, is moving toward markup of HR-4239 that would provide technical assistance and training for countries that want to improve intellectual property programs but don't have enough money. Bill is sponsored by Subcommittee Chmn. Gejdenson (D-Conn.) and senior Republican Roth (R-Wis.). They have also introduced resolution (H. Con. Res. 240), which argues that all possible foreign policy instruments should be used to promote intellectual property protection, and that intellectual property issues should be used to determine eligibility for future free trade agreements. Bill will be considered by Gejdenson's panel, while resolution has been referred to Ways & Means committee's trade subcommittee, which includes Rep. Kennelley (D-Conn.). At Economic Policy hearing May 4, Paramount Senior Vp Lawrence Levinson said legislation would be "of considerable value as we continue to intensify our copyright enforcement activities." Levinson said International Intellectual Property Alliance estimated \$7.6 billion in losses from piracy of films, records, music, computer programs and books. Legislation reaches to intellectual property across all industries.

FCC shouldn't ease price cap regulation on LECs at same time that it's increasing cable regulation, cable groups said in comments on Commission's price cap proceeding. Proposals to ease price cap rules "presuppose a vision of competition that has not yet materialized [and] is at best many years off," Time Warner said. If FCC relaxes LEC regulation while increasing cable rules "the prospect of cable industry competition for LEC telecommunications markets is made even more remote," TW said. Diverse treatment of industries is irrational because it's "difficult to seriously contend that cable TV faces less competition than LEC access services," filing said. MSO-owned Teleport Communications said perception of LEC competition was misplaced: "Competitors we have, competition we lack." In order to qualify for eased price cap rules, telcos should be required to demonstrate that local access competition is legal in individual state, and that competition is operationally, technically and economically feasible, Teleport said.

Federal judge awarded Reuters TV \$29,963 in suit charging Cel Communications violated licensing agreement by airing Biography series on cable TV in U.K. Judge Robert Patterson, U.S. Dist. Court, N.Y., also said Reuters could receive additional \$38,578 in fees and attorney costs. Decision came after short trial on allegations that N.Y.-based Cel had used Reuters newsclips for cable TV series outside U.S. and with interactive media, violating 1992 agreement that gave it rights for U.S. cable, worldwide broadcast, worldwide home video. Biography series aired on Discovery cable channel in U.K. in July 1993.

Researcher Daniel Yankelovich has been added to CBS board in expansion from 10 to 11 members. At April 10 annual meeting in N.Y., shareholders rejected proposal by Accuracy in Media that outside TV cameras be permitted to tape meeting. Group claimed CBS policy is irrational since network fights for TV camera access to other meetings. CBS Chmn. Laurence Tisch said cameras could be disruptive: "This is a business meeting, not a media circus." CBS tapes and distributes copies of shareholders' meetings.

FCC Cable Bureau continues to release new versions of cable forms, including spreadsheets in Excel 4.0 for Macintosh, Excel 4.0 for Windows, Lotus 1-2-3 for Windows and DOS -- 202-857-3800. Bureau also released revised versions of FCC Forms 1200, 1205, 1210, 1215 and 1220 -- 202-416-0919.

BREAUX AND PACKWOOD PROPOSE DEADLINES:

Despite strong comments from Senate Commerce Committee Chmn. Hollings (D-S.C.) that he opposes setting deadlines for opening up local competition, 2 committee members, Sens. Breaux (D-La.) and Packwood (R-Ore.) May 12 introduced legislation to set one-year deadline for allowing RHCs into cable, and cable into telephony. Same standard would hold for RHCs entering long-distance, and for long-distance firms into local service.

In addition, legislation (S-2111) sets up "regulatory parity" structure providing that no cable operator shall provide local telephone service or access service in its service territory as long as local exchange carrier can't provide video. Bill gives FCC 18 months to make certain that all providers of competitive services are "subject to equivalent regulation."

Their announcement came during 6th hearing committee has held on S-1822 to lift MFJ restrictions and open local markets to competition. Seventh hearing is May 18, will deal with universal service. Session will be 10 a.m., Rm. 253 Russell Bldg.

In comments following hearing May 11, and in opening statement and comments during May 12 hearing, Hollings hammered repeatedly at theme that deadlines hurt local competition, because RHCs would retain control of their monopolies and end up stifling competition. He didn't address question of how deadlines would apply to cable-telco. (NCTA called proposal "a bit extreme," stayed with its support for Hollings bill, spokeswoman Torie Clark said.)

Breaux based bill on telephone market, saying that tests in Hollings' bill (S-1822) necessary for RHCs to enter long-distance market are too complex and would only lead to more litigation. His legislation would short-cut process and prevent decade-long legal battle, Breaux said.

Packwood, arguing that all prior deregulatory efforts in airlines, trucking and other industries have worked well, agreed. There might be "a temporary period of chaos," but competition would thrive as small companies find niche and make money, Packwood said, adding he was flexible on what deadline should be. At this point, it's not certain what chances their measure has. Hollings wouldn't speculate on how many committee members would support it, while one industry lobbyist suggested there were only 2 other votes on committee for it. Sen. Lott (R-Miss.) said after hearing that Breaux-Packwood language would "move the debate along," essentially putting their bill at one end of range of options, and Hollings at other end. Lott said he's working on his own proposal, which he described as more in middle of other 2. Hollings responded that his bill is compromise, but still said RHCs would keep control over monopoly facilities up to point market was opened.

Also last week, Commerce panel heard from electric utility executives who wanted to enter telecommunications, either by selling services directly to consumers or by selling space on fiber they would run to consumer homes to cable, telephone, or other firms. That issue is complicated by separate set of regulations for electric companies. Southern Co. Pres. Paul DeNicola suggested that there would be no potential dangers from cross-subsidy or other anticompetitive behavior if electric utilities were providers of fiber, and not of service. Energy consumption takes up about 10% of fiber capacity. But Martha Hogerty, Mo. Consumer Counsel, warned against ratepayers' covering costs of failed telecommunications ventures.

DBS will create "opportunity city" for TV producers, who had relied on networks to back their projects, because it offers alternative national market, said Stanley Hubbard, chmn. of Hubbard Bestg., which owns DBS provider U.S. Satellite Bestg. (USSB). He made comments at Federal Communications Bar Assn. (FCBA) panel in Washington. DBS will be "tremendous competition to cable," whose devotion to fiber and interactivity is misguided, he said: "Are people willing to spend \$60 to \$70 a month so they can interact? A lot of this is hype." FCC Gen. Counsel William Kennard said lawyers looking for work in communications field should target small companies because they offer "good entry-level opportunity." John Thorne, Bell Atlantic vp-assoc. gen. counsel, said greatest need for lawyers will be in wireless industry because of FCC's PCS auction: "The FCC is about to give away truckloads of spectrum. If someone wanted to dedicate their life for 2 years to wireless, now would be the time to do it."

Five companies submitted proposals for high-speed data broadcasting systems to National Data Bestg. Committee (NDBC) in response to Jan. 6 request for proposals. Evaluation will begin at working group meeting June 24, and testing is expected by end of year. Systems are: (1) BleuMont Telecom proposed 2-mode system offering up to 48 kbps (without forward error correction) in vertical blanking interval. (2) Centris Communication and Leitch Video offered up to 30.7 kbps in vertical blanking interval. System is based on Leitch ViewGuard. (3) DigiDeck's D-channel used carrier about 1 MHz below NTSC picture carrier to carry more than 500 kbps with forward error correction. (4) Radio Telecom & Technology proposed its T-NET technology, which superimposes data signal on video signal. (5) Wavephone offered 384-kbps using phase shift keying modulation.

Warner Bros. TV Network (WB Network), which plans fall launch, again raided Fox TV for major executives. Jamie Kellner, first head of Fox TV and now in same post (as equity partner) at WB Network, said that his former Fox associates Garth Ancier, Robert Bibb and Lewis Goldstein are joining WB. Ancier will be head of programming, same post he held when Fox was launched, Bibb chief of advertising and Goldstein head of on-air promotion. Kellner said WB Network now has affiliates covering 73% of U.S. households, including Tribune Bestg.'s 7 stations.

Campaign to fund volume covering amendments to Communications Act of 1934 has been stepped up by Golden Jubilee Commission on Telecommunications. In 1990, group produced legislative history of Act in well-received volume. Exec. Dir. Max Paglin reported good start has been made toward goal of \$200,000 -- with pledges from organizations including FCBA, GTE, Pacific Telesis, MCI, Markle Foundation, USTA, BellSouth. Details -- Paglin, 202-955-4687.

FCC will host fee payment scheduling seminar May 23, 2:30-4:30 p.m., Rm. 856, for fiscal 1994 fees. Commission said it wants "to develop a user-friendly schedule [of due dates for fee payments] that will avoid a concentration of payments and paperwork coming to the FCC at the same time." Payments for various services will be spread out, with all such fees due before Sept. 30, 1994. Contact: Kara Casey or Michelle Mitchell, 202-632-0244.

Cable MSO Harron Communications and Northland Networks will cooperate to provide alternate access services to commercial and institutional entities in Utica. Service will use Harron's fiber network to connect to long distance operator Northland.

SPECTRUM COMMENTS REFLECT CONCERNS: NTIA proposal to move 200 MHz of govt. spectrum to commercial use drew fears about displacement from amateur radio operators, request for more spectrum from mobile satellite business and concern about quality of spectrum from industry. Transfer is required by 1993 Budget Reconciliation Act. NTIA announced spectrum allocations in Feb. and set May 11 deadlines for comments on agency's choice of spectrum to be transferred. NTIA will send comments to FCC, which determines how spectrum is used. Ten bands have been identified for reallocation, between 1390 MHz and 4685 MHz. Three will be released immediately: 2390-2400 MHz, 2402-2417 MHz, 4660-4685 MHz.

Loral/Qualcomm Partnership said NTIA should make more spectrum available, beyond requirements of Congress because "non-geostationary satellite cellular systems require substantial amounts of feeder link spectrum." Loral recommended that NTIA evaluate use of 5000-5250 MHz bands by commercial users on dedicated or shared basis.

Amateur radio users repeated concerns about being displaced from 3 blocks in 2300-2417 MHz that they share with military: "It is important to dispel a myth that our Amateur Radio Service exists solely as a hobby," said operator in Kernville, Cal. Noting radio contacts amateurs provide during political and natural disasters, he said amateurs need "adequate operating frequencies to provide such services."

Telecommunications Industry Assn. raised concerns about usability of spectrum to be transferred to non-govt. use: "At least 15 MHz of the 50 MHz of spectrum... will provide little or no incremental benefit to NII development efforts." For example, 2402-2417 MHz is "serious problem" because of noise from devices such as microwave ovens and unlicensed RF devices. TIA also complained that NTIA offered "take it or leave it approach" to industry by giving no choice of which bands were to be transferred.

Motorola raised similar concerns about that spectrum block, saying that of 50 MHz identified for immediate use, half is "is located above 3 GHz making wide area coverage extremely problematic and the other half suffers serious limitations from existing non-government usage." Noise in 2402-2417 MHz "renders this spectrum practically unusable in metropolitan areas for high quality, wide area land mobile communications services." Motorola suggested NTIA "reevaluate its recommendations and identify spectrum bands better suited for the near term deployment of advanced wide area communications systems to support crime control, medical care and industrial and environmental operations."

Noting "dramatic shortage of spectrum below 3 GHz due to the tremendous demand for such spectrum by an increasing number of mobile satellite service [MSS] systems," American Mobile Satellite Corp. complained that frequencies proposed by NTIA "are not useful" for MSS systems. Company said NTIA should look at 2 other bands that could be shared by MSS systems and incumbent govt. users: 1492-1525 MHz for MSS downlinks and 1675-1710 MHz for MSS uplinks. First one is used by aeronautical telemetry operations, 2nd for meteorology.

Senate Commerce Committee may not vote as expected tomorrow (Tues.) on legislation to ban broadcast beer and wine ads. In face of fierce campaign opposing measure by NAB and others, sponsor Sen. Thurmond (R-S.C.) was said to be reconsidering asking for vote because he didn't have sufficient support for measure to pass.

House Copyright Subcommittee has scheduled markup May 18 on HR-2576 by Subcommittee Chmn. Hughes (D-N.J.) and others on performance rights for digital sound recordings. NAB opposed measure, while Recording Industry Assn. of America is in favor. Bill was introduced July 1, 1993. RIAA Pres. Hilary Rosen said her group has proposed several changes, including addressing concerns of ASCAP and BMI that legislation would create gatekeeper role, trying to prevent anticompetitive actions of vertically integrated companies and address broadcaster concerns. NAB has said that new fees generated under bill would hurt their members. Rosen said she was confident that Hughes and senior Republican Moorhead (R-Cal.) would be able to work out arrangement before markup so that NAB could support bill. Markup will be 10 a.m., Rm. 2237 Rayburn Bldg.

Group of more than 90 nonprofits, including APTS, NPR, PBS and National Federation of Community Bcstrs., will ask Sens. Hollings (D-S.C.) and Inouye (D-Hawaii) for hearings on public "right-of-way" measure that latter is expected to introduce. In letter to heads of Senate Commerce Committee and its Communications Subcommittee, coalition contended that "public debate" on S-1822 and HR-3636 "has focused primarily upon the interests of industry," and that hearings "would give representatives from educational, health care, library, governmental, community, religious, cultural and other civic organizations... an opportunity to add their valuable perspectives to this debate." Other members of group include ACLU, American Library Assn., Center for Media Education, Consumer Federation of America, National Teachers Assn.

Financials: Turner Bcstg. lost \$14 million in quarter ended March 31, vs. \$20 million profit before accounting change year ago. Revenue grew to \$567 million from \$398 million year ago because of addition of New Line Cinema, Castle Rock Entertainment and Hanna-Barbera. Operating profit dropped \$50 million to \$30 million because of Winter Olympics and losses on new businesses. TNT telecast of Olympics accounted for \$32 million loss, and Cartoon Network and Turner Classic Movies for another \$5 million. Revenue at CNN and Headline News increased 5%, but operating profit dropped \$4 million (7%) because of higher newsgathering costs... Wireless Cable of Atlanta lost \$29,880 in quarter ended March 31, vs. \$372 loss year ago.

Turner Bcstg. is asking stockholders to increase Ted Turner's voting control over company by increasing voting power of Class A shares. If approved, change would give Ted Turner 64% of company instead of 54%, potentially allowing him to sell some holdings without losing voting control. Deal also could allow Turner Bcstg. to issue new stock as part of deal to acquire other companies, without dropping share below 50%. Turner Bcstg. expects to call special stockholders' meeting next month to vote on issue, it said in SEC filing.

Local TV ad revenue was up 16% to \$1.35 billion in first quarter, and spot TV ad revenue grew 18% to \$1.34 billion, TvB reported. Number prompted TvB Vp-Research Harold Simpson to begin upgrading his ad forecast for 1994 that originally had predicted 5-7% growth for local ads and 4-6% for spot: "With political money anticipated in the 3rd and 4th quarters, we have every reason to believe that 1994 will end on a note of strength for television station revenues."

NCTA filed appeal of latest FCC cable rate rules May 12. Brief petition for review by U.S. Appeals Court, D.C., provides few details of arguments, which are to be fleshed out in later briefs. Petition says only that rules violate First and Fifth Amendments of Constitution, that rules exceed FCC's statutory jurisdiction, and that they're arbitrary and capricious.

Personals

Promotions at CBS: **Edward Grebow** to exec. vp-operations and administration; **Ellen Kaden** to exec. vp-gen. counsel.-secy.; **Peter Keegan** to exec. vp-finance... **Pete Barrett** promoted to senior vp-affiliate marketing and strategic planning, ABC TV Network, new post... **William Kerr** promoted to Meredith Corp. pres.-COO and appointed to board and exec. committee, succeeding as pres. **Jack Rehm**, who remains chmn.-CEO... **Karen Barnes** promoted to senior vp-programming, Fox Children's Network; **Bert Gould** advanced to senior vp-mktg... **Lee Ann Burr** promoted to NAB vp-conventions and exhibitions... **Karen Fox** promoted to vp-business affairs, Fox Bestg... **Richard Glosser** advanced to senior vp-interactive programming, Columbia TriStar TV.

Brian Gault advanced to vp-operations, Cable Networks Inc... Century Communications Cable Div. appointments: **Amy Shapiro**, ex-Universal Pay TV, as dir.-pay-per-view; **Mark Pruneau**, ex-Warner Cable, dir.-mktg... **Linda Gatti**, ex-Home Team Sports, named exec. dir., Metro Washington (D.C.) Cable Mktg. Council... Encore appointments: **Yvonne Bennett** advanced to vp-gen. counsel; **Richard Shoenberger**, ex-Sony Pictures Entertainment, named dir.-video services/quality control... **Carolyn Daily** advanced to exec. dir.-public affairs-Europe, Turner Bestg. System... **Helene Klappert** promoted to dir.-benefits and compensation, Arts & Entertainment Network... **David Meyer**, ex-National Artists Management, named vp-business affairs, Courtroom TV... **Carl Folta**, ex-Paramount, joins Viacom as vp-corporate relations... **Adrienne Thiele** promoted to vp-promotional media, Jones Education Networks (JEN) and Jones Interactive; **Anne Lieberman**, ex-Philips Interactive Media, named group vp-mktg. and communications, JEN.

Tim Crabtree promoted to gen. mgr., Odetics Best. Div.; **Daniel Anco**, ex-BTS TV Best. Systems, named managing dir., Odetics U.K... **Michael Ozburn**, ex-MCI, joins General Instrument as dir.-industry affairs, Washington... **Paul Orme**, former Knight-Ridder Viewtron pres., named dir.-interactive services consulting, EDS Management Consulting Services.

Tony Donovan, ex-Reuters TV, named dir.-technical resources and communications, AP's APTV; **Nigel Hancock**, ex-UPI, appointed international news editor... **Henry Howard**, former Alexandria, Va., deputy city mgr., appointed assoc. dir.-management, USIA... **Brenda Seidner**, ex-Reader's Digest, named dir.-retail mktg. research, TvB... **Lura Burton**, ex-Katten, Muchin, Zavis & Weitzman, named Group W dir.-legal and business affairs.

Martin Dugan, ex-KMEX-TV L.A., appointed gen. mgr., KWHY-TV L.A... **Ralph Herrera**, ex-WKAQ-TV San Juan, appointed gen. sales mgr., KSTS San Jose... **Milt Shapiro**, ex-WLWT Cincinnati, named news operations mgr., WSYX Columbus, O.; **Rodney Triplett** promoted to WSYX managing editor.

FCC Schedule: Chmn. **Hundt** -- Addresses Radio Operators Caucus, May 16, 4 p.m., law office of Gardner, Carton & Douglas, Washington; speaks at AWRT convention June 3, noon, Minneapolis Hilton; addresses Museum of TV & Radio roundtable, June 14, 8:30 a.m., 25 W. 52nd St., N.Y.C.; keynotes 1994 Wireless Cable Assn. convention, June 22, Las Vegas Hilton... **Comr. Barrett** addresses Best. Cable Financial Management conference, May 24, noon, Sheraton Harbor Island Hotel, San Diego, and speaks at U. of Cal., San Diego, Annual Research Review-Industrial Liaison Program, 3:30 p.m... **Donald Marbury**, CPB TV Program Fund

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EDITORIAL & BUSINESS HEADQUARTERS

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

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NEW YORK BUREAU

276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001
Phone: 212-686-5410
Facsimile: 212-689-5097David Lachenbruch Editorial Dir.
Paul Gluckman Senior Editor
Martin Brochstein Senior Editor
Mark Seavy Associate Editor
Cindy Spielvogel Associate Editor

CONTRIBUTING EDITOR, EUROPE

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

JAPANESE REPRESENTATIVE

Editorial and Circulation
CES International Corp.
1-18-2 Nishi Shinbashi, Minato-ku
Tokyo 105, Japan
Phone: (03) 3592-1531☐ I'm interested in Television Digest With Consumer Electronics and would appreciate your sending me a
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dir., keynotes 5th Annual U.S. Hispanic Media Conference, May 13, 12:30-2:30, Watergate Hotel, Washington... **Edward Rogers**, Rogers Communications pres.-CEO, keynotes CBC 1994 Banff TV Festival, June 6, Banff, Alta.

Seventh U.S. Appeals Court, Chicago, has set June 14 for oral argument on consolidated appeals of FCC finsyn rules (TVD May 10/93 p6). Court took jurisdiction over all appeals of finsyn late last year.

OBITUARY

Norman B. Blumenthal, 51, member of FCC Review Board, died May 11 at Suburban Hospital, Bethesda, Md., following heart attack. Native of Philadelphia, he received JD degree from Dickinson School of Law in 1968, joined FCC Gen. Counsel's Office shortly thereafter. Blumenthal served as FCC Comr. Hook's chief advisor 1972-1977, then joined Review Board. In 1986, he was detailed to office of Chmn. Fowler as senior policy advisor on international communications. Before joining Commission, he worked for 2 Pa. radio stations. Wife, 2 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 April and year to date:

	APRIL 23-29	1993 WEEK	% CHANGE	APRIL 16-22	4 MONTHS 1994	4 MONTHS 1993	% CHANGE
TOTAL COLOR TV.	739,863	750,247*	- 1.4	440,911*	7,313,875*	7,091,216	+ 3.1
DIRECT-VIEW..	725,815	740,335*	- 2.0	433,487*	7,161,438*	6,977,376	+ 2.6
TV ONLY.....	675,623	699,704*	- 3.4	409,138*	6,627,441*	6,604,050	+ 0.4
TV/VCR COMBO	50,192*	40,631	+23.5	25,349*	533,997*	373,326	+43.0
PROJECTION...	14,048*	9,912	+41.7	7,424*	152,437*	113,840	+33.9
VCR DECKS.....	375,453*	365,703	+ 2.7	163,595	3,385,298	3,377,571	+ 0.2
CAMCORDERS.....	127,467	131,529*	- 3.1	42,099	831,762*	794,296	+ 4.7
LASERDISC PLYRS	9,670	10,235 ^r	- 5.5	8,804	82,793	78,251 ^r	+ 5.8

Direct-view TV 5-week average: 1994--476,062*; 1993--444,501 (up 7.1%).

VCR deck 5-week average: 1994--244,018*; 1993--220,029 (up 10.9%).

Camcorder 5-week average: 1994--75,124*; 1993--71,003 (up 5.8%).

* Record for period. ^r Revised to include players with karaoke features.

TOP BRANDS GAIN IN VCR AND CAMCORDER SHARE: Leading brands increased market shares in VCR decks and camcorders again in 1993, our annual survey shows. Top 3 VCR brands -- RCA, Magnavox, Panasonic -- represented nearly 30% of market. Concentration was far more evident in camcorders, where Sony, Panasonic and RCA accounted for 52% of total sales to dealers.

Our market share surveys reflect ratings by industry's market analysts. In our questionnaires, we ask them to rank their competitors by percentage share of market, omitting their own shares (if they give their own we don't include them in our tabulations). Shares and rankings are based on medians of replies, with simple average used to break ties in rankings. That gives reasonable indication of relative market shares, but we're always glad to run opinions of those taking issue with results of survey.

In VCR deck share, rankings of top 5 brands were unchanged, RCA continuing in No. 1 spot, followed by Magnavox and Panasonic. Although survey didn't back up Philips' recent claim that Magnavox was No. 1 (TVD April 25 p9), it did show Magnavox had highest percentage gain over 1992 -- 1.1 percentage points, followed very closely by RCA with 1.05-point increase. No. 3, Panasonic, gained 0.5 point. GE added 0.8 point, but remained in 9th place. Symphonic (Funai) was up 0.3 point. The 29.75% total of top 3 compares with 27.1% for same 3 in 1992. Top 5 brands had 42.35% last year vs. 40.4% in 1992, top 10 had 64.6% vs. 61.7%.

Emerson, Mitsubishi and Fisher dropped half-point each in share, Sears and Quasar declining 0.4 point and Montgomery Ward was down 0.35 point. In case of Sears and Ward, their increasing focus on major brands presumably took toll on their own brands (LX-1000 and Bell & Howell).

In terms of ranking, GE moved up 2 squares, to 6th from 8th, switching places with JVC, which dropped to 8th, despite percentage gain, Sony remaining No. 7. Hitachi rose to 11th from 13th without gaining share, while Symphonic (Funai) moved up 5 places to 15th on strength of 0.3-point increase in share. Sears dropped to 12th from 10th while Mitsubishi fell 3 places to 15th. Newcomer on list is Go-Video with 0.5% share, while Philips fell off list by dropping below 0.3%.

Note that shares are by brand, not by manufacturer. Among multibrand manufacturers, Thomson Consumer Electronics (TCE) continues to lead with 17.15% for its RCA and GE brands (up 1.55 points), while Philips was up almost one point to 11.4% (Magnavox, Sylvania, Philco, Philips) and Matsushita (Panasonic, Quasar) rose to 9.6% from 9.5%.

This tabulation of rankings and market shares is based on replies to our annual survey, covering calendar years. Each percentage point in 1993 is equivalent to about 124,500 VCRs.

TELEVISION DIGEST VCR DECK MARKET-SHARE SURVEY

1993 Rank	Brand	1993 % Share	1993 Range	1992 Rank	1992 Share	1991 Share	1990 Share	1989 Share	1988 Share	1987 Share
1.	RCA.....	11.65	10.8-15.0	1	10.6	10.0	11.0	11.0	10.25	11.0
2.	Magnavox.....	10.1	7.0-12.0	2	9.0	8.0	7.0	6.55	5.5	4.25
3.	Panasonic.....	8.0	7.0-11.5	3	7.5	7.5	8.0	8.5	8.45	10.0
4.	Emerson.....	7.0	3.2-8.0	4	7.5	7.25	7.0	8.0	7.7	5.0
5.	Sharp.....	5.6	4.5-7.0	5	5.8	6.8	7.0	7.0	7.5	6.0
6.	GE.....	5.5	3.3-6.1	8	4.7	4.0	5.0	5.0	5.25	5.0
7.	Sony.....	5.1	4.0-6.0	7	5.0	4.5	3.75	2.3	2.0	2.5
8.	JVC.....	5.0	4.0-6.0	6	5.0	4.7	4.25	3.15	2.7	2.5
9.	Zenith.....	3.5	3.0-5.0	9	3.5	3.75	4.0	4.5	4.45	4.0
10.	GoldStar.....	3.15	2.5-4.0	11	3.0	3.6	4.0	3.0	3.5	2.9
11.	Hitachi.....	2.9	2.0-4.0	13	3.0	3.0	2.35	2.0	2.0	3.0
12.	Sears.....	2.7	1.0-4.0	10	3.1	3.7	4.0	5.0	4.8	4.5
13.	Toshiba.....	2.6	2.2-4.0	14	2.8	3.0	3.8	3.9	4.0	3.5
14.	Samsung.....	2.5	1.5-3.0	15	2.5	2.5	2.3	2.675	2.45	2.5
15.	Mitsubishi.....	2.5	1.8-3.1	12	3.0	3.5	3.95	4.0	4.15	4.25
15.	Symphonic/Funai	2.3	0.7-5.0	20	2.0	1.8	1.7	1.5	2.0	0.5
17.	Sanyo.....	2.0	1.5-4.5	18	2.0	2.0	2.0	2.0	2.2	3.1
18.	Montgomery Ward	2.0	1.5-3.5	17	2.35	2.5	2.0	2.0	2.0	1.75
19.	Fisher.....	2.0	1.0-3.0	16	2.5	2.75	3.3	3.3	4.0	5.0
20.	Quasar.....	1.6	0.7-2.0	19	2.0	2.5	2.0	2.0	2.0	2.5
21.	Memorex.....	1.0	0.5-1.3	22	1.0	0.5	1.1	1.0	1.2	1.0
22.	Shintom.....	0.8	1.1-1.5	21	1.0	1.0	1.0	0.5	0.55	--
23.	Daewoo/Daytron.	0.6	0.3-3.0	26	0.5	0.5	--	0.4	0.5	0.4
24.	Philco.....	0.6	0.2-1.5	25	0.5	0.5	--	0.4	0.5	0.5
25.	Broksonic.....	0.5	0.1-2.0	24	0.55	0.78	0.5	--	--	--
26.	Sylvania.....	0.5	0.1-1.2	23	0.7	0.8	1.0	1.0	1.35	1.2
27.	Go-Video.....	0.5	0.2-1.0	--	--	--	--	--	--	--
28.	J.C. Penney....	0.3	0.1-0.8	27	0.4	0.5	0.75	1.0	1.3	1.0
	Others.....	7.5								

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Concentration of shares among leading brands was much greater in camcorders, intensified by dropouts from scene by several brands. Sony maintained unquestioned top spot, staying at 25% of market, which would represent about 772,000. As in VCR decks, top 5 rankings were unchanged -- Sony followed by Panasonic, RCA, JVC, Sharp.

Last year was first in which top 3 brands' total market shares exceeded 50% -- at 52%, it was up from 49% in 1992. Top 5 brands represented 67.75% of market vs. 63.5% in 1992, and top 10 constituted 87.15%, vs. 85.2%.

Biggest gain in share was by RCA, which was up 2 points, followed by Panasonic (up one point) and Magnavox (up 0.85 point), Sharp and GE (0.75 point each) and JVC (0.5 point). Declines were shown by Sears (2 points), Canon (1.9), Zenith (0.35) and Kyocera (0.25), last 2 having discontinued camcorders.

In rankings, Magnavox jumped to 6th from 8th, displacing Canon, which fell one notch, Sears dropping to 8th from 7th, Sanyo moving to 13th from 16th, while Zenith fell to 15th from 12th and Samsung jumped to 16th from 23rd. Sylvania, Emerson and Olympus fell off chart, Sylvania line being dropped by Philips and last 2 now being out of camcorder business.

TCE's total share of camcorder business -- 15.75% -- still falls well below Sony's 25% and is just under 16% share of Matsushita's 2 brands. Only Philips brand showing up on our list, above 0.2% cutoff point, was Magnavox, with 5.05%, and total Philips brands didn't approach 6%.

Sidelight to recent squabble over 8mm vs. VHS-C market share: We asked camcorder manufacturers to estimate percentages for each format for 1994. Median results: Full-size VHS 24%, VHS-C 34%, 8mm 42%. No reply forecast VHS-C would beat 8mm in share this year, and only one saw the 2 enjoying equal shares, despite fact that we received replies from companies representing almost 87% of camcorder market.

In camcorder market shares below, each percentage point represents about 30,900 units:

TELEVISION DIGEST CAMCORDER MARKET-SHARE SURVEY

1992 Rank	Brand	1993 % Share	1993 Range	1992 Rank	1992 Share	1991 Share	1990 Share	1989 Share	1988 Share	1987 Share
1.	Sony.....	25.0	19.0-27.5	1	25.0	24.5	18.0	15.0	12.0	10.0
2.	Panasonic.....	15.0	13.0-19.0	2	14.0	13.0	14.0	15.0	15.5	13.0
3.	RCA.....	12.0	10.0-14.3	3	10.0	10.0	13.0	15.0	16.0	17.74
4.	JVC.....	8.0	7.0-11.0	4	7.5	7.5	7.5	4.5	5.3	7.0
5.	Sharp.....	7.75	5.5-9.0	5	7.0	7.0	6.8	6.1	3.0	2.5
6.	Magnavox.....	5.05	3.0-6.5	8	4.2	5.0	6.7	6.7	6.5	6.25
7.	Canon.....	4.1	0.5-6.0	6	6.0	5.95	3.0	2.0	1.4	1.65
8.	Sears.....	4.0	1.0-7.0	7	6.0	7.5	7.5	9.0	7.0	5.25
9.	GE.....	3.75	3.0-8.0	9	3.0	3.0	4.5	5.38	6.0	6.75
10.	Hitachi.....	2.5	2.0-3.0	10	2.5	3.0	3.2	4.0	4.0	4.0
11.	Quasar.....	1.0	0.8-1.5	14	1.0	1.0	2.0	1.9	2.1	3.0
12.	Memorex.....	1.0	0.1-1.1	11	1.0	1.0	1.4	1.2	1.0	--
13.	Sanyo.....	0.95	0.5-2.0	16	0.7	1.0	0.9	0.9	1.0	1.0
14.	Montgomery Ward	0.9	0.2-1.0	13	1.0	1.5	1.5	1.8	1.5	0.5
15.	Zenith.....	0.65	0.5-1.0	12	1.0	1.5	1.5	2.3	3.0	6.0
16.	Samsung.....	0.55	0.4-1.5	23	0.4	0.35	--	--	--	--
17.	Fisher.....	0.5	0.3-3.0	18	0.5	1.0	1.0	0.8	1.0	--
18.	GoldStar.....	0.5	0.1-3.0	20	0.5	0.5	--	--	--	--
19.	Minolta.....	0.5	0.3-1.5	15	0.8	1.0	1.0	1.0	1.3	2.0
20.	Nikon.....	0.5	0.2-0.5	22	0.5	0.5	0.5	0.5	0.5	--
21.	Ricoh.....	0.5	0.1-0.5	17	0.6	1.0	0.9	0.8	--	--
22.	Fujix.....	0.35	0.2-0.5	24	0.4	0.5	--	--	--	--
23.	J.C. Penney....	0.3	0.2-1.0	27	0.3	0.4	0.5	1.0	1.0	1.0
24.	Kyocera(Yashica)	0.25	0.2-0.5	21	0.5	0.5	0.5	0.65	0.5	1.0
	Others.....	4.0								

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PANASONIC'S PRIORITIES--TV MARKET SHARE, 3DO: Formalizing long heralded reorganization under new Matsushita Consumer Electronics Co. (MCEC) umbrella, Panasonic dealers celebrated 35th anniversary of U.S. operation with gala spare-no-expense event in Maui, Hawaii, last week. But Matsushita Electronics Co. of America (MECA) Chmn.-CEO Kirk Nakamura set tone of meeting early, spelling out what parent company wanted in return: (1) Sharply improved market share in color TV. (2) Strong dealer commitment to 3DO multiplayer.

Challenge came in midst of celebration of company's record \$6.5 billion U.S. sales in fiscal year ended March 31, which MECA Pres. Richard Kraft said were 7% over 1992 results and 38% over sales in 1989, when company celebrated 30th U.S. anniversary, also in Hawaii. Nakamura was specific in his requests. Panasonic's color TV, he said, "has not won market share on a par with other Panasonic products. We'll do our part and we look forward to receiving your cooperation." He noted this year's color TVs were "undergoing important changes and in 1995 they will change even more."

Turning to 3DO, Nakamura called it "one of the areas to which we attach the greatest importance" and left no doubt that parent company is "backing [3DO] with all its resources." With Lew Wasserman and Sidney Sheinberg, chmn. and pres. respectively of subsidiary MCA in audience, he noted increasing availability of software (Jurassic Park will be first MCA-developed 3DO title). Company announced major ad and promotion effort for 3DO, including no payment and no interest for 6 months after purchase.

In color TV, aggressive pricing is part of plan to increase market share. Although company says it's not interested in low-end products, prices on its PanaBlack line of black-screen TVs as well as SuperFlat line are

sharper than in previous years (suggested retail prices are elsewhere in this issue). In addition, company has developed derivative models for first time -- some using last year's tooling -- for large retailers, including Best Buy, Circuit City (2 SuperFlat models), Incredible Universe and Wal-Mart. Panasonic introduced its first 35" models (using Toshiba tubes).

Informed that 3DO reported Matsushita sold 120,000 multiplayers to consumers worldwide to date (see separate report), MCEC officials seemed incredulous that 3DO should release Matsushita figures, but indicated figure was correct, saying worldwide factory sales totaled 130,000 hardware units (difference in figures representing inventory), 100,000 in Japan and 30,000 in U.S. MCEC Pres. Ted Inoue told news conference that it was urgent to widen distribution of 3DO Multiplayer before Christmas to increase population and attract more software. Since reduction of price from \$699 to \$499, according to Asst. Gen. Mgr. Gene Kelsey, sales have surged, and "some dealers sold more than during the Christmas season." Goal for this fiscal year, ending next March, he said, is sales of 300,000 players in U.S. -- 10 times the number sold to date.

Full motion video (FMV) adaptor for 3DO player will probably be available some time this summer at suggested list price of \$249.95, company officials said. That's same price as FMV adaptor for Philips' CD-I player, adding movie playing to 3DO's skills.

As expected, company introduced first Video CD player under Technics brand as part of mini component system at \$1,200 for delivery in Aug.-Sept. Technics' Andy Nelkin made it clear that company considers Video CD an audio accessory, not a substitute for prerecorded VHS. "Every place we have an audio CD, we want to see Video CD," he said. He envisioned portability as a major attraction of Video CD. "Our research shows consumers want to take video with them." Technics display included drawing of portable Video CD player with flat panel screen built into cover -- similar in appearance to laptop computer with CD player where keyboard would be. Nelkin promised standalone Video CD player next year among "3 or 4 new models" and said multi-disc changer was likely as way to show full-length movies. As demonstrated, Video CD continued to show improvement, with what appeared to be equal to good VHS quality, even in freeze frame.

Although there were several references to DCC in Panasonic's formal presentation, it wasn't given anywhere near the feeling of priority or urgency as was demonstrated for 3DO. Responding to question about relatively slow sales, Sales & Mktg. Vp Michael Aguilar said: "The target audience has been very limited by the \$995 price point" originally charged for home deck. "At \$599 we're attempting to refocus" on broader target, he said. He conceded that DCC had "hit some road bumps that were very much unexpected. The synergy we had [with recording companies] in CD just didn't happen with DCC."

Nelkin said company was still weighing whether to introduce portable record-and-play DCC model. Technics does plan to catch up with other manufacturers -- including JVC, Pioneer and Sony -- with CD "megachanger," he said. One will be in line next year, but company is still studying what features it should have, as well as number of discs it should hold, he added.

New structure of MCEC into 3 sales companies, as we reported (TVD April 25 p12) -- Panasonic East and Panasonic Central will join existing Panasonic West June 1 -- along with Quasar as separate entity, will make possible greater efficiencies, company said. Pres. Inoue said Quasar would be brought closer in "harmonious manner," but won't become another Panasonic brand, a la Technics. We'll have more details on Panasonic meeting in next week's issue.

TV CONTINUES HOT SALES PACE IN APRIL, CAMCORDERS SLUMP: Despite final week which fell slightly short of last year's level (see State of the Industry), April sales of color TVs to dealers showed largest percentage increase of any month this year, according to figures released by EIA Mktg. Services Dept. Unit sales of all major video categories were up in month, with notable exception of camcorders, which showed first monthly decline of year.

Though in prior months increases in sales of TV/VCR combos far outpaced sales of TV-only models (and indeed pushed overall direct view sales into plus column), TV increase in April was built primarily on TV-only sales, which grew 10.4%; combo sales were up 21.4%, by far smallest increase for any month this year in fast-growing category. On seasonally adjusted annualized basis, direct view sales (including combos) ran at 27.9 million sets, hottest pace for any month since Oct.; through first 4 months, industry ran at seasonally adjusted rate of 26.65 million sets. TV/VCR combos alone ran at annualized rate of 1,950,000 in April (lowest of year), bringing rate for first 4 months to 2,150,000.

Sales of projection TVs continued to run at sizzling rate in April, with 3rd straight month of better-than-40% increases. Annualized rate was more than 678,000 in April, 622,000 for first 1/3 of year -- far ahead of even most optimistic industry annual predictions and threatening to outstrip supply, as noted earlier by Mitsubishi, others (TVD May 9 p12).

On annualized basis, April sales rate for VCRs was best for any month this year -- 13.4 million -- bringing 4-month rate to 12.5 million. Increase to nearly 800,000 in month made it 2nd best April in history, surpassed only by 1992 month. Camcorder sales slumped to first monthly decline since July, though comparison was to record-setting April 1993. In fact, in seasonally adjusted terms, April sales were at rate of 3.1 million, which would still outpace record of 3,088,427 set last year. Through first 3rd of 1994, camcorders were running at annualized rate of 3.6 million. Here are EIA statistics on sales to dealers for April (for first 4 months and last week of April, see State of the Industry):

Product	April 1994	April 1993	% Change	April 1992
Total color.....	1,780,409*	1,597,733	+11.4	1,376,131
Direct-view...	1,749,412*	1,575,723	+11.0	1,357,927
TV Only.....	1,635,274*	1,481,729	+10.4	1,294,874
TV/VCR Combo.	114,138*	93,994	+21.4	63,053
Projection....	30,997*	22,010	+40.8	18,204
VCR decks.....	796,716	780,230	+ 2.1	812,670*
Camcorders.....	216,137	253,527*	-14.7	214,935
Laserdisc Players	22,075	20,063 ^r	+10.0	N.A.

* Record for any April. ^r Revised to include players with karaoke features.

TECHNICAL PANEL TAKES UP AC-3 LASERDISC STANDARD: At our deadline Fri., members of Laser Disc Assn. (LDA) technical committee were meeting at Santa Monica hotel to discuss format refinements for era of digital home theater.

Among key proposals was would-be standard for so-called Laser Digital discs incorporating Dolby AC-3 -- coding system positioned as basis of next-generation Dolby Surround Digital consumer products and chosen for HDTV digital audio by alliance of system proponents. Proposal discussed in Santa Monica mirrors one now submitted to sister Tokyo-based trade group known as Laser Disc Assn. of the Pacific (LDAP). Group actually is located within Pioneer Japan hq, but Pioneer maintains that LDAP is independent. Chmn. of LDAP technical committee, Hitoshi Kanamaru, is managing dir. of Pioneer in charge of patents and intellectual property. Kanamaru, who attended meeting Fri. in Santa Monica, said through Pioneer Japan spokesman that company had no significant progress to report on AC-3 laserdisc since demonstrations held at Jan. Consumer Electronics Show in Las Vegas (TVD Jan 23 p14).

Challenge facing Pioneer -- thus far only company officially to proclaim support for AC-3 laserdisc -- is to forge industry consensus in timely enough fashion for system to be commercialized in late 1995 projected launch time. AC-3 compression system is only one of several vying for acceptance, and there are reports that Philips, prime sponsor of Musicam system chosen as backup HDTV system, has registered preliminary objections. Dolby Labs officials have been quick to respond that AC-3 is flexible encoding technique capable of being operated at various bit rates and reconfigured in different channel arrangements. They say spectrum efficiency of AC-3 can be exploited easily for different applications.

Pioneer executives attending open reception last Thurs. on eve of closed-door technical committee meeting were mum when asked to state results of discussions with other hardware and software manufacturers thus far on AC-3 laserdisc. Michael Fidler, Pioneer senior vp-new technology & product planning, emphasized that laserdisc format has been growing very rapidly after long incubation, and that AC-3 laserdisc would reinforce positioning of media as quality format.

Pioneer's own stated position is that new AC-3 laserdisc will represent vanguard of next-generation digital home theater and is the probable form in which AC-3 data compression technology first will enter consumer marketplace. Meanwhile, Dolby Labs is proceeding with AC-3 licensing program for chip manufacturers, with Zoran Corp., Motorola and Texas Instruments (TI) known to be participating actively thus far. Zoran chipset likely will be first to market and is expected to carry fairly high pricetag in its first generation -- perhaps approaching \$20. Meanwhile, TI and Motorola chips, being dedicated to AC-3 decoding for 2-channel multimedia applications rather than 5.1-channel digital home theater, are expected to be less expensive.

Political, technical and commercial hurdles abound in Pioneer's quest to forge rapid industry consensus on AC-3 laserdisc. We've learned that supporters of Universal Pictures-backed Digital Theater Systems (DTS) requested time slot at Fri. LDA technical committee hearing, perhaps to unveil technical details of home-adapted cinema digital sound system claimed to be installed on 2,000 screens worldwide. Moreover, same day technical committee members were meeting in Santa Monica, Wall St. Journal ran Hollywood-dated story quoting Sony officials as saying company plans to unveil long-awaited Sony Dynamic Digital Sound (SDDS) hardware for commercial theaters at Brussels trade show in late June. Sony consumer audio executives have been vague when asked whether company plans home adaptation of SDDS hardware, saying only consumer versions of AC-3 and other systems were under study and that company ultimately was interested in fielding products that would generate highest sales volumes.

Meanwhile, few industry observers are willing to comment publicly on possible impact that Philips-spearheaded worldwide drive to develop specifications for high-density optical disc (TVD Nov 22 p11) could have on status of present and future laserdiscs, let alone other optical media such as Video CD. We're told Philips, which has cooperation of many major manufacturers throughout world, has put project on extremely fast track, making first announcements of draft specifications possible by July or Aug., with first hardware-software system launch possible by Dec. 1995. Contrary to preliminary reports we carried last fall, sources told us new high-density format won't be positioned expressly as long-term successor to prerecorded VHS movies, but for much broader commercial applications in audio, video and multimedia. One insider told us Philips for months has shown 2nd- and 3rd-generation lab prototypes of system. Backward compatibility with existing music CD is "a given," according to one source, who said multitude of companies working with Philips wouldn't otherwise have participated in project.

One highly placed official at Nippon Columbia (Denon) in Japan declined to describe specific aspects of high-density CD project, citing political sensitivity of issue and fact that development isn't confined to his company. Nippon Columbia is reluctant to fan fire of press speculation about high-density CD development for fear that publicity will cramp growth of existing CD market.

Executive, requesting anonymity, was among those expressing doubts about confining application to prerecorded VHS movies. Production of CD software certainly costs less than that of prerecorded VHS cassette, he said, but digital encoding costs at MPEG-1 remain quite high -- 1 million yen or more for one hour of high-quality full motion video. Before commercialization of any high-density CD for consumer use, he said, Nippon Columbia supports Video CD format and believes it has strong mainstream potential. Company is pondering introduction of Video CD players and software, he said, but specific plans haven't been nailed down.

VIDEOGAME TRIAL BEGINS Patent that harkens to early days of videogames is at center of trial pitting defunct computer company against Nintendo. Testimony began last week in U.S. Dist. Court, N.Y., in 8-year-old suit that claims Nintendo infringed patent in home videogame. John Strauch, attorney for Apex Computer, said patent filed by 2 Apex engineers in 1977 was "seed from which has [grown] the home-videogame industry as we know it today."

Thomas Gallatin, attorney for Nintendo, said Apex patent was outdated and couldn't be used to create complex videogames. Apex, represented by bankruptcy trustee, is seeking \$300 million in damages based on sales of Nintendo games 1985-92. Apex filed for bankruptcy in 1983.

Apex patent, owned by inventors Wallace Kirschner and Lawrence Haskel, uses "bit-mapping structure" that generates video signals for displaying images. It operates using one bit of data for each pixel. Screen is "refreshed" every 30-60 sec. and image is formed from "memory map."

Nintendo has countered that it developed Picture Processing Unit (PPU) in early 1980s to serve as heart of 8-bit Nintendo Entertainment System. Technology allows information required for entire display to be stored in integrated RAM chip. Thus images are displayed directly on screen through PPU.

Sound Advice (SA), crediting 17% sales gain in 3rd quarter, reported rise in net income to \$327,000 from \$831,000 loss year ago (see financial table). Increase in net income came as 20-store Fla. chain slowly freed itself of legal and professional fees tied to internal investigation and shareholder lawsuit that ended with \$2.7-million settlement last fall (TVD Nov 15 p19). For 9 months ended March 31, SA reported 48% gain in net income to \$1.5 million on increase in sales to \$137.3 million from \$124.3 million year earlier. Nine-month report also carried \$1.2 million charge for settlement of shareholder suit.

Video It Post (VIT) has launched service inserting closed-caption capabilities into master tapes. Culver City, Cal., company, working with National Captioning Institute that handles encoding, installs added features like toll-free numbers. VIT charges \$50 hourly rate and has one-day service, company said. New service comes nearly year after federal law mandated all TVs sold after July 1993 have built-in closed-caption chip. Venture is most recent for 16-year-old company that specializes in transferring Macintosh, IBM or Amiga graphics to videotape.

THIS WEEK'S YEN RATE

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

CE INDUSTRY ANTITRUST PROBE: Justice Dept. has launched preliminary investigation into pricing practices in consumer electronics and major appliance industries. Objective of probe is unclear though it's believed to involve discriminatory pricing, according to industry sources. Justice spokesman declined comment.

There were some hints that inquiry may involve dealings with major retail chains, one source indicating that Justice is looking at Circuit City-Best Buy rivalry to determine whether there has been discrimination in terms of ad support, access to products and perhaps pricing. Letters to CE companies were sent about 2 months ago, it's believed -- at least, one company received first letter March 24.

Asked at Panasonic dealer meeting in Hawaii last week about probe, Matsushita Electric Co. of America (MECA) Vp-Gen. Counsel Robert Marin confirmed that "there is a civil industrywide investigation" and added: "The Justice Department is asking questions to see whether there are problems... We're cooperating. We're very confident at the end of the day we'll get a clean bill of health."

As for subject of inquiry, Marin noted that it wasn't public information and declined to "get into specifics." Probe is in "antitrust area," he said, but "it's a non-public investigation and there are no specifics." Asked about report that investigators are looking for billing records, he said that was "not true, [or] if that's true we have no idea." He said he didn't know what other companies were involved. As for procedure, he said: "They ask questions and then they make a decision as to whether they want to take some action."

However, internal MECA memo we've seen, dated April 1 and sent to company's offices in Atlanta, Baltimore, Boston, Chicago, Cypress, Cal., stated that Matsushita's legal division "requested and received" lists of "all your customers for audio, video, TV and car stereo that you bill within 6 MSAs [metropolitan statistical areas]." Memo further states that Justice has "expanded" investigation to "include certain zip codes" and that company would "run a computer list of PC [Panasonic Co.] dealers located in those zip codes."

As part of investigation, memo states that MECA attorney handling case would be visiting offices and that sales files should be gathered for dealers involved and brought to region for "review and copying." Dealers we polled last week said they hadn't been contacted in connection with probe.

Olympus, spurned in attempt to build new hq on state-owned land in Melville, N.Y., has signed 6-year lease for former Grumman building nearby. Camera maker will lease 270,000 sq. ft. building, vacant since July, from Mutual Life for 6 years with 2 options to renew for 15-year total. Value of lease is \$29-\$73 million based on length of occupancy and other options. New hq allows Olympus to combine Lake Success and Woodbury, N.Y., offices and 600 employees. Company abandoned plans to build hq on site of former state developmental center in Melville last year after Town of Huntington and local civic group sued to block project.

Clarification: Consumer Satellite System Pres. Michael Schroeder said (TVD May 9 p16) that DSS would be sold through 2-3 satellite dealers in Jackson, Miss., area. Information that 20-30 Sears stores, 20 Circuit City outlets, Lowe's and Service Merchandise would carry product in first 5 markets was obtained from other sources.

PANASONIC LINE: Panasonic's new TVs range from 20" to 35", as introduced at 35th anniversary dealer meeting in Maui, Hawaii (see separate report). Both 35" models include black tube with invar mask, artificial intelligence adjustment of color and contrast, 750 lines of horizontal resolution, 7 w per channel audio, PIP, on-screen icons. Basic model with matrix surround sound has suggested retail of \$1,900; stepup with Dolby Surround and shelved cabinet base is \$2,100. They're due in Aug. and July, respectively.

Starting lineup of 20" sets begins with mono model with black tube, icons, timers and channel captioning at \$300; stereo stepup is \$320. Models at \$350 and \$380 have 500-line resolution, latter including universal remote, with Dome Sound added at \$430; all are currently available.

Leader 27" table model, with icons and 600-line resolution, lists at \$600 and is available now; stepup with PIP is \$700, while 31" with same features and Dome sound is \$1,100, both due in July. Console versions, with PIP and universal remote are \$900 for 27" and \$1,500 for 31" for Aug. delivery.

SuperFlat line has 8 models in 27" and 31". All have 700 lines of resolution, comb filter and Dome sound system, plus new cabinets that conceal speakers and universal remote controls. Basic 27" and 31" models are \$750 and \$1,300, respectively, former available now and latter due in July. Single-tuner PIP is featured in models at \$900 and \$1,400, currently available, with dual tuner PIP, artificial intelligence and surround sound at \$1,000 and \$1,600, due this month and next. Consoles with same features and subwoofers are \$1,100 and \$1,800, due in Aug.

Camcorder line, introduced previously, includes full-size models with color viewfinder at \$800 and \$900, point-&-shoot VHS-C models at \$800, \$900 and \$1,000 and digital image stabilization models at \$1,100 and \$1,300, latter with color viewfinder. New models, available this month, have 1,800-pixel color viewfinders, image stabilization and full-size head drums. S-VHS-C model is \$1,500 and VHS-C model with 1-lux sensitivity, light and digital editing is \$1,700.

TV/VCR combos are \$450 for 13" and \$550 for 20", with 4-head 20" at \$600. Also new are 2 high-end hi-fi VCRs with editing features including flying erase at \$649 and with time base corrector at \$1,099. Auto-reverse laserdisc player with time base corrector and karaoke functions, including on-screen "sour note detector" is available now at \$1,000.

Gemstar has started shipping VCR Plus Control Tower remote. Unit retails for \$59, combines one-touch recording of VCR Plus with CallSet feature that programs channel numbers into unit by phone. Remote can be upgraded by phone to add new products and can store up to 24 programs. Gemstar introduced VCR Plus in Sept. 1990.

TV Teddy will be exported to Japan by Yes! Entertainment. Interactive toy that converses with TV or videotape program will be sold there at about \$150 by Tomy Co., which has exclusive marketing rights there and in Europe. Tomy also has rights to produce and license Japanese software for TV Teddy.

Computer City last week opened first store in Atlanta, pushing Tandy retail chain past one million sq. ft. worldwide. New 17,000 sq. ft. supercenter is located in Buckhead Pavilion Shopping Center, employ about 60. Computer City operates 45 stores, each carrying more than 5,000 SKUs.

SONY 'PLAYSTATION' SOFTWARE PLANS: Though still not revealing launch date or price, Sony last week said at Tokyo news conference that it expects 15 software developers will introduce 27 pieces of software for "PlayStation" 32-bit system when it goes on market in Japan this fall. If name sounds familiar, it's because same one was commonly used in references 2 years ago to abortive Nintendo/Sony project that would have seen console that accepted Super Nintendo cartridges and proprietary CD-ROM discs. Deal fell apart over CD system licensing dispute.

PlayStation name will carry over when system is launched into overseas markets; all signs indicate U.S. launch won't come until next year. Sony is expected to release some details of U.S. plans for PlayStation this week, including software licensing.

Sony continues to say PlayStation will be less than 50,000 yen (about \$480). Though officials won't say how far below that it will be, they concede that they're closely monitoring Sega plans for Saturn system, also due on Japanese shelves this fall at expected price of \$350-\$400. Teruhisa Tokunaka, deputy pres. of Sony Computer Entertainment, said Sony plans to sell 1 million pieces of hardware in first year in Japan, same volume as expected in U.S. when it's launched here. Sony spokesman said company will disclose price before end of summer.

Namco, Capcom, Taito and Konami are among 164 Japanese software developers that Sony said have signed PlayStation software licenses, though it identified only 108 of them. Of titles to be introduced this year, 17 will be newly developed, 10 will be versions ported from arcades or other home systems. Tokunaka said 82 titles are in development. Software should sell for about \$50-\$60, he said.

Mockup shown last week at news conference is CD-based system with pair of inputs for controller; slot for backup memory card to store game for continuing play later; parallel I/O jacks for later peripherals such as modem, hard drive, etc.; serial jack for connecting consoles to each other. Controller shown was dual-handle V-shaped device with 4 directional buttons for each thumb, other buttons in middle; spokesman said Sony hasn't decided how many controllers will be included in basic configuration. Sony engineers demonstrated range of software capabilities, including 3-dimensional dinosaur that could be manipulated by player, and conventional scrolling-type game that let player zoom in or out on any section of board, and rotate entire image for rear view as game play proceeded. Screen is 640x240 pixels.

Hagemeyer Electronics is nearing agreement to buy Yorx Electronics in deal that would expand its stable of off-brand suppliers, according to statement issued by companies. Final details were being worked out last week and Yorx was expected to operate as Hagemeyer division based in Paramus, N.J. Terms weren't disclosed. Yorx had been seeking buyer, and purchase will "allow for as much continuity as possible," according to statement. Yorx Vp Harry Steinberger was expected to be promoted to exec. vp-gen. mgr., while Pres. Mitts Kanbayshi moves to consultant. Company was expected to close Hong Kong office and merge with Hagemeyer operations there. Steinberger didn't return phone call seeking comment. Acquisition would give Hagemeyer access to company's assorted audio products including CD clock radio with detachable speakers. Yorx would join roster that includes Gran Prix, Case Logic and more recently Koss brand personal stereo products.

3DO, ATARI REPORT LOSSES: Two companies attempting to establish advanced multimedia platforms last week reported losses for most recent quarters.

3DO reported \$7.4 million loss on \$4.2 million in net revenues in 4th quarter ended March 31. In prior year's quarter, company had no revenues, lost \$7.7 million. Revenue in quarter included "a significant contribution" from March launch in Japan of 3DO system, company said. News release said 3DO "has been informed by Matsushita that 120,000 3DO systems have been sold through to consumers worldwide."

For year, revenues of \$10.3 million were generated as company lost \$51.4 million, compared to \$15.4 million loss in prior year, when no money came in. Included in loss for current year was \$21.4 million operating charge for acquisition of NTG, company which developed company's basic technology. Without that charge, company said, loss would have been \$30 million.

Atari said "start-up production problems" limited shipments of its Jaguar system in first quarter ended March 31, resulting in 19.6% drop in company's net sales to \$8.16 million. Company cut its net loss in quarter to \$927,000 from \$2 million. However, results from this year's quarter include non-recurring income from settlement of litigation, presumably case involving Nintendo that was settled earlier this year. Pres. Sam Tramiel said Atari expects to release 4-6 Jaguar titles in 2nd quarter, and that 30-50 titles from itself and 3rd party publishers should be on market by end of year.

Meanwhile, Atari said it has granted Sigma Designs exclusive license to market PC cards that will allow CD-based Jaguar programs to be played on IBM-compatible personal computers. Julien Nguyen, vp-engineering and chief technology officer for Sigma, said company looks to bring Jaguar to desktops "by combining Sigma's MPEG technology with Atari's 3D animation." Atari spokeswoman said company will show CD-ROM drive for Jaguar at Consumer Electronics Show next month, with shipments slated to begin in Aug.-Sept. at "competitive price." Company also plans to begin shipping MPEG cartridge for Jaguar before end of year, she said.

TOSHIBA ADDS FLAT-SCREEN TV, TV/VCR: Toshiba is expected to plunge into flat-screen TV and TV/VCR markets this week at dealer meetings in Carlsbad, Cal.

Company was to unveil four 32" and 35" flat-screen sets for July-Aug. delivery marking entry into category dominated by Panasonic's SuperFlat sets. TV/VCR entry will be 27" four-head hi-fi model that will ship in Sept. at \$800.

In flat screen, 2 of 4 models will be sold as part of high-end Cinema Series, other 2 for general distribution, Toshiba TV Mktg. Dir. Stephen Nickerson said. All sets, at \$1,500-\$2,500, will contain dark tube and 2-tuner PIP. Cinema Series adds Cyclone Bass, 4-channel digital sound processing and 4-channel Dolby surround sound, Nickerson said.

In TV/VCR, Toshiba will try to revive 27" category that has reported limited sales since Panasonic launched it several years ago. Toshiba combo unit will feature on-screen analog clocks that allow consumers to set VCR's start-stop time using built-in dial. "We're trying to go where we feel the business will be in the future," Nickerson said. His statement echoed thoughts expressed by Philips executives at sales meeting last month.

SHARP UNVEILS NEW VIEWCAMS: Sharp, pushing to expand ViewCam technology, announced it will ship 2 models in Japan next month that connect to specially designed video modem, allowing compressed video image to be transmitted using phone line.

Sharp has no immediate plans to bring new ViewCams or modem to U.S., said Robert Scaglione, Sharp video mktg./product planning mgr. "It's too early to tell what we're going to do" in U.S., he said. Sharp introduced ViewCam in U.S. last year.

With modem, images are transmitted in 3 modes: Detail, normal and plain in 20, 11 and 8 sec. Built-in IC allows Teleport to store up to 10 images, and modem can be attached to TV to receive still video. Unit can receive video data from ViewCams via optical cables. Production starts at 5,000 per month at about \$430 retail at current exchange rates.

New ViewCams -- Hi8 version at \$2,140 and standard 8mm at \$1,700 -- contain 4" LCD with one percent reflectivity, half level found in current product. Models also feature 16x digital zoom, instant electronic zoom, 1/4" 410,000 pixel CCD, lithium ion battery and are 30% smaller than existing ViewCams because of new 45mm compact zoom. Monthly production will be 30,000 for standard model, 10,000 for Hi8.

Overall, Sharp sold 600,000 ViewCams worldwide in 1993 including 260,000 in Japan, 140,000 in N. America, 200,000 in Europe and rest of Asia. This year, Sharp projected worldwide sales of 750,000 -- 350,000, Japan; 150,000 N. America; 250,000, Europe and Asia. At national sales meeting, Sharp U.S. executives said company sold 132,000 in U.S. in 1993 and predicted 200,000 this year.

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To support U.S. sales, Sharp will launch new 30-sec. ViewCam TV ad in late June or early July again featuring hockey star Wayne Gretzky, who was spokesman for product last year. TV commercial will run through Aug. New print ads and billboards will be added at same time. Sharp has said it would spend \$15-\$16 million on ViewCam ads this year.

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Tops Appliance City will spend \$12.5 million in opening 8th megastore in Queens, N.Y., during 4th quarter, according to annual report. About \$6.5 million is earmarked for buying property, \$6 million for improvements to 65,000 sq. ft. store. Overall, 1993 net income rose to \$4.6 million from \$1.8 million on 19.5% sales gain to \$411 million. Same store sales were down 3.6% from year earlier due to "disappointing" holiday season and transfer of sales from old to new stores, company said. Gross revenues from extended service contracts jumped to \$21.3 million from \$18.8 million, company said. Report also showed chain owed Chmn.-CEO Leslie Turchin \$3.1 million under terms of 1988 recapitalization. Edison, N.J., retailer expanded merchandise offerings last year adding Sony ES audio, high-end, built-in appliances and Compaq personal computers.

Sima will ship Video Ed/it IR system in June featuring 2 infrared controls that handle playback/record functions. Editing deck, to retail at \$279, has fade-to-black but no internal memory to save edited segments. Stepup is Video Ed/it XL, also to be delivered in June at \$474, that store up to 30 edited segments, features wipes and fades in 8 colors, has one-touch editing. Sima also will launch 7-item PC accessories line in 4th quarter targeting 4-7 age group. Line will consist of track ball, mouse pad, computer keyboard and other products, company said.

VPT SHOWS PROFIT DESPITE SALES DROP: Despite 30% drop in sales, Voice Powered Technology (VPT) reported \$105,000 profit in first quarter, vs. \$2.4 million loss year earlier (see financial table). Sales decrease to \$3.1 million from \$4.4 million was tied to change in marketing of VPT's VCR Voice Programmer, said VPT CFO Jerry Gutterman. Move from direct marketing of Voice Programmer at \$149 to selling OEM product to Philips at wholesale lowered first quarter sales, Gutterman said.

Gutterman said company was satisfied with sales of Magnavox Voice Reminder since introduction last year and will pursue other OEM deals. Philips has said it will deliver "3rd generation" unit in June at \$99. Philips previously packaged Voice Reminder with high-end VCRs.

VCR Voice Programmer sales increased 10% during first quarter, although company didn't release actual unit shipments. Company has said it shipped 188,000 last year with majority -- 130,000 -- coming in 2nd half (TVD Feb 21 p15).

Meanwhile, Gutterman confirmed that VPT will demonstrate voice-activated telephone to telecommunications companies at Summer CES in June. Company also reported that back order of Voice Organizers is expected to be cleared this month, but didn't disclose sales figures. VPT's voice-activated corded phone contains chip in base that can store up to 40 names and 120 numbers. Phone recognizes up to 4 voices, speed dials requested number and serves as Caller ID by identifying incoming calls on LCD screen. Also available through voice command are privacy feature, call blocking and accessing service available though local phone company. VPT will have some direct sales, but will rely mainly on OEM with \$129 retail.

Company also continues to whittle staff, having dropped from 150 employees year ago to 40, Gutterman said. "With the new marketing strategy we don't need as big a staff," he said.

FIRST-QUARTER STEREO TV RECORD: More than 2.2 million color TV sets were sold to dealers in first 3 months of 1994, setting new first-quarter record, 17.3% above same 1993 period, according to EIA data. Total of 44.7% of direct-view color TVs (excluding VCR combos) had stereo in 1994 period, as contrasted with 37.2% year earlier.

Each successive month in quarter -- in 1994 and 1993 -- saw lower percentage of sets with stereo. High for 1994 to date was Jan., when 45.6% of sets had stereo. March was lowest of year in percentage, with only 44% stereo, still sharply above 36.9% registered in March 1993. Here are EIA figures on stereo sound color sets:

STEREO SOUND IN DIRECT-VIEW COLOR SETS

Month	1994	% of Total	1993	% of Total	% Change
Jan.....	649,022	45.6	556,014	37.4	+16.7
February..	718,014	44.7	608,792	37.2	+17.9
March....	865,361	44.0	738,012	36.9	+17.3
TOTAL....	2,232,397*	44.7	1,902,818	37.2	+17.3

* Record for period.

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Rex Stores filed registration statement with SEC to sell 2 million additional shares of common to fund expansion. Retailer, with 132 stores in 23 states, went public in 1984 and had secondary offering in 1992.

Consumer Electronics Personals

Yukio Yamamoto named Aiwa America pres.-CEO, having served as acting pres. and exec. vp since death last summer of **Akinobu (Art) Ishihara**; Vp **Yoshikazu Ishii** promoted to senior vp... Appointments at Knoxville-based **Philips Consumer Electronics Co. (PCEC)**: **Michael Keel** promoted to vp-advertising & mdsg., succeeded as ad dir. by **Mark Toner**, who advances from ad mgr.; **Lyle Cavanaugh** returns to PCEC as ad mgr. following 2-years as Zenith ad-sales promotion dir.; PCEC PR Dir. **Jon Kasle** shifts Aug. 1 to N.Y.-based **Philips Electronics N. America** as vp-corporate communications.

Robert Braun, ex-Dash Concepts, named **Mickey Shorr** gen. mgr... **Gary Severson**, ex-Venture, joins Wal-Mart as electronics buyer... **Bruce Ackerman**, ex-Boston Acoustics, becomes Home Theater Products national sales mgr... **John Kellogg** leaves June 1 as Dolby Labs dir. of technology mktg. to join Curteo Publishing as vp-platform development and exec. editor of Home Entertainment & Electronics, bimonthly consumer magazine to be launched in Nov.

Stanley Fertig, Time Warner International vp since 1992, appointed Warner Music Group vp-strategic planning & business development... **Martin McCarthy**, ex-Digital Equipment International, joins Sensormatic, electronic article surveillance (EAS) system manufacturer, as gen. mgr. of company's new factory in Cork, Ireland... **Robert Kavner**, AT&T exec. vp, elected a dir., Duracell International.

Thomas Floerchinger, ex-Sound Advice chief financial officer assumes same post at Absolute Entertainment, entertainment software publisher... **Anne Lieberman**, ex-Philips Interactive Media, named group mktg. vp, Jones Education Networks... **Liz Savery**, ex-Rowland Co., joins Daniel S. Roher Inc., N.Y. PR firm, as account supervisor for Sonance and Custom Electronic Design & Installation Assn. (CEDIA).

Nancy Entz, Jasco Products mktg. asst., named PR-ad coordinator; **Susan Tyler**, PR coordinator, appointed human relations dir... **Mark Saul**, ex-Pure Software, joins Minerva Systems as vp-worldwide operations... **Columbia TriStar Home Video** restructures international sales & mktg.: **Rudy Vila** shifts from vp-international mktg. to vp & regional dir.-Latin America; **Janet Robertson** moves from vp-licensing to vp & regional dir. for eastern hemisphere; **Lexine Wong** changes from dir.-international ad & promotion to dir.-international mktg... **Brian Wood** promoted to exec. vp of Columbia House Video... **Marshall Orson** promoted to vp-business affairs for Turner Home Entertainment... **Krysanne Katsoolis** promoted to vp-acquisitions, Fox Lorber Home Video... Appointments at Academy Entertainment: **James Hayden**, ex-Major Video Concepts, named central regional mgr.; **Patricia Saffian**, ex-Ingram Entertainment, joins as mgr.-sales administration.

Trimark Holdings elects 2 to board: **Matthew Saver**, most recently COO of Lightstorm Entertainment; **Tofigh Shirazi**, pres.-Intercontinental United Investors... **Carl Folta** named vp-corp. relations, Viacom... **Ted Zachary** named exec. vp-production administration, New Line Cinema... **Barbara Shuler** appointed vp-international mktg. research, Warner Bros... **Amorette Jones**, ex-Orion Pictures, joins MGM/UA as vp-national field operations West... **James Lomax** named senior producer, Potomac TV/Communications... **David Penner**, ex-LIVE

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Atari			
1994-qtr. to March 31	8,156,000	(927,000)	--
1993-qtr. to March 31	10,150,000	(2,018,000)	--
Babbage's			
1994-13 wk. to April 30	51,438,000	(821,000)	--
1993-13 wk. to May 1	46,282,000	538,000	.10
Cablevision Systems			
1994-qtr. to March 31	176,087,000	(57,127,000)	---a
1993-qtr. to March 31	157,023,000	(55,689,000)	--
Carolco Pictures			
1994-qtr. to March 31	23,003,000	(2,031,000)	--
1993-qtr. to March 31	35,612,000	(6,781,000)	--
Comcast			
1994-qtr. to March 31	328,703,000	(27,357,000)	--
1993-qtr. to March 31	325,225,000	(766,590,000)	---a
Osborn Communications			
1994-qtr. to March 31	5,049,703	(1,056,197)	--
1993-qtr. to March 31	5,099,069	(1,504,584)	--
Sound Advice			
1994-9 mo. to March 31	137,319,000	1,509,000	.40a
1993-9 mo. to March 31	124,385,000	1,020,000	.27
1994-qtr. to March 31	40,779,000	327,000	.09
1993-qtr. to March 31	34,965,000	(831,000)	--
3DO			
1994-year to March 31	10,295,000	(51,431,000)	---b
1994-qtr. to March 31	4,222,000	(7,410,000)	---b
Voice Powered Technology			
1994-qtr. to March 31	3,117,000	105,000	.01
1993-qtr. to March 31	4,454,000	(2,405,000)	--

Notes: aAfter special charge. bComparable results unavailable.

Entertainment, named CFO, Malibu Comics Entertainment... **Russell Hammer** elected to board, Absolute Entertainment.

Multilevel optical disc technology that could generate as much as 10X increase in disc capacity will be subject of 2 technical reports presented by IBM scientists at Optical Data Storage Conference this week in Dana Point, Cal. Discs would have several layers of partially transparent recording surfaces, with spacers between. Disc drive's internal lens would adjust itself to focus laser beam on specific layer, with minimal interference from adjacent layers; light focused on target layer would be 10,000-100,000 times as intense as on adjacent layer, IBM said. Under current standard pit size and densities, 10-layer disc would have capacity of 6.5 gigabytes -- enough for full-length high-resolution feature film in single disc. IBM said scientists at its Almaden Research Center have demonstrated that data could be read of 2-, 4- and 6-layer read-only discs, and written on and read off 2- and 4-layer write-once versions. Maximum number of layers in writable discs would be less than in read-only because writing process requires recording surface to absorb some of laser light, reducing transparency of each layer. IBM also said that "relatively minor" adjustments to several current CD-ROM drives enabled them to read 2-layer, read-only discs. System would be backward compatible, so current single-layer discs would be readable on multi-layer drives.

Ultimate Electronics, boosted by opening of first Utah stores, said sales rose in April to \$9 million from \$4.5 million year earlier. Denver-based retailer said same-store sales rose 40%. Retailer opened first stores in Salt Lake City and Provo last fall and is expected to move into Las Vegas this year.

TELEVISION DIGEST®

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

MAY 23, 1994

VOL 34, NO. 21

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

125 NEW CABLE NETWORKS: Companies target NCTA convention to launch channels. Channel capacity limited. Attendance to top 20,000. (P. 1)

VIOLENCE MONITORING SET: Cable selects Mediascope to study issue. Simon, Markey endorse move, press broadcasters to follow. (P. 2)

TOP 100 MSO SURVEY SHOWS continued modest growth for largest cable operators, includes RHC for first time. (P. 3)

LPTV EMULATING CABLE: Multichannel subscription services planned. LPTV application activity high as hopes for new services soar. (P. 6)

FCC AT FULL STRENGTH as Ness and Chong get Senate confirmation. Informal swearing-in set for today. (P. 6)

CAP/ABC SPLITS STOCK 10-for 1. Share price up. Viacom loses \$454 million. TCI profit drops. Other financials. (P. 7)

CABLE TELEPHONY PLANNED by Southwestern Bell, using Hauser system in Md. Video services also to expand. (P. 7)

HIGHER RETURN SOUGHT for basic cable and new networks in FCC comments. Cable seeks 11.25% instead of 7.5%, other rule changes. (P. 8)

NBC ENTERS MEXICO, forms alliance with Television Azteca, will help it compete with Grupo Televisa. (P. 8)

125 NEW CABLE NETWORKS PROPOSED: Sales staffs of dozens of new cable program networks are swarming through NCTA convention this week in New Orleans, looking for carriage deals and other resources needed to make their proposed services viable. Despite their number, they are minority of more than 125 proposed new cable networks scheduled to launch in 12-18 months, according to data gathered for Warren Publishing's TV & Cable Factbook. Most of new channels were proposed in expectation that digital compression would provide hundreds of new cable channels, but operators and programmers predicted that economic realities and cable regulation would mean only handful could be successful.

New FCC Cable Bureau Chief Meredith Jones will attend NCTA convention. Her first official day at Commission is today (May 23). NCTA Vp Daniel Brenner plans to introduce her at FCC staff session at 3:45 p.m., May 24, but she isn't expected to speak. NCTA was predicting about 20,000 persons would attend convention, nearly 25% above previous record. Figure won't include 2 new FCC commissioners, Susan Ness and Rachelle Chong, who were confirmed by Senate May 19. Exhibit space also was up 29% from previous record, to 250,000 sq. ft.

Consumer Electronics

BOJO RESIGNS AS JVC PRES., to be replaced by Shuzui, Matsushita exec., as companies insist JVC will remain independent. JVC expects loss for year. (P. 15)

STRONG YEN AND COMPETITION combined to hit Sony and Panasonic profits as they report sales drops. (P. 15)

TOSHIBA TRIES TO BROADEN IMAGE beyond TV in U.S., investing in communications, mobile electronics. Sets consumer multimedia entry for next year. (P. 16)

DSS LAUNCH IN 2-4 WEEKS, Thomson says, as encoders are tweaked in advance of market entry. TCE says N. American revenues rose \$350-\$400 million. (P. 17)

CIRCUIT CITY EYES N.Y.C. for late 1990s, also plans smaller stores for secondary markets, cuts back mall stores. (P. 19)

EEC REPORTS 3RD-QUARTER PROFIT and will introduce new Custis Mathes (CM) TVs and VCRs in effort to strengthen CM dealer base. (P. 19)

COMPACT CAMCORDERS are 74% of total in year's first 4 months, relatively unchanged from 1992 and 1993. Stereo and 4-head mono up VCR share. (P. 20)

MEMTEK STARTS SHIPPING Memorex-brand PC software, but month behind schedule, blaming 'manpower and packaging issues.' (P. 20)

Nearly 20 new channels have announced launch dates in late May or June, mainly because of expectation that digital compression would be available then. Start of compression is set officially for Jan., but only handful of set-top converters needed to receive compressed channels are likely to be available by then, delaying start of large-scale use another 6 months or so, executives believe (TVD May 9 p4). Eight to 10 new networks plan to launch each month Sept.-Nov., 13 in Dec., 11 in Jan.

Many of proposed new channels overlap, our survey indicated, including at least dozen foreign language channels, 10 cultural or educational, 9 shopping, 8 news, 7 game or gambling, 7 interactive, 6 health, 5 "singles," plus 5 each for sports, motor vehicles, music videos and entertainment/gossip, 3 each on parenting and talk. Another 19 are devoted to hobbies and other special interests.

Minority of channels are likely to survive, or even to launch, even though our survey included only those that appeared to have genuine business presence. "I'm an enthusiastic supporter of new program development," said Hearst Vp Raymond Joslin, founder of new association of cable programmers. "But a lot of these people will be surprised when they see the realities of the market. Launching a channel is a very risky thing. The public deserves the choice, and I hope all 125 survive, but the economic outlook is difficult. A substantial percentage won't succeed."

Channels appeared to fall into 3 groups: (1) Those affiliated with existing cable programmers that can leverage off their resources and reputation to ease launch, such as Turner Classic Movies. (2) Those marketed as part of retransmission consent deals, and therefore apparently guaranteed at least some cable carriage, such as TV Food Network. (3) All others, which are likely to have much harder time getting enough carriage and viewing to be viable. Factors such as capital and how much programming they control "will separate the men from the boys," NCTA spokeswoman said. She said some of those planning to launch have so little familiarity with cable industry that they weren't quite sure what transponders and MSOs are.

"When digital compression was announced, all the entrepreneurs suddenly had lightbulbs go off," spokeswoman said. "Within 3 months, people began announcing new channels." Delay in full-scale start of digital compression has caused some problems, but some of new networks are launching anyway, hoping that their presence will give them leg up when compression increases channel capacity. One problem is that not all operators will be looking for many new basic channels to fill hundreds of compressed channels. "The money is not in offering 500 basic channels, but in pay-per-view and video-on-demand," official said, since cable operators generally have to pay to carry basic channels, while video-on-demand generates revenue.

Regulation also will be major limiting factor, Joslin said. FCC rules allow cable operators to recover amount they spend on new cable channels, plus 7.5% markup, but operators can make nearly as much return on investment with less risk by putting money in bank. "Cable operators need more than a 7.5% markup," Joslin said. "That's not enough incentive to give away a valuable resource."

Many of new channels could end up on alternative media, including DBS, PrimeStar, MMDS and video dial tone systems, some officials believe. "With all of the competing and alternative delivery methods, everybody believes that there are bound to be new services," Joslin said. "But there can only be as many as people are willing to pay for." Previously, there was more demand for programming than TV industry had technology to deliver, Joslin said, but proliferation of channels may be "a technology in search of a demand."

List of planned new cable networks appears in Warren's Cable Regulation Monitor issue today (May 23). (For a copy, contact Warren Publishing's Betty Alvine, 202-872-9200.)

* * * * *

Cable programmers will meet at Hearst hq in N.Y.C. June 2 to decide whether to go ahead with plans to start association of cable programmers, according to organizer Joslin. Programmers received feasibility study on new association last week, including details on how it would be financed, goals and purposes, mission statement, strategy. Joslin wouldn't comment on findings of feasibility study, but acknowledged that June 2 meeting probably wouldn't have been scheduled if study had showed that association wasn't practical.

CABLE PICKS MEDIASCOPE TO WATCH VIOLENCE: Cable industry said it will pay Cal.-based Mediascope about \$1.2 million to conduct year-long study of TV violence, increasing pressure on broadcasters to step up antiviolence efforts. At news conference announcing selection, Sen. Simon (D-Ill.), who led congressional demands for monitoring, said industry had done "substantial, solid job" in choosing nonprofit organization whose monitoring plan was "more comprehensive than what I had hoped for... This is not a Band-Aid. This is real." House Telecom Subcommittee Chmn. Markey (D-Mass.) called action "historic step" toward reducing TV violence.

Mediascope will submit final report in fall of 1995 to NCTA, which will review results before releasing findings to public, NCTA spokeswoman said. Report won't include rating system, she said, but may set groundwork for uniform program ratings down line.

Simon and Markey used occasion to turn up heat on broadcasters, who have been reluctant to endorse violence monitoring. Markey said need for V-chip to allow in-home lockouts of violent programming "depends upon the response we get from the broadcast industry" on monitoring but said he still supported measure: "Ratings combined with the V-chip would not encroach upon First Amendment rights, rather it respects and celebrates the rights of parents to control what comes into their homes. This is not Big Brother, it's Big Mother and Big Father." He said announcement showed "dramatic difference" between cable industry and broadcasters on TV violence. Simon said he wasn't expressly opposed to V-chip and said viewer control was "as important as having content itself changed."

Mediascope will review 4 random weeks of programming in Sept., Oct., Nov. and Jan. It will monitor 12 basic cable channels, 5 premiums, 3 local independent TV stations, 5 undetermined broadcast channels. Four university professors will head research: (1) Edward Donnerstein, communications prof., U. of Cal., Santa Barbara, who studies violence against women. (2) Ellen Wartella, U. of Tex., Austin, who explores effect of violence on children. (3) Jane Cantor, U. of Wis., Madison, who has studied viewer reactions to violence. (4) Frank Biocca, U. of N.C., Chapel Hill, who follows public opinion and attitudes. Council of 13 experts, some from entertainment industry, will oversee research.

Mediascope's study will monitor "not only quantitative aspects... but qualitative aspects as well," said Showtime CEO Winston (Tony) Cox, who headed industry's search for violence monitor. He said industry chose Mediascope because of its "comprehensiveness." Mediascope Pres. Marcy Kelly referred to her company's proposal as "the first time we will be looking at the context... not just counting the numbers." She said Mediascope, unlike some other groups that study TV violence, would note "difference between The Three Stooges, Terminator 2 and Schindler's List." For example, she said, researchers will monitor whether violence was punished and, if so, whether consequences became clear before or after children's bedtimes. Cox said goal wasn't to stifle creativity but to reduce "gratuitous" violence, which was "more an example of bad creativity." Simon said Congress would "take great interest" in study's progress but would limit involvement somewhat to avoid putting "heavy hand of government" on industry efforts.

MODEST GROWTH SEEN FOR TOP 100 MSOs, RHC JOINS LIST: Basic subscribers of Top 100 cable operators are up 2% since Sept. 1, an increase in pace of growth compared with 1.5% and 1.6% gains in 2 previous 6-month periods (TVD Nov 29 p4). Pay units for Top 100 also continued increase in pace of growth -- up 1.6%, vs. 1.05% in previous 6 months.

Southwestern Bell (SWB) is first RHC to join list of top 100, coming in at 37th as result of its acquisition of Hauser Communications. Collapse of Bell Atlantic-TCI deal means SWB is likely to remain lone RHC in top 100 for some time -- other telco-cable ownership deals (pending or completed) don't involve telcos' acquiring majority interest in cable operators.

Here are key figures from our latest semiannual survey: (1) Top 100 had 55,529,253 basic subscribers, up 2% from Sept. 1; serve 59.3% of U.S. TV households, using Nielsen Jan. 1994 estimates, and 95.7% of all U.S. basic subscribers, which we now estimate to be 58 million. (2) Pay units were 38,934,467, up 1.6%. Pay-to-basic penetration for top 100 fell again to 70.12%, compared with 70.4% and 71.05% in 2 previous surveys.

(3) Rollout of addressability didn't keep up with basic subscriber growth. Top 100 had 20,925,838 addressable homes as of March 1, up 2.9% from Sept. 1, but addressable penetration fell to 37.7% from 39%. (4) Homes passed were 89,957,271, up 1.7%. Basic-to-homes passed penetration grew slightly to 61.7% from 61.5% and 60.8% in 2 previous surveys.

Note: We continue to offer most up-to-date and detailed cable TV data anywhere, based on our 45 years of tracking cable systems. Data are available for use on your own computers or as customized reports. For details, call Lynn Levine in our Market Research & Data Sales Div., 202-872-9200.

FIRST 50

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Addressable Homes
1.	Tele-Communications Inc. ^a	10,248,059	5,930,311	16,735,000	220,000	2,577,000
2.	Time Warner Cable ^b	7,300,000	5,100,000 ^c	12,100,000 ^c	122,100 ^c	3,000,000
3.	Continental Cablevision Inc.	2,930,000	2,460,000	5,205,000	53,700	1,500,000
4.	Comcast Corp.	2,715,000	1,894,000	4,386,000 ^d	53,500 ^d	680,000 ^d
5.	Cablevision Systems Corp.	2,262,000	4,171,000	3,776,000	32,170	1,000,000
6.	Cox Cable Communications	1,766,289	1,203,603	2,890,568	27,141	692,684
7.	Newhouse Bcstg.	1,386,650	1,036,372	1,945,071	29,501	729,367
8.	Cablevision Industries Inc.	1,339,512	738,707	2,074,535	32,723	437,573
9.	Adelphia Communications Corp. ^d	1,294,230	619,721	1,851,498	23,000	684,650
10.	Jones Spacelink Ltd.	1,277,491	991,675	2,048,476	28,000	499,800
11.	Times Mirror Cable TV	1,224,071	721,354	2,077,826	20,382	540,106
12.	Viacom Cable	1,102,569	714,227	1,730,018	14,032	406,264
13.	Sammons Communications Inc.	1,077,901	611,619	1,596,354	18,544	556,291
14.	Falcon Cable TV	1,069,680	362,269	1,290,947	28,831	382,685 ^c
15.	Century Communications Corp. ^d	930,000	400,000	1,650,000	20,344	670,000
16.	Crown Media Inc.	861,196	522,730	1,575,556	27,000	389,000
17.	Colony Communications Inc. ^e	793,962	476,722	1,236,151	13,242	398,939
18.	TeleCable Corp.	701,851	673,897	994,746	14,381	526,360
19.	E. W. Scripps Co.	700,994	599,583	1,163,501	18,234	272,000 ^c
20.	Lenfest Communications Inc.	668,769	502,188	1,044,267	12,522	232,550
21.	InterMedia Partners	639,434	442,258	1,029,283	17,196	140,903
22.	KBLCOM Inc.	611,210	488,753	1,200,644	10,155	288,521
23.	TKR Cable Co.	602,243	497,350	899,222	9,449	134,500
24.	Prime Cable Corp. ^f	563,646	489,093	1,155,596	8,602	376,253
25.	Maclean Hunter Cable TV ^g	553,663	612,343	1,174,332	6,915	311,158
26.	TCA Cable TV Inc.	483,494	363,284	654,085	10,304	249,928
27.	Post-Newsweek Cable Inc.	475,741	304,870	694,924	9,400	183,133
28.	Wometco Cable Corp. ^h	456,599	272,087	787,855	11,238	178,262
29.	Tele-Media Corp.	424,751	153,208	609,119	10,203	N/A
30.	Multimedia Cablevision Inc.	419,495	318,416	696,220	8,750	60,000
31.	Rifkin & Assoc.	383,564	222,231	536,072	9,200	2,500
32.	Triax Communications Corp.	370,349	199,042	563,119	14,021	20,000
33.	Western Communications	309,892	148,534	430,300	4,555	88,586
34.	C-TEC Cable Systems	259,417	170,811	414,644	9,400	179,000
35.	Columbia International Inc.	253,000	200,000	403,000	4,825	140,000
36.	Service Electric Cable TV Inc.	238,184	80,852	368,000	5,580	57,105
37.	Southwestern Bell Corp.	235,000	230,000	392,000	3,820	N/A
38.	Greater Media Inc.	229,578	205,789	363,785	3,041	175,563
39.	Harron Communications Corp.	223,363	154,311	332,590	5,433 ^d	164,636
40.	Media General Inc.	220,382	188,622	323,633	4,222	198,272
41.	US Cable Corp.	210,372	121,288	349,024	5,064	120,000
42.	MultiVision Cable TV Corp.	209,656	152,820	358,217	3,390	129,607
43.	Fanch Communications Inc. ^c	200,000	80,000	280,000	N/A	N/A
44.	Armstrong Utilities Inc.	182,000	95,600	229,000	4,628	N/A
45.	Gaylor Broadcasting Co.	176,000	155,000	440,000	3,800	155,000
46.	Bresnan Communications Co.	174,777	111,715	266,950	4,964	18,174
47.	Sutton Capital Group	163,435	144,562	273,416	2,437	149,500
48.	Northland Communications Corp.	159,938	48,549	218,690	7,500	9,435 ^d
49.	Simmons Communications Inc.	159,153	59,370	228,386	4,236	65,800
50.	Summit Communications Group Inc.	158,790	93,365	236,257	4,201	5,704
Total—First 50		51,397,350	36,534,101	83,279,877	1,015,876	19,776,809

SECOND 50

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Addressable Homes
51.	United Video Cablevision Inc.	152,457	78,638	215,631	6,265	45,414
52.	Blade Communications Inc.	149,523	84,987	237,244	1,900	109,000
53.	Insight Communications Co.	146,000	95,000	282,000	4,500	40,000
54.	Marcus Cable	144,844	104,395	209,065	3,796	7,745
55.	McDonald Group ^d	142,548	61,841	208,873	2,500	N/A
56.	Pencor Services Inc.	138,915	57,738 ^d	167,602 ^d	5,269 ^d	35,000 ^d
57.	Booth American Co.	133,000	66,090	194,113	3,801	N/A
58.	New Heritage Assoc.	130,872	92,348	260,372	4,281	104,246
59.	Susquehanna Cable Co.	123,000	73,616	168,370	2,592	65,321
60.	Barden Communications Inc.	117,870	228,175	410,027	2,100	108,141
61.	Prestige Cable TV Inc.	113,264	47,867	162,587	4,499	68,178
62.	Coaxial Communications	110,156	90,984	197,516	3,584	95,687
63.	WEHCO Video Inc.	110,055	47,417	152,964	2,642	0
64.	Midcontinent Cable Co.	108,361	46,125	148,663	1,890	N/A

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Addressable Homes
65.	Sonic Communications	106,235	51,754	173,528	1,796 ^c	30,000 ^c
66.	Douglas Communications Corp. II	105,451	56,250	177,000	4,286	N/A
67.	Northern Cable Holdings Ltd.	100,109	14,234	120,491	16,000	N/A
68.	Buford Television Inc.	87,946	64,210	168,696	6,375	10,199
69.	Helicon Corp.	83,719	31,713	113,000	2,619	20,000
70.	Cablevision of Texas Ltd.	80,538	39,157	129,000	4,100	1,200
71.	James Cable Partners ^d	78,947	29,471 ^c	127,231	3,425	N/A
72.	Chambers Communications Corp.	77,178	24,648	117,370	945 ^d	N/A
73.	Star Cablevision Group	69,509	49,075	108,637	N/A	N/A
74.	News Press & Gazette Co.	68,176	30,691	102,832	1,578	13,929
75.	Benchmark Communications	67,500	59,100	97,750	1,665	62,100
76.	Masada Corp.	66,658	28,304	119,003	4,001	12,555
77.	Leonard Communications Inc.	66,000	20,000	101,000	2,358	4,000
78.	Great Southern Printing & Manufacturing Co.	63,962	37,451	87,392	1,867	2,500
79.	Star Cable Associates	63,014	34,203	109,932	N/A	0
80.	State Cable TV Corp.	62,298	28,262	63,000 ^d	2,130	N/A
81.	Schurz Communications Inc.	60,246	40,720	75,757	949	31,800
82.	Omega Communications Inc. ^d	59,387	24,000	98,000	1,950	N/A
83.	Twin County Cable TV	58,357	15,600	125,000	2,762	18,010
84.	Galaxy Cablevision	58,315	46,057	98,257	2,725	20,000
85.	Cable America Corp.	58,000	44,000	121,178	2,375	22,108
86.	Wade Communications Inc.	58,000	89,000	166,000	523	58,000
87.	Rock Assoc.	57,730	38,185	82,700	1,150	4,500
88.	Sunflower Cablevision	57,392	15,815	68,950	1,000	17,146
89.	Donrey Media Group Inc.	56,690	29,240	78,500	838	8,500
90.	Americable International	56,489	30,500	107,157	1,405	27,000
91.	Verto Cable TV	55,000	24,500	79,120	581	4,200
92.	Raystay Co.	51,527	22,312	73,000 ^c	1,075 ^c	7,240
93.	Fairbanks Communications Inc.	50,533	22,953	72,000	905	14,650
94.	N-Com	50,488	36,919	88,227	1,221	14,545
95.	Bill Daniels	50,000	32,750	64,107	679	21,000
96.	Amzak Cable ^d	48,000	24,590	85,000	902	N/A
97.	Community TV Corp.	45,600	20,500	66,800	1,344	27,000
98.	Nathan A. Levine	44,600	25,200	74,000	1,600	N/A
99.	New England Cablevision Inc.	44,541	24,114	58,527	1,170	16,115
100.	WestStar Communications Inc.	42,903	19,757	64,225	928	2,000
Total—Second 50		4,131,903	2,400,366	6,677,394	128,846	1,149,029
GRAND TOTAL—Top 100		55,529,253	38,934,467	89,957,271	1,144,722	20,925,838

^aNumbers represent TCI & consolidated subsidiaries where ownership interest is greater than 50% as of March 1, 1994. ^bIncludes Kansas City Cable Partners & Paragon Communications. ^cWarren Publishing's estimate. ^dAs of December 31, 1993 or earlier. ^eIncludes Copley Press Electronics Co. figures. ^fIncludes G. C. Assoc. figures. ^gAcquired by Rogers Communications Inc. March 31, 1994. ^hIncludes Robert M. Bass Group figures.

CPB reauthorization bill was introduced by Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) May 17 on behalf of himself and 19 co-sponsors. Measure (S-2120), proposing no substantial change from Corp.'s current authorizing legislation, would set \$425 million ceiling on its appropriations in each of FY 1997-1999. Fate of bill this session appears up in air. NPR had wanted substantially more co-sponsors to enhance passage prospects, given health care reform and multitude of other issues being deliberated on Hill. Moreover, there were signs that several Republican senators -- including Minority Leader Dole (Kan.) and McCain (Ariz.) -- might either oppose legislation or seek substantive objectivity/balance amendments. Dole last week suggested need for "closer oversight" in his criticism of NPR's consideration of airing commentaries of death-row inmate. Measure remains to be introduced in House. According to recent CPB memo to its board, staff of Telecom Subcommittee "have indicated that they do not anticipate having trouble passing a bill this year, but do not want to get the process started until they have a clearer signal from the Senate that a bill will be passed in that body." Memo said Senate Communications Subcommittee was having "a difficult time getting commitments from senators due to the large amounts of [opposition] mail they are receiving on [controversial PBS miniseries] Tales of the City."

Wireless cable operator People's Choice TV bought Specchio Investors, owner of 22.5% of Preferred Entertainment, for stock valued at \$28 million, companies said. People's said it would seek seat on Preferred board and might buy more stock on open market.

House Copyright Subcommittee May 18 cancelled planned markup of HR-2576 to set rules for performance rights on digital recordings. Panel may meet this week, trying to come to agreement. Sources said Subcommittee Chmn. Hughes (D-N.J.) was dissatisfied with proposals from broadcasters as well as from music publishers and record companies. Broadcasters want permanent exemption from new fees, even if service they offer is more like subscription than today's broadcasting, Hill sources said. Hughes isn't inclined to go along. Senior Republican Moorhead (Cal.) is willing to give broadcasters exemption for broadcasting, but not for other services, and compromise may take shape along those lines, sources said. Music publishers, BMI, ASCAP and Recording Industry Assn. of America (RIAA) opposed broadcasters' position. At same time, Hughes was said to oppose proposal from those 3 organizations that would have established new compulsory licensing scheme for digital subscriber services that would be similar to law for cable. Rather than try to hash out all those issues in open markup, subcommittee held closed session May 18 to discuss issues.

N.C. Supreme Court has turned down request of talk-show host Phil Donahue and death-row inmate David Lawson to permit televising of Lawson's scheduled June 15 execution. Writing for court, Justice Sarah Parker said that neither state or U.S. Constitutions permit televising execution. N.C. Attorney Gen. Mike Easley applauded decision: "This wasn't a question about the Constitution. This was a question about television ratings and the state ought not to be in the business of affecting television ratings." Lawson's attorney John Hasty said court would be asked to reconsider.

LPTV EMULATING CABLE: Rural TV viewers, already courted by DBS and MMDS, may have another option -- multichannel low-power TV (LPTV). Industry and FCC sources confirm that Commission's latest LPTV license window was unusually busy and included multiple filings by same or affiliated entities in some areas. That enables applicants to corner several slots and use them to offer subscription TV as multichannel package of traditional cable programming such as CNN, Discovery, HBO. Although such service -- usually limited to 10-20 channels -- can't compete with DBS, wired cable or MMDS, some LPTV providers think they can attract less choosy subscribers with lower cost (DBS, for example, is expected to cost about \$700 for home equipment). Talk has started on MMDS-LPTV partnerships to increase capacity.

FCC received 2,000 LPTV applications in April 11-15 window, "higher-than-usual" number, LPTV Branch Chief Keith Larson said. He said Commission encourages new uses of LPTV, including multichannel service. Interest in multichannel LPTV is result of 2 factors, said Albert Martin, consultant-engineer, Segue Services: (1) Realization that one-channel subscription LPTV has limited profit potential compared with multiple channels. (2) Increased confidence among investors in LPTV as multichannel service. He said technology has improved reception and ability to broadcast several channels from one tower. Scrambling methods also have become more economical and advanced, he said.

General rise in credibility of wireless technologies has helped, said Washington attorney Paul Sinderbrand. He said LPTV applicants and operators were "playing off the popularity of wireless cable" to offer similar service. Larger number of applications in most recent window primarily was result of "application mills," he said, in which groups of partners apply en masse for spectrum -- FCC allowed maximum of 5 LPTV applications per individual -- and resell them to investors.

Because MMDS and multichannel LPTV target rural areas, Sinderbrand said they would "kill each other in competition... there's not a large enough pie." He said potential exists for those 2 services to compete but, more likely, partnerships will emerge. Increased capacity eventually could put wireless in better position to compete with DBS and wired cable, which usually offer more channels, he said. Peter Tannenwald, attorney for Community Bestrs. Assn., which represents LPTV, said it was rumored that wireless cable industry had filed as group to increase capacity. He said "a lot of speculators applied willy-nilly" and for several LPTV slots in same area.

Some "very colorful characters" have gotten in on application process, said Harry Reed, owner of Best. Services International (BSI), which owns some multichannel LPTV operations: "I suspect that... you've got people out there hoarding spectrum." He said latest window provided opportunity for people to hold LPTV licenses and resell them at inflated prices, noting that effect of renewed interest in LPTV would be reduction in "perceived value" of MMDS. BSI operates systems in Duluth area and Ely, Minn., that he said target rural subscribers without access to wired cable, and has applied through subsidiary for LPTV licenses in Selma, Ala. About 500 subscribers in Duluth area receive 12-channel service, and another 250 in Ely use 5-channel system that has been in operation 18 months, he said. Cost is comparable with cable (\$22.50 per month, \$75 installation, \$6.90-per-month equipment rental). Customers have option to buy receiver equipment for \$300, receiving 10% discount on monthly bill.

Major wireless markets will become "real mess" unless MMDS and LPTV providers form partnerships, Reed said. Despite interest from MMDS, cable industry need not worry about new variable in increasingly competitive market, Reed said: "I decided a hell of a long time ago that I'm not going to put cable out of business." He said BSI's goal is to convert all its LPTV multichannel systems to compression but admitted that even then medium would "max out" at 30 channels and never be able to compete in 500-channel universe.

NESS AND CHONG CONFIRMED: Plans weren't firm at our deadline, but new FCC commissioners Democrat Susan Ness and Republican Rachele Chong are expected to be sworn in informally May 23, bringing agency to full complement of 5 members for first time since April 1993. Formal swearing in will be performed later after paperwork clears White House. New commissioners will start work on relatively empty 8th floor this week as other 3 commissioners will be out of town most of week -- Chmn. Hundt and Comr. Quello at NCTA convention in New Orleans, Comr. Barrett in Cal. Senate confirmed Ness and Chong without debate late May 19, 2 days after Senate Commerce Committee approved nominations. Confirmation hearing was May 10.

Ness will finish term of ex-Comr. Duggan (who resigned in Feb. to become PBS pres.), which expires June 30, and was given follow-up full 5-year term by Senate, ending June 30, 1999. Chong, 34, will serve rest of Sherrie Marshall's term, ending June 30, 1997. Chong has chosen 2 current FCC staffers from Gen. Counsel's Office, Jane Mago and Richard Welch, as legal advisers. She's expected to hire another staffer from outside FCC. Mago formerly was assistant to then-Comr. Jones. Ness, 45, also is expected to hire combination of current FCC staff and outsiders. New commissioners are members of Federal Communications Bar Assn.

Other commissioners praised new colleagues. Said Hundt: "I am delighted the Senate acted so quickly. I know I speak for everyone at the Commission when I say that we all look forward to their arrival and having them apply their outstanding intelligence and insights to the many challenging issues we are grappling with at the Commission."

Chong will become first Asian-American to serve on FCC. As San Francisco attorney, after 3-year stint (1984-1987) with now-defunct law firm Kadison, Pfaelzer, Woodward, Quinn & Rossi in Washington, she represented several cellular telephone clients as partner in San Francisco law firm Graham & James.

Ness is former official of American Security Bank in Washington, where, she told Senate, she was responsible for \$250 million in loans in telecommunications. In mid-1970s, she was on staff of House Banking Committee and later founded and directed judicial appointments project of National Women's Political Caucus. She has been active in Md. Democratic politics and was Clinton-Gore fund-raiser in 1992 campaign. Ness is married to Larry Schneider, partner in Arnold & Porter law firm who doesn't practice in communications.

EIA will be among exhibitors at NCTA convention this week in New Orleans, demonstrating new TV feature called Extended Data Services (EDS), which enables cable operators, as well as broadcasters, to transmit program- and weather-related information that can be displayed on TV screens. EDS, to be demonstrated next month on PBS, uses same technology as closed-captioning.

CAP/ABC STOCK SPLIT 10-1: Shareholders May 19 approved 10-for-1 split in Cap/ABC stock designed, Chmn.-CEO Thomas Murphy said, to make it affordable for employees and provide broader base of investors. Shares closed same day at \$740, up \$9 on strength of split, which will be effective June 3. Murphy said company "has never been healthier financially," with cash flow at \$3.3 billion, and debt reduced \$1.5 billion since CapCities acquired ABC 8-1/2 years ago. In last few years, Cap/ABC has repurchased 3.1 million of its shares for \$1.6 billion.

Company declared 5¢ quarterly dividend, said annual dividend rate will be 20¢ per share after stock split. This is equivalent to \$2 per share of pre-split common stock, Cap/ABC said.

Cap/ABC continues to seek international opportunities, Murphy told holders at annual meeting at Washington news bureau, detailing overseas deals already made: "I am happy to report that the businesses are growing while our losses are declining" in 8 European countries. He said company is "platform agnostic," meaning "we want to develop program forms which will work in a wide variety of technological applications" and avoid being tied to any particular technology. To that end, he said, Cap/ABC's new Multimedia Group is "evaluating opportunities in the emerging technologies."

In-house production capability is expanding, with joint ventures with several programmers, he said, made possible by FCC's relaxation of finsyn rules. Company is expected to have financial interest in up to 10 hours of its prime-time programming next fall. "We continue to believe that our most important future opportunity lies in the creation and ownership of television programming," Murphy said.

Meanwhile, at Cap/ABC hq in N.Y., 3 floors were evacuated May 19 after a secretary opened package addressed to ABC Pres. Robert Iger that proved to be filled with gunpowder. Package, delivered by UPS, didn't explode. Tests were under way to determine whether it was "an elaborate scare device" or bomb intended to explode when opened, Police Sgt. Tina Mohrmann said. Iger was in Washington for stockholders meeting.

In other financials: Driven by \$332.1 million write-off in merger with Paramount, Viacom lost \$454 million in first quarter ended March 31 vs. \$81 million year earlier. Paramount itself lost \$41 million in March, only month in which its results were included with Viacom. Viacom said Paramount write-off resulted mainly from adjustments in value of Paramount programming assets. But it said it would show \$267 million pretax gain in 2nd quarter from sale of its 1/3 interest in Lifetime to Hearst and Cap/ABC for \$318 million. Cable operating profit dropped 31% to \$21.2 million because of rate regulation (revenue was down 4% to \$101 million). Other results: (1) MTV Networks revenue grew 30% to \$173.7 million, primarily because of rate increases, and operating profit was up 21% to \$55.2 million. (2) Showtime Networks revenue rose 4% to \$141.3 million, but operating profit was up 4% to \$11.3 million. (3) TV revenue increased 10% to \$21.7 million and operating profit 62% to \$4.2 million.

TCI net profit fell to \$32 million in quarter ended March 31 from \$52 million year ago. Revenue was up 4% to \$1.06 billion, but increases in operating costs, marketing and administration, and depreciation cut operating profit to \$234 million from \$247 million. Cash flow dropped 3.6% to \$467 million, mainly because of cable regulation, company said... International Family Entertainment profit fell to \$2.6

million in first quarter from \$7.4 million year ago because of startup costs of new networks, including Family Channel UK and Cable Health Club. Revenue jumped 23% to \$53.3 million.

CABLE TELEPHONY PLANNED: Southwestern Bell (SWB) filed application with Md. PSC to offer telephone service over its cable system in Montgomery County, competing with Bell Atlantic (BA). SWB's Media Ventures subsidiary, which bought Cable TV Montgomery from Hauser Communications, said it could provide "initial telephone service" by late 1995. Upgrade of system to handle voice services is estimated to cost \$100 million, Media Ventures spokeswoman said.

BA said SWB announcement was "a demonstration that traditional telephone company regulations and the restrictions still imposed on us by the AT&T consent decree more than 10 years ago are sadly out of date." It said announcement showed increase in competition, but claimed that capabilities of its planned new network would exceed those of cable: "Whether or not cable companies, or other telephone companies, try to enter our markets, we're ready to compete."

SWB requested permission to provide "competitive telephone service to every household in Montgomery County." Media Ventures Pres. Michael Gilliam said: "We are confident we can offer Montgomery County residents high-quality phone service at lower rates than they are currently paying." Cable system has 185,000 subscribers. County, with population of 320,000, is one of nation's most affluent, SWB said. Md. PSC is expected to begin proceedings on local exchange competition in 2nd half of year, Gilliam said. "We think that one of the great advantages of this type of network is the ability to offer a single bill for both cable and telephone service," SWB spokesman said, "but that will largely be a decision that comes from the PSC."

"Cable customers will realize benefits as well," Cable TV Montgomery Pres. John Eddy said. "In addition to offering phone service, Media Ventures plans to upgrade" cable system. Upgrades will allow MSO to offer "expanded choices throughout the county," he said. Expanded services could include interactive TV and video-on-demand, SWB spokeswoman said.

Following highly successful first quarter and "positive feedback" on 2nd quarter, TvB May 18 upgraded its forecast of 1994 TV revenues. Here are new 12-month forecasts, followed by original predictions (in parentheses): National spot 8-10% (4-6%); local spot 7-9% (5-7%); Big 3 networks 6-8% (4-6%); national syndication, which includes Fox TV Network, 9-11% (7-9%). "There are several positive factors which influenced this change," said Harold Simpson, TvB vp-R&D. "In addition, very healthy political spending on local stations in the 3rd and 4th quarters should bolster 2nd-half expenditures." Meanwhile, 5 of 7 CBS-owned TV stations have rejoined TvB: WCIX Miami, WFRV-TV Green Bay, KCBS-TV L.A., WCAU-TV Philadelphia, WCCO-TV Minneapolis. CBS's WCBS-TV N.Y. and WBBM-TV Chicago, along with CBS Spot Sales, already were members.

Telephone numbers changing today (May 23) at FCC: Office of Public Affairs -- 202-418-0500; Office of Inspector Gen. -- 202-418-0470; Field Operations Bureau -- 202-418-1100. Numbers of commissioners changed month ago, and all FCC numbers eventually will switch to 418 prefix from 632.

HIGHER RETURN SOUGHT: FCC should allow higher rate of return on basic cable and on new programming services, cable operators and programmers said in raft of petitions for reconsideration of rate rules filed with FCC (TVD Feb 28 p1). Cable operators also said they should be able to recover premium prices paid for systems before reregulation, and Bell Atlantic said telcos should be allowed to use same easier price cap rules as cable has.

NCTA earlier decided to take rules directly to court rather than seek reconsideration. CATA appealed FCC cable rate rules to U.S. Appeals Court, D.C., saying they were unconstitutional and exceeded scope of Cable Act. CATA Pres. Stephen Effros said FCC rulemaking process "has run amok in producing dangerously complex and excessive rate rules."

Rate of return allowed in cost-of-service rules should be "far greater" than 11.25% allowed for telcos because cable is riskier business, Comcast said. Operators also asked for return larger than FCC-set 7.5% on new cable channels. Viacom said 11.25% return for basic cable is "reasonable" for programming, while 7.5% figure "is simply not enough to restore an operator's... incentive to add channels." Proposed channels Ovation and Horizons agreed 7.5% may not be enough, suggesting that operators be allowed to add either percentage or flat fee (such as 25¢). Eternal Word TV Network (EWTN) said 7.5% figure is disincentive to add free channels, such as EWTN, because operators would make more profit on high-cost channels.

Rules include other disincentives for adding new channels, even though FCC said they were intended to encourage channel additions, petitions said. United Video said administrative procedures could mean it would be 6 months or more before cable systems could begin recovering cost of new channels, and Ovation and Horizons said operators were reluctant to add new channels because they would subject them to new round of consumer or franchise authority complaints on entire rate structure, not only of new channel: "Programming providers are already beginning to feel the chill." Rules "will result in the virtual halt of new programming service launches," United Video said.

FCC should streamline rules on allowing operators to recover high costs, including high purchase prices, Cablevision Industries said. Commission can call high system purchase prices unreasonable, MSO said, but "those prices were actual prices paid for actual cable systems" and owner still has to repay loans. Comcast said not allowing operators to recover costs is "by definition confiscatory." Bell Atlantic (BA) said that despite cable claims, "significant disparities" still exist between cable and telco regulation, particularly in area of price caps: "Cable is subject to far fewer regulatory burdens." Since industries are converging, BA said, FCC should move to ease telco regulation to match cable.

Other comments: (1) NATOA, National League of Cities, U.S. Conference of Mayors, National Assn. of Counties and N.Y.C., in joint petition, sought clarification as to how franchise fees and public, educational and govt. (PEG) costs would be handled, and said franchise authority rather than operator should decide whether refunded franchise fees should be returned to customers or deducted from future bills. (2) Comcast said uniform system of accounts would impose higher cost on operators and most cost-of-service cases would be decided before rules could be implemented. (3) Group of small cable operators said FCC should approve full allowances for tax liabilities in rate rules.

NBC BUYS INTO MEXICO'S TV AZTECA: Continuing international expansion, NBC has formed broad alliance covering many areas with Mexico's No. 2 TV network, Television Azteca, which was purchased last July by Grupo Azteca SA for \$640 million when Mexico privatized state-owned broadcast system. Azteca purchase included 2 state-owned TV networks with 168 stations, theater chain, production studio. NBC will help Azteca, principally owned by Ricardo Salinas, compete with Mexico's dominant TV network, Grupo Televisa SA.

NBC has created management advisory team, headed by Roger Ogden, pres.-gen. mgr. of network-owned KCNC-TV Denver (who will retain that position), to help TV Azteca in such areas as programming, management, engineering, sales. U.S. network has 3-year option to purchase up to 20% of Azteca for undisclosed amount -- said to be \$150-\$300 million, depending on performance of Mexican company. Azteca's 2 networks will add NBC name and peacock trademark to their logos and NBC will sell some of Azteca's air time. NBC and Mexican partner face major challenge since Televisa controls about 90% of country's TV advertising and similar percentage of audience. NBC hopes to increase Azteca's ad and audience shares to 20-25%. And, with implementation of N. American Free Trade Agreement (NAFTA), Mexico's TV ad market is expected to grow rapidly, NBC official said.

Deal provides for NBC to furnish Mexican partner with sports, news and entertainment, including cable network CNCB and NBC's Spanish-language news channel Canal de Noticias distributed in Latin America. Less than 25% of Azteca's programming will be provided by NBC, which will help Mexican partner develop Spanish-language programming for NBC to distribute worldwide. Azteca executives will retain management control, as required by Mexican law.

"Our new partnership with Television Azteca is an exciting reflection of our commitment to expand NBC internationally into the key television growth markets of the world," NBC Pres. Robert Wright said. "Mexico is a perfect example of a market with explosive growth potential..." Said Salinas: "NBC's name, image, management expertise and relationships will provide a unique opportunity to enhance the value of Television Azteca and make a significant impact upon the business community and consumer audiences of Mexico and Latin America."

Thomas Rogers, pres.-NBC Cable and business development and exec. vp of NBC, announced Azteca deal in Cancun, Mexico, May 16: "It's a growth, growth, growth story." By joining with Azteca, he said, "NBC will not only secure a major foothold in Latin American broadcasting but we will help to create an entity of considerable strength and audience share in the highly lucrative television market... Mexico will have a booming advertising marketplace and television will be the primary beneficiary" of NAFTA.

FCC LPTV stations got part of what they wanted -- 4-letter calls. However, agency will require "LP" suffix to distinguish secondary stations from full-power outlets. LPTVs now have 5-digit calls -- 3 letters and channel number, such as WL40G. Chmn. Hundt said agency's delay in acting on petition by Community Bestrs. Assn. (2 years) is "limited but very important example" of FCC lags caused by lack of staff and resources. He said LPTVs often provide first entry into broadcasting for minorities and women, along with program diversity. Comr. Quello praised LPTVs for providing specialized local programming: "I like to help them whenever I can."

SET-TOP GROUP SET: Coalition that includes Compression Labs Inc. (CLI), Philips and Zenith announced alliance to develop, manufacture and market analog and digital set-top decoders for video-on-demand, videogames, home shopping, other services. Venture will target cable and related industries first for integration into cable headends, with decoders planned for sale within 3-5 years. Consumers also will be able to buy or lease decoders from cable companies, executives said. Companies wouldn't disclose their investments in project, but CLI Vp Mktg. & Sales James Lakin said figure would be in "multiples of millions."

Companies said they would pool sales forces and planned to demonstrate technology for first time at NCTA convention in New Orleans. Commercial pricing will vary by application, they said. Analog decoder will contain 4 Mb of memory, but could reach 8 Mb for digital versions, said Brian Smith, Philips mktg. development vp. New box will combine Philips' digital technology with Zenith's Vestigial Sideband (16-VSB) transmission and CLI's Magnitude real-time encoders. All 3 partners will build hardware and some integrated circuitry. Chipsets also will be supplied by LSI, Motorola, Raytheon, Teledyne. System will be compatible with General Instrument's DigiCipher.

Although first decoders will be integrated with cable headends, consumer versions to follow later will be modular, using "plug and play" concept to add features, Zenith Corporate Mktg. Vp Dean DeBiase said. Set-top boxes will be built into digital TVs and VCRs by end of decade, companies said. Decoders will have open architecture designed to allow 3rd party developers to download new applications. DeBiase said decoder "will be flexible enough to handle changes in networking environment. There will be no killer applications, but there will be hundreds of little ones." While digital technology would be complex enough to discourage program piracy, system eventually could be adapted for use with smart-card security system, DeBiase said.

Canadian consortium of Canadian Satellite Communications (Cancom), BCE and WIC Western International Communications has invited Canadian cable and broadcast representatives to join planned digital direct-to-home (DTH) service scheduled to begin in April 1995. Group confirmed it's holding discussions with Astral Bestg. Group, CFCF Inc., JLL Best. Group, Rogers Cablesystems and Shaw Communications to form "single, uniquely Canadian response to [DBS] services coming from [U.S.] the so-called 'Death Stars.'" Discussions have resulted in "agreement in principle" to establish DTH for complete line of Canadian services, including pay TV, pay-per-view, specialty and conventional TV programming, Cancom said. Cancom Vp Susan Cornell said only Canadian companies would be invited to join. Although consortium hasn't yet decided on prices, Cornell said they would be about same as Canadian cable and competitive with U.S. DBS. She said Cancom is talking with Tee-Comm Electronics, which plans its own DTH, hoping it will join group. Tee-Comm announced last year it would launch digital DTH late this year, also primarily to compete with U.S. DBS. Chmn. Al Bahnman said company expects to reach decision soon on whether to join Cancom.

CBS affiliate KDFW-TV and independent KDFI-TV Dallas-Ft. Worth have entered local marketing agreement whereby KDFW-TV will buy "substantially" all of latter's air time and provide its programs. CBS affiliate also will be responsible for sales and marketing on independent and will retain revenues. Terms of agreement weren't announced.

BA GOES INTERACTIVE: Bell Atlantic fleshed out its aggressive \$11-billion plan to deliver interactive multimedia TV (IMTV) network, called BAnet, to more than 8 million homes by 2000. AT&T is prime contractor. BAnet will require company to rewire almost its entire region to accommodate interactive services it plans to deliver starting in 1995. BA said network will be in 6 markets within 18 months, 20 within 5 years. First: Baltimore, Northern N.J., Philadelphia, Pittsburgh, Virginia Beach, Va., Washington.

Although BA didn't release details, analysts said AT&T stood to collect close to \$8 billion of project's projected \$11-billion tag. It's providing Host Digital Terminal (HDT) that resides in BA's central office, plus fiber system that connects HDT to neighborhood nodes. General Instrument (GI) will provide analog and digital addressable set-top terminals to support IMTV programming, as well as end-to-end access control, encryption and digital compression, BA said. BroadBand Technologies will provide network elements to support switched digital fiber-to-curb architecture.

Price of \$11 billion is only \$1 billion above what BA would normally spend on its network over 5 years. Federal court in Alexandria, Va., last year provided BA motivation for moving quickly when it ruled company could become first in U.S. authorized to build IMTV network in its region. All other RHCs have started court actions to gain similar authorization. To test readiness of markets for IMTV programming, BA is running trials. Up to 2,000 customers in Northern Va. will get video-on-demand this summer. Video information providers, including BA Video Services, will use BA network to test viewer interest, company said. Additional BA video dial tone projects are planned in N.J. and Washington, but have been delayed pending FCC approval.

It's time for FCC Chmn. Hundt to make "concrete" assurances of incentives for cable to expand and participate in information highway, Comcast Pres. Brian Roberts said at Washington Cable Club lunch May 18. He said he hoped that Hundt would use speech at NCTA convention (7:30 a.m. breakfast May 24) to "lay out as specifically as he can what the FCC will do to provide incentives to invest. It's time for us to hear a clear vision of the future." Roberts also pressed for President Clinton to weigh in on fight over telecommunications reform legislation. Noting that Vice President Gore has been pushing issue, Roberts said there's need for Clinton to act personally "to move the debate forward. Don't let the telephone companies kill it." He said that cable industry wants law this year, and that legislation "has got a lot of momentum." Competition in local loop is fundamental to new infrastructure, he said: "I'm not surprised that the telcos don't want to open their monopolies, but it's too late to try to stop it." He also called move to information highway "the big casino," but said "it is the wave, it will happen."

FCC Chmn. Hundt has been added as June 3 luncheon speaker at June 2-4 AWRT convention, Hilton Hotel, Minneapolis. Comr. Quello participates on panel on programming content and advertisers' control same day. Other speakers include NAB's Marcia De Sonne, Hubbard Bestg. Pres. Stanley Hubbard, CBS News correspondent Susan Rock.

Comsat Video Enterprises will offer interactive multimedia Nintendo Gateway System of videogames to hotels equipped with Comsat's On Command Video, beginning in 3rd quarter. Ten games will be offered.

FCBA PANEL DEBATES SUPERHIGHWAY: Information superhighway was subject of panel at FCBA seminar May 14 at Nemaquin Woodlands Resort in Pa., with participants generally agreeing that first software would be videogames driven by ads. "It's coming quickly, as soon as the so-called video platform is built," USTA Pres. Roy Neel said. However, he warned that poor people weren't likely to benefit and "that is a very serious social concern." Thomas Wolzien of Sanford Bernstein & Co. said "the technology is there and available" but it's no good until product is in place."

Samuel Simon, filling in for Columbia U. Prof. Eli Noam (who showed up about halfway through 2-hour session), said he hopes that superhighway isn't driven by videogames and entertainment alone, that it should provide U.S. with ability to communicate. "It's important to find out where we want to go," Simon said, and mediator between users and suppliers is needed. Neel added that public "thinks games... not safety uses."

Tests in Chicago showed that public wants games, information and entertainment and ability to communicate, AT&T Vp Douglas Dunn said, because "that's the wave of the future." ACT founder Peggy Charren said families no longer play together. "Who's going to make the educational games" that are needed for superhighway, she asked. Taking swipe at her favorite target, she said that if TV networks could win rating game by educating children, then Children's TV Act wouldn't be needed. Charren predicted it was "going to be a long time" before 500-channel universe becomes reality and "it will be more of the kind of stuff we get now." She said that TV industry "doesn't care about the audiences it serves" and that has been proved "over and over again." Industry, she charged, will do "everything it can not to serve children's interests unless somebody makes them."

Moderator Michael Cuthbert, WRC(AM) Washington, said gateways must be developed to control access to information highway for children. He called commercials "intrusions" on superhighway, but Neel said "it's going to happen." However, he added: "I don't see any of this stuff replacing the printed word" or causing humans to react with other humans.

Merrill Spiegel, mass media adviser to Chmn. Hundt, said Commission hopes to fill 150 positions in Cable Bureau by Sept. 30. However, she said, agency is having hard time finding qualified economists. Staffers are making extended use of E-mail to contact Hundt; he and other commissioners use same method to reach staffers. FCC Gen. Counsel William Kennard said his office is "grappling" with ex parte issue in use of E-mail and Internet. Gen. Counsel's Office "often gets involved in [FCC] policy issues," he said, "and you have to be careful when you are wearing 2 hats," such as when commissioners ask for legal advice.

FCC plans this summer to auction 3,554 narrowband PCS licenses and 1,468 for Interactive Video & Data Service (IVDS) and is "working aggressively" to prepare for sales, Byron Marchant, senior legal adviser to FCC Comr. Barrett, told another FCBA panel. He said Commission task force, under Gerald Vaughan, deputy chief-operations of Common Carrier Bureau, is laying groundwork for auctions. Marchant said agency will contract with outside firm to help plan auctions. Karen Brinkman, common carrier adviser to Hundt, said there was no "underlying structure" in place to handle PCS auctions and that made job of planning tougher.

FCC plans to establish installment payment plan for small businesses that are successful in auctions and Congress

has mandated that "designated entities" -- small businesses and companies owned by women and/or minorities -- be given preference. Auctions for broadband PCS are planned in fall. Asked about impact of complaint about PCS preferences by House Commerce Committee Chmn. Dingell (D-Mich.), Kennard said in-house FCC investigation is under way and it would be "inappropriate" to comment.

TELCO OKAYS PLAN: Rochester Telephone (RT) said it had reached settlement with staff of N.Y. PSC on terms of its Open Market Plan, clearing way for Time Warner (TW) to begin competitive local telephone service as early as next year. Agreement, if approved by PSC, would create "landmark" decision, making RT first telco in U.S. to open local market to more competition, it said.

Agreement is first of its kind between cable company and telco, TW said. Interconnection means that cable telephone customer's call to someone served by RT would be routed to RT switch, then to ultimate recipient. RT also agreed to provide operator services and directory assistance available to customers of TW or other competitors. TW plans to build competitive telephone network in Rochester area, where it has 200,000 subscribers. TW Communications Pres. Thomas Morrow said agreement "does not create economic or technical barriers, nor does it impose a 'tax' on entry."

Agreement was signed by PSC staff as well as CWA and TW, each of which has been participant in discussions. Highlights include: (1) Seven-year rate stabilization. (2) Rate reductions of \$21 million, with basic services frozen at current levels over life of plan. (3) Incentive regulatory plan, which would be first of its kind in N.Y. (4) Formation of price-regulated network company (R-Net) and competitive company (R-Com).

Creation of 2 new companies would work out like this: R-Net would operate as under "unique regulatory plan" under genuine price cap regulations, with customer rates capped. In exchange, R-Net would be free from rate-of-return regulation for duration of plan. Competitive company, R-Com, would operate as retail provider of integrated services, buying network access from R-Net and packaging services with its own and others' product lines. Services offered could include voice mail, data, long distance, wireless.

Choice of providers would be made by each customer in response to competitive offerings, rather than by user ballot as originally proposed. R-Net would offer its services, completely unbundled on wholesale basis as in initial proposal, but also would continue to offer retail services. R-Net company would carry name Rochester Telephone while R-Com and holding company would be given another name later this year.

Primestar and Liberty Satellite Sports will offer 14 regional sports channels, including Home Sports Entertainment, Madison Sq. Garden, Prime Ticket and others for distribution on Primestar direct-to-home (DTH) service to begin this summer. Package, available to residential customers in basic lineup, also will be offered for fee to commercial establishments.

FCC late May 20 again hit Infinity Bestg. for what it considers indecent programming on Howard Stern Show. Fine was for \$200,000 for Stern broadcasts Dec. 6 and Jan. 19. At same time, Commission approved Infinity's purchase of WPGC-AM-FM in Washington suburb of Morningside, Md.

OMB Dir. Leon Panetta said May 18 he was wary of waiving budget rules to pay for General Agreement on Tariffs & Trade (GATT). Although some members of House Ways & Means Committee had said they favored such approach, he said Administration believes there's need "to maintain discipline" on budget matters, and that its credibility on budget issues could be challenged if waiver were used. Without waiver, Administration would have to find way to find \$14 billion to pay for tariffs lost because of GATT, and one idea has been spectrum fee to be levied on broadcasters and others. With waiver, Administration wouldn't need money, so spectrum fee wouldn't be imposed. But Panetta, meeting with reporters after session with U.S. Trade Representative Mickey Kantor and Cal. congressional delegation, said "all options are on the table" and no promises have been made to Congress as to terms on which GATT would be financed. Some proposals have called for waiver for first 5 years of treaty, but not for 2nd 5 years. Panetta said problem with waiver was question of "where do you draw the line?" He said waiver now would lead to more waivers. Rep. Matsui (D-Cal.), Ways & Means member who endorsed waiver, said it was "too early" to make statement on its fate. Reports of spectrum fee's death appeared to be premature. N.J. Bcstrs. Assn. sent note May 10 to its members reporting that office of Sen. Bradley (D-N.J.), member of Finance Committee, said spectrum fee "is off the table." Broadcasters said Kantor has said GATT would be submitted as emergency appropriation along with waiver of budget rules.

House Copyright Subcommittee didn't vote on performance rights legislation (HR-2576) May 18. In speech to Media Institute in Washington, NAB Pres. Edward Fritts said new license fees contemplated by bill could cost radio broadcasters \$200-\$300 million. NAB has told Subcommittee that only change it wants is to be exempted from digital performance rights bill. Fritts criticized telephone, cable and computer companies for seeking to define information superhighway "and then be the traffic cops." Broadcasting is free to all, he said, arguing for flexibility to use spectrum to provide variety of interactive services. Broadcasting "is likely to remain the only universal service in the foreseeable future -- if it is not crippled by public law and shackled by excessive regulation," Fritts said.

KCTS-TV (PBS) Seattle said it has become first N. American TV station to purchase HDTV equipment. Gear -- Sony HDC-500 camera, HDV-10 UNIH video recorder, 12" and 34" format 16X9 monitors -- will be used for Overlooking America, 90-min. PBS special featuring aerial views, to debut during March 1995 pledge drive. Only 20% of undisclosed purchase price of equipment will be from station's capital budget, Pres. Burnill Clark said, with rest to come from money earmarked for equipment purchase for special and income earned from occasional equipment rentals. Station, active on advanced TV matters for nearly 10 years, earlier this year released 2 one-hour HDTV programs in joint venture with Japan's NHK.

Wireless cable operator Parkersburg Wireless Ltd. was trying to defraud potential investors, SEC charged in suit filed in U.S. Dist. Court, D.C. Suit asked court to freeze firm's assets and enjoin further operations. SEC claimed that marketing effort used to raise \$10.3 million to start wireless cable system in Parkersburg, W.Va., "falsely depicts" likely return on investment, and that 62% of money raised had been used for "fees" for defendants.

House Telecom Subcommittee scheduled May 26 hearing on FCC's FY 1995 budget, 2:30 p.m., room to be announced.

Peace apparently has broken out between FCC Comr. Quello and Sen. D'Amato (R-N.Y.) over Commission's treatment of Infinity Bestg. and its shock-jock Howard Stern. In May 12 letter to Quello, D'Amato said he was glad "there are several issues on which we can agree." Among those were that Quello has "recognized that religion and ethnicity will not be factors" in FCC decision-making process. Quello on May 6 had sent D'Amato transcripts of Stern's programs, saying that as Italian and Catholic, he objected to language used and suggesting D'Amato's similar background would induce him to feel same way. D'Amato said both agree "the indecency standard should be enforced fully and completely under the law and in constitutional manner." Quello had noted in May 6 letter that D'Amato had voted to uphold indecency rules, and D'Amato said in most recent reply: "I have consistently voted that way during my career in the Senate." On technical terms of Infinity's violations for indecency, D'Amato said he and Quello agreed that broadcaster accused through notice of apparent liability "is still entitled to due process and its day in court before a final determination of guilt or innocence can be made."

Senate without debate May 18 passed S-1485 to extend satellite compulsory license for 5 years. Companion bill is waiting action in House Judiciary Committee. One key difference between bills is that House would allow negotiations on rates that networks charge satellite broadcasters, while Senate would keep current scheme of specifying rates. Satellite Bestg. & Communications Assn. (SBCA) Pres. Charles Hewitt called passage "a very important victory for the satellite industry." SBCA favors Senate bill, opposes House version. Superstar Satellite Entertainment, member of United Video Satellite Group, also praised passage because it would keep parity between cable and satellite copyright fees.

Encore is developing 10-20 more pay channels, in addition to multiplex to launch in July, "with a different twist," Chmn. John Sie said in interview on PBS's TechnoPolitics. He provided few details, although he ruled out sports and said movies alone couldn't drive information highway. Sie also said he would like to "globalize" Encore: "There's no reason why we couldn't replicate the Encore success formula... throughout Asia, Europe and Latin America." He said FCC actions were "socializing and bureaucratizing" cable, but rate rules benefited Encore and other premium services because cable operators were "desperately seeking" channels that offered unregulated cash flow.

Cable operators appear to be improving on customer service, FCC Chmn. Hundt said in interview May 18 on Fox Morning News. Conceding that service problems still exist, he said that "overall, on an average for the whole country, we are getting the impression that cable operators are providing much better service." He said customer service improvement probably was motivated by business reasons and customer complaints, but "the statute has helped that process."

Microsoft unveiled "Tiger" software designed to control video-on-demand. It's designed to use network of personal computers, rather than single supercomputer. Partners include Compaq and Intel. Tiger is to be tested on TCI system in Seattle this year.

Zenith will provide set-top converters for Nynex's video dial tone (VDT) trial in N.Y., companies said. First test, involving 50 analog customers, will be expanded to digital trials involving up to 800 users by year-end, they said.

NPR raised \$5,000 from 60 callers in its first international pledge drive last month, according to preliminary figures, but more importantly cut 2 additional distribution deals with owners of cable system and FM station who heard drive at home and called in. NPR last year began delivering several programs in Europe via "foreign language" radio network beamed from Astra satellite. Project Dir. Ray Dilley said those calls will result in NPR's being carried by Prague cable system and FM in Verdon, France. In deal separate from drive, NPR carriage began May 18 on audio service provided by Amsterdam cable system. Dilley said Dutch are comparatively heavy users of cable audio because of dearth of broadcast radio. That results in service's nonsatellite carriage in 6 European markets -- half via radio, half on cable. Dilley said he was pleased with pledge results because "the whole concept of freely giving money to a radio station is a brand new idea" in Europe.

James Rowe, after less than 2 years as NBC Washington vp, will leave in early Aug. to become vp of Harvard U. and head of liaison with federal, state and local govts. and of media relations and communications. He's 1973 cum laude graduate of Harvard and received JD degree from Georgetown U. in 1979. Rowe joined NBC in Sept. 1992 after serving on 2 House committees. He will succeed John Shattuck, now asst. Secy. of State for democracy, human rights and labor. While he said he's "very happy at NBC," Rowe, 42, said: "Harvard approached me and this has been a very wrenching decision... On balance, however, this new position offers me far more responsibility."

GE Americom said it signed "long-term, multitransponder agreement" with TCI subsidiary Western Tele-Communications (WTCI) for service via GE Satcom. WTCI will lease minimum of 13 analog and/or digital transponders on Satcom C-1 at 137° W, used primarily for cable TV, and Satcom 2R at 72° W. Financial terms weren't disclosed. Meanwhile, Rainbow Network Communications East Coast regional sports networks, including SportsChannel Philadelphia, N.Y. and New England, and Newport sports news channel, will move to Satcom SN2 at 69° W by early Sept. Action is part of contract renewal and extension for transponder service on SN2 and Satcom C-1 through 1996, Rainbow said.

Congress shouldn't have to enact special revenue-raising package to pay for implementation of General Agreement on Tariffs & Trade (GATT) treaty, House Trade Subcommittee Chmn. Gibbons (D-Fla.) said. He said GATT will have such widespread benefits throughout economy that he doesn't see need for new taxes or fees, including spectrum fee floated by Administration, to raise \$14 billion it's estimated would be lost through lower tariffs. Budget Act requires that any money lost be made up, unless Congress waives provision. Financing requirements would be taken up at full Ways & Means Committee level, Gibbons said. Subcommittee member Rep. Matsui (D-Cal.) said he could support full or partial waiver.

FCC and NCTA will sponsor forum on FCC rules on cable programming incentives 10:30-noon May 25 at NCTA convention in New Orleans (Convention Center, Rm. 36). FCC staff members and industry representatives will participate, and staffers will answer questions about rules. Acting Cable Bureau Chief Kathleen Wallman said Commission is particularly interested in comment on incentives for adding networks, including 7.5% markup, and in variance in costs between large and small systems.

Ameritech's video dial tone (VDT) system "could easily become a financial bottomless pit far into the next century," Great Lakes Cable Coalition said in comments to FCC on RHC's VDT filing. Coalition questioned Ameritech's basic assumptions in predicting break-even in 2001, including forecast of 39% subscriber penetration by 2001: "Gaining 40% of a competitive video services market is simply unrealistic considering emerging competition from MMDS, DBS and TVRO and, most importantly, competition from existing cable operators." Winning half of multichannel market would "force a severe level of price competition," coalition said. Group said FCC should demand much more detail on Ameritech's VDT plan and set up tougher safeguards against RHC's using VDT network for other purposes and cross-subsidizing VDT service. Filing said Ameritech could use fiber infrastructure installed for VDT, for example "for telephony even though that investment was clearly not motivated by or required for telephony."

Program Notes: Real Estate TV Network owner Jones Naughton Entertainment of L.A. said it had secured financial commitments to launch channel, with production to begin May 27... Times Mirror said it will launch 24-hour Outdoor Life Channel in 1995. Company already owns Outdoor Life and Field & Stream magazines and set up Times Mirror Programming Co. to develop additional networks affiliated with its other editorial products... Good Health Channel said it signed up more than 600 physicians' offices in first week of marketing... Pet TV Network will begin airing nationally next year, with 14 hours daily. Cable network is joint venture of Jaygee Productions and Group 1 Films... Parent TV is set to launch May 14, 1995, CEO James Zeilinger said. Network will be offered free to cable operators, supported by ads and direct sales.

FCC launched inquiry on how to gather data to be used in its annual reports to Congress on status of multichannel video competition. In May 19 action, Commission said it would look for information on status of alternative distribution technologies, whether and how practices of programmers and distributors have changed, what information is needed for FCC to prepare more comprehensive analysis. Competition report is to establish reference point for future cable comparisons, agency said, and to examine impact of 1992 Cable Act. Other questions include means to gather data and how to minimize burdens on cable operators. Comments are due June 29, replies July 29.

New wave of downsizing may be looming in public TV. WHY-TV-FM Philadelphia announced May 11 that it was laying off 16 of 174 employees and that Pres. Rick Breitenfeld and all 6 vps would take voluntary 10% pay cuts. Spokesman Art Ellis said steps were intended to prevent future shortfall and to free up resources for new education and new technology-based activities. KUHT Houston said April 28 it was laying off 12 of 83 fulltimers and 20 of 30 parttimers to help offset \$1.5-million cut in fund balance stemming from lower-than-projected revenues in last 2 years. Station also has postponed buying \$300,000 worth of equipment.

General Instrument (GI) is increasing manufacturing capacity rapidly in response to new cable equipment orders, including one to supply components for Bell Atlantic's full-service network, Chmn. Daniel Akerson said. By June, GI will have increased converter terminal capacity by 60% over end of 1993. Capacity is expected to reach 2 million DigiCable converters per year by end of 1995. Ability to make coaxial cable is expected to be 30% greater by year-end 1994 than year earlier, Akerson said.

Sen. McCain (R-Ariz.) plans to "vigorously" raise issue of public broadcasting objectivity/balance when or if CPB reauthorization legislation goes before Commerce Committee this session. Communications Subcommittee Chmn. Inouye (D-Hawaii) is seeking co-sponsors for measure, which would reauthorize Corp. for FY 1997-1999. He hasn't introduced bill, although he's said to have at least 14 co-sponsors. Spokesman for McCain said lawmaker didn't believe CPB had complied with amendment to last reauthorization that required it to review industry's national programming and to support "balancing" fare if any shortcomings were identified, but he said it was too early to tell whether McCain would oppose bill outright and/or seek amendment imposing further objectivity/balance mandates.

Senate Republican Leader Dole (R-Kan.) praised NPR for deciding not to air commentaries of Mumia Abu-Jamal, prisoner on death row for 1981 killing of Philadelphia police officer, but that was only good thing Dole had to say about NPR. In Senate floor statement, he said it was disturbing that NPR had waited until last minute to make decision, and had "apparently forgotten" need to provide "balance and objectivity required in its programming, and did not wake up until Abu-Jamal had reportedly recorded at least 10 commentaries and the public got wind of the venture." He called for "closer oversight" by Congress when NPR considers using taxpayers' money to pay "convicted cop killer" for commentaries.

Sens. Graham (D-Fla.) and Dorgan (D-N.D.) introduced bill to prevent federal govt. from buying ad time on TV programs with violent content. Under measure, NTIA would have 6 months to establish system to evaluate broadcast and cable TV programs' content and identify shows with "high degree of violence." Ratings would include at least one week during sweeps. In floor statement, Graham said: "We are no longer going to sponsor violent programming on the one hand while with the other we pen legislation forcing others to solve this problem." Dorgan has introduced bill to require govt. to publish report card on TV violence.

Southern New England Telephone (SNET) has begun building video dial tone (VDT) facilities before getting FCC approval, New England Cable TV Assn. (NECTA) charged in request for Commission investigation. Similar complaint was raised in Cal. (TVD May 16 p6). NECTA cited testimony before Conn. PUC indicating that construction of fiber/coaxial network would begin March 28, including claims that it was being built in area where SNET hadn't even sought FCC approval. Even though network isn't full VDT system, NECTA charged that fiber/coaxial backbone would account for more than half of VDT startup costs.

RTNDA reported "marked improvement" in its "overall financial performance" in 1993. Audit showed revenues of \$1.938 million, expenses of \$2.005 million, with net loss of \$67,044 attributed "almost entirely" to shortfall in exhibit revenues at Sept. 1993 convention in Miami Beach. Assn.'s long-term investment portfolio grew to \$734,766 during year. Main sources of revenue: Convention exhibitors \$503,115, convention registration \$424,092, member dues \$375,160, magazine Communicator \$365,749, investments \$37,043. Also during year, RTNDA added 800 number and "fax-on-demand" for members.

Galaxy Cablevision agreed to sell all its Ky. cable systems for \$18.4 million to new firm owned by Galaxy Chmn. Tommy Gleason and his son. Galaxy had received offers for systems, with 14,900 subscribers, from several bidders, said Gleason was highest. Galaxy continues to own systems elsewhere with 43,000 subscribers.

"We no longer have an independent press," Betsey Wright, ex-chief of staff to then-Ark. Gov. Bill Clinton told FCBA lunch May 19 in Washington. Wright, best known for coining term "bimbo eruption," said press has abandoned "its role, its responsibility and its commitment to democracy" because of budget cuts in news operations, overwhelming special interest forces that have captured media and robbed them of independence, and competition from entertainment programs that blur lines between news and entertainment. Wright, now exec. vp of Wexler Group lobbying firm, said difference has vanished as far as viewers are concerned.

Lawrence Leser, pres.-CEO of E.W. Scripps Co., received 1993 salary of \$630,000 and \$250,000 bonus, according to proxy statement. Chmn. Charles Scripps was paid \$420,000 (no bonus), Exec. Vp William Burleigh, \$400,000 and \$100,000, Paul Gardner, senior vp-bestg., \$225,000 and \$120,000, Stephen Crawford, senior vp-cable, \$225,000 and \$90,000... At Pulitzer Publishing, Chmn.-Pres.-CEO Michael Pulitzer was paid \$659,332 in 1993, plus \$345,613 bonus, past Chmn. Joseph Pulitzer \$210,517 and \$103,792, Senior Vp-Best. Kenneth Elkins \$326,100 and \$154,608.

Media Center Satellite Network is pilot satellite-based educational service set up by AT&T and Guidance Assoc. that allows subscribers to preview, evaluate, duplicate and distribute educational videos, companies said. AT&T Tridom will install dedicated receiver stations, digital decoders and VCRs in participating media centers, which will distribute programming to schools and universities via AT&T Telstar 401. Companies estimated that service would transmit more than 1,000 videos per 10-hour day, beginning in Sept.

Franchise authorities can't specify how cable operators must refund overcharges to customers, FCC Cable Bureau said in latest list of questions and answers on cable rules, issued May 18. Bureau said operators have option of either refunding directly to subscribers or, if that's "unreasonably burdensome," reducing future rates by amount of refund. Bureau also said franchise authorities' rate decisions aren't stayed automatically if operator appeals -- FCC must act to grant stay.

Cerritos, Cal., cable operator asked FCC to reject tariffs submitted by GTE for operation of system. Apollo Cablevision, operating system under GTE contract, called GTE's tariffs "simply a maneuver in GTE's litigation strategy" and said city and Apollo were "caught squarely in the crossfire" of jurisdictional dispute between FCC and GTE. Telco proposed to divide cable system between Apollo and GTE affiliate, but Apollo said that's improper effort to negate agreement between Apollo and GTE.

Martin Marietta shipped BS-3N direct-to-home satellite to Kourou for launch in June on Ariane 4. Japan's NHK, Japan Bestg. Corp. and Japan Satellite Bestg. will own and operate satellite, which at first will be used as backup to 2 existing DTH birds. Satellite has capacity for 3 active and 3 backup TV channels, with projected lifetime of 7 years.

Boulder, Colo.-based Probita introduced cable software architecture, called Prose, designed to ensure interoperability among digital services on full-service networks (FSN). Prose is to provide "translators" between FSN and operations support systems, allowing real-time billing, network management, customer service.

Scientific-Atlanta will introduce 750-MHz version of its Model 6350 modulator for cable at NCTA convention. Modulator can be upgraded to 1 GHz.

Personals

Lauren (Pete) Belvin, acting chief, Enforcement Div., FCC Field Operations Bureau, reassigned to Comr. Quello's office as senior legal adviser, succeeding **Brian Fontes**, who joins Cellular Telecommunications Industry Assn... **Sherrie Rollins**, U.S. News & World Report senior vp and former asst. to President Bush, returns to ABC TV Network June 20 as senior vp-network communications, new post... **Gerard DiCanio**, ex-Viacom, named vp-finance, NBC Productions... **Mary Alice Dwyer-Dobbin** resigns June 1 as exec. vp, ABC Daytime, to pursue other interests in industry.

Eric Fishman, ex-FCC, joins **Fletcher, Heald & Hildreth** Washington law firm as special counsel; **Ann Bavender**, also ex-FCC, has become associated with firm... **Garrett Mullins** ex-TCI, joins **Zenith** as vp-sales and customer service, network systems products... **Loreen Arbus**, ex-Cable Health Network/Lifetime, named senior vp-programming, Parent TV... **Bob Jordan**, former consultant, named Group W Videoservices engineering mgr... **Jim McGrath** promoted to vp-engineering, A.F. Assoc... **Dennis Pope**, ex-Kenneth, Leventhal & Co. Entertainment Business Group, appointed exec. vp-chief financial officer, Showscan.

Douglas Barker, ex-WWSB Sarasota, named vp-gen. mgr., WPBF Tequesta, Fla... **Alan Barrows**, ex-WTCI Chattanooga, appointed gen. sales mgr., WTWO Terre Haute... **Sue Richmond**, WETA-TV Washington vp-membership, joins PBS June 1 as dir.-individual giving... **Steve Baker**, dir.-promotion/advertising, KCPT Kansas City, joins WGBH-TV Boston June 1 as dir.-creative mktg... **Walter Rodman** promoted to production mgr., WDIV Detroit... **Phil Metlin**, ex-WTTG Washington, appointed asst. news dir., WJLA-TV Washington, succeeding **Steve Hinkle**, who becomes exec. producer, KCAL L.A... **Kathleen Heinz**, ex-St. Louis Sports Arena, appointed mgr.-sales promotions and events, KTVI St. Louis.

Bill Moses promoted to vp-worldwide distribution, NFL Enterprises, also will work with NFL properties on interactive media... Changes at E.W. Scripps: **William Burleigh** promoted to COO, E.W. Scripps Co.; **Gregory Ebel**, ex-PNC Bank, Ohio, named vp-human resources.

John Loiello, former Gowran International pres.-CEO, appointed assoc. dir.-educational and cultural affairs, USIA... **Mark Stroman** promoted to vp-national promotion, Fox Bestg... **Robin Schwartz** advanced to mgr.-Sat. morning and family programs, NBC Entertainment... New at CableLabs: **Scott Wattawa**, ex-Time Warner Cable, as project mgr.; **Donald Dulchinos**, ex-NCTA, and **Donald Frazier**, ex-Communications Assoc., as senior analysts-technology transfer; **Andrew White** as senior information specialist; **NCTA Research Dir. Donald Dulchinos** named project senior analyst-technology transfer... **Randel Stair**, Park Communications vp-controller, adds chief financial officer... **Craig Soderquist** advanced to General Instrument vp-Communications Div... **Gretchen Kriebel** promoted to mgr.-affiliate mktg., Prism/SportsChannel, Philadelphia; **Leigh Anne Jiminez** advanced to assoc. dir... **Valerie Nay** and **Jennifer Reed** promoted to dirs.-affiliate relations, Music Choice... **Theresa Kennedy** advanced to dir.-Fox Kid's Club.

Michael Seeger promoted to senior vp-sales and mktg. operations, Showtime Satellite Networks; **Gene Falk** advanced to senior vp-DBS... **Frank Jett** resigns as Nostalgia Network pres.-COO and board member June 30 to "pursue other business opportunities."

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EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Albert Warren Editor & Publisher
 Paul L. Warren Sr. Ed. & Exec. Publisher
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 Dawson B. Nail Executive Editor
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 Mike Grebb Editorial Asst.

Business

Roy W. Easley III Controller
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NEW YORK BUREAU

276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001
 Phone: 212-686-5410
 Facsimile: 212-889-5097

David Lachenbruch Editorial Dir.
 Paul Gluckman Senior Editor
 Martin Brochstein Senior Editor
 Mark Seavy Associate Editor
 Cindy Spielvogel Associate Editor

CONTRIBUTING EDITOR, EUROPE

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

JAPANESE REPRESENTATIVE

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

Television and Cable Factbook
 Michael Taliaferro Managing Editor &
 Asst. Publisher—Directories
 Mary Appel Editorial Director
 Richard Koch Asst. Managing Editor &
 Asst. Editorial Director
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Great American Communications said May 18 it's changing name to **Citicasters Inc.**, which "identifies the company as a pure broadcaster focused on metropolitan markets," CEO John Zanotti said. Great American recently sold 4 of its 6 TV stations for \$350 million cash, plus \$10 million in warrants, to New World Communications Group, is retaining ABC affiliates WTSP Tampa and WKRC-TV Cincinnati. Company, which also owns 14 radio stations, said it would use money from sale of TVs to form radio duopolies.

Two Wash. public TV stations, **KCTS-TV** Seattle and **KYVE** Yakima, tentatively agreed to merge in July. Plan is seen as way to expand KYVE's regional programming and technical capabilities, while providing KCTS-TV shows to larger audience. Under plan: (1) Stations' separate subscriber/member services units would be consolidated. (2) KYVE advisory board would be established, while 2 KYVE board members would serve on KCTS-TV board.

FCC issued revised versions of forms cable systems are to use to set latest rate benchmarks. FCC Form 1200 includes 7 changes, some of which could affect benchmarks significantly, Form 1210 has 6 changes, Form 1215 simply clarifications, Form 1220 two changes.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	APR. 30- MAY 6	1993 WEEK	% CHANGE	APRIL 23-29	18 WEEKS 1994	18 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	242,831	184,193	+31.8	739,863	7,556,696*	7,275,409	+ 3.9
DIRECT-VIEW..	236,350	181,715	+30.8	725,815	7,397,788*	7,159,091	+ 3.3
TV ONLY.....	211,384	175,983	+20.1	675,623	6,838,825*	6,780,033	+ 0.9
TV/VCR COMBO	24,966*	5,732	+335.6	50,192*	558,963*	379,058	+47.5
PROJECTION...	6,471*	2,478	+161.1	14,048*	158,908*	116,318	+36.6
VCR DECKS.....	143,732*	104,596	+37.4	375,453	3,529,030	3,482,167	+ 1.3
CAMCORDERS.....	53,878	32,425*	+66.3	127,467	885,640*	826,721	+ 7.1
LASERDISC PLYRS	4,838	3,803 ^r	+27.2	9,670	87,631	82,054 ^r	+ 6.8

Direct-view TV 5-week average: 1994--397,152*; 1993--351,488 (up 13.0%).

VCR deck 5-week average: 1994--188,093; 1993--176,965 (up 6.3%).

Camcorder 5-week average: 1994--54,003; 1993--57,190* (down 5.6%).

* Record for period. ^r Revised to include players with karaoke features.

BOJO RESIGNS AS JVC PRES., REPLACED BY SHUZUI: Reportedly taking "personal responsibility" for company's continued financial woes, Takuro Bojo last week resigned as pres. of Victor Co. of Japan (JVC), effective June 29. He will be replaced by Takeo Shuzui, currently a dir. of Matsushita, JVC's majority owner, in charge of China and Asian operations, before that head of company's automotive air conditioning business. Appointment is contingent on approval of Matsushita stockholders.

Appointment of Matsushita executive invites revival of questions as to how long JVC's operations will remain independent of Matsushita. However, JVC spokesman stressed that none of company's policies or operations would change as result of Shuzui's appointment. He said Shuzui's appointment came after Bojo requested advice from Matsushita top management on successor.

Bojo and Shuzui appeared at hastily called news conference Fri. in Tokyo. Matsushita and JVC in U.S. had little information about Shuzui beyond identifying 2 most recent posts. Bojo reportedly will remain a JVC dir. and corporate adviser after stepping down at end of month.

Spokesman said Bojo considered it obligation to resign in face of successive years of net losses. He said JVC is expected to post another loss for year ended March 31 when it reports financial results May 24. Spokesman said naming of Matsushita official to top post at JVC wasn't without precedent, citing Nov. 1973 appointment to JVC presidency of then-Matsushita Exec. Dir. Kokichi Matsuno to replace Yoshiro Kitano, who took post in Matsushita's Tokyo office (TVD Nov 5/73 p12). JVC will continue to operate independently of Matsushita parent, spokesman said.

Bojo, at 51, became youngest pres. in history of JVC when he was named in spring of 1990 to succeed Kunio Kakiga, who had moved up to chmn. Bojo assumed presidency (and top video post) when JVC had just reported record sales and earnings in fiscal year ending March 1990, but company officials then were frank in saying they weren't entirely satisfied with performance. Year ago, JVC reported \$371.5-million net loss on 8% sales decline to \$6.6 billion but forecast immediate return to profitability.

STRONG YEN AND COMPETITION HIT SONY AND MATSUSHITA PROFITS: Sluggish sales in Japan, plus economic doldrums in Europe, intense price competition and stronger yen, wreaked havoc with Matsushita and Sony profits in fiscal year ended March 31.

For year to come, companies said they're tying hopes for improved financial performance to streamlining and inventory control. Dollar amounts in this report are converted at 103 yen = \$1, rate at end of fiscal year.

Matsushita reported 6% sales decline to \$64.31 billion, and operating profit dropped 26% to \$1.69 billion, pretax income 21% to \$1.25 billion and net income 34% to \$238 million. Company blamed sluggish consumer spending and private capital investment as well as "unseasonable" weather for 6% decline in Japanese sales to \$32.64 billion. It said overseas sales on yen-only basis were up from year earlier, but declined 6% to \$31.67 billion when overseas revenues were converted to stronger Japanese currency. Matsushita said signs of recovery in U.S. "were apparent," but that recessionary conditions "persisted in Europe."

Matsushita said it had "made every effort to pursue efficiency companywide" by reducing overhead and "maintaining inventories at optimum levels."

Sales of video equipment, 2nd largest product classification, fell 9% to \$12.68 billion, and audio equipment declined 9% to \$5.22 billion. Company said declines reflected shift in demand to lower-priced goods and effect of stronger yen. Communication and industrial equipment sales fell 3% to \$15.93 billion, despite growth in Japanese sales of cordless phones and "encouraging" worldwide growth in sales of CD-ROM drives. Electronic component sales dipped 1% because increases in semiconductor sales were offset by weak demand for CRTs. Entertainment revenues were down 3%, although major revenue generator, MCA, reported dollar increase that was turned into decline after conversion to Japanese yen.

For year ahead, company said it expected sales to remain flat, but pretax income to rise 48% and net income to soar 145%. Despite "a few recent signs" of upturn in Japanese economy, Matsushita said it expects slow recovery, with yen appreciation and intense price competition continuing.

Sony said operating income dropped 21.2% to \$967.65 million on 6.5% sales decline to \$36.25 billion. Pretax income climbed 10.4% to \$991.86 million, but net income fell 57.8% to \$148.52 million.

Sales in Japan remained flat at \$9.94 billion, while U.S. revenues declined 5.1% to \$11.21 billion. European sales declined 19.9% to \$8.08 billion. Sony reported 2% increase to \$7.02 billion in other areas because of strong sales of color TVs and components, especially in Southeast Asia.

Overall electronics sales fell 6.9% to \$28.58 billion, but operating income rose 13.2% to \$881.12 million. Video equipment sales posted worst performance, dropping 19.3% to \$6.49 billion because of slump in camcorders. Company said sales of 8mm devices dropped to 3.1 million from 3.4 million, and forecast flat sales in current year. Sales of half-inch video products increased to 4 million from 3.8 million year earlier, with flat sales expected in current year.

Sales of TVs declined 2.5% to \$6 billion despite strong sales of computer displays and unspecified unit gain in color TVs. Overall units in category grew to 8.7 million from 7.5 million, with volume expected to jump to 10 million this year. Audio equipment sales were down 9.4% to \$8.16 billion due to stagnant market, especially in Europe. Company said new MiniDisc models and car navigation products had "good performances."

In Japan, company announced cumulative MD sales worldwide had reached 500,000 by March, with sales of 600,000 projected for 12-month period ending March 1995. Sales of other equipment rose 5.9% because of strong performance of semiconductors, CD-ROM drives, telephones. Sony Music sales rose 3.4% to \$4.48 billion; Sony Pictures revenues fell 14.8% to \$3.18 billion.

For year ahead, Sony said it "foresees a continued unfavorable operating environment" because of uncertainty of foreign currency market, delayed economic recovery in Japan and Europe, stronger price competition in audiovideo markets throughout world. On assumption that exchange rate would average about \$1 = 105 yen this year, Sony forecast increases of 7% in net sales, 71% in operating income, 22% in pretax income, 161% in net income.

TOSHIBA BOOSTS BIG SCREENS, PURSUES MORE DIVERSIFIED IMAGE: Toshiba America Consumer Products (TACP), while stressing accomplishments and future in large-screen TV, plans to expand role in mobile electronics, communications and other digital technologies in U.S. TACP Pres. Hiroshi Ohashi told dealers and distributors at company's first-ever national sales meeting last week in Carlsbad, Cal., that it's

aiming to expand other areas so that color TV, now accounting for more than half its business, will produce 25% of sales.

Ohashi also disclosed that Toshiba next year will announce multimedia system "designed to appeal to consumers in ways that today's products cannot match. And we will do it at a price that will enable the category to grow." He said Toshiba won't move onto market with "overpriced, semifinished products," pointing to Philips' introduction of CD-I without full-motion video capability and calling 3DO "still just a game machine." At same time, he said "the success of [computer-based] CD-ROM players and interactive software demonstrates the consumer appeal of the concept," but that "a far larger market awaits us all."

TACP parent Toshiba Corp. signed 3DO hardware license earlier this year, but has talked publicly of platform only in relation to using it in navigation system. In news conference following speech, Ohashi wouldn't say whether Toshiba planned to introduce incompatible multimedia system of its own or align with existing platform, or to give any other details. However, in speech he noted parent company's increasingly global outlook in engineering, citing alliances with such companies as Apple, Duracell, GE, IBM, Motorola and Siemens along with limited partnership with Time Warner that "gives us access to one of the world's most extensive software libraries."

Company broadened SuperTube line of big-screen direct view and introduced new "FST Perfect" line with "flattest 35" color picture tubes available within the industry." It also announced that as part of effort to capture 10% of projection TV business, company would have additional production line at Lebanon, Tenn., factory by mid-Aug., doubling capacity.

Projection TV is highlighted by first widescreen set, 56 W model that began shipping last month as part of Cinema Series line. Steve Nickerson, asst. vp, color TV, said widescreen market could reach 15,000-20,000 this year and grow to annual sales of 40,000-50,000 by 1996. "Then you get to the question of how you differentiate widescreen NTSC and HDTV," which industry hopes will be demonstrated in time for 1996 Atlanta Olympic Games.

VCR line includes introduction of "V3" chassis with flying preamp into all hi-fi decks. Claude Frank, national product mktg. mgr. for video, said chassis also would be used in mono decks in 1995 line. V3 chassis was introduced in single model earlier this year. New chassis is included in company's first TV/VCR combo (TVD May 16 p16), 27" model that Nickerson said would be first of many as company tries to stake out position on high end of category. (More detailed rundown of Toshiba product introductions will appear in next week's issue.)

Ohashi said Toshiba's image in U.S. was centered on color TV, but was "investing heavily" in information and communications products, mobile electronics, and commercial products -- with each targeted at supplying 25% of TACP's revenues eventually.

Toshiba tantalized dealers and media with room full of concept products envisioned by its Tokyo design team. Company stressed that none might ever make it to market, but were being shown to indicate directions in which company is looking. TV/video portion included range standard 4:3 TVs with built-in CD, LD or VCR; TVs were designed with cabinets 10" deep, using 3-plate LCD. VCRs had ultramodern design, with simple fronts hiding controls and cassette bays behind fold-down faceplates. 52 W TVs, also based on LCDs, included set-top "docking station" connector board for direct connection of external input device.

Array of handheld communication and computing products included many with miniaturized cameras for digitized photos. Others included portable CD-based Global Positioning System (GPS) device, pocket-sized LCD projector (with 1" LCD panel and halogen lamp) that could be hooked to external input device and display 6"-40" images, CD-based or memory-card-based "hyperbook" portable computers with LCD screens and pen computing technology. Toshiba officials said all products were based on technologies available in lab, though some are far from commercially feasible.

THOMSON PLANS DSS LAUNCH IN 2-4 WEEKS: Thomson Consumer Electronics (TCE) is cranking up production of Digital Satellite System (DSS) receivers in Juarez, Mexico, to reach 5,000-per-day in Sept. and annual capacity of 1.2 million by year-end, with launch of regular service possible in 2-4 weeks. Company recently said it planned launch by end of this month.

Feeling that all major hurdles -- except marketing -- have been surmounted was expressed last week by TCE officials following ceremony in which 1,400 scissor-wielding employees simultaneously cut ribbon

opening 560,000-sq.-ft. showplace campus on 26 acres in suburban Indianapolis as N. American hq. At dedication, attended by dignitaries including TCE Chmn.-CEO Alain Prestat and Ind. Gov. Evan Bayh, TCE Exec. Vp Joseph Clayton forecast debut of DSS would be "largest single consumer product introduction we've ever had."

To news media later, Clayton outlined TCE's ambitions: "Today, we're the No. 1 TV and video company in North America. Tomorrow we will be more than just a TV manufacturer. We may well compete with the cable industry, AT&T and the regional telecommunications companies, other DBS services and perhaps even the broadcasters... We will probably do so in partnership or association with others," in pattern of DSS launch jointly with Hughes and U.S. Satellite Bestg. (USSB).

James Meyer, senior vp, product management, said company's N. American revenues had increased \$350-\$400 million this year over last, and were up more than \$1 billion in last 3 years. He said TCE Americas "will earn a solid profit in 1994... By the end of 1994, every one of our product lines will be in a profit position... We are not chasing the Japanese, we are the clear leaders."

First phase of DSS beta test in 250 homes has been completed, and 500 homes are now in 2nd phase, number being enlarged to 1,000 homes, Meyer said. Only remaining task before product rollout, he said, is upgrading 150 encoders to current specs. He declined to give exact date sales of receivers would start in first 5 southwestern markets, but was confident enough to predict it could be in 2-4 weeks, with national rollout starting "realistically in the 4th quarter when adequate programming and hardware system capability are available."

Introduction will be backed by \$50-million ad and promotional campaign by TCE and its programming partners, Meyer said, "in a blitz period to build consumer awareness." DSS Sales Mgr. Stan Kozlowski said all RCA and satellite system dealers were being invited to participate. Dealers are required to carry minimum inventory, have retail storefront, provide information on sellthrough to TCE, provide live feed for demonstrations, undergo sales training, display pictures on 31" or larger RCA set, have authorized installation, include new demo kiosk utilizing laserdisc that was introduced at RCA sales meeting last week. While hailing DSS and other digital products as key to future, Clayton said company had gained share in most existing products in 1993 and so far in 1994 and planned "unequaled RCA advertising campaign" this year, expanding ad drive into Canada and Mexico.

Company's major new line introductions came too late for inclusion in this issue, and will be reported next week (core line RCA products and list prices are elsewhere in this issue).

Tandy's Incredible Universe said it has been awarded U.S. patent No. 5,310,997 for its automated customer order and merchandise delivery system. IU salespeople carry handheld pen-based computers developed at least partly by former Tandy computer subsidiary Grid Systems. When customer selects product, salesperson punches in code signaling automated stockroom to have merchandise delivered to checkout counter, ideally when customer arrives there. Tandy Chmn. John Roach said at IU's inception 2 years ago that possibility some elements of IU concept might be patentable "is one reason why we've been so close-mouthed" about project. In other news, Tandy's Radio Shack, continuing to recast image, will launch new TV ad campaign May 23. "You've Got the Questions. We've Got Answers" ads will air nationwide. Campaign coincides with Radio Shack's "Gift Express" program that begins June 3. Consumer can choose from 10 products and RS will handle shipping. Service will expand in Aug. to 3,000 products.

Triple-digit increases marked sales to dealers of TV/VCR combinations and projection TV for first week in May, according to EIA figures (see State of the Industry). Combos reversed string of relatively small gains with fourfold improvement over 1993 week and projection TVs were up 161.1%. While first week of May traditionally is one of lowest of year in sales, this year showed increases in all products covered by weekly EIA figures. Camcorder sales were up 66.3% after 4 consecutive weeks of declines, while VCR sales showed biggest gain of year so far.

Recoton has sued American International (AI), charging it infringed on patent covering CD car adapter. Suit filed in U.S. Dist. Court, N.Y., said AI infringed on patent by marketing adapter that plugs into lighter to allow portable CD to operate through car stereo. AI has been selling branded adapter for 6 months, but is nearing agreement that would halt practice, said Recoton attorney Peter Berger. AI spokesman said suit would be "resolved," declined further comment. Recoton has successfully sued several companies including Philips and Sony under patent issued in 1988.

Automatic videotape inspection and cleaning system is being offered to rental dealers by Research Technology International (RTI), Lincolnwood, Ill. TapeChek 400 will rewind T-120 videotape in less than 2 min., clean tape with microprocessor-controlled cleaning system, inspect every inch of tape and report on all minor and major damage, according to manufacturer. It will automatically fast-forward to any damaged portion and grade tape with preprogrammed parameters of acceptability. Cost is \$5,950-\$6,900.

THIS WEEK'S YEN RATE

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

CIRCUIT RETURNING TO N.Y.? Despite vow never to return, Circuit City (CC) hinted it may reenter N.Y.C. in late 1990s. It plans also to add smaller stores to expand presence in secondary markets, it said in annual report.

Richmond retailer said it would open 180 stores in 3 years in every market except N.Y., but conceded that "expansion potential exists" and metro N.Y. "represents significant opportunities" for late 1990s. CC has been reluctant to reenter N.Y. since it closed Lafayette Radio chain in 1986, citing intense competition (TVD Feb 24/86 p13). CC, then known as Ward's, bought Lafayette out of bankruptcy in 1981.

CC was more aggressive on plans for opening 20 smaller 15,000-sq.-ft. stores within 3 years including 3 in fiscal 1995. Outlets -- half size of standard 30,000-sq.-ft. CC store -- opened last fall in Harrisonburg and Fredericksburg, Va., stocked with consumer electronics (CE), home office products and major appliances. Secondary markets accounted for \$9 billion of \$40 billion in CE sales in U.S. in 1993, company said.

At same time, CC appeared to be scaling back mall-based Circuit City Express operation, with 34 outlets. Five locations were closed in fiscal 1994 and more are expected to shutter in 1995, it said. Stores average 3,000 sq. ft. and sell small, gift-oriented products.

As it revamps stores, CC also is restructuring staff. It recently eliminated 15-20 district operations mgrs. and is "realigning" Mktg. Div. to "improve communication." New store operations structure will allow divisional managers to "focus on key sales and operating details" at each store, company said.

CC said prices would continue to tumble in 1995, with chain accounting for 7% of U.S. CE retail sales. Retailer reported \$4.1 billion in sales in fiscal 1994, with audio accounting for 21%, TV 20%, appliances 18%, VCRs and camcorders 17%, home office 12%, others 12%. Home office sales jumped 5% from year earlier while TV dropped 3%, it said.

Warranties, one of CC's major weapons in battle with archrival Best Buy (BB), accounted for 4.8% of sales. Company launched 2 new programs including in-home PC repair service administered by GE and Virginia Surety Co. warranties tailored to cover CE and major appliances in highly competitive markets. BB, which had offered warranties free with purchase of some CE products, recently suspended practice temporarily.

CC also sported slightly different look with opening of Minneapolis stores this spring. New outlets emphasize "more open floor" and "higher ceilings" to draw attention to merchandise, it said. "One-stop shopping" program that allows single CC salesperson to complete entire transaction will be available in 95% of CC stores by end of fiscal 1995, up from 74% in year ago, annual report said.

First chip to add extended data services (EDS) to TV sets is claimed by Zilog, which is offering it at \$2.95 in OEM quantities of 10,000 and up. Company says chip be incorporated into sets using its closed-caption chip with no hardware design modifications. Also available from Zilog is application board for EDS at \$150, including software and documentation "to verify design performance and shorten development time." Zilog says it sold more than 10 million closed-caption TV chips in 1993.

ENHANCED ELECTRONICS POSTS GAIN: Enhanced Electronics Corp. (EEC), buoyed by acquisitions of Curtis Mathes (CM) and Advanced PC Products, reported net income in 3rd quarter ended March 31 rose to \$544,837 from \$197,201 year earlier. Sales for quarter jumped to \$22.4 million from \$10 million. For 9 months, net income rose to \$1.5 million from \$462,418 on 483% increase in sales to \$74.6 million.

Financial gains came as EEC laid out CM strategy and reduced stake in ID Logic less than year after signing marketing agreement. EEC has said CM will reemphasize retail, something many dealers abandoned in last 3-5 years in favor of rent-to-own. With CM, EEC will shift TV focus to sets 27" and up category, with 31" set scheduled for Sept. delivery, EEC Chmn. Patrick Custer said.

New 31" set features PIP, surround sound and chip-based technology designed to reduce distortion at corners of picture, Custer said. Line eventually will include 32", 35" and possibly 40," he said. There are no plans to introduce 34W set shown at Consumer Electronics Show in Jan., and 13", 20" and 25" CM TVs will be dropped. In projection, 46" and 52" models will be carried over with redesigned line expected in 1995, he said.

In VCRs, CM will deliver two 4-head and one 2-head models in July, all with VCR Plus, Custer said. Prices haven't been set. Company has no plans to introduce new camcorders, with existing palm-size VHS-C model carried over.

EEC also reduced financial interest in Pierre Schwab's ID Logic automated tuner technology to 7.25% from 25%, Custer said. Move contains option to raise stake if technology takes off, he said. "Right now there just isn't enough manufacturer support," he said.

New products come as EEC continues to restructure CM dealer network. CM has 300 dealers, up from 178 earlier in year, and opened new company-owned store/distribution center in Albuquerque this month. Custer said CM, which has been concentrated in South and Southwest, will expand to new markets, but declined to identify them.

RETAILERS TOP 'MEGABRANDS': Advertising Age's list of "Top 200 Megabrands by 1993 Ad Spending" shows retail and software advertisers far outspending manufacturers in electronics and video fields.

Following No. 1 and 2 top-spenders AT&T and Ford, Sears stores remained in 3rd position in list published by Ad Age May 2, with spending of \$441.6 million. Other electronics and video-related brands in order of spending, with 1992 rank in parentheses: Circuit City, No 8 (10 in 1992); Columbia movies and music (Sony), 13 (15); Disney Entertainment, 17 (16); K mart, 23 (17); Universal City Studios (Matsushita), 33 (50); Paramount Pictures, parks & TV, 52 (57); Wal-Mart, 54 (59); Touchstone Pictures (Disney), 73 (240); Radio Shack, 87 (113); Kodak, 92 (60); The Wiz stores, (141); Sony entertainment & electronics, 98 (75).

Companies ranked in 2nd hundred: Home Depot, 103 (142); Hollywood Pictures (Disney), 108 (103); Sega, 114 (188); Nintendo videogames, 120 (91); Canon business machines and cameras, 132 (156); Duracell batteries, 145 (157); Norelco appliances (Philips), 175 (150); Best Buy stores, 179 (267).

COMPACT CORDERS AT 74%: Full-size camcorders continued to hang onto about 25% of market in first 4 months of 1994, following trend of 1992 and 1993, EIA data showed. For 1994 through April, compacts comprised 74% of sales to dealers, full-size 26%.

April showed first deviation from that trend in 1994, full-size dropping to 22.1% after hitting year's high of 28.6% in March. For year's first 4 months, full-size camcorder sales rose 10.2%, compacts 2.9%, total sales 4.7%. In April, when camcorder sales declined 14.7% (TVD May 16 p12), full-size slumped 23.6% and compacts 11.8%.

Decline in ratio of full-size to compact may not be due to consumer choice but to availability. At end of April, full-size models represented only 16.1% of inventory, compacts 83.9%. Thus imbalance that had plagued camcorders for last 2 years is continuing. Total inventories grew 17.8% at end of April from end of March to more than 8 weeks' supply, with compacts up 20.6% and full-size by only 5.1%.

In addition to direct-view color TV introductions listed here last week, Panasonic is carrying over line of 5 projection sets, including 2 widescreen 16:9 models.

Here are camcorder sales to dealers by month for 1994's first 4 months:

CAMCORDER SALES -- JAN.-APRIL 1994

Month	Total	Full-Size	%	Compact	%
January...	183,372	48,570	26.5	134,802	73.5
February..	162,342	42,474	26.2	119,868	73.8
March....	269,911	77,081	28.6	192,830	71.4
April.....	<u>216,137</u>	<u>47,830</u>	22.1	<u>168,307</u>	77.9
TOTAL....	831,762	215,955	26.0	615,807	74.0

Business Week included consumer electronics retailer Ultimate Electronics (UE), software developer Davidson & Assoc. and video rental chain Hollywood Entertainment in Top 100 Best Small Companies issue last week. Davidson & Assoc. was ranked 11th with \$386-million market value; Hollywood Entertainment 39th, \$162 million; UE 48th, \$56 million.

Electronics Industries Assn. (EIA) has published "Media Isn't A Four-Letter Word," offering tips on handling print and broadcast interviews. Book is co-authored by Hughes Aircraft Communications Mgr. David Shea and Computer Science Corp. PR Mgr. John Gulick, sells for \$3 to EIA members, \$10 for nonmembers.

Three investment firms have purchased additional 240,000 shares of Recoton common. Montgomery Securities, Kidder Peabody and Furman Selz bought shares in deal worth \$6.5 million. Proceeds, along with \$40.6 million raised through public offering in March, will be used to pay short-term debt and provide capital, Recoton said.

Two magazines will debut this year as bimonthlies from CurtCo Publishing, Woodland Hills, Cal. -- Home Theater Technology, with first issue scheduled for Sept., and Home Entertainment & Electronics, scheduled to appear later this year.

Correction: Philips Magnavox VCR Voice Programmer is sold under Smart Talk brand, not Voice Reminder.

MEMOREX SHIPPING PC SOFTWARE: Memtek Products has started shipping first Memorex-brand PC software, but month behind schedule, Mktg. Vp David Metzger said, attributing delays to "manpower and packaging issues."

Company will ship first 12 titles this month, with total pool of 35 expected by July and new releases planned at rate of 10-12 per month, Metzger said. Total catalog could reach 100 titles by year-end, he said. Company originally announced plans to ship 48 titles by June (TVD Feb 21 p16).

To resolve staffing problems arising from shift of most of Memtek operations to Santa Fe Springs, Cal., from Ft. Worth following Tandy's sale of Memtek operations to Hanny Magnetics last fall for \$65 million (TVD Oct 25 p16), Memtek announced appointment of Frederick Peterson to head newly formed Memorex Software Div. and its Relaunch sales arm. Company also plans to hire product manager as it works to combine in-house staff with outside consultants. Metzger said consulting firms Graphical User Interface and Zenex now handle software testing and title acquisition, but Memtek eventually may move part of those functions in-house.

Education, entertainment, personal productivity and utility titles will carry \$9.99 street price and will be promoted with PC accessories and audiovideo products, Metzger said. PC software line is first major Memorex product initiative under Hanny umbrella since Tandy deal. While relocation of most Memtek operations has been completed, Metzger said small staff of 8-9 employees has remained in Ft. Worth area.

In consumer electronics gear, Memtek plans to ship new accessories by Sept., including universal remotes, headphones, others. Remotes will include replacements for existing 3-, 4- and 6-function units as well as new "deluxe" model, Metzger said. Features weren't available immediately.

In audio, Memtek is continuing minicomponent systems, boombox portables, CD clock radios, personal CD players. No additional models are expected before year-end, Metzger said. Also being carried over are 60- and 74-min. blank MiniDiscs that were unveiled in Jan., but company plans no new products or promotions because "we're waiting to see expansion of the hardware which dictates expansion of ancillary products," Metzger said.

Company has no plans for new Memorex TVs, VCRs or camcorders previously sold through Radio Shack when Tandy owned Memtek. New 10-pack of standard T-120 videotape designed with corrugated carrying case will ship this month exclusively for Sam's Wholesale, pricing not finalized.

QSound Labs said it has licensed Sega to include company's "Virtual Audio" sound processing in software for forthcoming 32-bit platforms. Agreement is extension of pact under which Sega included QSound in 7 Sega CD titles, including Jurassic Park, Sonic CD, Ecco the Dolphin. Under agreement, Sega will be able to sublicense QSound to 3rd party developers for upcoming Soper 32X and Saturn systems.

Toys R Us said poor demand for videogames limited profit increase to 6% in first quarter to \$37.6 million. Chain blamed lack of hot titles and anticipation of new generation of 32-bit machines. Overall sales rose 14% to \$1.46 billion. While international stores suffered downturn in same-store sales, U.S. operations were up 6.6%, boosted by basic toy merchandise.

MATSUSHITA'S U.S. DIMENSIONS: In announcing that Matsushita Electric Corp. of America (MECA) achieved \$6.5 billion sales in fiscal year ended in March (TVD May 16 p11), Pres. Richard Kraft also revealed that it had reached long-sought goal of 70% domestic content in its products.

In talk at Panasonic sales meeting in Maui, Hawaii, he set new target of 80% local content, but didn't specify target date. He said MECA exported \$280 million worth of products from U.S. last year, and gave 9,000 vendors \$1 billion in business. Company has 14,000 employees, 60% of them in manufacturing and support operations.

Elaborating on Panasonic's quest for TV market share commensurate with its share of VCR and camcorder markets, Ted Inoue, pres. of new Matsushita Consumer Electronics Co. (MCEC), said it was "simply price issue," not related to technology. MCEC Sales Vp Michael Aguilar explained strategy: "Rather than attack mass market price points, we came out with 20-inch product with a black tube and phosphors right out of our SuperFlat line, a step above the mass market, so we can talk about a very noticeable increase in picture quality [at] price points that bring values to the consumer which we don't see from other manufacturers."

Not only are its TVs at "price points never before seen from Panasonic," Inoue said, but new-line shipments will be accelerated, with 80% of new models delivered by mid-May. Asked which competitors might be vulnerable to Panasonic's quest for greater color TV market share, Aguilar declined to name any but said: "There are several among the Japanese manufacturers we think we can take share from."

Note: In our last color TV market share survey, covering year to July 1993, Panasonic ranked 9th in direct-view TV with 3.5% of market and 11th in projection with 1.5% (TVD Aug 30 p11). On other hand, in our surveys reported last week covering calendar year 1993, brand ranked 3rd in VCR decks with 8% of market and 2nd in camcorders with 15% (TVD May 16 p9).

Ultimate Electronics (UE), citing strong performances by new Utah outlets, reported 100% rise in sales in first quarter to \$29.8 million from \$14.9 million year ago on 41% gain in same-store sales. UE said in annual report it will open 2 more Utah locations in next 18 months, expanding position in market it entered in Oct. It also will open 30,000-sq.-ft. Las Vegas store later this year. For year ended Jan. 31, UE posted \$88.1 million in sales, up from \$62.6 million, with audio products accounting for 27%, TV 23%, car stereo 15%, video 14%, home office 12%, other 9%. In 1993, chain expanded home office merchandise and added electronic keyboards, karaoke, laserdisc software. Annual report is first since UE went public in Aug.

Citicorp is abandoning "lifetime" warranty program covering consumer electronics and other products less than year after much-ballyhooed launch. Introduced in June with wave of TV ads, program will be dropped June 30 when bank returns to version that doubled manufacturer's warranty, customer service reps said. Warranties had been available to Citibank Classic and Preferred Mastercard and Visa card holders. "Lifetime" program actually meant "expected service life" for 60 product categories. "Service life," based on data compiled by Appliance magazine, ranged from 2 years for PC to 12 for washer or dryer. Citicorp spokeswoman Susan Weeks didn't return phone calls seeking comment.

INTERACTIVE MULTI-CES: Summer Consumer Electronics Show (CES) June 23-25 in Chicago will be attuned to future so far as panels are concerned, with strong nod to interactivity and multimedia. Overlapping CES will be June 22-24 InfoHighway '94 Services & Developers Conference, also in Chicago, also sponsored by EIA Consumer Electronics Group (CEG) and co-produced with Envisioneering Group.

Four InfoHighway sessions will be repeated each of the 3 days, treating Digital Entertainment Delivery Systems & Services, Electronic Retailing & Interactive Gaming, Mobile Information Systems & Services, Electronic Services Development. Regulatory panels will cover exports and global markets, intellectual property, spectrum access, ensuring information privacy.

As already announced, Nintendo's Howard Lincoln will be keynoter at CES. Panels will include 7 sessions on various multimedia aspects, 3 on electronic gaming, 3 on small and home offices, with others on virtual reality, home theater, high-end audio, environment, assistive devices.

Concurrent Personal Communications & Computing Show (PCC) will be keynoted by Randall Battat, Motorola Wireless Data Group, and will feature sessions on wireless data, new services, Personal Digital Assistants, pen tablets and handwriting recognition, mobile handhelds, PC/MIA storage, spectrum auctions, information services, Washington regulation.

Wiz has been granted relief 2 months after filing suit claiming N.J. retailer Tops Appliance City had infringed on trademark by placing Wiz logo on store urinals. Companies reached settlement in U.S. Dist Court, Newark, on undisclosed terms, said Allen Ravin, attorney for Tops. Agreement came week after federal judge directed companies to settle. Wiz had charged action was designed to "denigrate" its trademark. Tops didn't deny allegations and said in March it was willing to settle by making "moderate" contribution to charity chosen by Wiz (TVD March 7 p16). Wiz officials didn't return phone calls seeking comment.

Cellular phone survey by EIA Consumer Electronics Group (CEG) indicates 33% of devices are sold exclusively through carriers and only 20% through TV/appliance stores. "Sparked by a 35% gain in portables, overall U.S. factory sales of cellular phones are projected to grow 5% between 1993 and 1998 despite predicted decreases in... retail prices," CEG said. EIA put 1992 factory sales of cellular phones at \$1.146 billion, forecasting increase to \$1.257 billion this year and \$1.349 billion in 1998. Cellular accessories are projected to grow 22% from 1993 to 1998.

Lowest priced Hi8 camcorder was introduced in Japan last week by Sony for sale starting June 10 at equivalent of about \$760. Low price on stereo Hi8 camcorder is made possible by use of optical viewfinder and 2-position lens system offering wide angle and 3x zoom. Same model will be offered by Kyocera on OEM basis. Matsushita, meanwhile, is expected to announce its LCD monitor camcorder this week in Japan.

In first expansion outside Fla., Beyond Hi-Tech Electronics (BHE) will open 6-9 stores in Boston, Chicago and Washington by year-end, Pres. Mario Rosen said. Several new outlets also are planned for Fla. New stores will be in malls and will follow 12-store chain's format: 2,000-2,500 sq. ft. with mix of high-end audiovideo products, Rosen said. Distribution will be handled by Fla. warehouse.

SHOW DAILY -- HOW 'OFFICIAL'? Does EIA -- despite repeated assurances to contrary -- exert editorial control over "official" TWICE magazine daily at Consumer Electronics Shows? Officials at EIA Consumer Electronics Group (CEG) and TWICE magazine strongly defended editorial independence of show daily when asked about contents of EIA draft memo on "minimum" coverage at upcoming Summer Consumer Electronics Show (SCES).

April 29 memo, sent to TWICE editors and intended ultimately for distribution to CEG staff, contains section headed "Minimum Daily Coverage," listing specific news story ideas (and parenthetical references assigning stories to TWICE) for each of 3 daily issues scheduled to be published during SCES June 23-25 in Chicago.

Story items listed in memo include: (1) Interview with CEG Vp Gary Shapiro on SCES and other planned or existing CES events. (2) Interview with SCES keynoter Howard Lincoln, chmn., Nintendo of America. (3) Interview with CEG Chmn. Jerry Kalov, Cobra Electronics, on state of industry. (4) Coverage and reaction of attendees to opening session speeches. (5) High-end audio report. (6) Interview with Shapiro on EIA programs. Memo says daily also will feature EIA-produced 16-page preprinted guide to SCES and adjoining PCC show, which will include such elements as exhibit floor layout, information on shuttle bus routes and badgeholder pickup areas and workshop list.

CEG spokeswoman strongly insisted -- as CEG officials repeatedly have said in past -- that management of Winter and Summer CES shows seeks no "editorial control" over TWICE daily. Spokeswoman said news story list contained in memo we obtained represented only editorial suggestions -- not requirements -- submitted to TWICE editors. She said suggestions differ little from EIA "wish lists" sent to TWICE before Winter CES in Las Vegas or distributed to other dailies at past CES shows.

Also defending editorial independence of TWICE daily was Editor-in-Chief Robert Gerson, who told us that "as the official daily, our responsibilities change" compared with shows in past where publication didn't have same status. Editor Stephen Smith agreed, declaring of CEG memo: "This is not editorial control." When TWICE agreed to become official show daily, Smith said, magazine believed it had responsibility to devote more coverage in show daily to seminars, workshops and other CES events. But "we haven't bent over backwards to be nice to EIA," Smith insisted. He said discussions between TWICE and EIA about show daily content have been "ongoing" and characterized by "much give and take on both sides." He urged us not to quote memo out of context.

As we reported last summer when CEG first solicited show daily proposals (TVD July 5 p16), bidders were asked to specify how much editorial they would plan as "live" on-site coverage each day, which reporters would be used to write show daily articles and when first-day issues would be put to bed. CES management, citing rising exhibitor disenchantment with quality of dailies, has lobbied publishers for years to produce higher proportion of editorial coverage on-site, using reporters who regularly cover consumer electronics industry. In particular, CEG long has expressed preference for more detailed coverage of workshops and conferences than had been offered by independent dailies.

Selection of TWICE as official show daily was for contract extending through June 1994 show. Spokeswoman said CEG is likely soon to renew TWICE contract for future shows because "we were very pleased with job they did" at Las Vegas CES in Jan.

NES U.S. SALES TOP \$6.7 BILLION: Nintendo Entertainment System (NES) has posted \$6.7 billion U.S. sales 1985-1993 and has built household penetration of 30%, Nintendo of America (NOA) executives testified in U.S. Dist. Court, N.Y., last week.

In testimony that provided rare glimpse into NOA operations, Chmn. Howard Lincoln said 36-38 million NES decks have been sold in U.S. since 1985, along with 200 million pieces of software, including 6-8 million copies of top-selling Mario Bros. title. Testimony came in trial of patent infringement suit filed by Alpex Computer Corp. which claimed it developed technology that laid groundwork for videogames. Alpex filed for bankruptcy in 1983 and brought suit against Nintendo 3 years later.

Patent dates back to 1977 and covers bit-mapping for displaying image on screen. Nintendo denied patent infringement charges, claiming it developed more sophisticated and proprietary technology. Alpex is seeking \$300 million. NOA has licensed 350 NES game titles from 60 software companies. Trial is expected to continue this week.

NOA, which has grown to more than 1,500 employees from 50-60 in 1985, has been profitable every year since inception, Pres. Minoru Arakawa said. Company first sought OEM deal with Atari in 1983 to market 8-bit videogame in U.S. But agreement fell through after collapse of U.S. videogame business that year. NOA later renamed product Advanced Video System (AVS), Arakawa said. AVS was targeted to PC market, but after poor retail response, player was renamed NES and sold as dedicated videogame, he said. NES business today is "rapidly tailing off," Lincoln said, giving way to Game Boy, Super NES and soon-to-be-introduced Project Reality.

Nintendo entered U.S. arcade business in late 1970s and had major success with coin-operated Donkey Kong game in 1982, Arakawa said. However, Lincoln said company abandoned coin-op business in 1990 following arcade sales decline caused by success of home-based NES. Nintendo Ltd. of Japan entered videogame business domestically with ball and paddle games in 1977, but discontinued line in 1982, officials testified.

As expected, Sony announced U.S. subsidiary to launch 32-bit PlayStation game system hardware and software next year. Unexpectedly, though, company named Stephen Race exec. vp-gen. mgr. of newly formed Sony Computer Entertainment of America (SCEA). Less than 3 months ago, Race was named to top marketing slot of Philips Interactive Media of America to invigorate sales and marketing of CD-I system -- position not mentioned in biographical material Sony included in last week's announcement. Philips executives were said to be stunned by Race's early departure to head launch of competitive format. PlayStation system goes on market in Japan later this year at undisclosed price under \$500 (TVD May 16 p16). SCEA will be responsible for 3rd party software licensing in U.S. Sony said more than 160 publishers and developers in Japan have announced they will support PlayStation, and it will disclose information about U.S. licensees "soon."

Emerson Radio, in one of first moves since emerging from Chapter 11 bankruptcy in March, has filed preliminary registration statement with SEC. Under reorganization plan, all outstanding common shares were cancelled, effective March 31. Shareholders were given option of buying new stock at \$1 per share to acquire up to 30% or 15 million shares.

RCA'S 'CORE' LINE: Thomson Consumer Electronics (TCE) is adding 35" sets to its "core" line of RCA ColorTrak Plus TVs, which now has 33 models. Major feature is "automatic circuitry" eliminating many consumer adjustments and making possible many service adjustments without need for removing back cover (see related report in this issue).

First 35" sets in RCA's tonnage line start with color PIP table model with dark glass tube at \$1,699 suggested retail, with console at \$1,999. Four 31" models are \$949 for table model and \$1,449 for console, with stepups featuring PIP and universal remote at \$1,249 and \$1,449.

Table models with 27" tubes are \$579 and \$599, with PIP version at \$679, and 6 consoles are \$699-\$929, PIP models starting at \$829. Starting price for 26" sets is \$499, with PIP table model at \$629, PIP consoles at \$729. Leader 25" table is \$479, stepping to PIP at \$100 more.

All models above 20" have "broadcast stereo with dbx noise reduction," as do 20" sets at \$369 and \$399, latter in white finish, while \$349 model has XS Stereo; mono models are \$299 and \$399.

Leader 13" has remote, commercial skip and timers at \$249, with FM radio and weather band added at \$299 and included in AC/DC version at \$349. Remote 9" in white finish with same features plus quick release swivel bracket is \$309.

Home Theater Products (HTP), seeking access to furniture market, has signed sales rep firm. HTP declined to identify rep organization, but said firm was cancelling other accounts to work on exclusive basis starting June 1. Reps will market Acoustivision Home Entertainment Center 46", 50" and 60" projection TVs with HTP speakers, CD player, tape deck, AM/FM tuner and 50w amp. System will be sold through such furniture chains as Drexel and Ethan Allen in packages at \$399-\$799. Furniture retailers will account for 20-25% of HTP sales, surpassing consumer electronics chains within year, company said. HTP posted \$11.2 million in sales in 3rd quarter ended March 31 and said new distribution would add \$10-\$20 million in sales. HTP uses Paramount Pictures name under license.

Sports Promotions: Panasonic said it will be only video sponsor of 1996 Olympics in Atlanta and will supply video equipment for games... Sony Professional Div. is sponsor of 9th Goodwill Games in St. Petersburg, Russia, July 23-Aug. 7, providing Turner Bestg. with videotape for 64 hours of prime-time coverage and ABC for 17 hours weekends... Saft launches Earth Day promotion with \$1 rebate through Dec. 31 on rechargeable batteries. Additional donation goes to Center for Environmental Initiatives, handling environmental planning for 1996 Olympics in Atlanta... JVC sponsors 11-city "Kick It Up" soccer tour for players under 19. Tournament, expected to draw 300 teams, runs May 21-July 31 with 2-day stops in Boston, Dallas, N.Y., Orlando, Chicago, Detroit, Cincinnati, Washington, L.A., San Francisco, San Diego.

Federal judge issued permanent order barring LKG Industries from marketing products that infringe on Recoton patent covering device that prevents phone cords from tangling. U.S. Dist. Court Judge Robert Owen's decision is most recent in series of settlements stemming from patent infringement suits Recoton filed against nearly dozen companies in June 1993.

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			
1994-qtr. to March 31	4,709,770	436,768	.30
1993-qtr. to March 31	3,981,161	299,491	.20
Enhanced Electronics			
1994-9 mo. to March 31	74,608,350	1,536,261	.19
1993-9 mo. to March 31	12,405,984	462,418	.07
1994-qtr. to March 31	26,759,994	544,837	.06
1993-qtr. to March 31	10,646,408	197,201	.03
Esquire Radio & Electronics			
1994-qtr. to March 31	5,902,000	(218,000)	--
1993-qtr. to March 31	15,344,000	217,000	.45
Falcon Cable Systems			
1994-qtr. to March 31	13,340,000	(1,631,000)	--
1993-qtr. to March 31	13,318,000	(1,592,000)	--
Galaxy Cablevision			
1994-qtr. to March 31	5,043,918	(659,148)	--
1993-qtr. to March 31	4,772,533	(929,985)	--
International Family Entertainment			
1994-qtr. to March 31	53,271,000	2,607,000	.06
1993-qtr. to March 31	43,202,000	7,362,000	.22
Jones Intercable Investors			
1994-qtr. to March 31	6,803,606	(227,457)	--
1993-qtr. to March 31	6,726,460	48,173	.01
Matsushita Electric^b			
1994-year to March 31	64,307,000,000	238,000,000	1.13 ^c
1993-year to March 31	68,504,000,000	362,000,000	1.71 ^c
QVC Network			
1994-year to March 31	296,441,000	12,063,000	.25
1994-qtr. to March 31	273,232,000	21,611,000	.44 ^a
Sony^b			
1994-year to March 31	36,249,718,000	148,524,000	.41 ^c
1993-year to March 31	38,766,194,000	352,039,000	.90 ^c
Tele-Communications			
1994-qtr. to March 31	1,060,000,000	32,000,000	.07
1993-qtr. to March 31	1,018,000,000	53,000,000	.11 ^a
Turner Bcstg.			
1994-qtr. to March 31	567,000,000	(14,000,000)	--
1993-qtr. to March 31	398,000,000	(286,000,000)	-- ^d

Notes: ^aIncludes special credit. ^bAt rate of 103 yen = \$1. ^cPer ADS. ^dAfter special charge.

For 17th year, JVC is sponsoring Tokyo Video Festival, this year adding special "Home Video Award" for camcorder beginners. Competition's 2 top prizes are \$4,000 and trip to Japan or Europe. Festival has generated 18,495 entries from 63 countries in its 16-year history -- JVC PR Dept., Yokohama, 045-450-1489.

Samsung has been licensed to manufacture color ICs incorporating anticopy system, Macrovision announced. Company said ICs are designed to be used in converting decompressed MPEG digital video to NTSC or PAL analog output, including digital set-top converters, DBS receivers, Video CD players.

Pioneer established new company in Tokyo to develop and produce multimedia software, at outset for personal computers and car navigation devices, later for TV-based platforms and communications devices. Company, capitalized at \$4 million, is aiming for sales of \$14.5 million in first year, \$24 million in 2nd.

VCR penetration reached 79% of U.S. homes in spring 1994, Nielsen Media Research reported. Some 98% of U.S. homes (94.2 million) had TV sets. Of TV households, 99% had color TV, 38% had 2 sets, 29% had 3 or more sets, 63% received basic cable and 28% received pay cable.

Consumer Electronics Personals

Takeo Shuzui, Matsushita dir., to become JVC pres. June 29 upon approval by Matsushita board, succeeding Takuro Bojo, resigned (see story elsewhere in this issue)... Stephen Race, appointed only 3 months ago as Philips Interactive Media senior vp, named exec. vp-gen. mgr., newly formed Sony Computer Entertainment of America... Frederick Feuerhake, ex-Summagraphics and Smith Corona, appointed Plus Corp. vp-gen. mgr., new position... Arnold Metz, ex-Manufacturers Warranty Service, named national sales mgr.-furniture protection plan, VAC Service, new post... Changes at Memtek: **Frederick Peterson**, Western Div. vp, promoted to Memorex Software vp-sales and mktg; **Lawrence Smith**, ex-Lanier Pharmaceuticals, named accessories product mgr; **Pamela Unruh**, ex-Lanier Pharmaceuticals, becomes computer disc and data cartridge product mgr... **Michael Bonder**, ex-Caldor, appointed Wiz senior VCR/camcorder buyer.

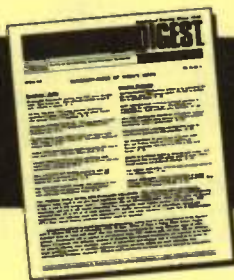
Andy Windisch named Cobra Electronics national sales mgr.; **Brian Reid** (Northeast), **Keith Parke** (Southeast and Southwest) and **Danny Stein** (West Coast), appointed regional sales mgrs... **Bertelsmann Music Group** Chmn.-CEO **Michael Dornemann** named chmn., new Bertelsmann Entertainment Product Line, combining company's music and electronic media operations... **Susan Kuse** appointed gen. mgr., new Harman Integrated Design Group, reporting to Harman Consumer Group Senior Vp **Gina Harman**... **Mark Ambrose** joins Sonance as mktg. communications mgr., new post... **Keith Benson** promoted to pres., Musiland's On Cue Retail Div., will continue as Musiland vice chmn. and chief financial officer until replacement is named... **Paul Giguere** named dir.-market development, IMAX subsidiary Sonics Assoc.

Appointments at CurtCo Publishing: **Megean Roberts**, ex-Audio/Video Interiors magazine, joins as publisher; **Larry Ullman**, ex-Audio/Video Interiors, assumes same post at Home Theater Technology, monthly consumer magazine scheduled to debut in Sept.; **Harriet Donnelly**, ex-AT&T, becomes vp-mktg.; **Brett Andersen**, ex-Portable Computing, joins as managing editor, Home Entertainment & Electronics, bimonthly magazine to be launched in Nov.; **Dennis Barker**, ex-Video Review, named technical editor... **Michael Benard** appointed Kodak vp and dir.-communications and public affairs.

Robert Sigman named pres.-CEO, Republic Pictures Entertainment; **Steven Beeks** resigns as Republic Pictures Home Entertainment Group pres... Appointments at LIVE Home Video: **Toni Denny**, ex-Warner Home Video, as dir.-sales, Southern region; **William Kruger**, ex-Republic, as dir.-sales, West Coast... **Martin Jones** named dir.-production and acquisitions, LIVE Entertainment... Appointments at Acclaim: **Col Stone**, ex-Hi Tech Expressions, as dir.-product development; **Paul Alleluia** as network mgr.

Gemini Industries will ship 2 universal remotes in June containing built-in 60-min. sleep timer. Two-function remote handles cable box-TV while 4-function controls TV, VCR, cable box, auxiliary. Both retail under \$20. Timer is activated by pointing remote at TV and pressing button.

Camcorder 1/4" CCD color pickup with 410,000-pixel resolution will be sampled by Sony next month in Japan at about \$915. Light collection ability is claimed to be 30% greater than 1/3" type, with other features same as 1/3" CCD. PAL version with 470,000 pixels also will be available.



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MAY 30, 1994

SUMMARY-INDEX OF WEEK'S NEWS

VOL. 34, NO. 22

Broadcast - Cable

HUNDT OFFERS OLIVE BRANCH to cable in NCTA speech. Easing of several rules likely. Operators' reaction mixed. Convention sets records. (P. 1)

FOX SHAKES UP AFFILIATIONS with New World Deal. CBS hit hard, losing 8 VHF affiliates. Stringer fights back, promises new affiliates. (P. 3)

NBC IN POSITION OF STRENGTH, Wright tells affiliates. Newcomers on information highway will be weaker, giving NBC 'wonderful opportunity.' Affiliates meet new TV network Pres. Braun. (P. 6)

A LA CARTE PROBLEMS SEEN: NCTA panels say economics are almost impossible for new channels. Study shows high subscriber interest. (P. 8)

GTE JOINS VDT RACE, says it will pass 7 million homes in 10 years, by 2003 will deliver broadcast, cable and interactive TV to 2 million. (P. 8)

QUICK INCENTIVES NEEDED for new cable channels. Slow action likely on rate complaints. (P. 9)

CABLE CONSOLIDATION LIKELY: Regulation, economics and technology seen as main reasons. (P. 9)

CABLE MARKETING CHALLENGE: DBS on horizon and operators seek way to maintain market share, cash flow. (P. 10)

HUNDT SIGNALS FCC INTEREST IN EASING SOME CABLE RULES: FCC Chmn. Hundt extended olive branch to cable in speech at NCTA convention in New Orleans last week, but some industry officials said it fell short of what they had hoped for. Hundt signaled that Commission: (1) Isn't likely to try for further rate cuts. (2) Probably won't enact productivity factor, which could limit cable revenue growth by 2% annually. (3) May move to ease "Balkanization" of local govt. regulation. (4) Is refining "going forward" rules that are meant to give cable incentives to add more services. (5) Is likely to increase incentives for cable operators to add new channels. Despite that, several cable officials expressed disappointment that Hundt didn't acknowledge heavy impact of earlier regulations on industry.

Speech was regulatory high point of busy convention. Final attendance figure was 22,862, up 40% from record set last year. Many of booths were companies' largest ever, even though relatively little new technology was displayed. Most of developments were the firming up and integration of previously announced hardware. Biggest items in hardware news were announcements by Scientific-Atlanta, C-Cor and others that they were rapidly expanding capacity to meet cable's ballooning demand for fiber and interactive equipment.

Consumer Electronics

GENERAL INSTRUMENT ENTERING consumer electronics sales with 'Joey' modular TV system to be sold through retail channels in 9-12 months. Cable and other inputs are supported. (P. 15)

TCE HAILS MARKET SHARE GAINS and profit of American operation but warns 1994 color pricing is 'more fierce' than 1993. (P. 16) Product highlights. (P. 20)

JAPAN FINANCIALS show some improvement, but JVC has loss for 3rd year. Sharp has record sales, with U.S. operation up. Pioneer, Mitsubishi results. (P. 17). Nintendo, Sega profits hit. (P. 19)

SAMSUNG BUYING LUX control from Alpine in \$24-million deal. Companies say Luxman distribution by Canton in U.S. won't be affected. (P. 19)

MATSUSHITA'S MONITOR/CAMCORDER introduced in Japan with bright 4" LCD in S-VHS-C model at \$2,000. U.S. introduction not planned for current model. (P. 20)

SEGA TO BE IN NEWLEAF TEST of electronic software downloading in 10-15 Blockbuster stores this summer, sources say. Trial said to be aimed at rental market. Solution to inventory woes. (P. 21)

AUTOSOUND PACED AUDIO to 14.5% increase in March, EIA reports, with first-quarter audio dollar shipments rising 11.8% to highest since 1989. (P. 21)

FCC's new attitude toward cable dominated unusually long NCTA board meeting after convention. Board spent about hour in closed-door meeting, 4 times as long as scheduled, discussing Hundt's statements. After meeting, officials expressed "guarded optimism" that worst of cable regulation was over, if FCC carries through with perceived promises. Much of debate was on how NCTA should respond to FCC, but no conclusion was reached. Biggest problem will be reaching kind of industrywide consensus that Hundt suggested repeatedly that he's seeking, particularly since interests of cable systems and programmers, and even different types of programmers, can differ sharply.

Outgoing NCTA Chmn. Richard Roberts of TeleCable called Hundt speech "watershed" for industry, saying that statements on productivity offsets and unlikelihood of further rate cuts eliminated "sword of Damocles" over cable's head: "We're very encouraged by where he's headed." Although Hundt said he couldn't prejudge record on productivity offsets, he repeatedly indicated that he was leaning toward rejecting idea. Roberts called offsets "one of the more corrosive things out there" and said Hundt's speech would give industry "a sense of security and stability."

But Falcon Cable Chmn. Marc Nathanson said speech didn't make him feel better: "They don't understand the realities of dealing with the banks and the market." Michael Gilliam of SBC Ventures (Southwestern Bell subsidiary that operates cable systems) said even Hundt's reassurances were "very caveated" and he interpreted speech as indicating that staged transition to telco entry into cable "may not be in the cards." Comcast Vice Chmn. Julian Brodsky called speech "first step in a long road back" but was disappointed that "only specific" was productivity factor. Michael Pohl of Douglas Communications and Small Cable Business Assn. said he was "encouraged" by references to relief for small operators. Continental Senior Vp Robert Sachs said Hundt didn't address problems caused by existing 17% rollback and that, despite statements, "it remains to be seen what follows."

Other reactions to Hundt speech: (1) Disney Channel Pres. John Cooke said Hundt had been "very responsive." (2) Cablevision Chmn. Alan Gerry said he was only "mildly encouraged." (3) General Instrument (GI) Chmn. Daniel Akerson noted paradox of current situation in which lessened cash flow means intensified need to invest to provide additional revenue sources. (4) Comcast Pres. Brian Roberts said industry would have to undergo "tremendous re-education process on how to compete" as telcos arrive, with "different battle plan" required, one emphasizing bringing on new revenue through adding new channels and telephony "quickly."

Hundt said key question for FCC is how to give cable incentives to add programming and services and prepare for information highway, without burdening consumers with unfair rates. "One of the reasons why cable needs to be sure of its financing is because the telephone companies are very well financed," he said, and it won't benefit country if there's broadband competition but one of competitors is too handicapped to compete effectively. Going forward rules are among most important FCC actions to spur competition, Hundt said, but he indicated that Commission is looking for some industry consensus before taking actions. Timing of action is likely to depend on how quickly industry consensus develops, he said.

Hundt said he doesn't "know of any reason to adopt" 2% productivity offset. He rejected claims that FCC would use its cable cost study to justify forcing cable to lower its rates further: "I don't know of any evidence to justify further lowering rates and we are not looking for any." He also indicated that Commission is likely to increase 7.5% markup that cable operators can charge when they add new cable channels.

Earlier FCC decision to turn over much responsibility for rate regulation to local authorities may need refining, Hundt said: "The goal of delegating responsibility was to make regulation easier. If that doesn't work, we don't have to stick with it." Referring to what he called threat of "Balkanization" of regulation, he said FCC may have to act to standardize regulation.

On other issues, Hundt: (1) Said he believes cable industry has made "a good-faith effort" to comply with rate rules in last year. (2) Would say only that charges of RHCs' building video dial tone systems before getting FCC approval were "very serious," but wouldn't comment on substance. (3) Said he wasn't concerned that MSOs would invest overseas rather than in U.S. because of regulation because enough financing is available for both. (4) Responded to question about "credibility" of his claims that regulation didn't affect telco-cable mergers or other cable activities by saying that "of course the regulations had some impact, but the exact amount is still to be seen." (5) Said FCC probably would issue decisions on about 40 letters of inquiry on a la carte pricing in near future, and that decisions should create "some number" of acceptable models for a la carte.

NTIA Dir. Larry Irving also tried to make peace with cable, calling for "fresh start" between Administration and industry. In speech to convention, Irving said cable has bright future despite recent political troubles. Disputes between cable and Administration on cable regulation were result of "an honest disagreement" rather than ill will, he said. Irving also joined call for cable to become more active in data connections.

In opening session speech (before Hundt), NCTA Pres. Decker Anstrom criticized FCC's regulatory regime, then got to real message: Despite fact that Commission had administered "nothing less than a political caning" to cable, it's time for industry to make peace with agency and to follow rules it has set out. Anstrom said cable industry had driven itself "into a political ditch." Now, it's on road to "political recovery," he said, and he set out map for smooth ride: "First, we must comply with the new FCC rules. Yes, they are painful -- but they are the law. Yes, they treat you unfairly -- but they are the law. And yes, they will slow our progress in bringing consumers new programming and technology -- but, like it or not, they are the law. So, let's drive at 55."

In panel following Anstrom, Time-Warner Chmn. Gerald Levin drew heavier applause with claim that "the current regulatory regime from the FCC is the most absurd thing I've ever seen" because congressional intent was "to go after the bad guys, and not punish an entire industry." One unfortunate consequence of regulation, he said, is that regulated companies tend to become "bureaucratic zombies." For cable, that could mean losing entrepreneurial zeal, Levin said. Industry should look forward to offering telecommunications services soon, he said, and will enter telephony, and thus bring on new revenues, faster than telephone business will enter cable.

Viacom Pres. Frank Biondi said video-on-demand is technically available, but was skeptical about timing and cost. Question isn't whether service can be delivered, he said, but whether it can make money.

Rep. Fields (Tex.), senior Republican on House Telecom Subcommittee, said cable industry should look forward and adapt. He also expressed more mellow attitude toward Hundt, saying he would give him "benefit of the doubt." He had strongly criticized FCC decision to cut cable rates, and said industry has "lots of friends" in Congress.

Panel of state and city cable administrators also lamented rules' complexity and urged that they be reexamined. William Finneran of N.Y. Commission on Cable TV said "Congress was misguided and misjudged" on cable rules, bemoaning 400 benchmark determinations he and his staff face. Mass. Cable TV Comr. John Urban said Congress had misread public complaints about pricing, which were based on resentment of cable systems' acting unilaterally, not on sense that rates were too high. NATOA Pres. Susan Littlefield, cable regulator-administrator for St. Louis, told audience not to rely too heavily on systems' argument that their profits are reduced to level that won't permit improvements in plant. She said regulators think such investments should come out of profits, not out of rate increases.

NCTA board confirmed likelihood that Turner Bestg. Chmn. Ted Turner would become first programmer to head NCTA, electing him secy., position that in normal rotation leads to vice chmn. following year and chmn. after that. Former NCTA Chmn. Amos Hostetter got in line to repeat as chmn. in 3 years, becoming treas. Board also confirmed election of Times Mirror Cable CEO Larry Wangberg, chmn. of convention and overall NCTA vice chmn., as NCTA chmn., and Comcast Pres. Brian Roberts as vice chmn., putting him in line to follow Wangberg as chmn. Other Exec. Committee members include outgoing NCTA Chmn. Richard Roberts of TeleCable, Alan Gerry of Cablevision Industries, Marc Nathanson of Falcon, Brendan Clouston of TCI, Winston Cox of Showtime, Joseph Collins of Time Warner, James Robbins of Cox. Board also named William Bresnan chmn. of political fund-raising group CablePac. New at-large programmer directors include Steven Bornstein of ESPN, Kay Koplovitz of USA Networks, John Wynne of Landmark, Nickolas Davatzes of Arts & Entertainment. New at-large MSO directors are Jerry Lindauer of Prime, Thomas Might of Post-Newsweek, Michael Willner of Insight. James Monroe of Apache Cable will represent independent operators on board.

FOX HITS CBS HARD WITH 8 VHF AFFILIATION CHANGES: In deal that could have hard impact on other networks, CBS particularly, Fox Inc. and New World Communications announced May 23 what they called "an unprecedented broadcasting alliance that results in the largest network affiliation realignment in television history." That involves Fox investment of \$500 million in programmer-group owner New World, which owns 5 CBS affiliates, all of which gave mandatory 6-month notice to CBS of termination of their

affiliation contracts. All told, 12 VHF affiliates are to switch to Fox under 2 other pending deals -- 8 from CBS, 3 ABC, one NBC.

CBS Best. Group Pres. Howard Stringer promised to "open the network's wallet" to replace VHF stations switching to Fox TV Network. "The war is started," Stringer told reporters at impromptu news briefing in N.Y. May 26, "and any complacency will have to be banished from CBS."

Higher compensation to woo affiliates from other networks was one of steps Stringer said CBS is considering. Others, he said, are to lengthen affiliate contracts up to 5 years, purchase more stations (network owns 7, reaching about 22% of U.S. households with FCC rules permitting no more than 25%), and to make investments in station group or groups, as Fox has done, in exchange for affiliations. (CBS said that since Fox-New World deal was announced, it has been approached by group owners seeking similar deal). Stringer said result of Fox's coup would be "a lot of churn in the industry" as CBS, and perhaps ABC, go after affiliates of other networks. At CBS, "we're all working on calling" other stations that CBS would like to recruit as replacements for affiliates moving to Fox, Stringer said. ABC stands to lose 3 affiliates to Fox, NBC only WDAF-TV Kansas City.

As for CBS's current affiliates, "the churn suggests that [networks] will have to reward loyalty more enthusiastically" with higher compensation, Stringer said. CBS caused affiliate near-revolt 2 years ago with attempt to cut compensation some 50%, move later rescinded because of unanimous station opposition. CBS currently pays more than \$110 million annually to affiliates. Stringer said, and Murdoch publicly disclosed, that Fox expects to make more raids on affiliates of Big 3 networks.

CBS TV Network Pres. Peter Lund wrote advertisers last week that "CBS will maintain its coverage in every single market. We expect to maintain our circulation as well. As you may know, many of these stations [switching to Fox] were underperforming the network average and frequently preempted our schedule. We project these changes will have no impact on our 1994-1995 schedule... We fully expect that viewers will follow us to our new dial positions and we will mount aggressive promotion campaigns in each of the markets affected."

NBC Pres. Robert Wright said that if deal goes through as announced "it will change the landscape" of TV networking. "But it gives us absolutely no cause for reversing any of our positions... No company will chase NBC out of any landscape. This disruption actually comes to us as an advantage... It's a luxury that we will want to make sure we capitalize on." Wright speculated that Fox made deal with New World because of concerns about possible encroachments by Warner Bros. and Paramount, which plan to start their own TV networks.

Said ABC Pres. Robert Iger: "This represents a significant change, but we feel it's too soon to gauge all of its implications. It does reaffirm a confidence in network TV and local over-the-air broadcasting." Scott Libin, vp-news at ABC affiliate WGHP-TV Greensboro-High Point, N.C., said mood there was "a pretty healthy mix of exhilaration and intimidation" at prospects of Fox takeover. News operation will "get a whole lot busier" to fill vacuum left by Fox's lighter network programming schedule, he said. Vp-Bestg. Larry Blackerby said NFC football contract would be "very important," especially if recently formed Carolina Panthers were assigned to NFC.

James Sefert, chmn. of Cosmos Bestg. and former head of NBC affiliates, told us Fox deal was "a very creative, stunning development... I think it's exciting... Perhaps we'll come out a stronger industry because of it... I'm sure some dominoes will fall." Edward Piette, pres.-gen. mgr. of New World's WDAF-TV Kansas City, said he was "excited" about switch from NBC to Fox.

Fox announcement caused CBS stock to take huge tumble last week on N.Y. Stock Exchange -- from \$302.25 May 23 to \$269.87 at close May 27, causing \$518 million drop in company's market value. It plunged \$13.50 day of announcement (May 23), another \$18 next day.

Published reports that stations switching to Fox have been "disinvited" from CBS June 1-3 TV affiliates' convention in L.A. were denied by CBS official. "The word disinvited is kind of silly," he told us. "They have no reason to come."

Observers said deal was structured carefully, with Fox obtaining no control or voting interest in New World stations, to avoid legal complications at FCC. Agency official said deal didn't appear to violate regulations that prohibit ownership by single entity of more than 12 TV stations and coverage of more than

25% of U.S. TV households. Fox also doesn't fall under finsyn and prime-time access rules that restrict Big 3 networks.

Ronald Perelman, who controls New World parent McAndrews Corp., as well as Revlon, entered entertainment industry in 1983 with purchase of Technicolor for \$125 million, which he sold 5 years later for \$780 million. He acquired New World in 1989 for \$145 million, and last year acquired SCI TV, whose stations were combined with New World. Company then bought TV programmer Genesis Entertainment.

Last week's deal was subject of much conversation in opening session of NBC affiliates convention in L.A. (see separate story, this issue). Said outgoing NBC TV Network Pres. Pierson Mapes: "I'd hate to be Tony Malara," head of CBS affiliate relations. New World stations CBS is losing immediately: WJBK-TV Detroit, WAGA-TV Atlanta, WJW-TV Cleveland, WTVT Tampa-St. Petersburg, WITI-TV Milwaukee. ABC will lose 3 affiliates to Fox, NBC only WDAF-TV Kansas City.

Said Fox Inc. CEO Rupert Murdoch: "This agreement will forever change the competitive landscape of network television... This is a giant step forward toward leveling the playing field and toward the longstanding public policy goal of achieving a fully competitive 4th broadcasting network for America." New World CEO William Bevins said deal provides "significant access to the Fox Network for our series... and puts us in the leading ranks of television production companies..."

Other affiliation agreements will come about if previously announced purchase by New World of 4 Great American TV stations is consummated (TVD May 9 p8), along with New World option to acquire debt and equity of Argyle TV Holdings. Option cost \$100 million and New World will pay additional \$616 million if it's exercised. Argyle stations include KTVI (ABC) St. Louis, KDFW-TV Dallas and KTBC-TV Austin, both CBS, plus UHF's, which New World plans to spin off to stay within FCC's ownership maximum of 12 stations. Great American stations being acquired by New World: WDAF-TV, WBRC-TV (ABC) Birmingham, WGHP-TV (ABC), KSAZ (CBS) Phoenix.

Deal also calls for Fox and New World to work together to develop syndicate programming, plus prime-time series and movies. It will help New World "realize its strategic objective of becoming a major force in the television program production," joint announcement said. If deals are completed, Fox will be required to sell its UHF stations KDAF Dallas and WATL Atlanta and New World WSBK-TV Boston and KNSD San Diego.

One thing is clear, said Gen. Mgr. Steve Beard of Fox affiliate KBVO-TV Austin, where CBS affiliate KTBC-TV is switching to Fox: "This whole thing has rattled the cages of the Big 3 networks." He said deal would force them to court younger audiences and take more seriously Fox's standing among major broadcasters. He said "we're going to take a long look at being an independent" but said station won't rule out talking with another network, including CBS. He pointed out that, for now, deal isn't final because New World hasn't yet acted on option to acquire debt and equity of Argyle TV Holdings, which owns KTBC-TV. Gregory Filandrinis, vp-gen. mgr. at Fox's KDNL-TV St. Louis, where KTVI (ABC) is making switch, said he wasn't worried about specter of losing Fox: "I figure I've got a lot of options." However, he said it was too soon to know what they are yet because there are "too many scenarios. You kind of have to let this thing play itself out."

Reaction among independent stations was mixed. Mann Reed, station and sales mgr., WVEU Atlanta independent, said station hadn't decided whether to court network or remain independent: "If you had a choice between being independent or having CBS, you would choose CBS?" He said situation depends on "where CBS lands" in post-deal shuffle. Herman Ramsey, vp-gen. mgr., WGNX Atlanta, also independent, said he would be "happy to speak with [CBS]" or any other network about affiliation. He said such agreement could bolster WGNX's news operations and stature despite "complications" that could arise in any negotiations: "I imagine anything could be worked out... but we haven't decided at this point whether to pursue them." He said that WAGA-TV Atlanta, which will lose CBS affiliation to Fox, actually may become "weaker" because of switch and could produce "major cultural shock" among viewers used to CBS's programming.

One NBC affiliate official, who requested anonymity, said he was "pretty comfortable" with network but wouldn't rule out other offers: "There's too much in the flux." Thomas Greisdorn, vp-gen. mgr., ABC owned WXYZ-TV Detroit, said CBS may have hard time selling itself there because it's rated last among top 3 networks. He predicted that "eventual decision will be made on a group basis" in that CBS may target broadcasting chains to consolidate dealmaking process.

Meanwhile, Standard & Poor's affirmed its BBB- rating of News Corp., which owns Fox, for \$4.8 billion of senior debt and \$650 million of preference stock. It affirmed BB+ status on \$380 million of subordinated debt. It said News Corp.'s outlook was "stable" following Fox-New World deal.

NBC'S WRIGHT--NETWORK IS IN 'POSITION OF STRENGTH': Future of network TV is very bright, judging from mood at NBC TV affiliates May 22-24 in L.A. About only complaints at closed meetings centered on old chestnut -- sports and movie overruns, plus daytime and late night -- where network admits it has problems. "There's real enthusiasm for the new fall prime-time schedule," Affiliates' Chmn. James Waterbury told reporters: "Network TV is back strong." Main topic of corridor conversation at NBC get-together was announcement May 23 that New World was combining with Fox Inc. and that 12 VHF stations would be switching affiliations to Fox (see separate story).

Meeting in climate of newly robust health for over-air networks, NBC Pres. Robert Wright said affiliates and NBC were in "position of strength" for future. As for upcoming convergence, new technology and information superhighway, "we fit dead in the middle," he said. "But, we don't want to have a middleman navigating us... making us go through a ladder to get to the viewer."

Underscoring importance of partnership between network and affiliates, Wright said: "We have to avoid selfish responses. And, we have to continue to believe that the system we are trying to protect is more valuable than the next month or next quarter." In other words, affiliates should clear NBC's programming.

"Across the street," Wright said, cable business is "in for some very difficult times. They are looking into very different situations and that's a real programming opportunity for us. Newcomers are not likely to be nearly as strong as the people who are already there, and that's a wonderful opportunity for NBC to take advantage of... I believe that the viewer loyalty we have today is ours to keep and ours to lose. Others are trying to develop that, but I don't think that's possible for them in the coming 3 to 5 years." Continued success, Wright said, will depend on NBC's making major commitments in programming and fully promoting it: "If we continue to work together... we will succeed no matter what happens around us."

Convention, with theme "NBC 2000: Partnership for the Future," opened with 30-min. live and taped tribute to TV Pres. Pierson Mapes, who retires in mid-June after 25 years with company, record 12 years as head of TV network. Mapes said that "NBC 2000 starts today, 6 years early." He received 2 standing ovations and presented his 10 "keys to partnership" for future. No. 1 was "adequate and fair compensation" for affiliates. Others: "Discourage dual affiliation. We can't afford brand confusion. Why should we welcome Fox, Paramount and Warner Brothers in our game?" Protect bottom 100 markets -- "affiliate compensation can be the difference between profit and loss." Keep local news a top priority.

Affiliates chipped in to present Mapes and wife Pat with trip to Castle Kildare in Ireland. NBC picked up from there with trip around world, including Paris, Rome, Hong Kong, Maui. Both Mapes also were presented with sets of golf clubs.

Neil Braun, ex-senior vp of Viacom International and CEO of Viacom Entertainment Group, has been brought in to replace Mapes. Braun told affiliates: "My mission is to strengthen and build the network-affiliate partnership. Yes, my experience is primarily in every other aspect of the television business, but my agenda is straightforward -- to bring my diverse experience to the table for the benefit of the network and its affiliates." Echoing Wright, Braun referred to "robust health" of network TV in discussing its growing competition and need for NBC to own and control more of its own programming and build "strategic alliances... that will ensure a vibrant and profitable future." Robert Niles, senior vp-affiliate relations, stressed programming, marketing, partnership. "We have stemmed the bleeding in prime time," he said, "and our mission for 1994-1995 is to start the march back to leadership." NBC has been 3rd in prime time for last few years.

Reiterating Waterbury's assessment, NBC West Coast Pres. Donald Ohlmeyer said: "We're not dinosaurs. We're the future. [Big 3] networks are exploding onto the horizon, but the new ones are looking for ways to get into the homes. NBC 2000 is about [affiliates and network] creating unique programming opportunities for our collective viewers." NBC Entertainment Pres. Warren Littlefield said new schedule was "bold and aggressive... We're not playing defense anymore." Featured in lineup will be Bill Cosby, who returns Wed. nights in new dramatic series.

On promotion side, NBC Marketing has fall campaigns with McDonald's, Toys R Us, Sprint, America Online. "Our goal is to dramatically increase the network's seamless programming," said John Miller, NBC

exec. vp-advertising and promotion. "There will be more peacock identification." Message will be to reinforce that "NBC remains a broad-based cornucopia of programming... It's our identity. It's our strength."

Sports Pres. Dick Ebersol highlighted NBC successes in sports since 1989, when NBC lost major league baseball (which returned this summer in joint deal with ABC). Now, he said, "having made financially responsible acquisitions, NBC Sports is now well positioned for the next 5 years." He pointed out that NBC's 1995-1996 schedule includes World Series, Super Bowl, NBA finals and Summer Olympics -- first time one network has had all 4 in same year. NBC will air 168.5 hours of 1996 Olympics in Atlanta, 77.5 hours in prime time.

NBC has opportunity to "redesign the landscape of prime-time news," said News Pres. Andrew Lack. Network this summer will add its 3rd hour of prime-time news with Dateline II. Discussing whether there are too many such news magazine shows, he said: "Sure, for our competitors. Not for me or any of my colleagues." Today and Now shows will move next month to what Lack called "our \$15-million window on the world," 2-floor ground-level studio with huge windows for public viewing. "We will employ the latest interactive technology with our audience right alongside." He said NBC's overnight news service News Channel has provided affiliates with "unprecedented 30,000 stories" in 1994 and urged stations to make more use of material. "With NBC News, you don't need CNN anymore," Lack said.

At news conference following closed session, Mapes, in reference to Fox deal with New World, said he didn't expect major problem in keeping affiliates. Stations, he said, understand "the huge risk in switching networks... It's bad business. Let the switches happen among the other networks." History shows that both stations in market usually lose in ratings after affiliation change, he said. "I feel that our affiliates would never surprise us" in shifting networks.

May 24 banquet was closed to reporters, which came as surprise to network officials -- including Mapes and Wright -- when questioned by press. Jerry Seinfeld was entertainer, and official explanation for barring press was that Seinfeld insisted that no reporters be present. As far as we can recall, it's first time press has been excluded in some 50 years that we have been covering conventions of Big 3 networks.

This was first NBC affiliates meeting at Century Plaza Hotel, traditional host of TV affiliate conventions, since 1987, and 1995 affiliates' convention will be held at Ritz-Carlton Hotel, Maui. CBS follows NBC into Century Plaza June 1-3, ABC June 7-9, Fox June 23-24.

House Commerce Committee Chmn. Dingell (D-Mich.) and Judiciary Committee Chmn. Brooks (D-Tex.) have reached broad agreement on outline for legislation (HR-3626) to lift MFJ restrictions, Rep. Tauzin (D-La.) said May 22. Now it's up to staff to put deal into writing, Tauzin told us, adding that he hopes bill can be passed this year. Tauzin and 7 other members of Congress toured "Cabletown USA" exhibit at NCTA convention. Cabletown is demonstration of technologies -- some existing, some new. Other lawmakers who were given private tour were Sens. Thurmond (R-S.C.) and Stevens (R-Alaska) and Reps. Bilirakis (R-Fla.), Hoyer (D-Md.), Hyde (R-Ill.), Gillmor (R-Ill.), Schroeder (D-Colo.), Schaefer (R-Colo.) Meanwhile, congressional committees' staffers predicted telecommunications legislation would pass this year. At NCTA panel, only Gene Kimmelman of Senate Judiciary Committee staff pointed out that Congress has health care and other issues to consider in short term that might make it "an uphill battle" to get bill passed. He said that if Congress doesn't act this year, it will be another 2 years before it returns to issue. However, Jonathan Chambers, Republican staff dir. of Senate Commerce Committee, predicted Senate would have bill on floor by July, with House-Senate conference by Sept. Gerald Waldron, senior counsel of House Telecom Subcommittee, agreed. Waldron and Chambers said there was little congressional interest in Administration's Title 7 proposal for new regulation of broadband services.

Proposed merger of DBS permittees EchoStar and Directsat is being contested by Directsat investor DBS Industries (DBSI), which said transaction is "substantially undervalued" and may contain "highly objectionable" provisions.

Blockbuster Entertainment Chmn.-CEO Wayne Huizenga told annual shareholders meeting May 24: "Your board of directors will not recommend the [Viacom] merger unless it is fair to and in the best interests of all Blockbuster shareholders." Viacom stock price has declined substantially since merger with Blockbuster was announced. Blockbuster board "like many of you are greatly disappointed with the performance of the Viacom stock," he said. "Nevertheless, we'll continue to honor the terms of the merger agreement until the deal is closed or until a September 30th termination date." He said that since May 4 letter to Viacom "we have had no further discussions" with company about merger.

Encore formed joint venture with International Channel and plans to launch 12 multi-ethnic premium channels, Encore Chmn. John Sie said. New service will use Encore-designed compression technology, called DOLCE, that allows 12 video signals to be compressed on one transponder. New premium channels will be offered in Arabic, Cantonese, French, German, Greek, Italian, Korean, Mandarin, Polish, Tagalog, Vietnamese and English, targeting immigrants from British Commonwealth. Sie also said Encore would accelerate launch of last 3 thematic multiplex channels to Sept. 1.

Apple, IBM and Scientific-Atlanta will cooperate to create open architecture for interactive TV, under tentative agreement. System would use Kaleida's ScriptX application model.

Texas Instrument (TI) and Macrovision agreed to integrate Macrovision's anticopy technology into TI's encoder chip that converts cable and satellite digital video signal into analog.

PESSIMISM ON A LA CARTE: Few experiments with cable a la carte pricing are true successes, and difficulty of marketing will make such launches of new channels almost impossible, programmers and cable operators said on a la carte panel at NCTA convention. Despite that, Cablevision Systems Vp Peter Low, citing Warren Publishing data, said that if 66% of dissatisfied cable customers would prefer a la carte, "we have got to respond." Consumers prefer to have choice of cable channels to buy, even if they don't exercise it, he said: "Given the choice, most customers won't choose. But where they are provided with significant choice, they have felt better about cable and the price they pay. They don't want to feel forced to buy." Cablevision has been among most active proponents of a la carte.

Average penetration of cable channels in a la carte environment in few tests that have been done is below 10%, Travel Channel Pres. Roger Williams said. He cited operator who devoted large share of marketing resources to selling a la carte package of 5 strong channels at \$2.95 per month, and still achieved only 18% penetration. Discovery Vp William Goodwyn said low prices and low penetration mean "the economics don't work for programmers. Choice is a good thing to say, but the customer could end up with fewer channels, and paying the same or more."

It may be difficult for programmers to charge enough for a la carte services to be economically viable. Results of nationwide survey of 15,000 consumers on a la carte recently issued by Warren Publishing showed that cable customers were willing to pay up to \$1 per month for most channels, but that more than half of potential subscribers to most cable networks would drop out if price reached \$1.50, Lynn Levine, dir. of Warren's Market Research & Data Sales Div., told session. She said research showed that most customers were likely to buy 11-19 a la carte channels, that 66% of dissatisfied users would prefer a la carte, that 52% of nonsubscribers would be likely to subscribe if they could do so a la carte and that game shows and Black Entertainment TV were among least price-sensitive cable channels.

It's almost impossible to develop workable business plan to launch new networks a la carte, Discovery's Goodwyn said: "Even if you hit a home run and get a couple of million subscribers at \$2 each, that's not nearly enough revenue. You can't do it until the FCC provides incentives to put networks on regulated tiers." Williams said it was in best interest of both programmers and operators to charge as little as possible to jump-start new a la carte channels, at least in short term: "Later we can see where the price points settle in."

A la carte is "a very disturbing concept," Landmark CEO John Wynne said. Economic models dictate high value and low cost, but costs won't be low, he said. Packaging is "consumer friendly," but true a la carte is going to be possible for only about 20 million addressable households, he said. He said that much of value of rich channel environment is that subscribers happen onto programs they enjoy, but wouldn't pay for network on that basis.

"Relatively few" people filed petitions for reconsideration of cable rate rules, and that's probably good for industry, NCTA Gen. Counsel Neal Goldberg said at rate regulation session. Industry is hoping for expedited action on court appeal of rate rules, he said, and large number of petitions that attack basis of rules could have persuaded court to delay action. Petitions filed mainly attacked peripheral issues such as rules for adding new channels, Goldberg said.

GTE PLANS INTERACTIVE VDT NETWORK: GTE jumped into race May 24 to build video dial tone (VDT) network that it promised would offer wide range of interactive programming. It said that within 10 years its network would pass 7 million homes in 66 markets and by 2003 it expected to be delivering full interactive network to more than 2 million homes.

Construction in 4 key markets will begin this year at cost of \$315.8 million over 3 years, GTE said. First cities: Thousand Oaks, Cal., St. Petersburg/Clearwater, Fla., Honolulu, Greater Manassas, Va. Manassas will be first target, spokeswoman said, because courts already have cleared way for VDT offering by telco as result of Bell Atlantic's successful challenge to cable ban on First Amendment grounds.

GTE said it would work with existing entertainment programmers and packagers to deliver TV programming for first 2 years. It also plans to develop and package its own line of "traditional and interactive programming." Further expansion into remaining markets -- and any requirements for accelerated capital spending -- will be "based on the level of customer demand, the regulatory climate and how soon the necessary advanced video technology is available," it said.

No equipment vendors have been chosen, GTE spokeswoman said, and it has no clear estimate of what it would cost to build out entire network. "We're very sure of our [initial] figures, but additional capital spending depends on future costs of the technology," she said. Investment of \$315.8 million is in addition to \$2.7 billion spent each year for upgrades and maintenance of GTE's network, she said.

First 4 networks will have 80 analog channels and 168 compressed digital channels, company said in FCC Sec. 214 filing for permission to build. Final configuration will depend on "availability of economical real-time video encoders," filing said. Capacity for retransmission of local broadcast channels will be achieved by GTE's affiliated customer-programmer or other programmers. Although GTE isn't required to obtain local franchise for provision of VDT, it told FCC it's talking with authorized representatives of "potentially affected" communities and "endeavoring to address their concerns."

Costs for building initial networks, based on FCC filing, breaks out: Manassas \$41 million, Thousand Oaks \$45 million, Honolulu \$86 million, St. Petersburg/Clearwater \$143.8 million. GTE also provided estimated revenue for first 5 years: Manassas \$8.7 million with 90,000 homes passed, Thousand Oaks \$11 million and 122,000, St. Petersburg/Clearwater \$39 million and 476,000, Honolulu \$23 million and 296,000.

Hewlett-Packard (HP) said it has license from General Instrument (GI) to use DigiCipher II in its converters. Meanwhile, TCI said it increased order for HP converters to 500,000 from 100,000, and Comcast announced it would buy undisclosed number. HP said boxes are analog compatible but can deliver 2-way interactive services as they become available.

Cox Cable will become half owner of GEMS TV, Spanish language cable network targeting women, in new deal. Contract will give Cox access to GEMS satellite transponder, which eventually can be multiplexed, as well as first entry into Spanish-language market, Cox Senior Vp Ajit Dalvi said.

CABLE INCENTIVES SOUGHT: Cable operators need larger incentives to carry new channels, and they need them quickly, programmers and operators said on panel at NCTA convention on incentives organized by FCC and NCTA. Cable Bureau Deputy Chief Kathleen Wallman said FCC wanted panel to gather information more quickly on proposals to increase incentives so Commission could act quickly. "Uncertainty is the thing that is so hard for business," said Louise Henry of Fox's new cable channel fX. Carter Brown, chmn. of proposed Ovation channel, said delay could result in "a big row of dead babies" among more than 125 proposed new cable channels.

Much of debate was on "floor" amount of money that cable operators could pass through to subscribers, above license fee of cable channel. Fox has suggested that operators be able to charge at least 25¢ more than program cost, but Brown suggested figure should be about 50¢, which he said was average fee charged for cable channels. FCC staffers on various panels had suggested much lower numbers, sometimes 5¢. Figure shouldn't be related to costs, Brown said, because "we're not talking about costs, but about incentives."

Cable systems have no incentives to add channels, even if they have channel capacity, because of 7.5% markup allowed by FCC rules, Marcus Cable official said. There's no correlation between 7.5% markup and cost of adding channel capacity, he said. Another small operator said 7.5% markup on 30¢ channel is 2¢ per subscriber per month, or \$20 per month for 1,000-subscriber system. That's far too little to recover \$3,500 cost of adding headend equipment for new channel, even if there already enough is capacity on wire itself, he said.

No new channels will get basic carriage at 7.5% markup, said Bradley Siegel of TNT. Low markup means that few innovative program ideas can be viable, he said: "All you'll see is mixing and matching of the same stuff" because it's cheaper to repackage existing programming using current infrastructure. In another session, FCC Chief Economist Michael Katz said he "would be very surprised" if agency didn't change reliance on strict 7.5% markup for new channels.

Maureen O'Connell, legal adviser to FCC Comr. Quello, warned cablers not to expect quick action on 10,000 rate complaints, involving 5,000 systems' rates, that Commission has received: "I think we are talking years. Five thousand of anything is a lot and there are a lot of other priorities." Mary Ellen Burns, head of Cable Bureau Consumer Protection Div., said Bureau would move as quickly as possible, but noted that more complaints are likely because of latest rate rules and no timetable has been set for handling them. Cable operator, speaking from floor, said operators wish they could work on same "as-soon-as-possible" timetable, rather than being held to strict deadlines.

Citing "common deficiencies" in cable operators' rate justifications, FCC gave them until June 24 to resubmit rate support filings. Among problems agency listed: (1) Failing to file rate justification within 30 days of complaint. (2) Using unofficial form. (3) Not basing justification on single franchise area. (4) Not including complaints and additional required attachments. (5) Leaving blank basic rates portions of Form 393. (6) Omitting or inadequately filling out descriptions and explanations. (7) Using incorrect price indexes. (8) Making math errors. (9) Correcting rate justifications with franchiser without filing corrections.

CABLE SYSTEM SALES SPURT SEEN: Regulation, economics and technology will drive another round of consolidation in cable industry, beginning soon, speakers at NCTA convention said. Key question is whether consolidation will be among cable companies only, or will include new round of deals involving telcos, they said.

"The economic and technical logic is in the direction of consolidation," CableLabs Pres. Richard Green said at opening session. Unlike earlier round of largely unsuccessful consolidations, he predicted latest would include "quite a range" of deals, including mergers, joint ventures, partnerships, etc., rather than straight buyouts. Cox Senior Vp-Operations Barry Elson predicted cable operators were likely to have different partners in different geographic areas: "The question is how many different partnerships a company can manage." Even though most of big cable-telco mergers fell apart, RHCs may well return to cable market as they realize that 2-wire world doesn't make sense, broker John Waller said, although he forecast that long distance companies weren't likely to become major cable investors.

Regulation is driving much cable investment overseas as MSOs seek "regulatory asylum offshore," Green said. Elson agreed that MSOs were increasing interest overseas where "regulatory climate is more favorable... It means interesting choices for U.S. operators." Overseas investments are driven by sheer economics, Elson said, because rates of return are higher than those allowed by FCC: "It makes it more difficult to provide the economic resources for the information highway here. I can't be myopic that the U.S. is the only place to put my money."

If cable-telco deals hadn't fallen through, 1993 would have been record year for cable transactions at \$38 billion, Waller said. Even so, systems with 10 million subscribers changed hands, he said, and another 14 million are on market. Deals are being driven largely by desire to consolidate MSOs on regional basis to take advantage of economies of scale and position cable better for other services, he said. Waller predicted one or 2 "major announcements" of cable deals in near future, possibly including sale of Viacom systems to TCI, which would "jump-start" deal market. Elson said cable consolidation would be forced in part by banks, which he said would react to greater risk of information highway by making it more difficult for financially weaker firms to get funding.

Small Business Administration (SBA) should repeal so-called "opinion molder" rules that block broadcasters from obtaining SBA loan guarantees, NAB said in comments supporting agency's proposal to kill ban. NAB said private lenders were reluctant to make loans because broadcasters had few hard assets. Lack of access "also works against the efforts of minorities and women to enter the broadcasting business," it said. If curb were repealed, NAB said, 90% of radio stations and 50% of TV stations would become eligible for SBA financial assistance. It said demand for new technologies and services mean that "access to capital -- from SBA sources or elsewhere -- will become more important."

Bill Daniels agreed in principle to sell regional sports channel group Prime Ticket Networks to TCI for undisclosed price, sources said. Deal is expected to include CVN, Prime's general partner, and all other Prime interests, including L.A. Lakers. Deal is expected to close in July. Prime networks have more than 4 million subscribers. Daniels said "timing is right" to sell Prime because his main interest is in building networks.

CTAM ADVICE ON CABLE MARKETING: Finding new premium channel subscribers and retaining the old will be "new battleground" on which cable operators will fight to restore cash flow lost to reregulation. That was message delivered to packed (and heavily international) audience at session on marketing at NCTA convention, delivered by senior CTAM executives.

Pres. Char Beales warned of "massive" (\$40-\$50-million) ad campaign scheduled for fall by high-powered DBS providers, gave her prescription for meeting challenge. She predicted system operators would: (1) Increase marketing budgets from 2.5%-3.5% of sales. (2) Take over more control of marketing, relying on their own calendar rather than that of programmers. (3) Target market, looking to capture such groups as seniors, African Americans, Hispanics, opera lovers. (4) Redouble efforts to increase premium sales and retention. (5) Give more channels to pay-per-view, especially since reregulation provides "disincentive" to add some of huge number of new basic channels being hawked to operators at NCTA convention, except on a la carte basis. Beales said a la carte marketing presented challenges even for established brand names such as Disney.

Describing current atmosphere as one of "great wonder," Beales said cable industry also would look to wire up business regions of cities often ignored and turn to more "mega-experiments" such as full-service network (FSN) trials in Orlando and Castro Valley, Cal. She showed somewhat tongue-in-cheek videotape demonstrating ideal FSN system in use, but said there were "a lot of skeptics" questioning whether viewers would spend "\$30 a day" (as user does in videotape) on PPV and video-on-demand. She suggested looking into voice services. Beales said U.K. operators already were "tantalized by offering both" voice and video.

CTAM Mktg. Vp Corrine Beller told group that protecting market share when DBS comes would require emphasis on local character of cable offerings and on marketing with local twists. She suggested alliances with local charities, for example offering free hookups in return for contribution. Beller called on operators to improve communications with subscribers with bill stuffers, through use of highly informed customer contact personnel and on-air promotion. "Frequent buyer" awards, similar to airlines' frequent flyer programs, also have been successful.

Despite Beales' view on challenge facing new basic services, dozens are hoping to take advantage of projections of huge new channel availability. Scripps-Howard Bestg. held media briefings in suite at La Pavillon hotel on its Home & Garden TV Network (HGTV). Pres. Ken Lowe said channel had 13 committed MSOs, serving more than 20 million subscribers, with several programs in production. Deals with several potential advertisers are close, he said, without identifying them. HGTV will share 25% of net sales with systems on pro rata basis, Lowe said. And company is prepared to take advantage of interactive multimedia, he said, since it will have large library of self-help and hobby programs. "The future resides in the ownership of copyright," he said.

GTE said it signed deal with Continental Cablevision to offer interactive premium channel GTE Main St. to 500,000 subscribers in Mass. and N.H. Continental has been offering channel in W. Boston since 1988, GTE said. Continental said channel offers one-way and 2-way interactive services "that we can provide today without a new infrastructure."

PCs SEEN AS NEW CABLE MARKET: While some sessions dealing with "normal" cable issues were half-filled, NCTA panel discussion May 23 on "30 Million PCs Waiting for Cable" attracted standing-room only audience. Speakers' message was simple: There's large, affluent audience out there waiting for cable to provide something telcos can't -- fast, easy connections to on-line services. But, they warned, cable must act now before competition catches up.

For cable operators, revenues can come from 2 sources. There can be connection fees charged to on-line services users, and revenue splits from on-line services such as Prodigy. Also good news for operators is that PC owners are used to buying their own peripheral equipment, such as modems and CD-ROM boards, so they won't expect cable operators to provide modems. Intel and Zenith representatives on panel said modems could start out in \$300-\$400 range, but could drop fairly quickly to around \$100.

Media General Cable in Fairfax County, Va., is one of first systems to sign up to carry on-line services in deal with Prodigy. Media General Senior Vp Donald Mathison said system hadn't decided how much it would charge for data channel. One factor is that Prodigy subscribers already pay \$14.95 per month. Mathison said system was thinking of \$5-\$10 monthly charge as premium service, with allowing computer users to hook up to any on-line service, not only to Prodigy. Cable can carry data at speeds hundreds or even thousand times faster than currently is possible over phone lines, which makes big difference when using on-line services.

Prodigy Exec. Vp Scott Kurnit said his company would develop separate version of service for cable, using sound, full-motion video and other capabilities that can't be done over phone lines. Prodigy's cable already is available in Cox system in San Diego and will be up on Media General in next few months, with deals for Viacom and Comcast systems pending. At 9,600 baud, Prodigy is "terrific," but with cable speeds, service is "incredible," Kurnit said. Another indication of demand is skyrocketing growth of Internet, said Allan Weis, pres. of Advanced Network & Service (ANS), high-speed network provider. He said there were global economies of scale that cable could use for easy access to customers.

Modem manufactures forecast that PCs would come "cable-ready," much as TV sets do. Zenith Vp Dean DeBiase predicted: "The CablePC will be the first interactive to launch this market." Intel Vp Avram Miller said there would be no need for cable operators to subsidize new data modems as price comes down.

ICTV said Cox has taken 28.6% equity in startup technology company but wouldn't disclose how much deal was worth. ICTV develops software for cable operators to use when offering interactive services, allowing several services on single channel. ICTV puts technology at headend, rather than in set-top box, arrangement company said allows for better graphics and faster response for applications such as shopping, game playing or video-on-demand. ICTV is developing system for Cox's Omaha cable network. ICTV Pres. Leo Hoarty said it expects to offer service to public in first half of next year.

BBC journalists and technicians called off walkout planned for May 27 because sides agreed to talks on pay changes and working conditions. Employees staged one-day strike May 24, disrupting programming.

HUBBARD ACCESS CRITICIZED: Issue of legality of exclusive programming arrangements for DBS operators is still alive after practice was approved in Primestar consent decree by U.S. Dist. Judge John Sprizzo in Manhattan. Issue is to be resolved by FCC Cable Service Bureau, which may be more sympathetic to petitioner, National Rural Telecommunications Cooperative (NRTC), and its supporter Hughes's DirecTv, since Commission told Sprizzo that exclusive programming arrangements -- even for DBS -- violate Cable Act.

Hubbard Bestg.'s U.S. Satellite Bestg. (USSB) has exclusive deals with Viacom and HBO. Industry and govt. sources say that without those agreements, USSB, which has less capacity than DirecTv, wouldn't be able to survive. "This is a life-and-death situation," source said. USSB owns transponders on Hughes-owned-and-operated satellite at 101 deg. W, which also carries DirecTv transponders. NRTC, which paid \$100 million for rights to sell DirecTv in rural areas, filed petition for reconsideration of FCC program access rules last summer. It said that without access to Viacom and HBO programs, it can't fulfill business agreements.

DirecTv told FCC May 26 that agency shouldn't limit scope of program access provision of Cable Act to cable systems. It said it has been "apprehensive that cable interests would opportunistically attempt to open up another 'front' in their continuing assault on the program access provision." If USSB contract is allowed to stand, DirecTv said, "vertically integrated programmers will be given carte blanche to fragment the emerging DBS market and to substantially weaken DBS competitors." USSB attorney Marvin Rosenberg said Judge Sprizzo and 40 state attorneys general had found nothing in Cable Act that precluded exclusive programming for DBS providers. This fight is "FCC version" of same issue that supposedly had been resolved, he said.

Cable operators should think twice about advocating federal preemption of state rules on telecommunications competition, N.Y. PSC Deputy Chmn. Lisa Rosenblum said May 24. Speaking on NCTA panel, she said agreements such as Time Warner negotiated with Rochester Telephone for local competition were made possible because state regulators have flexibility to set terms and conditions on interconnection and other issues. N.C. Utilities Comr. William Redman agreed that federal law could do away with entry barriers, but said he believed strongly in states' rights on most other issues. He said there was cooling-off period on superhighway activity for moment -- "we've moved into the slow lane." FCC Chief of Staff Blair Levin reminded audience that technology would drive new developments and that with talk of wired superhighway, cable shouldn't ignore PCS. Time Warner Communications Pres. Thomas Morrow, formerly with U S West, said several barriers for local competition lay beneath surface, including ability of phone companies to manipulate regulatory processes, details of interconnection, subsidized telco inefficiencies.

Communications Research Centre (CRC), Ottawa, signed \$1-million service agreement with Digital HDTV Grand Alliance to provide "subjective assessment tests of picture quality" of HDTV system. Subjective assessment tests at CRC, as well as U.S. lab tests, should be completed by next spring, it said.

Gannett board approved repurchase of up to 7.5 million common shares (\$250 million). Company said total could increase, depending on market conditions.

Cable industry "got rolled" by govt. and competitors in 1992 Cable Act, Turner Bestg. Chmn. Ted Turner said at closing general session of NCTA convention May 25. He said Act resulted in "mandated transfer of our wealth" to broadcasters "to the tune of maybe \$10 billion, and I am mad as hell about it." FCC already has punished cable too much, Turner said, resulting in "a real serious blow to the future of our industry." Continental Chmn. Amos Hostetter agreed that "pendulum" of regulation had gone far as it could, and "it will swing back." Liberty Pres. Peter Barton called Cable Act "a tour de force" by broadcasters, and cable "got savaged in the political process." Cable industry must improve its public relations to match that of telcos and broadcasters, Turner said: "We're rough, but we're learning." As example, he noted that National PTA, with millions of members, wasn't asked to tell Congress about benefits that cable provides to education. National PTA Pres. Kathryn Whitfill indicated that Assn. probably would have helped, noting that cable has been more responsive than broadcast networks in helping with education and limiting TV violence. Deputy Education Secy. Madeleine Kunin said govt. role in information highway would be to keep out of way and assure that everyone can afford access, although she said she wasn't sure how to do that.

Competition between cable and telcos could be much closer than many think because each has skills and weaknesses that offset the other, said Brian Oliver, pres. of business development, Bell Atlantic Enterprises. On NCTA panel May 25, Oliver compared industries in 6 areas: (1) Technical. Cable network isn't as complex as telco network, and telcos have Bellcore as resource. Advantage to telcos. (2) Marketing. Neither is particularly strong because both are monopolies, but telcos are "marginally better." (3) Operations. Cable gets nod because of lean staffs and cost structure. Telcos have expensive operations, but need "sense of urgency." (4) Marketing skills were close. Cable's entrepreneurial managers have created good first rank, but industry doesn't have much depth. Telcos are deeper, but "ill-suited to a competitive model." (5) Financial strength also is factor in telcos' favor because industry has reliable cash flow, even with restraint on dividends. (6) Regulatory environment. Telcos are better at managing their regulatory affairs and cable needs to catch up.

Despite talk of 500-channel cable system, there's "remarkably weak correlation" between public's satisfaction with TV programming and number of channels available, according to Times Mirror (TM) survey. Report, based on interviews in Jan.-Feb. with 4,000 middle- and upper-income consumers, revealed that 57% of respondents were satisfied with programming and 40% weren't. Basic cable subscribers were "moderately more" happy with choices than those with only broadcast TV, but by only slim margin, with 16% of cable respondents saying they were very satisfied vs. 10% of broadcast-only. About 50% of premium channel or pay-per-view subscribers were "fairly satisfied" with programming and 23% "were not too satisfied." Report found viewers generally more satisfied with news and sports than with movies and entertainment. Satellite dish owners gave highest marks to programming quality, with 46% saying they were "very satisfied."

Scientific-Atlanta (S-A) will double manufacturing capacity for set-top terminals, fiber and other cable products, it announced at NCTA. Expansion will include 2 new Atlanta-area plants totaling 80,000 sq. ft. scheduled to be in full production by fall. S-A Broadband Group Pres. Gary Trimm cited "explosive" demand for cable equipment for decision to expand. S-A said it expects to add another 250,000 sq. ft. of plant in Atlanta by mid-1995.

Program Notes: N.Y.C.-based Cupid Network TV, owned by Capital Distribution, will launch Sept. 30 on Telstar 302 satellite. Network is adult home shopping channel... **Classic Music Channel** will launch in 1995, said Pres. Peter Brightman, former chmn. of Entertainment Corp. Programming of 24-hour channel is to be classical music, ballet, opera, other forms of music, movie soundtracks... **World African Network** will launch simultaneously in Africa and U.S., Chmn. Eugene Jackson said... Turner Bcstg. signed carriage deals with National Cable TV Co-op involving CNN, Headline News, Turner Classic Movies... **National Access TV** said it signed carriage deals with Cablevision Systems, Time Warner, Viacom and others for total of 1.5 million cable homes... Two new networks with "health" in their names are aiming for startup. Joining original Cable Health Club launched last year by Family Channel are newcomers **The Health Channel** and **America's Health Network**, each hoping to start next year. Cable Health Club, concentrates on fitness and exercise, with workout programs filling much of schedule. America's Health Network features call-in shows with physicians along with extensive 800 number audiotext system when lines are busy... **History Channel** launches Jan. 1... **Talk Channel** launches Oct. 1... Miami-based **TeleCompras**, Spanish-language shopping network, will launch in fall.

Although disappointed that HDTV was in little if any evidence on show floor, Craig Tanner, of CableLabs Vp-Advanced TV Projects, said Labs and about 20 companies were to submit proposal by June 30 to Pentagon's Advanced Research Projects Agency (ARPA). They seek \$5-million grant toward staging HDTV demonstrations during 1996 Summer Olympics in Atlanta. He said proponents would establish satellite and cable links to 12-24 viewing sites. Tanner said onset of HDTV is "something that's going to surprise the cable industry a bit," with standard possible by end of next year, "which puts it fundamentally ahead of many interactive services" that were capturing spotlight at NCTA. At same technology briefing for media, Wendell Bailey, NCTA Vp-Science & Technology, said cable and consumer electronics industries probably would go down to wire in negotiating final points of cable-TV interface. "If you say there are 100 technical details to be discussed, you can assume 97 have been settled," he said, but he cautioned that "we will need every minute" to hash out remaining steps to meet FCC's early-Aug. deadline.

Prodigy said it had reached agreement to be offered over Media General (MG) system in Fairfax, Va., with 209,000 subscribers. Executives said announcement showed commitment to use cable as distribution medium, which they said had more potential than telephone lines to enhance service. Prodigy Exec. Vp Scott Kurnit said: "Cable is our future. Cable is where we want to go in terms of distribution." He said addition of MG gives Prodigy access to 500,000 cable subscribers on networks capable of 2-way traffic. MG Senior Vp Donald Mathison said 60% of his subscribers have PCs. Prodigy also will host on-line service for cable industry that will allow communications among trade groups such as NCTA, CTAM.

NATPE*Net changes its name June 1 to Entertainment Communications Network (ECN) "to better convey the company's evolved role as the communications network for the entertainment industry." New ECN clients include Saatchi & Saatchi, Ad Council, BDA International, Club Med Resorts, Promax.

IT Network plans to launch interactive trial in Denver in fall for 300 homes in TCI's 126,002-subscriber system there. Company said it first will offer educational applications.

Cable still "has a long way to go" in eliminating violence in programming, even with its "Voices Against Violence" campaign and agreement for monitoring, said William Abbott, head of National Federation to Improve TV. Speaking on panel at NCTA convention May 22, he praised cable for having "leapfrogged over broadcasters" in establishing monitoring and rating system, but said there were "still a lot of holes" to be filled. For example, he said, USA Network ran week of "Rambo" movies, while broadcasters also were carrying violent movies. In discussion with Showtime Chmn. Winston Cox, who said some Japanese TV is more violent than U.S., Abbott said 2 countries show different types of violence --in Japan, bad guys tended to use more violence and ended up suffering for it, while in U.S. good guys use violent means. Cox said that despite programs he has helped start, there still was feeling that industry was scapegoat for politicians who weren't addressing other societal problems that lead to violence. Big change, Cox said, is that new monitoring program will try to put violent incidents into context, instead of simply counting them, as studies have done in past. He said it's "very dicey and scary" when govt. tries to regulate speech. MPAA Vp Matt Gerson said ratings that work best are those that industry adopts voluntarily.

FCC said it will conduct first spectrum auctions in July for narrowband PCS and Interactive Video & Data Service (IVDS) licenses, although they will involve only small proportion of licenses available. Narrowband auctions will be limited to 10 nationwide licenses, with more than 3,500 smaller license areas sold off later. It also will auction 600 of 1,400 IVDS licenses, with dates not set yet for selling rest of spectrum, including licenses for broadband PCS. Narrowband PCS auctions will be held July 25-27, IVDS July 28-29, in Omni Shoreham Hotel, Washington. Potential bidders will be required to register July 24 for narrowband, July 27 for IVDS. Auctions will be run by outside contractor Tradewinds International, which has conducted auctions for Resolution Trust Corp. FCC will hold information seminars June 6 at Kalorama Studios, 16th and Kalorama Sts. NW, Washington to explain procedures. Seminars will be 9 a.m. for narrowband PCS, 2 p.m. for IVDS, with satellite links planned for out-of-town participants. Bidding packets can be ordered by calling 202-637-3221.

Technology Notes: EDS will provide data processing services to Galaxy Cablevision under new 9-year deal. Services includes EDS's new INFOplus transaction-based subscriber management information system... **Liberty Media** and **Reuters** will launch digital multimedia for schools and homes under letter of intent. Venture will be called **Ingenius**... **Group W** said it was doubling size of transmission control center at earth station in Stamford, Conn., with expansion to be completed in July... **Philips** will be principal supplier of core distribution electronics for **Telecom Australia**, which is building Australia's \$700-million version of information highway. Philips contract, valued at \$100 million over 5 years, includes 750-MHz 2-way cable equipment.

Toronto-based MuchMusic has teamed with **Rainbow Programming Services** to launch its avant garde music video service in U.S. in summer. **DirecTV** DBS package will include channel, as will some Cablevision cable systems. Channel programming is more international in character than MTV, and Pres. Moses Znaimer said Canadian flavor would be added viewing "inducement" rather than turnoff for younger viewers with more global cultural view. He said MuchMusic already is "secret affection" in U.S. for C-band dish owners (feed has been unscrambled), critics, record companies.

FCC must act to provide "real incentives" for cable operators to carry new programming channels, FCC Comr. Quello said in opening speech at NCTA retransmission consent session. Citing our story about 125 new channels seeking to obtain carriage (TVD May 24 p1), he said "this is the kind of diversity that I think Congress intended," but warned of difficulties they were likely to meet in getting carriage: "I believe the Commission should be exceedingly careful not to pile regulatory difficulties on top of marketplace difficulties..." Quello said he would urge other commissioners to act on petitions for reconsideration to provide incentives "by midsummer at the latest." Agency also must act promptly to resolve productivity offsets, which reduce amount that cable operators can raise rates to offset inflation based on assumptions of increased productivity. "I have serious concerns about imposing a productivity offset on an already beleaguered cable industry," Quello said. He said investment bankers have told him that they wouldn't lend money to cable as long as productivity offsets were in prospect. He also said that (1) he would push for further relief for small cable systems, (2) cable operators should be able to deduct all accumulated startup costs in cost-of-service proceedings, not only costs for first 2 years, and (3) it's "time for a positive outlook on cable by the FCC."

KHWY Inc., licensee of 3 FM stations in Yermo, Mountain Pass and Essex, Cal., has asked FCC to deny pending assignment of KGXY(FM) Lenwood and KBXY(FM) Baker, Cal., to broker-group owner James Gammon on ground that record owners of stations "were mere fronts for Gammon." Owners of record, Jonathan Stephenson and Althea Bauers, appear to agree with filing, saying that Gammon financed applications and construction of stations. Both were employees of Gammons, have resigned since KHWY Inc. filed its opposition and have submitted affidavits to FCC supporting KHWY's allegations. Stephenson and Bauers said Gammon urged them to file applications for stations, and they had signed document agreeing to sell stations back to Gammon, who already owned FMs in Lenwood and Baker, and that application is pending at FCC. Sale price was \$2,970.81 -- "by any standard... too low to have been agreed to by arm's-length negotiations," said KHWY Inc.

New FCC Comr. Susan Ness will be sworn in formally at 3 p.m. June 3, Comr. Rachelle Chong June 6 at 2:30 p.m. U.S. Supreme Court Justice Ruth Ginsburg will preside at ceremonies, to be held in U.S. Capitol building, with swearing-in closed to press. Ness and Chong were sworn in informally May 23 by FCC Chmn. Hundt. Chong's staff includes Senior Adviser Jane Mago, who moves from FCC asst. gen. counsel; Legal Adviser Richard Welch, who has been FCC staff attorney; Confidential Asst. Angela Wu, former account representative for Mead Data Central, San Francisco; Special Adviser Jill Luckett, ex-legislative dir. to Sen. Packwood (R-Ore.). Ness appointed Donna Stapleton to manage office as confidential asst. Stapleton was exec. asst. at law firm Weil, Gotshal & Manges. Ness also named as interim legal advisers Gregory Vogt, FCC Tariff Div. chief, and Rosalind Allen, Private Radio Bureau Rules Branch chief.

C-Cor, which just began work on 80,000-sq.-ft. expansion of manufacturing facility, may need even more space next year because of rapid growth in cable orders, Chmn. Richard Perry said. C-Cor's order backlog is "largest in history," he said, and manufacturing staff is working 3 shifts. "Right now, cable is the best market to be in," Perry said. At show, C-Cor introduced new family of 750-MHz AM fiber equipment, with first shipments set for Aug. 1, as well as 10-bit video encoder/decoder.

Target audience for interactive TV is most enthusiastic about gaining control of its viewing, but also is concerned about loss of security and privacy for transactional data. Those are among conclusions reached by Hewlett-Packard (HP) in 4,000-person survey, portions of which were discussed during "Infomart" session at NCTA convention that drew about 200 people, far outstripping capacity of room. Insecurity about loss of privacy is "a huge, big deal" to potential users, said Laurie Frick, mktg. mgr.-HP Interactive TV Appliances. Research defined universe of 37 million potential households for interactive TV, topped by 14 million classic early adopters and those who see interactive services as time savers. Other top concerns about interactive TV: Potential for excessive viewing and excessive spending via shopping services. Frick, despite HP's heritage in computer business, said data showed that interactivity breakthrough for consumer market "will come through the TV," saying respondents "had a connection with their heart and gut to the TV, with their brain to a computer."

It's "about time that corporate America got smart" and used minority entrepreneurs to help them enlarge their businesses, John Winston, dir. of FCC Office of Small Business Activities, said at awards breakfast of National Assn. of Minorities in Cable (NAMIC) last week. At session held in conjunction with NCTA, Winston said: "There is only one color to be reckoned with... and that color is green." He described himself as "little guy's mouthpiece" at Commission who preaches "self-examination" as key to minority advancement. He called for corporations to use "internal employee leveraging," taking advantage of minority staff members' knowledge of minority marketplace to reach new consumers. He also said FCC would take "strong action" to weed out "profiteers" trying to take advantage of minority preferences in Commission licensing. NAMIC gave its Lifetime Achievement Award to Curtis Symonds, exec. vp-affiliate sales, BET, and COO of BET Action Pay Per View. Friends of NAMIC Award Winners: Jones Intercable CEO Glenn Jones and Time Warner Cable.

Advertisers should provide \$100 million annually for development of quality children's programming, head of Carnegie Foundation for the Advancement of Teaching said at recent school preparedness conference co-organized by APTS. Ernest Boyer asked rhetorically whether it was "unthinkable to suggest that just 5% of the \$2 billion combined advertising budgets of just several of the companies who manufacture and market children's products should be set aside to support ready-to-learn [RTL] programming for our children?" Conferees, including leaders of public, network and cable TV, hope to have plan promoting RTL completed by FCC's June 28 hearing on children's TV. Two-day conference was funded by Pew Charitable Trusts, CPB, AT&T Foundation.

Continental signed first major overseas deal, agreeing to explore entering broadband service in Australia with Australian long distance firm Optus Communications. Services could include cable, local telephony, intelligent networks, video-on-demand. Telecom Australia recently signed deal with AT&T to supply equipment for similar network.

CPB project to coordinate TV programs against youth violence will open central office in Washington July 1. Public TV Outreach Alliance, Nitty Gritty Cities Group and Bill Moyers' Public Affairs TV will help produce specials on youth violence and other educational programming, they said. Cheryl Head, senior vp, WETA-TV Washington, will head project funded by \$200,000 CPB grant.

Personals

James Waterbury, pres., Black Hawk Div. of American Family Best. Group, reelected chmn., NBC TV affiliates board. Also elected: Vice Chmn. Kenneth Elkins, Pulitzer Bestg.; Vice Chmn. Patricia Smullin, Cal.-Ore. Bestg.; Secy.-Treas. Jack Connors, WICS Springfield, Ill.; Dir. John Howell, WPXI Pittsburgh.

Sharon Rockefeller resigns as WETA-TV Washington pres.-CEO, citing lasting effects of 1993 auto accident... **Matt James**, ex-WPDE-TV Florence, S.C., named news dir., KTVE Monroe-El Dorado, La... **David Muscari** advanced to dir.-creative services, WFAA-TV Dallas... Promotions at KRON-TV San Francisco: **Craig Porter** to chief engineer, **Leslie Smith** to research dir., **Jenny Hubbel** to mgr.-human resources... **Fran Perdisatt** advanced to gen. sales mgr., WLVI-TV Boston... **Stephen Friedman** promoted to central region mgr., 20th Domestic TV, Chicago.

Albert Shuldiner, ex-Nixon, Hargrave, Devans & Doyle, Washington office, joins Information Industry Assn. as asst. gen. counsel... **Vans Stevenson** promoted to vp-state legislation, MPAA... **Stephen Stim**, former head of legal and business affairs, Arts & Entertainment, establishes N.Y.C. legal and business firm, Stim Consulting Services.

John Rollwagen, ex-Cray Research chmn.-CEO, named senior consultant-strategic partnerships and elected to board, BroadBand Technologies... **Jerome Clark** advanced to vp-finance, MCA TV Group... **Bob Thompson** promoted to group vp, Liberty Sports... **Sal Tofano** advanced to N.Y. sales mgr., Group W Sports Mktg... FCC Chmn. **Hundt** will address Museum of TV & Radio Roundtable, June 14, 8:30 a.m., 25 W. 52nd St., N.Y.C., and will keynote 1994 Wireless Cable Assn. convention, June 22, Las Vegas Hilton.

Edward Romano promoted to exec. vp-chief financial officer, Warner Bros., succeeding **Ralph Peterson**, retired... **Brian Watson**, ex-Walt Disney World Corp., joins Time Warner Cable Full Service Network as dir.-consumer mktg... **Mark Bozek**, QVC, moves to Q2 as senior vp-programming and best. operations... **Gary Epstein**, partner in Latham & Watkins, named to FCC Advisory Committee for 1995 World Radiocommunication Conference... **Gail Giblin**, ex-legislative dir. for Rep. **Fields** (R-Tex.), joins Turner Bestg. Washington office as asst. vp, succeeded by **Christy Strawman**; **Giblin** replaces **Peggy Binzel** who becomes vp for govt. affairs at Fox Washington office.

OBITUARY

John H. Mullaney, 73, communications consulting engineer who also was attorney, died May 18 at Suburban Hospital, Washington, following stroke. He was EE graduate of Armed Forces Institute at U. of Colo., served in Air Force in World War II and Korean War, was awarded Bronze Star and Purple Heart. After WW II, he formed engineering firm John H. Mullaney & Assoc., later Multronics Inc., which manufactured AM equipment and antennas for military. In 1970, he sold business to do independent consulting. Wife, 8 children survive.

Compton's NewMedia (CNM) signed "charter programmer" agreement with IT Network for development of several CNM products for interactive TV delivery on IT's Interactive Channel. Deal includes Compton's Interactive Encyclopedia. Compton's titles are being included in IT's test with Sammons in Denton, Tex.

TELEVISION DIGEST

With Consumer Electronics

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EDITORIAL & BUSINESS HEADQUARTERS

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

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276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001
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Cindy Spielvogel Associate Editor

CONTRIBUTING EDITOR, EUROPE

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

JAPANESE REPRESENTATIVE

Editorial and Circulation
CES International Corp.
1-18-2 Nishi Shinbashi, Minato-ku
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Transactions: Charter Communications and LEB
Communications jointly bought cable systems with 101,000
subscribers in Ala., Ga. and La. from McDonald Group,
broker CEA reported. Terms weren't disclosed... **American**
Telecasting is buying wireless cable systems from
Multimedia with 32,000 subscribers in 5 markets for \$105
million. Systems are in Casey, Ill., Lakeland, Fla., Las
Vegas, Oklahoma City, Wichita.

Cable operators can move Disney from pay service to
regulated tiers, under contracts in place at least since March
30, 1993, FCC Cable Bureau Acting Chief Kathleen Wallman
said in letter. She said decision was similar to that granted
week earlier to fX. She sent similar letter approving launch
of NBC's America's Talking on July 4.

Adelphia will increase ownership in Tele-Media
Investment Partnership L.P., which owns or manages cable
systems with 330,000 subscribers, under new letter of
intent. Companies didn't provide details, indicated deal
would give Adelphia "significant" equity.

NAB is offering special report on convergence and
electronic superhighway, \$395 for members, \$1,795 for
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Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for first 2 weeks of May and year to date:

	MAY 7-13	1993 WEEK	% CHANGE	APR. 30- MAY 6	19 WEEKS 1994	19 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	311,046*	247,887	+25.5	242,831	7,867,742*	7,523,296	+ 4.6
DIRECT-VIEW..	306,670*	245,523	+24.9	236,350	7,704,458*	7,404,614	+ 4.0
TV ONLY.....	281,444	228,404	+23.2	211,384	7,120,260*	7,008,437	+ 1.6
TV/VCR COMBO	25,226*	17,119	+47.4	24,966*	584,189*	396,177	+47.5
PROJECTION...	4,376	2,364	+85.1	6,471*	158,908*	116,318	+36.6
VCR DECKS.....	106,198	115,804	- 8.3	143,732	3,635,228	3,597,971	+ 1.0
CAMCORDERS.....	41,507*	33,713	+23.1	53,878	927,147*	860,434	+ 7.8
LASERDISC PLYRS	3,500	2,964 ^r	+18.1	4,838	91,131	85,018 ^r	+ 7.2

Direct-view TV 5-week average: 1994--406,043*; 1993--360,244 (up 12.7%).

VCR deck 5-week average: 1994--191,153; 1993--182,775 (up 5.1%).

Camcorder 5-week average: 1994--58,099; 1993--58,972* (down 1.5%).

* Record for period. ^r Revised to include players with karaoke features.

GI TO ENTER CE WITH MODULAR TV SYSTEM: Working through retail channels, General Instrument (GI) plans to offer revolutionary "open architecture" component TV system to public in 9-12 months. System is updated version of "Joey," which was floated as "concept" last year in quite different form (TVD June 21 p17, May 24/93 p12).

Joey is designed to be consumer-owned and upgraded "to meet the rapid changes affecting the consumer electronics industry," said Pres. Hal Krisbergh of GI Communications Div. "The era of modular TV is quickly approaching and we expect it will revolutionize the video industry in the same way modularity revolutionized the audio industry," he said.

Joey itself, as demonstrated in prototype at NCTA convention last week in New Orleans, is basically box of generic components, including tuner, signal processor, interface for IR remote and possibly such user features as on-screen display and picture-in-picture, depending on model selected, said John Burke, GI dir. of new product development. To basic Joey component, GI said, user would add TV monitor of size and style desired, audio equipment plus other accessories and components as they become available or are desired, thus preventing obsolescence inherent in purchasing all-in-one TV receiver.

In addition to components that consumer could buy, Joey would accommodate variety of inputs that presumably would be rented by cable company, broadband carrier or other service supplier. These would include descrambler for pay cable, and eventually decompression device for digital signals. There also would be "inputs for stereo TV reception, data, telephony and interactivity," Krisbergh said. Burke said GI's Lynx multimedia module would be among plug-ins for interactive broadband services, and eventually consumers could buy such equipment as printers and keyboards.

While GI will offer own-brand Joey box and peripherals at retail, Burke said company isn't patenting system, which will be completely generic, and is inviting other consumer electronics manufacturers to introduce own versions of basic box and peripherals. GI is talking with CE manufacturers about utilizing their display technology in manufacturing monitors for system, he said. He estimated basic Joey box would retail at \$300-\$500, depending on features. If that figure doesn't come down under normal price attrition, there could be problem, since that's about same as current street price for complete 25-27" TV -- and Joey box excludes 2 costliest items in TV set -- tube and cabinet.

Prototype shown at NCTA was built jointly by GI and Motorola, latter supplying signal processing technology. At week's end, Motorola officials couldn't be contacted to determine whether they also planned

to enter modular TV (Motorola was pioneer in TV manufacture, but sold its TV business to Matsushita in 1974). Burke said retail outlets and manufacturing details hadn't been finalized.

Joey II is long leap from original Joey, proposed before FCC began its cable/CE interface rulemaking. As originally envisioned, Joey was described as "TV-ready" cable box, containing all the guts of TV set, to be plugged into slot in cabinet containing picture tube and receptacle. At that time, Krisbergh said it would eliminate "the unnecessary features of a TV set -- such as... tuners, tiny speakers and picture-in-picture" and envisioned add-on features as including parental lockout, timer, remote control, computer generated program guides, etc. At that time it was generally assumed that GI intended that cable systems would supply most of those features, as well as TV-ready cable box itself, to owners of picture tube cabinets. That approach now is outlawed by FCC's new compatibility rules (TVD May 9 p11), which Burke said are completely met by new approach.

New Joey concept "has met with enthusiastic response from consumer electronics manufacturers and government regulators," Krisbergh said in news release. However, AP dispatch quoted GI Technology Vp Jeff Roman as saying CE manufacturers' reaction "has ranged from considerable excitement to apprehension."

Last year's original Joey was scheduled for display at 1993 NCTA convention, but it never showed up, presumably partly due to adverse reaction of CE industry at time of delicate negotiations with cable industries over compatibility. Then, GI spokesman dismissed Joey as mere "concept" and called earlier publicity "premature." EIA Staff Vp Gary Shapiro then called Joey "a trial balloon which exploded."

New Joey is different story, however, Shapiro told us last week: "We always recognize new product ideas, and people with new ideas should be encouraged to try them out in the market. If they are planning to go through the traditional retail market and work with brand-name manufacturers, it's terrific. This Joey we can adopt, [but] the last Joey wasn't our pal." Shapiro noted, however, that current trends -- such as TV/VCR combinations -- seemed to be working in direction opposite from component approach. In between Joey I and Joey II, GI joined EIA Consumer Electronics Group.

TCE HAILS OWN GAINS, DEPLORES PRICE WAR: While forecasting "solid profit" for Thomson Consumer Electronics (TCE) Americas operation this year (TVD May 23 p17), a top official expressed concern about renewed price erosion in color TV and necessity to infuse innovation and excitement to keep mature products from becoming commodities.

Color TV pricing in 1994 is "more fierce than in 1993 despite a clear shortage of product," said James Meyer, senior vp, product management, in talk to journalists attending dedication of company's new American hq and product preview in Indianapolis. He cited "horrific" competition for market share, particularly in 19", 25" and 27". Nevertheless, he said, TCE is "making a profit in color TV." He forecast success "will be driven more by dollar share than unit share," and said that would be focus of TCE's efforts in future.

Corollary to price erosion is problem of "maturation" of products such as color TV and VCRs, he said, adding that TCE will focus on "reinvigorating" those products and "investing heavily in our brands and new technology -- you will see a lot more over the next 6 months." While TCE's TV lines for 1994 show only evolutionary changes after major changeover in 1993, company this year will focus on "redesign of high-end RCA and ProScan models," while intensifying thrust in custom home theater, which is "clearly a profit opportunity." (Highlights of RCA line are elsewhere in this issue).

Elaborating on Meyer's statement that TCE "improved market share in every product line," Exec. Vp Joseph Clayton cited "spectacular success" in RCA brand products over last 12 months, including more than 2-point gain in color TV in 1994. However, he conceded company lost 0.3% in 1993 in total color share "because we did not aggressively pursue the low-end, low-margin 13-inch, 20-inch and the private label business." He said RCA's share of 30" and above direct-view category rose 4 share points in 1993 and VCR was up 2 points last year and 4 points so far this year. In camcorders, RCA claims it passed Panasonic last year and now is No. 2 behind Sony; Clayton said brand has gained another 4 points so far this year. TCE claims to have leapfrogged Philips and Mitsubishi in last quarter of 1993 to become leader in projection TV.

In TV/VCR combinations, Meyer said TCE went "from zero to double-digit market share in one year" after entering category in 1993. As for audio, "we are not technology leaders [but] do well in product lines which reach high-volume penetration. Our audio sales will increase 20% in 1994." He said demand for RCA and GE audio products "far exceeds our capacity" and substantial expansion is in progress. As for

communication products -- phones, answering machines, etc. -- TCE now is "No. 2 behind AT&T" and targets 10% increase for 1994 in what is "our most profitable line." He said TCE will "start using the RCA brand on sophisticated telecommunication products" over next 18 months. He described accessories as "a shining star," TCE's business growing from under \$10 million in 1992 to "approach \$100 million" this year.

In Q&A session, Meyer gave TCE's thoughts on variety of subjects: Videogames -- "all the money is made by software providers, not hardware manufacturers. There's nothing now to make us go in." TCE has "no interest in CD-I, and "if we help build a new [multimedia] format we plan to participate in software as well as hardware."

Video CD -- it "has no future today, the picture is not good enough." Widescreen 16:9 TV -- selling "as we expected," at about 5,000 per year. "It will not be a failure in the U.S. market... It could rejuvenate TV." Hollywood should help because it "needs a new source of revenue." MiniDisc -- "We source our machine. Our strategy is not to be a leader in emerging audio businesses" but to use power of TCE's distribution for mass market when technologies mature. Joint project with IBM -- companies are working "on a variety of items." No products have been finalized, "but we have developed some prototypes," including such products as interactive home theater.

Digital Satellite System (DSS) -- "We recently turned over a technical package to Sony," which will be 2nd manufacturer of DSS receiving equipment. Despite its published disclaimers, Matsushita is "real interested... We have had calls from all Japanese and Korean [consumer electronics] companies. Another licensee will be announced, but that's at least 3 months away." As for new DSS products, TV/DSS combo is "a natural when we can devote resources to it."

RCA and GE brands are becoming more international since Asian product managing, marketing and sales were placed under Clayton (TVD Sept 13 p14). He reported that Asian sales revenues were up 40% in last 4 months of 1993 and that TCE's market share in Singapore doubled in one year to nearly 10%. GE brand will be used in Australia and New Zealand, RCA in NTSC countries -- Taiwan, Philippines, Korea "and perhaps one day in Japan" -- with Thomson brand in most PAL countries, including India, Indonesia, Thailand, Malaysia, Vietnam, Hong Kong, Singapore.

Clayton summed up philosophy of TCE Americas at dedication of new 2-building administration hq and technical center in suburb of Indianapolis that once was farmland when he said leadership in consumer electronics is centered "not in the rice fields of Asia, but here in the corn fields of Indiana."

JAPAN FINANCIALS SHOW SIGNS OF IMPROVEMENT: Although JVC experienced 3rd consecutive year of loss, consolidated figures for most Japanese electronics companies in fiscal year ended in March indicated that worst is over, with sales declines stemmed by some companies and profit slippage at lower rate than in preceding 2 years.

Consumer electronics continued to be drag on sales and earnings, particularly on domestic Japanese front, but overseas results showed improvement, particularly U.S. market -- Sharp even reported 16.5% increase in sales of U.S. subsidiary Sharp Electronics, contributing to worldwide record consolidated sales of Japanese company.

Reasons for sudden resignation May 20 of JVC Pres. Takuro Bojo and naming of a Matsushita dir. as his successor (TVD May 23 p15) came into sharper focus last week when JVC reported net loss of \$190.2 million on 6% sales decline to \$7.05 billion for year to March 31 (dollar amounts converted at \$1 = 103 yen rate at end of fiscal year).

In yen terms, net loss of 19.59 billion was 54% improvement from 43.07 billion net loss posted year earlier. Video equipment sales (accounting for 34% of total) declined 7% to \$2.38 billion, while audio sales (19% of total) fell 2% to \$1.35 billion, TV sales (16%) rose 1% to \$1.14 billion and information-related equipment and other sales (13%) dipped 1% to \$917.4 million. Entertainment revenues (18%) fell 14% to \$1.26 billion.

Overseas sales slipped 3% to \$3.73 billion, but accounted for 53% of total (up from 52% in preceding year) because Japanese revenues fell 8% to \$3.32 billion. While parent Matsushita said week earlier that it saw "a few recent signs" of upturn in Japanese economy, JVC said Japanese recession "isn't showing any signs of ending." It said it has "intensified its efforts to return to profitability and a normal operational

environment by increasing sales efforts and cultivating new markets with the introduction of attractive products."

For year ahead, company forecasts return to profitability on 3% increase in consolidated sales. JVC said "a return to full-scale business expansion will take some time," despite prospects for "gradual economic recovery" spurred by Japanese govt. stimulus packages, including income tax reductions. "Under these unfavorable circumstances, JVC is determined to make the utmost effort to restore profitability and strengthen its corporate structure by increasing sales through the creation of new markets, reducing production costs and fixed expenses and utilizing management resources more efficiently."

JVC statement on year-end financial results didn't mention May 20 disclosure that Takeo Shuzui would assume JVC presidency June 29 pending approval of JVC shareholders. But news reports by Nikkei and others didn't shy from speculation that naming a Matsushita dir. to succeed outgoing Pres. Bojo (who will become JVC adviser) foretold scenario in which JVC eventually would be turned into mere production base for Matsushita -- same role played by other Matsushita subsidiaries. After Shuzui becomes pres., Nikkei report said, Matsushita and JVC will strengthen ties by joining hands on R&D and audiovisual production. It quoted Shuzui as saying that "it is important for the 2 companies to exchange technology and components to increase efficiency."

Biographical data furnished by JVC said Tokyo-born Shuzui, 56, began his career at Matsushita in April 1961 after graduation same year from Keiogijyuku U. His first managerial duties listed were as head of sales for car air conditioners starting in 1981. He became managing dir. for Matsushita Electric in Taiwan in Feb. 1988, moving 4 years later to dir., Corporate Management Div., for Asia, Oceania, Middle East. Shuzui last served as a Matsushita dir. for operations in China.

* * * * *

Sharp squeaked to sales record on 0.8% increase in yen to 14.61 billion, crediting 35% increase in LCD production, area in which it claims 43% of world market, and "quadrupled worldwide sales" of ViewCam as well as increased production of flash memory chips. While Sharp's net income rose 7.4%, pretax profit dropped 4.4%. Overseas sales were down 2.3%, TV and video sales 6.7%, audio and communication 1.5%. home appliances 3.5% and office and industrial equipment 3.6%, but component sales were up 19%. Sharp Electronics, U.S. subsidiary, reported record \$2.81 billion sales in fiscal year, up 16.5% and "exceeding projections by approximately \$100 million." U.S. operation has goal of more than \$3 billion sales in current fiscal year.

Toshiba cited 8% "decline in the results of consumer electronics" in reporting essentially flat consolidated sales, with pretax income up 5%, net down 41%. Japan's economy "remained sluggish," company said, with Europe showing "few signs of recovery" but "buoyant" Southeast Asian sales and "gradual recovery" in U.S. Report gave few details on consumer electronics market, which represented 28.4% of its sales, but noted color picture tube sales in Japan were low.

Mitsubishi Electric consumer product sales dropped 12% and accounted for 29.8% of its total sales. Net sales were down 5%, operating profit 1.9%, pretax profit 10%, net income 7%. NEC returned to profitability after loss in preceding fiscal year, but its consumer electronics operation lost \$84.5 million, still a 48% improvement over preceding year's loss. Fujitsu Car Audio Div. reported 11% decline in sales, largely due to slump in Japan's domestic car market.

Pioneer said sales declined 13.5%, pretax income 66.6%, net income 39.1%. Overseas sales, which accounted for 62% of total, fell 13.9%. Audio sales dropped 20.2% to \$1.3 billion, video equipment sales 7.3% to \$1.67 billion, car products 14.4% to \$1.65 billion, other products 11.3% to \$329 million.

TDK reported 13.1% decline in consolidated net sales for fiscal year. Operating profit fell 54.7%, pretax income 46.8%, net income 70.2%. Sales of recording media were down 17.9% to \$1.34 billion and electronic materials and components dropped 10.9% to \$3.1 billion. Company blamed lower sales and earnings on yen's rapid appreciation, sluggish hard disc market, lower videotape prices. It estimated that stronger yen reduced sales \$430 million and pretax earnings \$109 million.

TDK said maturation in world tape markets and "depressed sales prices" were to blame for declining recording media sales and profits. Overseas sales suffered 13.7% decline to \$2.3 billion, falling to 52.6% share of total sales from year earlier record high of 53%. TDK said it "continued to take aggressive steps to deal with the yen's rise," including expansion of Asian production and launching of full-scale audio tape production in Thailand. Decline in overseas revenues was blamed on lower sales of magnetic heads for

computer hard drives at TDK Hong Kong subsidiary. Company also said "the prolonged slump in Europe produced a highly unfavorable environment for recording media."

Videogame giants Sega and Nintendo suffered rocky road in last fiscal year, former reporting decline in profits for first time ever and latter experiencing dip in sales and profits for first time in 2 decades (see separate report in this issue).

SAMSUNG GETTING CONTROL OF LUX: Korean mass-market leader Samsung will gain position in international high-end audio market with its investment of 2.5 billion yen (\$24 million) to purchase Alpine's 51% ownership in Japanese manufacturer Lux Corp. Expected to be completed in Sept., pending Korean govt. approval, deal will be first purchase of a Tokyo Stock Exchange listed firm by a Korean company.

Alpine has agreed to sell 163 shares of Lux stock to Samsung. Lux posted \$10 million in sales in fiscal year ended March 31 and had total debt of 2.5 billion yen, same amount as reported Samsung investment. Executives of Luxman, Lux's U.S. arm, as well as Samsung in U.S. and Lux in Japan, indicated there would be no change in distribution of Luxman brand here.

Last June, Alpine announced distribution pact for U.S., effective Jan. 1, with Canton N. America. Last week, Canton Pres. Steven Teachout released statement describing Samsung's impending purchase of Lux shares as "mutually beneficial" to both companies. Samsung's U.S. subsidiary quoted Mktg. Vp John Garrison as saying acquisition "represents an extraordinary opportunity for Samsung because Lux is an established brand name in audio and audio/video. We expect 1995 to be a very exciting year for Samsung audio."

Alpine spokesman in Japan said his company in last 2 years had intensified search for buyer because Lux was in "critical" danger of being delisted on major Japanese stock exchanges if it didn't succeed in erasing massive deficit by March 1995. Japanese news reports said Lux posted cumulative deficit of 3 billion yen (about \$29 million) in April.

Spokesman said Alpine didn't want to infuse further capital into Lux because of need to invest limited resources in its specialty market of mobile electronics. Alpine purchased Lux shares in 1980, having previously supplied OEM products and component parts for Luxman brand. Alpine spokesman said his company's understanding is that Samsung will take "hands-off" approach to Lux and plans few if any changes in Lux management once deal is completed.

Spokesman also said Alpine was led to believe there would be no short-term change in Luxman's U.S. operations, including distribution agreement with Canton, but he wouldn't speculate about future. He said Samsung lacks hi-fi distribution role in U.S. Comments by Alpine spokesman were echoed by his counterpart at Lux, who indicated no changes were anticipated in Luxman's U.S. operations.

Clarification: Analog and hybrid digital set-top decoders from Compression Labs, Philips and Zenith coalition will be available for commercial application by year-end, at retail within 3-5 years. While system can be built to GI's Digicipher standard, it's based largely on MPEG-2. Technology is expected to be built into digital TVs and VCRs by 1996-1997. Companies will build hardware, but most ICs will be sourced.

SEGA, NINTENDO PROFITS HIT: Same factors cited by other Japanese consumer electronics companies -- sharp appreciation of yen and softness of Japanese and European markets -- hit sales and profits for videogame kingpins Nintendo and Sega in fiscal year ended in March.

Sega Enterprises said consolidated sales rose less than 1% to \$4.02 billion. Operating profit dropped 61.2% to \$229 million, pretax profit was off 22.3% to \$208 million, net income down 63.5% to \$108 million. Company said that while U.S. sales were strong, European demand lagged.

It forecast minuscule sales gain in current year to \$4.04 billion, with pretax profit and net income more than doubling to \$423 million and \$231 million, respectively. Efforts to shore up bottom line include moving some software manufacturing to overseas markets to counteract yen appreciation.

Nintendo Ltd. said consolidated sales plunged 24% in fiscal year to \$4.7 billion at current rate, with pretax profit off 44% to \$892 million. Company said it suffered currency exchange loss of more than \$190 million. Financial Times quoted Chmn. Hiroshi Yamauchi as saying strength of yen had such damaging effect on overseas business that he would love to pull out of foreign markets. However, more than 70% of company's unit sales of SNES came from outside Japan last year, as example.

Results came in slightly below forecasts company had issued at end of March, when it projected consolidated sales of \$4.81 billion, with pretax profit of \$1.16 billion.

Voice Powered Technology (VPT) has sold more than \$18 million in VCR Voice programmers since debut in July 1992, it said in annual report. In 1993, VPT sold 188,000 programmers worth \$16 million, company said, and 2nd product, Voice Organizer, had \$800,000 in sales from Oct. 1 to year-end. VPT is designing voice-operated pager, fax machine and wall oven for OEM sales. Oven, developed for "major American appliance manufacturer," cooks food using commands such as "roast beef, 7 pounds, rare." Voice Wand, which allows user to select channel by saying station's name, has been licensed to Turkey's Bekoteknik Sanayi and China's Kong Wah for packaging with TV sets in their domestic markets. In 1993, VPT spent \$8.6 million promoting products, including \$3.4 million in TV ads, \$1.6 million on infomercials.

Plasma display measuring 20" diagonally will be sold by Fujitsu in Japan starting this week at sample price of about \$7,500. Fujitsu said monitor weighs about half as much as 20" CRT, is 25% as thick and has same 140-degree viewing angle.

THIS WEEK'S YEN RATE

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

RCA PUSHES HOME THEATER: RCA brand is making bigger push into various aspects of profitable home theater business. Custom Home Theatre Mgr. Gary Turner said at Indianapolis product preview that company plans to add 120-160 new retail outlets for in-wall systems this year.

Custom line contains 10 different systems -- 5 built-ins and 5 furniture models in screen sizes from 27" to 60" including features from videodisc players to Digital Satellite System (DSS) receivers. Several retailers, furniture and electronics specialists, are expected to open 10,000-sq.-ft. exclusive "Home Theatre Stores" featuring RCA products, some including DSS hardware and software, TCE said.

Custom market alone generates \$500 million annually at retail, with growth in 1994 projected at 30%, TCE said, predicting that 50% of new homes would have home theaters in 3 years. Some 30 builder distributors representing 80% of potential in-wall market now handle RCA equipment, along with 2 major furniture makers with more than 400 retail outlets.

Furniture systems, using case goods of Great American Oak, Ladd Cos. and Drexel Heritage, reportedly return up to 50% margin to retailers. In-wall systems sell for \$5,000-\$10,000 installed, furniture systems \$1,150-\$17,000. RCA showed line of home theater audio products, including 2 receivers, power amp, speakers.

In RCA Home Theatre line -- separate from furniture and built-ins -- featured products are 27" tables at \$699 and \$829 and console at \$1,029, with 31" at \$1,249 and \$1,549, with four 35" models at \$1,899-\$2,499, featuring new cabinet, representing investment of \$1 million. For first time, 35" sets are included in ColorTrak Plus line, as reported last week (TVD May 23 p23); that's extension of RCA "core" line of 9"-27" sets. RCA will add 5" portable later this year.

RCA projection TV line, now billed as "industry's leading seller," has 8 models, 6 of which are in new slimmer cabinets, some with below-screen storage space. All sets are produced in Bloomington. Conventional 46" model is \$2,799, with 52" at \$3,099. Slim series, with cabinet depth of 21.5"-24", starts at \$2,299 for 46", with 52" at \$2,599-\$2,899, 60" at \$3,199. Many of RCA's TV remotes have button for DSS receiver.

VCRs include 4 "exclusive" features -- on-screen setup instruction, "program editor" making possible adjustments to timer programs without starting over, menu control on front panel, remote and "express" timer recording. Of 11 models, 7 are new, including new chassis from Singapore joint venture (with Toshiba) that reduces parts content 30%. Two-head models are \$249 and \$299, 4-head mono at \$299-\$399, hi-fi at \$379-\$399, topped by holdover S-VHS model with VCR Plus cable box control at \$749. TCE sees hi-fi representing 30.6% of VCR market this year (up from 26.1% in 1993), 4-head mono 47.5% (from 45.7%), 2-head mono 21.9% (from 28.1%).

TCE, which claims to be only major company fielding all 3 camcorder formats, predicts 1994 sales of 3.3 million units, with 33% of industry sales VHS-C, 41% 8mm and 26% full-size, VHS-C growing at expense of 8mm. RCA line will feature color viewfinder in top models of each format. VHS-C leader with 1-lux sensitivity and flying erase is \$799, with \$999 and \$1,349 models containing color finders, top model having image stabilization and 20x zoom plus digital zoom to 120x. Full-size models are \$699 and \$899, same prices as two 8mm versions.

RCA introduced 2 new TV/VCR combos, 13" at \$299 and 20" at \$499, forecasting industry unit sales of more than 2 million this year. Company's combinations are assembled by Matsushita subsidiary American Kotobuki in Vancouver, Wash. RCA laserdisc players are \$449 and \$749, latter capable of playing both sides of disc.

MATSUSHITA'S MONITOR/CORDER: Matsushita formally announced its much-awaited entry into monitor camcorder race with model that will go on sale in Japan July 1 but that isn't planned for U.S. introduction.

Combination of S-VHS-C camcorder with 4" color LCD monitor is high-end product that will list at Japanese equivalent of about \$2,000. In addition to monitor it will have electronic viewfinder for focusing on fast-moving subjects and for use when bright sunlight makes it difficult to view monitor image outdoors. Model (NV-LC1) has 20x digital zoom, 580,000-pixel CCD. Weight is 2.4 lb. (3.1 lb. with battery). It's 8.9" wide, 3.25" high, 5.9" deep and can be used as color TV with optional compact TV tuner.

Camcorder features Matsushita-made and -designed LCD, claimed to be brightest and clearest in industry, with resolution of 112,300 pixels. Executive said company waited for its LCD plant to put 4" LCD into production before introducing NV-LC1. First Matsushita LCD is used in recently introduced navigation system, but quantities are small, compared with 20,000 monthly planned for camcorder. Matsushita plans to sell 4" to 10.4" LCDs to other companies starting next year.

Company said it hadn't decided whether to sell monitor camcorder in U.S., but one Japanese executive expressed opinion that it was too expensive for U.S. market and there seemed to be less demand for monitor combination in U.S. than in Japan and rest of Asia.

Panasonic VHS Group Vp-Gen. Mgr. Stanley Hametz said last month that introduction of monitor model wasn't planned for U.S. in view of what he saw as sluggish market for Sony and Sharp models here. He said Panasonic in U.S. was studying monitor camcorder market with view of providing additional uses and functions not in existing models. He said TV tuner accessory would add to utility of model, but antidumping duties on color TVs from Japan would price it out of market here (TVD May 2 p13).

Japanese market will absorb 1.3 million camcorders in year ending March 1995, of which 40% will be LCD monitor models, Matsushita forecast.

Ultimate Electronics, citing expansion of home office merchandise and new store openings, reported 180% increase in net income in first quarter ended April 30 to \$550,000 (see financial table). Sales for quarter doubled on 41% gain in same-store sales. While home office segment posted 161% gain in same-store sales, it also was blamed for 3.5% drop in gross margin to 23.7%. At same time, Ultimate said it would add new stores in Boise and Albuquerque in 12-18 months. Denver-based chain operates 11 outlets in Colo. and Utah.

Sales to dealers continued high momentum in May's 2nd week (see State of the Industry), total color booming to 25.5% advance over same 1993 week, projection TV up 85.1%, camcorders up 23.1%. Although VCR decks were down 8.1% for week, they were 13.4% ahead of last year in May's first 2 weeks.

SEGA BACKING NEWLEAF TEST: Sega of America has agreed to participate in test this summer by NewLeaf Entertainment of in-store electronic software delivery system, sources close to project said. Test will encompass 10-15 Blockbuster Video stores in Southeast for 2-4 months, and probably will include several 3rd party publishers. System is being positioned as powerful inventory manager that would let store take maximum advantage of hot titles during their earliest days, refocus selection once title wanes by simply reprogramming cartridges.

Companies are expected to announce test plan this week. Although NewLeaf didn't make formal presentation at Sega's dealer summit last week in Orlando, company briefed 3rd party publishers about test, stressing that this was only test, software sources told us. Several publishers said they discussed test with NewLeaf, although none said they definitely would participate.

Top sales executive of one leading Sega supplier was leery of NewLeaf plan -- particularly if applied to sellthrough product -- saying he "can't see any way possible that I could generate the same income" on electronically delivered product as on traditional packaged media. Sources say test will focus on maximizing rental business, won't be applied to sellthrough at outset.

Picture obtained in recent conversations gives slightly different spin than reported earlier (TVD April 4 p14) on how system developed by NewLeaf and Fairway Technologies -- both Blockbuster/IBM joint ventures -- will be deployed in stores.

Our understanding is that full library of cartridge games could be stored on local server; retailer would preduplicate as many copies of title as needed. Library titles, according to this scenario, would be downloaded in 20 sec. from in-store server. Stores reportedly would stock cartridges in 2 memory sizes -- 16 and 32 or 40 Mb. Phone lines would be used only to transfer transactional data from store to retailer's hq, or occasionally to download games onto server. Blockbuster is said to be confident that store personnel won't need extensive training to master duplicating process, which one source called "push-button operation." Game instructions would be printed out on single sheet.

Although system for now is aimed at rental, it could be applied to sellthrough business, perhaps as hedge against growth of used-game market. Conceivably, customer could buy reprogrammable cartridge for slight premium, have it rewritten later with next hot game for less than it would cost to buy whole new cartridge. Of course, such structure could have severe effect on current industry economics, under which Nintendo and Sega revenues depend heavily on manufacturing cartridges for most of their licensees. Publisher who has spoken with Sega and NewLeaf said he expects Sega and Nintendo would generate some sort of licensing fee from development of reprogrammable versions of their cartridges -- cost he figured would be passed on to publishers. He said both companies gave little detail on that point.

Nintendo of America executives couldn't be reached last week for comment, although it was believed they won't participate in this summer's test. In our earlier report, Chmn. Howard Lincoln acknowledged having discussed downloading plan with NewLeaf, but said companies hadn't entered into any agreements. Nintendo only recently began selling directly into rental market, and has said it would like to develop revenue-sharing plan for dealing with rentals,

rather than selling product outright to dealer who then keeps all rental revenue. NewLeaf system would seem to address Nintendo's desires.

AUTOSOUND PACES AUDIO: EIA used numerous superlatives to describe audio factory dollar sales in March and year's first quarter, saying "astonishing" growth in aftermarket autosound paced industry to best first quarter since 1989.

Overall March audio sales rose 14.5% from same month year earlier, EIA said. Aftermarket autosound was month's star, soaring 47.4%. Components sales climbed by same 14.5% as month's overall growth, but systems managed only to hold their own in March, and portable audio sales declined.

In first quarter, dollar shipments were up 11.8% to \$1.64 billion. Aftermarket autosound rode crest of significant gain in March to finish first quarter with 30.8% increase, with March shipments accounting for 45% of year-to-date total. Systems climbed by double digits, 10.3%, despite rising only 3.1% in March. Portable audio managed 5% gain in quarter, offsetting modest decline in month. Components were up 4.1% in quarter. EIA said 14% March increase erased "mediocre" results in Jan.-Feb., when shipments fell 3.4% and rose only 0.7%, respectively.

EIA, which doesn't release unit shipment reports publicly, said aftermarket autosound gains were fueled by "record" increase in sales of in-dash car CD players, which jumped 81% in first quarter. Sales of car speakers rose 21% in quarter to \$34 million. In components, EIA said growth was spurred by rising sales of surround-equipped receivers, which jumped 10% in month, 12% in quarter.

Home theater craze presumably was factor behind growing sales of satellite speakers, which were up 66% in March, 58% in first 3 months. Multiplay CD changers also were strong in March and first quarter, rising 22% in month to \$25 million and by undisclosed rate to \$70 million in Jan.-March. Meanwhile, EIA also cited strong sales of compact audio systems, which it said were up more than 20% in first quarter to \$214 million -- nearly 2/3 of value of all systems shipped in first 3 months.

Here's EIA breakdown of factory dollar sales for March and first 3 months of year in 4 broad audio categories:

FACTORY SALES OF AUDIO EQUIPMENT (add 000)

Product	March '94	March '93	% Chg.
Portable audio*.....	\$178,087	\$183,792	- 3.1
Components.....	134,766	117,680	+14.5
Systems.....	106,077	102,930	+ 3.1
Autosound (aftermarket)	197,447	133,915	+47.4
TOTAL.....	\$812,637	\$538,318	+14.5
Product	Qtr. 1994	Qtr. 1993	% Chg.
Portable audio*.....	\$515,618	\$490,886	+ 5.0
Components.....	358,485	344,413	+ 4.1
Systems.....	325,815	295,474	+10.3
Autosound (aftermarket)	443,600	339,035	+30.8
TOTAL.....	\$1,643,517	\$1,469,808	+11.8

* Includes home radio.

PARAMOUNT SUES HTP: Paramount and Home Theater Products (HTP) are negotiating settlement of suit that charges HTP with trademark infringement and fraud, companies said.

Companies agreed to 30-day moratorium that halts legal proceedings, allows negotiations to continue, said Mark Block, attorney for Paramount. HTP Chmn.-CEO Paul Safronchik didn't return phone call seeking comment.

Suit is based on ad in Oct. 27 issue of Investor's Business Daily in which Paramount charged that HTP created "false impression" that it was "a division, subsidiary or partner of Paramount" and that "investment in the stock of HTP II somehow would be backed by Paramount," court papers said. In ad, HTP also projected 2,700% increase in sales and attached coupon with Paramount logo, suit said.

Paramount charged that while HTP signed 10-year agreement in 1990 to use studio's name and logo for consumer electronics products, it also has used it "in false and misleading advertising to pump up the stock price." HTP went public in Sept. License carries \$600,000 annual fee and expires in 2000. Paramount-licensed products represented 65% of HTP's operating profits for 9 months to March 31, 1993, HTP has said (TVD Oct 4 p16).

HTP Pres.-COO Jerome Adamo also told "3rd party" last summer that he was from "HTP Division of Paramount," suit said. Adamo owns 22.2% of HTP stock.

Company also ran into trouble last fall with its Acoustivision Home Entertainment Centers that stock prospectus said contained 46", 50" and 60" Hitachi projection TVs. Hitachi denied involvement. HTP also markets one-piece in-wall audio system and 60-CD changer.

ZENITH APPEALING REMOTE RULING: Zenith was expected to file appeal at week's end seeking to overturn federal court ruling that competitor's remotes didn't infringe on its infrared patent.

Federal judge in Chicago ruled in effect that consumers using multibrand remote weren't guilty of infringing on patents on remote control codes (TVD Feb 28 p16). U.S. Dist. Court Judge John Nordberg said Universal Electronics remotes were "staple article" with "substantial noninfringing uses" and didn't contribute to infringement on Zenith patent.

Universal filed suit in Jan. 1992 seeking ruling that its remotes didn't infringe on Zenith patent. Zenith countersued same year claiming that replacing original remote was "2nd creation of patented entity." Universal has said 68% of purchasers of its remotes were replacing lost or broken device.

In meantime, Zenith has withdrawn complaint filed earlier this year with International Trade Commission (ITC) on import of programmable remotes (TVD Jan 31 p16) pending decision by U.S. Appeals Court, D.C., Zenith attorney John Calimafdre said. "The Federal Circuit will determine the rights of the parties because the Federal Circuit is also the appellate court for the ITC," he said.

In ITC complaint, Zenith said 16 companies including Universal had engaged in unfair trade practices by building remotes overseas and selling them in U.S. Zenith said competitors' remotes operated Zenith TVs and VCRs, violating patent for single-word multibit code. Zenith builds remotes in Mexico.

FRETTER TO OPEN 3 STORES, REMODEL 31: In first annual report since acquiring Silo last fall, Fretter said it would open 3 new stores and remodel 31 in 1995 fiscal year.

Brighton, Mich., retailer said it would spend \$12 million to complete strategy that focuses on adding Fretter stores in Mich. and Silo outlets in Philadelphia, Phoenix and upstate N.Y. Chain said it spent \$4 million closing Fretter outlets in Chicago area where Silo name has been retained.

Since completing purchase of Silo from Dixons last year (TVD Dec 6 p18), Fretter has closed 47 stores in Colo., L.A., Ill. Leases for L.A. stores were sold to Circuit City and some Colo. outlets were converted to Fretter's Fred Schmid Div.

Overall, sales for year ended Jan. 31 soared 50.9% to \$545.5 million from \$361.6 million, annual report said, with video accounting for 37.7%, appliances 30.7%, audio 15.2%, personal electronics 12.4%, service contracts 4.1%. Top 10 suppliers in alphabetical order were GE, Goldstar, Maycor, Packard Bell, Raytheon, RCA, Sony, Toshiba, Whirlpool, Zenith.

Fretter said 4th quarter represented 52.4% of net sales -- \$285.7 million. For fiscal 1994, 50% of sales were through credit, 39% cash, 11% financing. It spent \$25.2 million on advertising.

Fretter Pres.-CEO John Hurley was top paid exec. with \$350,000 base salary and \$1.1 million bonus. Dir. Oliver Fretter, who resigned as chmn. following Silo acquisition, had \$400,000 base salary. Hurley has 55.6% stake in chain with 5.9 million shares while Dixons has 50.1% via 7.4 million shares and Oliver Fretter 32.8% on 3.4 million.

26.4% OF VCR SALES STEREO: VCR sales are moving increasingly to stereo and 4-head mono, 2 types combined totaling 77.5% of decks sold in 1994's first 4 months, according to unreleased EIA figures. Total of 26.4% of decks sold were stereo, compared with 24% in full year 1993, while 4-head mono now is more than half of VCR market, at 51.1% of total vs. 48.8% in calendar 1993.

Conversely, 2-head mono types have dropped to 22.6% of total from 27.1% in 1993. S-VHS reportedly represented 1.3% of sales in 1994's first 4 months, thanks to unexplained jump to 2.6% in March from 0.5-0.8% level of other months.

VCR inventories at end of April appeared to be in good shape, representing about 4 weeks' supply at current sales rates. Here's table of VCR features by percentage unit share:

VCR DECK FEATURES -- JAN.-APRIL 1994

Month	2-Head Mono	4-Head Mono	Stereo	S-VHS
January...	23.2%	51.3%	25.5%	0.8%
February..	22.4%	48.9%	28.6%	0.5%
March.....	22.4%	51.9%	25.7%	2.6%
April.....	22.2%	52.0%	25.8%	0.8%
4 MONTHS	22.5%	51.1%	26.4%	1.3%

Lonestar will launch promotion in Sept., packaging coupon offering \$5 debit card for Western Union (WU) long distance calls with Lonestar's WU corded phones and digital tapeless answering machine. Program runs through March.

TOSHIBA -- FLATTER SUPERTUBES: Toshiba's new TVs introduced at Carlsbad, Cal., dealer meeting include introduction of first "FST Perfect" sets using newly developed tube that company says is flattest in industry, reducing distortion and reflection, widening viewing angle. All 4 FST Perfect sets have 2-tuner PIP (with separate PIP audio output), high-contrast dark screen, 3-grade color temperature selection, detail enhancer, front panel audiovideo jacks.

FST Perfect models include two 35" sets (\$2,600 and \$2,800 Cinema series model) and two 32" (\$1,800 main line, \$2,000 Cinema Series). Cinema Series versions include 43-w audio with 4-channel DSP and Dolby Surround, Cyclone ABX bass enhancement, supplied surround speakers. Aside from FST Perfect models, other additions to Cinema line are 27" (\$950) and 48" projection (\$3,300) with surround (48" has Dolby Surround), 4-channel DSP, 2-tuner PIP, universal remotes.

Toshiba also introduced its first TV/VCR combo (\$1,000), 27" FST set with MTS stereo, black level expander, 4-head hi-fi VCR using new V3 chassis with flying preamp.

Other additions to SuperTube line include 4 new 35" sets (3 with 2-tuner PIP) at \$2,200-\$2,400, 4 new 32" (\$1,200-\$2,000), additional 30" at \$1,100. All SuperTube models have invar masks, FST black tubes. Other new direct-view TVs range from two 27" sets (\$900 with 2-tuner PIP, \$850 without) to pair of 20" models (\$450 with AV inputs, \$400 without).

Along with already introduced 56W" widescreen, projection TV line is topped by two 55" with 2-tuner PIP, 4-channel DSP, Dolby Surround, 22-1/2" cabinet depth (\$3,500), two 48" models with 2-tuner PIP, DSP, 20" depth (\$2,900), two 48" sets with single-tuner PIP, front surround (\$2,300). All new projection TVs have high-contrast dark screen that Toshiba said gives 18% contrast improvement, redesigned universal remote.

Company introduced 6 new VCRs, topped by 2 models with V3 chassis that include flying preamps, sharply reduced parts count. Top models also have auto-speed select feature that downshifts VCR to slow speed recording when needed to fit entire program onto tape. Toshiba also is introducing laserdisc combi player as part of Cinema Series line with separate tray for direct loading of 3" or 5" audio CDs, digital time-base correction, automatic 2-sided playback (\$800).

Thorn EMI, British parent of U.S. Rent-A-Center and HMV stores, reported 14.2% rise in dollar operating profit in U.S. in year through March, citing "excellent performance in a difficult and static rental purchase market," adding: "Despite increased activity from discount-based competition, Americas recorded a small gain in agreements on rent... and further increased its market share to 31%. Research is under way to extend the appeal of rental purchase to a broader consumer base. Increased investment in store staffing and training together with a vigorous response to discount competition will impact profit growth in the current year, but will safeguard longer term profitability." Based on pound's current value, Thorn's N. American operating profit was \$145.8 million on sales of \$1.86 billion.

Fox Electronics, long fixture in radar detectors, will deliver first models with laser capabilities in Sept. Fox Vixen and Vixen Pro radar/laser detectors will replace 2 radar-only models, company said.

CRAZY EDDIE SENTENCES: Former Crazy Eddie executives Sam E. Antar and David Panoff, who cooperated in federal probe of defunct consumer electronics chain, were sentenced to 3 years' probation last week.

U.S. Dist Judge Nicholas Politan, Newark, also ordered former Chief Financial Officer Sam E. Antar and Panoff to pay \$10,000 each in restitution. Sam E. Antar will be confined to home for 6 months and must complete 1,200 hours of community service.

Federal prosecutors said Antar and Panoff provided "exemplary cooperation" in investigation that was capped by founder Eddie Antar's sentence to 12-1/2 years in prison in April (TVD May 2 p16). Sam E. Antar and Panoff pleaded guilty in Oct. 1992 to securities fraud conspiracy (TVD Nov 2/92 p17); Antar also pleaded guilty to mail fraud. Both testified at trial last year of Eddie Antar and 2 brothers, Mitchell and Allen, in racketeering and stock fraud scheme that federal prosecutors said netted nearly \$100 million. Mitchell was sentenced to 51 months in prison, while Allen was acquitted.

While prosecutors sought prison sentence for Sam E. Antar, they conceded his cooperation "nearly made the case in terms of setting forth the case of fraud," source close to case said. Two other former executives, Issac Kairey and Abraham Grinberg, remain to be sentenced. Kairey, who pleaded guilty to securities fraud conspiracy, is to be sentenced June 8, while Grinberg, who pleaded to perjury, is expected to be sentenced in July.

REX TO OPEN 70 STORES: Rex Stores will spend \$68.6 million opening 70 stores in 2 years, according to prospectus for 2-million share offer.

Dayton retailer said it would open leased and company-owned stores in new and existing markets. Expansion will include \$29.1 million for leases and store acquisitions, \$24.5 million for inventory, \$15 million for additional warehouse inventory.

New stores will be financed by \$19.5 million from stock offering, working capital, internal funds, trade credits and mortgages, prospectus said. Rex recently bought 14 leased stores for \$8 million.

For year ended Jan. 31, Rex reported sales rose to \$298.1 million from \$233 million, with TVs accounting for 40%, video including camcorders and VCRs 22%, audio 17%, appliances 14%, other 7%. Audiovideo share declined 2% from year ago as appliances registered 4% gain. Chain has expanded appliance category to 120 of its 132 stores. Top-selling consumer electronics brands include GE, Hitachi, JVC, Magnavox, Panasonic, Pioneer, RCA, Sharp, Toshiba.

Sanyo has dropped suit charging Samsung infringed patent for chip circuitry. Filed in U.S. Dist. Court, N.Y., in Dec., suit charged Samsung had marketed at least 5 chips that violated Sanyo patents covering mask works and 3-dimensional layout of circuitry in chip. Mask works are key to producing chips, Sanyo said. Sanyo attorney Karen Hagberg didn't return calls seeking comment.

Circuit City (CC) is said to be considering Manchester, Newington and N. Haven, Conn., for expansion in addition to previously reported Orange site. Locations would contain 30,000-sq.-ft. stores and open in 1995, sources said.

MITSUBISHI LINE ADDITIONS: Mitsubishi added 50" tabletop projection TV and upgraded 45" tabletop projection model in new line introduced at round of dealer meetings. Both sets offer shortened focal length lenses, shorter CRTs, new electron gun. Features include PIP, active AV network, EDS. Company said 50" set (\$3,099 list) and new 45" model (\$2,699) will be available in Aug.

Rest of "slim line" projection TV collection features new 70" model (\$6,400), 60" (\$3,800), five 50" versions (\$2,800-\$3,700), including model with VCR storage underneath screen, 2 conventional 45" sets (\$2,500 each). Slim 50" sets, including tabletop version, have depth of less than 24".

Company unveiled 5 models including 2nd generation of reduced curvature 35" sets, with list prices of \$1,700-\$2,600, 2 new 31" sets (\$1,100-\$1,200), 5 new 27" models (\$600-\$1,100). Top model of each size includes Active AV network, Advanced PIP (with window that can be moved anywhere around screen), channel lockout, Quick View Memory (which lets user designate channel to return with touch of single button).

Collection of 7 new 4-head VCRs, all with multilingual menus, ranges from midsize mono (\$300) to 4-head hi-fi S-VHS (\$949).

Consumer Electronics Personals

Akio Morita, Sony co-founder and chmn., was released from hospital May 21. He's undergoing physical therapy after suffering stroke and having brain surgery Dec. 2 (TVD Dec 6 p20). Physicians say his progress has been satisfactory and he will continue rehabilitation at home... Masaru Ibuka, Sony co-founder and honorary chmn., to be awarded honorary doctor of science degree today from Brown U... Robert Henninger, ex-Arthur Andersen & Co., joins Blockbuster Entertainment as senior vp and chief administrative officer.

Pat Mountain and Marian Lundberg, ex-Carver Corp. vp-sales and dir.-sales administration, respectively, named to similar posts at Zeus Audio, new Snohomish, Wash., amplifier company founded by Robert Carver... Ray Løpper, recently vp for KEF and Celestion brands, appointed KEF managing dir., to be based in U.K... Randy Miller promoted to MCA Records exec. vp-mktg... Chris Browder, Equity International, becomes pres. June 1 of Academy for Advancement of High-End Audio, succeeding Joyce Fleming.

E.C. Teoh, bank official, named chief financial officer, MTC Electronic Technologies, succeeding David Wong, exec. controller who served as interim chief financial officer after ouster of former executives Miko Leung and Sit Wa Leung over alleged financial improprieties... John Parkhurst, ex-Mitsubishi, and Jack Tweddle, ex-Advanced Marketing, join Go-Video as regional vps.

Edward Romano promoted to Warner Bros. exec. vp-chief financial officer, succeeding Ralph Peterson, retired... Eileen McNamara-Raisch advanced to pres.-CEO, AT&T Tridom, succeeding Ray Robinson, appointed AT&T vp-corporate relations... Changes at Bell Atlantic Video Services: Arthur Bushkin resigns as pres. to pursue "entrepreneurial opportunities" in interactive multimedia; Frank Pereira, ex-Jones Intercable, named pres.-video services; Robert Beran promoted to pres.-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
Nintendo ^a			
1994-year to March 31	4,669,337,000	506,279,000	-
1993-year to March 31	6,102,587,000	852,000,000	-
Sega Enterprises ^a			
1994-year to March 31	4,024,000,000	107,800,000	-
1993-year to March 31	4,002,000,000	295,700,000	3.05 ^b
Ultimate Electronics			
1994-qtr. to April 30	29,820,000	550,000	.10
1993-qtr. to April 30	14,913,000	196,000	.05 ^c
Valuevision International			
1994-qtr. to April 30	12,812,000	(3,842,000)	--
1993-qtr. to April 30	6,280,000	(497,000)	--
Viacom			
1994-qtr. to March 31	878,400,000	(431,600,000)	-- ^d
1993-qtr. to March 31	470,700,000	81,000,000	.67 ^e

Notes: ^aAt rate of 104 yen = \$1. ^bPer ADR. ^cPro forma. ^dAfter special charge. ^eIncludes special credit.

media ventures; Robert Townsend, vp-programming and mktg., named acting pres., interactive multimedia services; Kenneth Van Meter, vp-operations, appointed acting pres.-interactive multimedia platforms.

Ted Hoff, ex-Time Warner Interactive, named senior vp-gen. mgr., Fox Interactive... Nancy Jones, ex-LIVE, appointed vp-sales and mktg. for Libra and Saban Home Entertainment labels.

3DO issued sharp rebuttal to critical May 19 article in Wall St. Journal that described software suppliers as backing away from system and raised doubts whether AT&T -- 3DO investor -- would introduce 3DO-based hardware it announced at Winter Consumer Electronics Show. News release from 3DO said article contained "several inaccuracies" that "did not accurately reflect the company's progress." Release didn't address 2 key points of article, though. AT&T spokesman Michael Jacobs confirmed to us that company "is now evaluating product plans both in terms of schedule and whether we will pursue a product at all." In Jan., AT&T said it planned to introduce three 3DO products this year, including one with VoiceSpan built in (TVD Jan 17 p18). Also, article speculated that 3DO Chmn. William (Trip) Hawkins would invest \$10 million of own cash in company, and that GoldStar also would put in \$10 million as new equity partner. 3DO spokeswoman would say only that company "intends to complete a financing by the end of June." 3DO's release included complimentary quotes from Panasonic Pres.-CEO Ted Inoue, saying company is "very pleased with the initial acceptance" of its 3DO player, and promising to "aggressively support" format.

Philips-owned Magnavox store is among outlets being considered for new 90-store mall in Westbrook, Conn., local newspaper reported. Magnavox, which sells refurbished consumer electronics products through 9 stores in 8 states, would join Polo/Ralph Lauren, Vanity Fair and others in mall expected to begin construction this fall, New Haven Register reported. Philips spokesman declined to comment on report. Company operates 2 outlets in Tenn. and one each in Ala., Fla., Ga., Me., N.C., Pa., Wis. Stores, operated by Philips Service Div., Jefferson City, Tenn., sell refurbished goods and test new products.