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With Consumer Electronics

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TURNER ACCUSES TIME WARNER OF BLOCKING TBS NETWORK DEAL: Turner Bcstg. Chmn. Ted Turner accused Time Warner (TW) of blocking his bid to acquire broadcast network in order to further its own efforts to do same thing. Speaking Sept. 27 at National Press Club in Washington, Turner hinted at possible legal action against TW and threatened to put Turner Bestg. System (TBS) on market unless situation is resolved. He said most likely buyer of TBS would be News Corp.-Fox TV Network CEO Rupert Murdoch. TBS and TW reportedly have been in talks to eliminate TW from TBS ownership structure, possibly by exchanging TW's 20% TBS stake for full ownership of one of TBS's cable networks.

Turner blocked earlier deal for TBS to buy NBC, Turner claimed. He said he had agreement to buy NBC for \$5 billion, including \$1 billion cash, \$1 billion preferred stock and \$3 billion debt, but "Time Warner said no." Turner said he had been scheduled to meet with GE Sept. 28, but meeting was cancelled: "GE won't even talk with me until I get clearance from my handlers." TW also tried to block TBS purchase of Castle Rock Entertainment, he said: "I almost had to go to war with them. I even threatened to go public." When TW and TCI bailed TBS out after MGM deal, companies imposed restrictions on major purchases without their approval. "They thought I was a little loony," Turner said, but he claimed that all of his deals have turned out to be "excellent. I wouldn't be here today if I hadn't done them."

Consumer Electronics

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GE and TW executives weren't commenting on Turner's complaint, but, in PBS interview later same day, GE Chmn. Jack Welch said "Ted Turner never had a deal to buy NBC, never." Welch confirmed that GE has "had discussions with Ted Turner, absolutely, quite a number of them. [Pres.] Bob Wright talks to him a lot. But there was never ever ever a deal with Ted Turner." Welch said sale of NBC was an "option. Do I put it as a highly probable option? No. [It's] more likely to get bigger and broader in this industry." Welch said his discussions with media interests were "regarding a changing relationship for NBC."

Turner "promised" that CBS would change hands within year, and indicated that other sales are likely. He said Disney almost certainly will buy a network and, if TBS doesn't, other likely candidates are TW and Viacom. TBS needs deal, Turner said, because entire industry is consolidating: "I think all 3 networks soon will be aligned with other companies." He said consolidation of industry is "absolutely tragic" because result will be "4 or 5 megacompanies that control everything we see."

"Window of opportunity" to buy NBC may have closed, Turner said: "GE was willing to get out a year ago. Now they [GE] want to stay in control." Demand for control killed Disney deal, he said.

TBS has been negotiating to buy NBC "for a number of years," Turner said, but TW "is using the restrictions to hold our company back and that's wrong." Turner noted that TBS hasn't filed legal action against TW, but added ominous "yet." He also said he "may have to put the company up for sale" if situation can't be "resolved." Turner predicted that Murdoch would be likely to outbid anyone else if TBS goes on market because "the rest of them are astute businessmen. Murdoch is a mad genius." Later, Turner reacted to suggestion that speech was bluff by saying: "You have to use all the tools at your disposal. But a bluff means you don't hold the cards. I think I have the cards."

There would be no federal roadblocks to TBS acquisition of network, Turner said: "We would structure it in such a way that there would be no problem. We would meet all the rules in the same way that Rupert does -- by the skin of our teeth." In response to question, Turner also said NBC News wouldn't be "redundant" if TBS bought network.

Meanwhile, rumors that GE is looking for sale or joint venture partner for NBC continued. Company spokesmen continued "not commenting on rumors." Reports indicate that GE rebuffed Disney bid for outright purchase of network, reportedly preferring to negotiate sale of only 49% to a future partner, such as TW, Turner Bestg. or ITT. Partial purchase by TW could ease FCC cable-network cross-ownership problems, but Justice Dept. antitrust review still could be concern.

BINGAMAN SAYS STATES MUST MOVE WHERE S-1822 LEFT OFF: With demise of telecommunications reform legislation, it's now up to individual states to eliminate barriers to competition in local telephone, Asst. Attorney Gen. Anne Bingaman said last week at Networked Economy Conference in Washington: "Consumers deserve the benefits of competition. They deserve choice in local telephone providers. I hope and urge that states respond to this challenge."

Making strong pitch for opening of local exchange to competitors, Bingaman said U.S. can't "rest on its laurels" because of competition in areas such as long distance: "Competition has yet to reach monopoly cable markets or local telephone service... Technology won't be enough to break up these barriers." Legislation still is best way to deal with barriers, most of which are based on local laws, because it offers nationwide approach, she said.

In related area, Bingaman said Justice Dept. will be active in overseeing industry mergers, guided by 3 key concerns: (1) No cross-subsidies. In other words, cable company entering local service or telco going into long distance should fund these expansions "from their capital markets, not their captive customer bases." (2) "For the next several years, one highway owner in any given geographic area should not be allowed to buy out or merge with another highway owner." She said that means cable couldn't buy out local telco and leave one competitor instead of 2 because that would limit rather than expand competition. (3) "We will be especially watchful of mergers between highway owners and owners of the content that goes on it" because DoJ doesn't want situation that "forecloses access to the highway by content owners or access to content by highway owners," she said.

Addressing same conference, sponsored by Communications Week International, FCC Chmn. Hundt said bill's demise "was a real shame... I hope they try again, this year if there is time, next year if not." He said congressional effort reminded him of old saying that "people agree on the ends, they just don't agree on the means."

Govt. regulation may be one of biggest roadblocks on information highway, TCI CEO John Malone said: "There are 5 or 6 agencies trying to establish policy in the antitrust area. When we try to create a new business in emerging technology, that is a real issue." Malone cited TCI/Bell Atlantic merger, which he said would have taken 12-15 months just to bring to stockholder votes because of regulation. However, regulatory structure "will come apart under judicial assault and technological challenge," Malone said.

It's still impossible to tell what will succeed on information highway, Bell Atlantic Chmn. Raymond Smith said. Telco's tests in 1995 "will give us a very good idea if the dogs will eat the dog food," he said. Cable also will conduct similar tests, Malone said, and if telcos and cable decide investment returns aren't good enough, maybe they will propose use of single wire. Telcos will be able to steal first 15% of cable's video business "rather quickly," Smith predicted, because of pent-up demand for new service provider. Malone said DBS is guaranteed relative level of success, quickly serving 8-10 million noncable homes, plus percentage of cable homes.

NETWORK AFFILIATE UPDATE: NBC challenged Fox station ownership expansion last week, asking FCC whether rival's joint venture relationships have allowed it to circumvent Commission station ownership limits.

Meanwhile, CBS offer to buy Milwaukee UHF station to fill affiliate hole there was rejected, while ABC signed ten-year affiliation agreements with 5 Young Bestg. stations.

NBC asked FCC to deny purchase by Fox joint venture SF Bestg. of WLUK-TV (Ch. 11, NBC) Green Bay (TVD Aug 1 p4) because of "overall financing of acquisition" by SF parents Fox TV Stations and Savoy Entertainment. NBC said SF amendment "on the eve-of-comment deadline" raised questions about "ownership, management and capital structure" of SF corporate affiliate SF Bestg. Green Bay: "It is Fox that bears the true financial risks of ownership -- with the nominal decision makers having been provided extensive financial guarantees and protections by Fox and Savoy."

Attribution of SF stations to Fox would push Fox over FCC's 12-station limit. NBC also questioned whether foreign ownership limits were being exceeded. Fox spokesman said it's only "passive investor" in SF and is in compliance with station limits. NBC said Fox "may be seeking to informally rewrite the FCC's rules."

In announcement of WLUK-TV purchase from Burnham Bestg., SF said Green Bay affiliate would be owned 74% by Savoy, 25% by Fox, 1% by Cody Bestg. Cody is owned by Savoy Chmn.-CEO Victor Kaufman and Savoy Pres.-COO Lewis Korman. Parent SF is joint venture formed in March by Fox (58%), Savoy (41%) and Cody (1%). SF said station would switch affiliation to Fox from NBC. SF affiliate corporation purchased 3 other Burnham stations that also will switch to Fox: NBC affiliates WALA-TV (Ch. 10) Mobile and KHON-TV (Ch. 2) Honolulu, and ABC affiliate WVUE (Ch. 8) New Orleans.

CBS offer to buy WVCY-TV (Ch. 30, Ind.) Milwaukee for \$10 million was rejected as "unreasonably low" by VCY/American Communications. CBS needs to fill Milwaukee affiliate hole left by move of WITI-TV (Ch. 6) to Fox in New World deal (TVD May 30 p3).

Cap/ABC signed new 10-year affiliation agreements with 5 stations of Young Bestg., and announced it had agreed to purchase \$25 million worth of Young nonvoting common stock. Young owns WKRN-TV (Ch. 2, ABC) Nashville and WTN (Ch. 10, ABC) Albany, N.Y. It previously had agreed to purchase 3 ABC affiliates from Nationwide Communications -- WATE-TV (Ch. 6) Knoxville, WRIC-TV (Ch. 8) Richmond-Petersburg, WBAY-TV (Ch. 2) Green Bay. ABC said it would acquire additional Young common stock when Nationwide purchase is completed.

CABLE BECOMING CONCENTRATED: Cable industry cash flow has grown steadily since 1987, according to FCC estimates in its report to Congress on status of competition (TVD Sept 26 p5). Commission economists estimate cash flow of \$10.5 billion (46% of total revenue) in 1993, vs. \$7.9 billion in 1990 and \$4.8 billion in 1987. Per-subscriber cash flow grew 19% between 1990 and 1993 to \$164.29, report said.

Cable is increasing capital spending "substantially," FCC found. It cited projection that industry would spend nearly \$3.8 billion on construction this year, up 28% from 1993 and nearly 73% more than capital spending levels in 1991 and 1992. MSOs also are buying up each other, with nearly \$11 billion in transactions announced this year, Commission said. Only \$8.3 billion in deals were done in 1993, and just over \$1 billion in 1990. Per-subscriber price (average \$2,035) and cash flow multiple (10.2) are below 1993, FCC said, and even below 1990 per-subscriber figure of \$2,049.

Top 10 cable MSOs account for 63% of all cable subscribers, FCC said, and top 4 for 47%. TCI alone has 24.8% (up less than one percentage point since 1990), Time Warner 12.5%, Continental and Comcast 5% each, report said. Announced but uncompleted deals would raise TCI share to 26.1%, report said, Time Warner to 15.21%, Comcast to 5.6%, Cox to 5.4%. FCC said deals would move industry into "moderately concentrated" category under traditional antitrust analysis.

Other findings in report: (1) Vertical integration is largely unchanged since 1990. (2) Number of cable subscribers is up to 57.4 million (60% of U.S. TV households), from 51.7 million (55.8%) in 1990. (3) Average channel capacity has increased "noticeably" since 1990, with nearly 97% of all subscribers having access to at least 30 channels. (4) Number of basic program networks increased 18% since 1990, to 72 networks. (5) Total industry revenue reached \$22.94 billion in 1993, vs. \$17.86 billion in 1990. (6) Cable programming expenditures rose 25% between 1990 and 1993.

Small cable operators will have 90 days after final rate regulations are established to put new rules into effect, FCC said in order released Sept. 26. Commission said 90-day grace period will reduce regulatory burden on operators because they won't have to act, including filling out FCC forms, until they're actually regulated. Agency also said cable subscribers won't be unduly burdened. Small operators can impose new rates complying with benchmarks with only 30-day notice, and without approval of local regulators, FCC said, although they can be subject to refunds if they overcharge. Commission also launched rulemaking on how to define small system.

TCI BUYS INTO DBS: New transponder space on yet-to-be-launched satellite will allow direct-to-home satellite provider Primestar to offer "hundreds of additional digital programming services," said TCI, which has minority interest in satellite. Primestar will lease capacity from TCI subsidiary Tempo DBS, which has signed license agreement for 27 high-powered satellite frequencies at 100 degrees W from Advanced Communications Corp. (ACC).

ACC had planned to use license to develop own DBS service for national educational applications. Pres. Daniel Garner said, however, that 11-1/2 years of trying "diligently" to finance project were unsuccessful, and when TCI approached with "satisfactory arrangement," he agreed to deal. He said Tempo's lease to Primestar will mean "true competition in the [digital satellite broadcasting] marketplace." Garner said that even if Advanced Communications received financing tomorrow and went ahead with original plans, it still would be "4 years out" in terms of competition from Hughes, Hubbard and others. He predicted "full-blown competition in DBS in a couple of years," although Hughes will have lead and "definitely" will get enough customers to cover cost of its system.

Satellite is being built by Space Systems/Loral (SS/L) for launch in 1996, Garner said. Industry source told us Primestar's neighbors on bird are competitors DirectSat and USSB. He said ACC also has license for 24 transponders on 2nd satellite, also being built by SS/L, to be located at 148 degrees W. Although Garner didn't say what would happen with that capacity, source speculated that ACC might sell it to USSB, which owns other 8 transponders. SS/L Pres. Robert Berry confirmed that birds were "fully under construction."

Requiring telcos to base VDT rates on fully distributed costs, rather than incremental, could set rates at "artificially high level [and] create a price umbrella under which competitors such as the cable incumbents could actually raise their own prices," Bell Atlantic said in letter to staff of FCC Comr. Ness. Letter, in reply to queries from Ness staffers, compared VDT rate-setting with that for railroads when trucking competition arrived. Railroads also had to set rates on fully allocated costs, BA said, which "created an artificial advantage for competitors, harmed customers who had to pay rates above those that would have prevailed in a competitive market, introduced significant inefficiencies into the economy and led to financial strife in the railroad industry." Letter said FCC rules provide "abundant protection" to ensure that VDT services at least cover incremental costs.

Interactive TV Notes: LSI Logic said it agreed to develop audio/video decompression technology for Hewlett-Packard's first-generation interactive set-top boxes. LSI chip will incorporate MPEG-2 and DigiCipher II video standards, and Musicam and Dolby AC-3 audio compression... Tribune Co. agreed to provide interactive TV news and other information services for Time Warner's Orlando network... EDS and IT Network formed alliance aimed at allowing IT to expand its programming without awaiting broadband networks, companies said. Among other things, EDS will provide IT with digital program conversion, central file server management, satellite distribution.

FCC Chmn. Hundt said he doesn't plan to seek 2nd term at FCC. Comment came almost as an aside in speech Sept. 26 at Washington conference. Noting his goals and effort to do good job, he said at end: "And when my term runs out I will not re-up." Term expires June 30, 1998.

CPB BOARD ELECTS CAUTHEN: New CPB chmn., by 5-4 vote, is Henry Cauthen, S.C. Educational TV pres. and CPB dir. since 1990. He replaces Sheila Tate, pres. of Powell Tate PR firm, who reached 2-term limit this month but remains board member through March 1996. Carolyn Bacon, also elected by 5-4 vote at annual board meeting last week, is vice chmn.

Cauthen, political independent, recently was confirmed by Congress to 2nd term on board (TVD Sept 19 p3). Bacon, on board since 1991, is exec. dir. of O'Donnell Foundation, Dallas, which supports public and higher education with focus on math, science, engineering. Also nominated for chmn. was Martha Buchanan, who has served 2 years as vice chmn. Ritajeann Butterworth also was nominated for vice chmn. Dir. Victor Gold objected to right of newly appointed board member Henry Cruz, who wasn't able to attend because of "family emergency," to cast vote over telephone. He explained later that what really upset him was that Cruz, who also didn't show up for Senate confirmation hearing because of family emergency, wasn't present at board's "most important meeting of the year."

Board also announced plan to reduce administrative budget and redirect funds, which will be percentage "comparable" with reduction in community service grants that will result from \$7-million cut in 1995 budget by Congress in educational services (TVD Sept 26 p5). Carlson also told board that although Congress's decision was "blow to the concept of advanced funding" for CPB, it should "show appreciation" to Congress that rescission wasn't as large as it could have been -- House version would have cut budget \$21.1 million.

It may be premature for FCC to issue proposed rule repealing "off-network" provisions of Prime-Time Access Rule (PTAR) that requires network affiliates in top 50 markets to broadcast independent programs, not network reruns, during access time (7-8 p.m.), House Telecom Subcommittee Chmn. Markey (D-Mass.) and senior subcommittee Republican Fields (R-Tex.) said in letter to FCC Chmn. Hundt. Markey and Fields said Commission first should issue notice of inquiry to assess status of TV industry. They said in Sept. 29 letter that FCC's modifications of finsyn rules "set off profound changes" in industry, shifting relationships among studios, networks and stations and raising possibility that some networks may be sold. Lawmakers added: "Given the dramatic changes which have recently taken place in the marketplace, the record is insufficient to draw any conclusions regarding the continued viability of the off-network and prime-time access rules."

FCC approved 6-month extension of Bell Atlantic VDT technical trial in Arlington, Va., saying that it's in public interest to gather additional data on asynchronous digital subscriber line (ADSL) technology. BA asked for permission to continue technical test until subscribers can be converted to market trial, but no later than March 25. FCC Common Carrier Bureau noted that BA's is only currently operational ADSL trial in nation and results will benefit any designers of VDT systems.

FCC Cable Bureau is due to become fully staffed by today (Oct. 3), officials said. Last of 240-person staff authorized by Congress has been hired, and all, except handful of lawyers and financial advisers who had slightly later start date, were on job last week. Final staff includes 91 lawyers, 31 accountants, 25 industry analysts, 15 economists, 4 engineers, 10 financial advisers, 15 paralegals, 49 administrative support staffers.

WIRELESS FRAUD HIT: SEC, FTC and state regulators are stepping up attacks on telemarketing firms that sell interests in wireless cable, interactive video & data service, specialized mobile radio and other spectrum-based new technologies. In most of actions filed to date, including shutdown of Key West Wireless Partners and Lancaster Bestg. Partners (TVD Sept 26 p6), govt. investigators claim that marketers, often operating from "boiler rooms," overstate potential benefits and chances of obtaining licenses, downplay risks, overstate their access to licenses, sell unregistered securities.

In latest action, wireless cable marketer Danny Sterk and his company Codima agreed to pay \$15,000 restitution, refrain from selling application services for any federal lottery for 5 years, post \$25,000 performance bond and refrain from illegal marketing practices, as part of settlement of FTC fraud complaint filed with U.S. Dist. Court, Las Vegas. Settlement, subject to court approval, is result of FTC charges filed against American Microtel and others, including Sterk and Codima, in March 1992. Charges say defendants falsely represented risks and other factors in telemarketing of application preparation services.

SEC said it has begun enforcement actions against 10 wireless cable and specialized mobile radio marketing firms in last year, including Key West Wireless. Among actions: (1) U.S. Dist. Judge Shelby Highsmith issued temporary restraining order and asset freeze Aug. 24 against Transamerica Wireless Systems as result of SEC allegations of fraud in sale of interests in wireless cable systems in Hot Springs, Ark., Clarksville, Tenn., Valdosta, Ga. Sterk was named in complaint. (2) SEC filed complaint in U.S. Dist. Court, D.C., Aug. 16 against Shreveport Wireless Cable TV Partnership, alleging violation of securities laws in sale of systems in N. Palm Beach, Fla., Las Vegas. (3) SEC filed complaint Aug. 4 in U.S. Dist. Court, D.C., against Microwave Cable T.V. Partners and affiliates alleging misrepresentations and securities violations in connection with Atlanta system.

(4) SEC filed complaint July 12 in U.S. Dist. Court, L.A., against Knoxville LLC, Wireless Solutions Inc. and affiliates for alleged violations of securities laws in sale of wireless cable system in Knoxville. U.S. Dist. Judge Rudi Brewster, L.A., issued temporary restraining order and asset freeze. (5) SEC filed complaint May 16 in U.S. Dist. Court, D.C., against Parkersburg Wireless and affiliates, charging securities and marketing violations in sale of wireless cable system in Parkersburg, W. Va. U.S. Dist. Judge Stanley Harris, D.C., issued temporary restraining order and asset freeze. (6) U.S. Dist. Judge Edward Schwartz, L.A., issued preliminary injunction July 12 against Continental Wireless Cable and officers as result of SEC complaint charging misrepresentations and other violations in sale of wireless cable systems in Nashville and New Orleans.

(7) U.S. Dist. Judge William Hoeveler, Miami, issued temporary restraining order and asset freeze May 6 against Comeoa Ltd. as result of SEC complaint of fraud in marketing of specialized mobile radio (SMR) operation. (8) U.S. Dist. Judge Charles Richey, D.C., issued restraining order April 13 against Vision Communications sale of wireless cable system in Wilkes-Barre-Scranton, Pa., as result of SEC complaint of securities violations. (9) U.S. Dist. Judge William O'Kelley, Atlanta, entered permanent injunction Dec. 21 against Mitchell Communications as result of SEC complaint of fraud and securities violations in sale of wireless cable system in Ocala, Fla.

LMDS DEADLINE MISSED: FCC negotiated rulemaking committee charged with finding way for satellite and cable alternative local multipoint distribution service (LMDS) to share Ka-band spectrum around 28 GHz was unable to agree on way to do so before its charter expired. Committee members worked until deadline, said FCC facilitator William Luther, but since issues are so technically and politically complicated, "they would need 3 more months" to resolve all issues, particularly difficult subject of fixed satellite service (FSS) interference to LMDS: "My conclusion is that the analysis shows that [FSS and LMDS] sharing is really not possible." Motorola and Suite 12 proposed plan to locate MSS feederlink uplink sites outside urban areas, but plan wasn't agreed to by Globalstar.

Committee finished report that will be available in several weeks, Luther said. Report will be given to FCC Common Carrier Bureau and commissioners for decision on how to proceed, he said. Decision will be difficult because: (1) On one hand, Ka-band has been set aside for satellites, which have been conducting tests on NASA's Advanced Communications Technology Satellite (ACTS) and have proposed several ambitious Information Superhighway projects including Hughes' Spaceway and Teledesic. (2) On other hand, FCC and Congress want more competition to cable TV.

Asked who would lose right to operate in 28 GHz bands if it's proved that services can't co-exist, Luther said: "The Commission will make that decision later on. But there is a possibility that that decision will be made at a level beyond the FCC" because so many high-profile interests are at stake.

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Fox Bcstg. hopes to compete with cable by providing multiple programs over network TV signal using digital compression, Preston Padden, pres.-network distribution, told advanced TV conference at Hilton Head, S.C., Sept. 26. Padden said Fox "dreams" include providing "all-news" programming, all-sports programming and children's programming, all transmitted simultaneously over the air for universal reception in addition to our core network signal." He said: "Working with our affiliates, our goal would be to provide consumers with an alternative to the costly program options of the wired transmission systems offered by cable and telephone companies." He said Fox affiliates could negotiate with other program providers, "including existing cable networks," to redistribute parts of the multiple programming. Padden said reception could be available through "inexpensive decoder boxes, hopefully available for sale at the local supermarket." He told us service could be launched "within a year or 2" after FCC sets digital TV standards and gives regulatory approval. He said he expects it to be "substantially" free over-air service, with "possibility of some subscription component."

National Telephone Co-op Assn. (NTCA) is joining USTA's bid to overturn telco-cable cross-ownership ban. NTCA and USTA asked U.S. Dist. Court, D.C., for preliminary injunction against enforcing ban, saying it violates First Amendment. Hearing is expected by mid-Oct. USTA Pres. Roy Neel said NTCA action means that virtually every telephone company in U.S. is participating in legal challenges to ban.

Galaxy Cablevision stockholders approved sale of cable systems with 94% of Galaxy's subscribers. Officials said limited partnership plans to sell remaining cable assets, as well as non-operating assets such as investment in CableMaxx, as soon as possible.

FCC Comr. Quello called for "more marketplace-oriented regulatory approach" and "serious revisionist thinking" on regulation of TV broadcasting "to reflect the emerging new nonsearce multichannel communications reality." In speech to Intelevent '94 conference in Dublin, Quello discussed 4 specific areas: (1) FCC should "generously liberalize TV ownership rules. There is little justification for artificially restricting the number of television stations one entity can own in a multichannel world." (2) FCC should "make sure that minorities are given a fair shake to acquire radio and television stations" and "assure that capital flows to potential minority buyers" but "achieve this goal in more effective ways than by being overly stringent in setting limits on the number of stations that can be commonly owned." He cited "proliferation of entirely new broadcast and nonbroadcast services" available for minority investment and acquisition. (3) In equal employment area, FCC shouldn't be "levying heavy fines for procedural and recordkeeping infractions even when the station's employment profile looks fairly good." (4) In content regulation, Commission must "keep in mind" U.S. Supreme Court statement in recent must-carry case that FCC "may not impose upon [stations] its private notions of what the public ought to hear." Quello said that statement "must be considered by both the FCC and Congress when contemplating content-related issues such as children's TV, violence, indecency and probably the fairness doctrine."

Carnegie Mellon U. (CMU), through \$4.8-million, 4-year grant awarded by National Science Foundation, Advanced Research Projects Agency and NASA, will co-develop with WQED Pittsburgh on-line, interactive digital video library system to be used by K-12 students for math and science. System, called Informedia Digital Video Library, will integrate voice, video and speech-recognition technologies developed by university to access video from PTV and educational institutions, CMU said. CMU and WQED earlier this year built prototype of system with grant from Vira I. Heinz Foundation. CMU said library at start will contain 1,000 hours of video from WQED, "electronic field trips" developed by Fairfax County, Va., school system, BBC video course material. Digital Equipment Corp. will supply equipment and Microsoft will contribute software and financial assistance. Bell Atlantic will provide funding for communications.

Bipartisan group of 5 senators asked Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) to make certain that FCC authorization legislation (S-2336) changes amounts of regulatory fees for satellite TV stations. Senators said that fee schedule should be changed so that small stations aren't "unfairly burdened" with amounts that, in some cases, would be more than large stations pay. Letter was signed by Sens. Pressler (R-S.D.), Stevens (R-Alaska), Exon (D-Neb.), Kerrey (D-Neb.), Rockefeller (D-W.Va.). It's uncertain whether Commission authorization bill will pass this year. Senate committee hasn't brought it up yet, and House Commerce Committee hasn't filed report or made plans to move bill to floor.

FCC celebrates 60th birthday Oct. 4-7 with several events: (1) Exhibit in 8th floor meeting room (room 856) on history of telecommunications. (2) Cake-cutting ceremony with Chmn. Hundt and commissioners at 1 p.m. Oct. 6 in room 856. (3) FCBA reception 6-8 p.m. Oct. 6 at Mayflower Hotel honoring chairman, commissioners and members of Congress. (4) FCBA-sponsored tour of telecommunications facilities for D.C. school children. In 1934, FCC had 233 employees and \$1.14-million budget. Today FCC said it has 1,964 employees and budget of \$160.3 million.

Cable needs to provide targeted programming for many ethnic groups, not only Hispanics and African Americans, Encore Chmn. John Sie said at seminar last week sponsored by NCTA and National Assn. of Minorities in Cable. Sie said Encore, for example, plans to use its International Channel to launch 12 Asian and European language premium channels: "While African American and Hispanic populations are being relatively well served through basic, pay and pay-per-view services, cable marketers need to be aware that other nonblack and Hispanic groups are growing in size and economic power." Sie also said cable needs to create low-cost "bite-size" services to attract 55% of nonsubscribers who say they can't afford cable.

BellSouth must await approvals from FCC and Vestavia Hills, Ala., City Council before it can begin construction of VDT system there, officials said. Federal court, ruling on motion for summary judgment, removed one roadblock, saying that telco-cable cross-ownership ban is illegal (TVD Sept 26 p6). BellSouth Senior Vp William Reddersen called action "an important First Amendment victory [that] clears the way for true competition." He said construction could begin in early 1995, depending on FCC and local action.

NBC's Seinfeld earns highest prime-time 30-sec. ad rate, according to survey of fall schedule by Ad Age. Three shows command more than \$300,000 per 30 sec.: Seinfeld, NBC, \$390,000; Home Improvement, ABC, \$350,000; Roseanne, ABC, \$310,000. Nine shows earn more than \$200,000 -- from CBS's Murphy Brown (\$290,000) to Fox's Simpsons (\$210,000).

FCC released texts of 3 agreements with Mexico for improvement of border area AM, FM and MDS that become effective immediately. AM sets procedures to assign 10 new U.S. AM stations. FM agreement, replacing 1972 accord, allows border stations to upgrade facilities. MDS agreement establishes procedure for first time to assign such services.

CableLabs again will organize CableNET display at Western Cable Show in Anaheim Nov. 30-Dec. 2 in Anaheim. Group is expecting about 45 cable, telephone and computer companies to participate. CableNET exhibit space is expected to be about 5,000 sq. ft. larger than inaugural event last year.

John Matolan, pres.-Fox Family Films, has been promoted to pres., Fox Entertainment Group, replacing Sandy Grushow, who resigned amid industry speculation on Fox concern over fall ratings and internal disagreements over programming. Before joining Fox in March, Matolan was made-for-TV programming executive at CBS.

PanAmSat signed long-term contract with Chinese TV Network (CTN) to distribute Mandarin information programming in Asia-Pacific region and major North American cities. CTN will lease 2 multi-channel per carrier digitally compressed video channels on PAS-2 C-band Pacific Rim Beam.

L.A. Superior Court jury has awarded \$7.3 million against MCA and Universal City Studios to writer Sandy Veith, who claimed Northern Exposure was based on script he created in 1981 while Universal employee. MCA and Universal are expected to appeal.

ABC TV Group Children's Div. has joined ABC Music in venture with Time Warner (TW) to start new children's label "ABC Kids." First album next year will have songs from ABC's *Bump in the Night*.

Personals

Andrew Heyward, exec. producer of Eye to Eye with Connie Chung, becomes vp, CBS News, and exec. producer, CBS Evening News with Dan Rather and Connie Chung, succeeding Erik Sorenson, who remains as vp-development, CBS News; Thomas Goodman, CBS News vp-communications, moves to CBS Best. Group as vp-media relations... Matthew Mixon, ex-WFSB Hartford, appointed dir.-mideast region, CBS Affiliate Relations... Emily Barr, ex-WMAR-TV Baltimore asst. gen. mgr., named pres.-gen. mgr., WTVD Durham-Raleigh... Jerry Nachman, ex-vp-editor, N.Y. Post, and one-time WRC-TV Washington vp-gen. mgr., joins WCBS-TV N.Y. as vp-news... Lillian Fernandez, ex-Hill & Knowlton, Washington, joins CPB as senior vp-govt. and community relations... Jeanne Hopkins advanced to vp-corporate communications, WGBH Boston, succeeding Christopher Ridley, resigned... Robert Allbritton promoted to Allbritton Communications exec. vp-COO, replacing Marvin Shirley, who resigns to enter TV program syndication and distribution... Michael Martinez becomes vp-gen. mgr., KVEA Corona-L.A.

Jeffrey Elberson promoted to vp-investments, Time Warner Cable Ventures... Jon Lunsford, ex-Continental Cablevision, appointed vp-finance and corporate development, Falcon Holding Group... Jeff Wade, ex-QVC, joins Showtime Networks Sales and Mktg. as exec. vp... Seymour Kaplan, ex-Lifetime Network, named Talk Channel senior vp-affiliate sales... Debra Wilson, ex-Bell Atlantic, joins Weather Channel as senior vp-enterprises unit... David Southwell and Dilpreet Jammu move from Bell Canada International to join Jones Intercable as vp-Full Service Dept. and senior staff member-engineering, respectively... James Beynon advanced to vp-treas.-AMC Entertainment... Claus Kroeger promoted to Cox Cable Communications vp-operations... Damaris Valero moves up to vp-sales, MTV Latino.

Peter Guber resigns as chmn.-CEO, Sony Pictures Entertainment (SPE), to form entertainment venture with Sony as major investor; Alan Levine will head SPE as pres.-COO... Wendy Aylsworth, ex-Walt Disney, named technology dir., Warner Bros. feature animation... Lauren Cole promoted to senior vp-international operations, Columbia TriStar International TV... Marv Rubinek ex-consultant, named dir.-international promotion, Warner Bros.; Tim Horan, ex-BBC, joins as sales executive-Middle East and Africa... At MGM Domestic TV Distribution, Noranne Frisby and Bob Greenstein move up to senior vp-central region and senior vp-eastern region, respectively... John Perez, ex-WNET N.Y.-Newark, named Grove TV Enterprises vp-worldwide sales and distribution.

FCC Events: Advisory Committee on Advanced TV Service Technical Group meets today (Oct. 3) at IBEW Bldg., Washington; Comr. Quello will participate on "Conference of the International Women's Forum" panel Oct. 7, Waldorf-Astoria Hotel, N.Y.C... National Assn. of Telecommunications Officers & Advisers elects: Pres. Susan Littlefield, cable regulatory administrator, St. Louis; Vp Mike Reardon, cable coordinator, Burnsville/Eagan Cable Communications Commission, Minn.; Secy.-Treas. Byron West, mgr., Office of TV Services, Denver.

Gannett Bcstg. is buying KTHV (Ch. 11, CBS) Little Rock from Arkansas TV in \$27-million stock transaction. Spokeswoman said she couldn't comment on any operational matters, including continuing CBS affiliation, until purchase is completed. Gannett owns 9 large and middle-market network affiliates.



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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

WASHINGTON HEADQUARTERS

Albert Warren	Editor & Publisher
Paul L. Warren	St. Ed. & Exec. Publisher
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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
Faximile: 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

Market Research & Data Sales Division

Lynn Levine	Director
Brian C. Mealey	Assistant Director

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OBITUARIES

Russell Rowell, 84, veteran communications attorney, recently administrative law judge at Social Security Administration, died of cancer Sept. 25 at Georgetown U. Hospital. Native of Washington, D.C., he received JD from Washington College of Law, served in Signal Corps during World War II, joined FCC when it started. Rowell later joined Washington firm of Spearman & Roberson, which became Fletcher, Heald, Rowell, Kenehan & Hildreth, from which he retired in 1976. He's survived by wife, 3 daughters, one son.

Laura Humphries, 34, attorney in FCC Cable Bureau, died Sept. 24 or 25 at Arlington, Va., home. According to colleague, death was by suicide. Before joining FCC, she had been assoc. with Leventhal, Senter & Lerman since 1986. Memphis native, she's survived by mother, father, sister.

Viacom and Blockbuster completed merger Sept. 29 after deal was approved by owners of 95% of Viacom shares and 70% of Blockbuster shares. Deal creates company with pro forma combined capitalization of \$26 billion.

Consumer Electronics

A Section of *Television Digest with Consumer Electronics*

STATE OF THE INDUSTRY

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

	SEPT. 10-16	1993 WEEK	% CHANGE	SEPT. 3-9	37 WEEKS 1994	37 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	630,482*	557,396	+13.1	393,864	17,080,381*	15,449,432	+10.6
DIRECT-VIEW..	616,191*	546,296	+12.8	387,830	16,723,994*	15,186,956	+10.1
TV ONLY.....	583,983*	523,358	+11.6	362,234	15,480,821*	14,352,372	+ 7.9
TV/VCR COMBO	32,208*	22,938	+40.4	25,596*	1,243,173*	834,584	+49.0
PROJECTION...	14,291*	11,100	-13.1	6,034	356,387*	262,476	+35.8
VCR DECKS.....	221,008	240,148	- 8.0	107,390	7,764,177*	7,657,125	+ 1.4
CAMCORDERS.....	43,093	46,981	- 8.3	23,180	1,966,211*	1,898,484	+ 3.6
LASERDISC PLYRS	5,268	3,312 ^r	+59.1	2,532	183,001	182,339 ^r	+ 0.4

Direct-view TV 5-week average: 1994--597,605*; 1993--515,567 (up 15.9%).

VCR deck 5-week average: 1994--269,493; 1993--255,162 (up 5.6%).

Camcorder 5-week average: 1994--53,336; 1993--57,518 (down 7.3%).

* Record for period. ^r Reflects revision by EIA.

PHILIPS STRIKE DISRUPTS PICTURE TUBE SUPPLY: Philips' picture tube plant in Ottawa, O., was shut down last week as production workers overruled union leadership and federal mediator and voted against ratification of new 3-year contract. Walkout by 1,500 hourly workers started at 7 p.m. Sept. 25 and by last week's end Philips said tube shortage had forced temporary layoffs of "portion of the work force" on direct-view TV production lines at Greeneville, Tenn., TV plant.

Hopes for ending strike one week after it started were raised Sept. 29 when IBEW local and international representatives, in presence of mediators, "unanimously agreed to recommend a new contract to be voted on Sunday" (Oct. 2), according to joint statement by Philips and union. By agreement, no details will be released until vote by membership.

Even if it ended Sun., Philips strike aggravated already hand-to-mouth situation in picture tubes. Ottawa plant has weekly capacity of about 80,000 tubes in 19-32" sizes, Philips said. Its main customers are Philips plants in Greeneville and Juarez, Mexico, which operate on tube inventory counted in "several days, not several weeks." At last week's end, Juarez plant still was in full operation, Philips spokesman said. Strike affected supply of tubes of 19" and larger; 13" sets assembled in Juarez aren't affected because they use imported tubes, but larger sizes there could be hit this week. Magnavox dealers were notified of potential interruption in supply early last week.

Strike couldn't have come at worse time, with industry operating at capacity as main selling season starts, already gasping for tubes and glass. In addition to Philips Consumer Electronics, whose Magnavox brand is No. 2 in U.S. market share, major Philips color tube customers are Sharp and Sanyo. At week's end, Sharp official said it hadn't cut back on production, although he conceded that company could be affected soon. Responsible Sanyo officials were in Japan and couldn't be reached for comment at our deadline.

Philips builds about 17% of U.S. color tubes; Ottawa plant is its only color tube manufacturing facility here. If strike ended Sun., it would have drained inventory, and in words of official of another tube manufacturer, problem would "rocket through the industry." After strike ends, it will take "couple of days" to get plant back to full capacity, Philips spokesman said.

Company's original proposal for 3-year contract -- deal rejected by rank and file -- called for wage increase of 40¢ per hour first year and 35¢ for each of next 2 years, figure that union members said was too low in view of annual lump-sum payments in lieu of increases under previous contracts. There also were

complaints about mandatory overtime work on Saturdays, according to press reports. "We thought it was a good contract," Local 1654 Pres. Gilbert Meyer was quoted as saying. "We've never had a situation like this." Vote against pact was said to be 705-595.

GLASS PLANT IN MEXICO -- OR TRANSLATION ERROR? In news release datelined Seoul Sept. 28, Samsung promised relief from U.S. picture tube glass shortage by announcing that its 50-50 joint venture with Corning, Samsung Corning, would join its projected integrated Mexican plant complex (TVD Sept 19 p11) to produce glass for Samsung's tube plant there, starting in 1996. Samsung's partner, Corning, was astounded, issuing statement that Samsung Corning had "no plans for manufacturing in Mexico."

News release said Tijuana manufacturing complex, "which will go into full production in 1996, will manufacture televisions, TV and VCR parts, picture tube glass, color picture tubes, cameras, monitors and such home appliances as washing machines and microwave ovens." At another point, release noted that "Samsung Electronics (SEC) is producing color TVs in the Tijuana complex [and] will be joined later this year by Samsung Display Devices (SDD) which will produce color picture tubes for monitors and TVs, Samsung Corning which will produce the picture tube glass for SDD's picture tubes and Samsung Electro Mechanics which will manufacture TV and VCR parts." Bloomberg dispatch contained virtually same language.

Release from Seoul differed from company's previous announcement in several ways. Latest release said Samsung Group would invest \$500 million to develop 162-acre complex in Tijuana that would employ approximately 5,000 people and generate \$20 million in annual revenues. Just 2 weeks ago, facility was described as 65-acre plant costing \$400 million and employing 4,000.

Last week's announcement, attributed to Se Heon Kim, mgr., Office of the Executive Staff, The Samsung Group, was greeted with incredulity in both U.S. and Mexico. Samsung officials in U.S. denied any knowledge of tube plant, as did officials of Baja Cal. and Mexican govt. who participated in Samsung's earlier announcement. Corning's official statement said Samsung Corning "will support the business in Mexico with existing manufacturing facilities from Korea, [but has] no plans for manufacturing in Mexico."

Samsung Corning plant in Mexico in effect would result in competition between 2 Corning joint ventures. Cliff Smith, pres. of Corning Asahi, which makes glass in State College, Pa., and licenses Samsung Corning, told us: "We were surprised [at the] unilateral announcement by Samsung," adding "Samsung has no right to make that decision." Neither Samsung nor Samsung Corning has had "any discussion with Corning" about glass plant in Mexico. Corning Asahi Business Mgr. Willard Boyer observed that "it takes about 100 gallons of very pure water to manufacture [glass for] one CRT, and there is little water there and the water they have is not pure... There is no agreement from Corning and I don't believe there is an active request from Samsung."

However, Samsung Electronics America spokesman, reached at our deadline, asserted "the plant will be built" eventually, adding that subject has been discussed with Corning, but more talks will be necessary since "no conclusion" has been reached.

New facility would be 4th picture tube glass plant in N. America, and its construction would come at time of critical glass shortage for color TV tubes and PC monitors. In addition to Corning Asahi -- joint venture with Japan's Asahi Glass -- other glass facilities are Techneglas in Columbus, O., owned by Nippon Electric Glass, and Thomson Consumer Electronics plant in Circleville, Ill. Samsung Corning has complete tube glass plants in Korea and Germany (see separate report) and faceplate finishing facility in Malaysia.

At week's end, Edelman Public Relations, which distributed Seoul-dated release in U.S., insisted that translation of release was correct, but said it was seeking further clarification from Samsung hq in Korea. Despite appearances, it's probably not a case of Samsung Corning becoming Samsung vs. Corning, but just a tempest in a CRT-pot.

VIDEO CD TO DOMINATE JAPAN ELECTRONICS SHOW: Spurred by availability of single-chip decoder that can add full-motion video to audio CD player at premium of about \$50, true consumer video CD products are expected to proliferate at Japan Electronics Show (JES) this week in Tokyo.

Prototypes are expected from JVC, Matsushita, Sony, Sharp, Denon and possibly others at JES and later this month at Japan Audio Fair. New chip introduced last week by C-Cube Microsystems, "PlayCD," will "dramatically lower the system cost of MPEG video playback systems... by concentrating an MPEG audio and video decoder in a single chip and... tightly and seamlessly integrating the PlayCD chips with the other logic

in a video CD player, game machine or multimedia PC to achieve a least-cost MPEG decoder system," said C-Cube founder and Exec. Vp Alex Balkanski.

Chips provide MPEG-1 standard video CD playback (version 2.0), up to 74 min. of full-motion full-screen video and stereo audio, on standard 5" CD. First uses are expected to be for karaoke and music videos, but some movies will be released for system (already available from Philips Interactive Media under license from major movie studios). However, large-scale utilization of CD format for movies is expected to await standardization of high-density Digital Videodisc (DVD) which can accommodate full 135-min. playback in MPEG-2 quality on single one-sided disc (TVD Sept 26 p9).

JVC and Kubota worked with C-Cube in development of chip, which presumably will be manufactured under contract by Texas Instruments or other semiconductor maker; C-Cube has no manufacturing facilities. Design samples of chip will be available in Dec. at \$2,500. In high volume, chips are expected to be priced at \$35 in 2nd half 1995. Balkanski said PlayCD makes possible portable players for first time and said "with just a small increment in technology, [audio CD player manufacturers] have a whole new product." He said Japanese manufacturers are predicting sales of at least a million in first 12 months.

On eve of JES, JVC introduced 5 new video CD systems, aimed primarily at consumer market, which it said will use C-Cube's PlayCD chip, for sale starting in Nov. and Dec. in Japan. (C-Cube spokesman verified that JVC, and perhaps some other Japanese manufacturers, will obtain quantities of chips before their general availability.) JVC's video CD products: Player attachment for TV set, to list at equivalent of \$600 (produced at rate of 2,000 monthly); minicomponent system, \$1,400 (3,000 monthly); karaoke system with 3-disc changer, \$1,040 (4,000 monthly); home karaoke system with 100-disc changer, \$4,040 (\$300 monthly); 100-disc karaoke system and controller for 3 auto-changers, \$910 each (300 monthly of each).

* * * * *

Sanyo will build on its 3D projection TV system at JES by showing technology it says changes standard 2-dimensional video into stereoscopic images. Company says technology uses special algorithm and digital signal processing, producing 3D in real time. Used with its 3D display systems, according to Sanyo, it can make possible variety of entertainment and commercial uses of 3D. In addition to 40" and 70" projection systems using lenticular screen (and shown at last Summer CES), Sanyo is expected to display compact systems with 4", 6" and 10" screens. Like its projection systems, Sanyo says its portables don't require glasses for 3D viewing.

SHARP INTRODUCES 'MULTIMEDIA VIEWCAM': Building on its innovations in camcorder-LCD monitor combinations, Sharp last week introduced what it called first of new "multimedia" uses for Viewcam. In news conferences in N.Y. and Tokyo, company demonstrated new version of Viewcam that can double as videophone still-picture transmitter and receiver.

New high-end Viewcam with 4" LCD monitor (\$2,500), completely redesigned, has connector system in bottom and comes with "Viewcamport" base that can be connected to TV or VCR. Placing camcorder in base automatically connects it to TV -- similar to Sony's Handycam Station -- eliminating bother of plugging it in. At same time, it charges camcorder's lithium ion battery and 2nd battery.

But connector in Viewcam will have other functions, making it 2-way communicator. Sold separately (\$900) is "Viewcamteleport," slightly larger docking base, with jack for connection to standard phone line. When placed on teleport, Viewcam becomes transmitter and monitor for still pictures of people or objects in front of camera, to be received and displayed on companion Viewcam at other end.

In addition to instantaneous pictures, teleport has solid-state memory capable of digitally storing 10 still color pictures selected from tape, photographed live or adapted from any other video source to be transmitted later. Digital pictures conform to JPEG standards and can be transmitted in 8, 11 or 20 sec., depending on resolution desired. At receiving end, up to 10 pictures may be stored in solid-state memory for later printing out or viewing on TV screen, etc. At N.Y. demonstration, 20-sec. pictures reproduced on receiving Viewcam appeared undistinguishable from originals in quality. Teleport has video input and output so picture sources or displays other than Viewcam can be used -- TV set, other video camera, video-adapted computer, etc.

Teleport also includes unique answering system. If called party doesn't answer, recording says: "Please transmit a video picture or leave a message at the tone." Images or messages are recorded on Viewcam's Hi8 cassette, permitting up to 2 hours of storage.

Prices are steep for consumer product -- list totaling \$3,400 for both camcorder and teleport -- not to mention fact that at least pair of teleports is needed for 2-way communication. Sharp obviously recognizes this and will distribute system through its special products and commercial LCD products dealers as well as consumer distribution. Commercial and industrial users suggested by Sharp include real estate dealers, fashion designers, draftsmen and engineers, theatrical set design and makeup, film producers, printers, interior designers, auctioneers, sales trainers, law enforcement officials, etc.

System has compression ratios of 20, 15 and 8 to 1, depending on speed selected, uses ADCT (adaptive discrete cosine transformation) variable length symbol encoding, has screen resolution of 384x240 pixels, gray scale of 8 bits for brightness and color difference signal, transmits images at 9,600, 7,200, 4,800 and 2,400 baud per sec.

New Viewcam used with teleport is completely redesigned, 30% smaller than previous 4" model, has 8x optical zoom, 16x digital zoom, new black matrix LCD with only 1% reflectivity, digital stabilization, widescreen capability, slow motion playback, world clock, infrared remote, high-speed shutter. Pin connectors at bottom of camcorder are designed for other "future technologies," said Viewcam National Sales & Mds. Mgr. Bob Scaglione. Both Viewcam and teleport are being shipped now.

Sharp shipped 400,000 Viewcams worldwide last year and will sell 200,000 in U.S. alone this year, Senior Exec. Vp Perry Clay told N.Y. news conference. Sharp's U.S. sales totaled \$2.8 billion last year, and are "on track" to exceed \$3 billion in 1994, Corporate Mktg. Vp Dan Infante said.

MITSUBISHI CONSOLIDATION: Mitsubishi, in move to bring N. America audiovideo division under single command, said it will combine 2 U.S. affiliates' manufacturing and marketing operations.

Mitsubishi Electronics America (MELA) and Mitsubishi Consumer Electronics America (MCEA) will form new company Jan. 1 that keeps MCEA name and consists of audiovideo and cellular mobile telephone groups. Merger won't result in "decrease in head count," although there will be personnel changes, said MCEA Pres. Jack Osborn, who will serve as pres.-COO of new A/V group.

New organization will be based at MCEA's Norcross, Ga., hq and operate assembly plants in Braselton for direct-view and Santa Ana for projection TVs. Norcross hq will employ 165, including 15-20 who will be transferred from Santa Ana, Osborn said. MCEA nearly has completed move started earlier this year of hq to Norcross from Cypress, Cal. Braselton complex contains TV and cellular phone assembly plants.

MELA Chmn. Takeo Iinuma, who will continue to head MELA and serve as chmn.-CEO of MCEA, said restructuring will provide "substantial means for increasing our profitability and competitiveness in the U.S. market."

Osborn told us in Aug. that changes were being made to "eliminate redundancies" and would create organization "that can focus engineering power and ensure that high-quality products get to market on time (TVD Aug. 22 p10)." Dealers have expressed hopes that Mitsubishi streamlining would address their complaints about missed delivery dates.

Sun TV, crediting "improved climate" in consumer electronics and appliance industry, reported 16.3% rise in net income in 2nd quarter ended Aug. 31 to \$4.3 million on 14.3% gain in same-store sales. For quarter, sales jumped 33.6% to \$161.1 million. For 6 months, net income increased 18.5% to \$6.8 million on 34.6% rise in sales to \$294 million. Same-store sales were up 14.4% for 6 months.

Correction: JVC's "Easy One" camcorder (GE-EZ1) will have advertised price of \$699. Price given last week (TVD Sept 26 p15) was incorrect. We regret the error.

SONY SIGNS WITH STARSIGHT: Sony has signed licensing agreement to use StarSight Telecast's on-screen interactive program guide in TVs and VCRs, companies announced last week.

Sony becomes 7th TV manufacturer to adopt StarSight. Seven licensees represent 2/3 of industry in U.S. market share, based on TV Digest rankings (TVD Sept 5 p10), according to Brian Klosterman, StarSight senior vp, consumer electronics marketing. Other licensees are Zenith, now producing StarSight sets, Thomson Consumer Electronics, Philips, Samsung, GoldStar, Mitsubishi, and Uniden for satellite tuners.

Mitsubishi is expected to introduce its first StarSight-equipped sets next week, for marketing by year-end, ending Zenith's exclusive period.

Sony signing appears to give StarSight virtually insurmountable lead in interactive guides. "Our corporate strategy is to be first in the market, and we're there," Klosterman said. He noted that 97% of U.S. TV audience is within reach of StarSight guides, and consumers who bought Zenith sets are starting to subscribe to service. Consumers (and dealers) must contact StarSight to subscribe and have system turned on. "Thousands of retailers are activating the service on the floor level," Klosterman told us, noting that company now is adding paid subscribers. Meaning is that "we're real," said Klosterman.

Zenith has sold Northlake, Ill., warehouse and office complex to group of investors, resulting in gain of \$5 million, to be reflected in 3rd-quarter financial results. Sale of 500,000-sq.-ft. property brings to more than 3 million sq. ft. the amount of property Zenith has sold this year, company said. Still on market are plant in Mexico, warehouse in Canada and vacant land surrounding Zenith hq in Glenview, Ill.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 99 yen = \$1, except where noted.

TANDY EXPANDING RETAIL: Tandy will open first N.Y. metro area Incredible Universe (IU) in 1995 and at same time embark on 5-year facelift of Radio Shack, company said.

At N.Y. news conference, Tandy officials declined to disclose location of new IU, although sources have said Roosevelt Field area in Westbury, N.Y., is likely site. Groundbreaking is tentatively planned for Nov., with opening in April-May, sources said. N.Y. location would be one of 8 IUs projected to open in 1995; Tandy officials have said 60-80 are planned for U.S. by end of decade. Willowbrook, N.J., is said to be 2nd potential IU location in N.Y. metro area,

Among other Tandy chains, Computer City (CC) will add 20-24 stores in 1995 and have 200 by 2000, CC Pres. Alan Bush said. About 10 smaller (10,000-sq.-ft.) CC Express stores will open in 1995, increase from 8. Edge in Electronics, VideoConcepts and McDuff won't expand in "short term" and test with Battery Express kiosks has been abandoned, Tandy said.

IUs, including new store in Hollywood, Fla., are "tight for space" and future outlets will grow to more than 200,000 sq. ft. from current 185,000 sq. ft., Tandy Chmn.-CEO John Roach said. Added space will be for warehouse and new consumer electronics departments, he said. Base of 85,000 SKUs will expand by adding "a couple new departments each year," Roach said. Multimedia dept. will open in Nov. featuring 2,500 CD-ROM titles, 5,000 within year, Roach said.

New departments will be key to enabling IU to turn profit by 1995, analysts said. New IU stores average \$55-\$65 million in annual sales, \$85-\$100 million after year, sources said Tandy told analysts at separate N.Y. meeting. N.Y. stores are expected to generate \$100 million in sales, Tandy said. IU has 18-20% gross margins, analysts said.

While IU provides top volume, Roach conceded RS is most profitable. Roach ranked RS, IU and CC in order of profitability, but declined to comment on how each will contribute to Tandy's 5-year goal of \$15 billion in annual sales. Typical RS stores generate \$500,000-\$600,000 in sales on 49-50% gross margins, while CC superstores average \$20-\$40 million with 13-15% margins; smaller 10,000-sq.-ft. CC Express stores have \$12-14 million in sales, analysts said.

RS, which has undergone radical changes since management shakeup in 1993, with new Pres. Leonard Roberts, will revamp stores starting next year. "It will be very service-oriented and softer environment, but not a boutique," Roberts said, "not a Sharper Image-type thing."

RS will add 100 net new stores in next 3-4 years, about 90% following traditional 2,300-sq.-ft. format emphasizing accessories, batteries, parts, small CE products. Other stores will be either 1,200-1,300-sq.-ft. express outlets or 5,000-sq.-ft. "Super Shacks," Roberts said. There are 15 express stores and 3 Super Shacks, he said.

As for other programs, Roberts said RS products are being sold through 75 National Auto/Truck Stops and will move to 100 locations by year-end. In June, Tandy officials had said RS products would reach 100 locations by midsummer. While CB radios and cellular products were expected to be top sellers among 300-400 SKUs, remote control cars and electronic games have been most popular, he said.

Repair Shop, service center program introduced in June to handle both RS and branded product, will have 140 locations by 1995, Roberts said. Program will be available nationwide by Nov. and will be backed by ad campaign in Feb.

RS also will target niche markets in 1995 with 5 specialty catalogs, including those for people who are moving, senior citizens/special needs, hobbyists, hispanic or "technophobes," company said.

Future of VideoConcepts and McDuff isn't clear. Roach said that there are no plans to expand concept for secondary markets and that AV&C Superstores were added to attract more upscale consumers. "They're becoming a smaller part of our mix because our mix is changing," Roach said. Tandy opened 4 AV&C Superstores this year by retrofitting existing McDuff's locations in Brunswick, Ga., College Station, Tex., Dothan, Ala., Lawton, Okla. "AV&C is one of the tests to see if there are ways of addressing secondary markets that would be even more profitable," Roach said. Computers account for 50% of AV&C sales, contrast to McDuff, which relies on major appliances, analysts said. Retail group underwent major overhaul in Jan. 1993 when 79 McDuff stores were closed (TVD Jan. 18/93 p10). VideoConcepts has around 200 stores, McDuff, 100.

* * * * *

Radio Shack is selling Sony brand through 25 stores in San Antonio area. Test, begun earlier this year, features about 20 products, including telephones, Walkman and small-screen TVs, RS Mds. Vp Richard Borinstein said. Venture adds another brand to RS mix that already includes AST and Packard Bell computers, RCA Digital Satellite System (DSS), Franklin electronic books, Casio watches. RS will "sprinkle" brand name products throughout merchandise line-up, focusing on high-end products and portable audio, Roberts said.

SAMSUNG IN EASTERN EUROPE: Samsung's worldwide expansion, with developments in Mexico and China spotlighted in recent weeks (TVD Sept 26 p12, Sept 19 p11), also has major emphasis on Eastern Germany.

Picture tube and glass projects involving Samsung are under way in former E. Germany. Samsung has taken over former govt.-owned picture tube plant (Werk für Fernsehelektronik) in E. Berlin. Built in 1983, it was only tube factory in E. Germany and produced nearly 500,000 tubes per year. Samsung rebuilt plant, investing 84 million DM (currently \$54.3 million) and this year it will produce 1.9 million midsize color tubes.

Heavily automated, modernized plant is scheduled to step up output to 2.5 million next year and about 5 million in full range of sizes in 1996 or 1997. Plant employs 500 and supplies tubes principally to Samsung TV plants in Turkey, U.K., Portugal.

Plant uses glass from another German venture, Samsung Corning Deutschland (with Corning Inc. of U.S.) in Tschernitz, east of Dresden. Plant is being rebuilt with investment of about \$246 million by Korea-U.S. ownership.

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EIA Components Group has formed new Sensor Mfrs. Div., with Eaton Corp.'s Don Dangott as chmn.-designate for 1995 and Simon Carr as staff dir. Founding companies include AMP, Honeywell, Murata, Eaton, Sensors Expo, Sensors magazine, Polaroid, Vernitron, Motorola, Roger Grace Assoc., Sensotec. EIA said more than 70 companies have requested membership.

ATARI, SEGA SETTLE PATENT RIFT: Atari Corp. gained \$90 million and some much-needed breathing room for its Jaguar game system in new "affiliation" announced last week with Sega as settlement of patent infringement suit it filed last year.

Although settlement doesn't affect biggest short-term problem facing Jaguar -- lack of software -- longer term outlook would seem to have brightened with Sega deal. For one thing, it should give dealers and consumers added confidence that Atari and its platform aren't going to leave market any time soon. Perhaps more importantly, it will let Atari cut more competitive deals for shelf space, product licenses, and developer agreements.

Under agreement, Atari is granting Sega and its subsidiaries and licensees nonexclusive license to "more than 70" U.S. patents and applications in return for 7 years of prepaid royalties amounting to about \$50 million. Sega also becomes 3rd largest Atari shareholder -- after Tramiel family and Time Warner -- by buying about 4.7 million shares (7.4% of company) for \$40 million, about \$8.50 per share. Day deal was announced, Atari shares jumped from 5-5/8 to 7-1/2, by end of week dropped back to 7..

Companies also will enter into software license agreements for "specified" (though publicly undefined) number of games to appear on each other's platforms. Sega of America Pres.-CEO Thomas Kalinske said specific properties have been "discussed, but not totally agreed upon." Noting Nintendo's forthcoming launch of *Donkey Kong Country* -- drawing on early videogame hit -- Kalinske said that "some of those titles from [Atari's] past have pretty good possibilities." News release said agreements are "designed to serve as the basis of future working arrangements" between Sega and Atari. Kalinske said agreements all relate to software side of business, not at all to hardware technology exchange. "That's where we draw the line so we could still be competitors," he said.

Settlement comes nearly year after Atari filed suit against Sega in U.S. Dist. Court, San Francisco, asking for jury trial and seeking unspecified damages for allegedly infringements on at least 3 patents. Discovery was due to begin within next 2 weeks, and was scheduled for trial next April.

Earlier this year, Atari settled similar action with Nintendo. Sega's decision to reach agreement with Atari no doubt was affected by pattern of decisions favoring patent holders in computer and game field in last several months. In Aug., jury in U.S. Dist. Court, N.Y., hit Nintendo with \$208-million judgment, ruling company had infringed on bit-mapping patent owned by now-defunct Alpex Computer (TVD Aug 8 p15). Kalinske said decision to settle hinged on complexity of case and fact that Sega was "looking at an exposure of several billion dollars" if verdict went against it. "You can't take that risk no matter how confident your attorneys are," particularly, he said, "when you have a chance to recover" significant portion of \$90 million total via investment in Atari.

Japanese companies also have been vocal about their distrust of American juries' ability to judge highly technical cases. When Sega lost patent case to inventor Jan Coyle 2 years ago, Sega Enterprises Pres. Hayao Nakayama expressed frustration at "amateurs" on U.S. juries deciding complex patent disputes. "We have concerns about the jury's level of understanding," he said then. At that point, he also implicitly criticized his own legal team, saying Sega had "taken professional advice before the hearing, and our professionals told us we would win." Company ultimately settled with Coyle for \$43 million.

HTIA TO JOIN EIA? Members of Home Theater Industry Assn. (HTIA) are being polled in nonbinding referendum on merger with EIA Consumer Electronics Group (CEG).

EIA/CEG Vp Gary Shapiro acknowledged having talked with HTIA board at recent Custom Electronic Design & Installation Assn. (CEDIA) convention about possible alliance. He indicated he views EIA-HTIA situation as being somewhat analogous with EIA agreement 2 years ago incorporating Mobile Electronics Assn. (MEA) into CEG.

Shapiro told us union with HTIA could be viewed as paralleling successful drive by high-end audio companies to win EIA backing for Specialty Audio/Video trade show next June in Chicago. He said CEG would be willing to support merger with HTIA "if that's what our members want." Value to HTIA would be that trade group would be able to devote money and resources to promoting industry rather than going through toils of organizing, Shapiro said.

There seem to be few, if any, alternatives to merger with EIA. Fledgling trade group has been lacking full-time exec. dir. since Ken Furst resigned in summer to accept Curtco Publishing marketing post. Consultant Michael Heiss, former Harman Video executive mentioned as possible successor to Furst as exec. dir., told us HTIA board has agreed unanimously to explore "some sort of alliance" with EIA, union which he said is "our leading option, but not our only option." He declined to elaborate.

KH America Pres. Robert Heiblum, chmn. of EIA Audio Div., said that if HTIA members give nod to agreement, issue will be taken up at Assn.'s fall conference this month. He said he has discussed merger informally with Thomson Consumer Electronics Exec. Vp Joseph Clayton, who heads Video Div., and both are agreeable to idea of bringing in HTIA, possibly as "hybrid" subdivision accountable to Audio and Video Divs. Heiblum indicated incorporation of HTIA would permit EIA to explore home theater-related engineering issues that have languished on shelf for some time because of jurisdictional uncertainties.

U.S.-MADE CE GEAR UP 10.5%: Consumer electronic (CE) products contributed to 12.3% increase in U.S.-made electronics in first 9 months of 1994, according to Commerce Dept. data compiled by EIA. Although CE's share was only 2.7% of total (\$6.87 billion out of \$252.05 billion), it represented 10.5% increase over 1993 period. Here are figures on U.S. factory sales of electronic products, from EIA:

**U.S. FACTORY ELECTRONICS SALES, 9 MONTHS 1993-1994
(preliminary, in millions of dollars)**

Sector	1994	1993	% Change
Electronic Components..	63,911	53,746	+18.9
Consumer Electronics...	6,870	6,219	+10.5
Telecommunications.....	37,794	24,437	+28.4
Defense Communications.	21,594	23,795	- 9.2
Computers & Peripherals	51,566	43,925	+17.4
Industrial Electronics.	22,410	20,291	+10.4
Electromedical Equip...	6,138	5,948	+ 3.2
Other related products.	41,769	41,158	+ 1.5
TOTAL.....	\$252,052	\$224,509	+12.3

Matsushita announced 2 issues of unsecured convertible bonds in Japan, each for about \$1 billion. Interest rates and conversion prices will be determined before subscription period starts Oct. 6.

JAPAN NO. 2 VCR SOURCE: For 3rd time in history, Japan was No. 2 source of VCRs in July, falling behind Korea, as it did in July and Aug. 1993. For year's first 7 months, Japan was still No. 1, followed by Malaysia, with Korea 3rd. From Commerce Dept., here are U.S. imports for July and 7 months, by country:

VCR Decks					
	July	% Chg.	7 Months	% Chg.	
TOTAL.....	1,697,000	+38.8	8,410,300	+14.9	
Japan.....	335,500	- 5.1	2,105,800	-14.2	
Malaysia..	310,500	+58.4	1,819,900	+15.3	
Korea.....	404,900	+ 1.7	1,690,600	- 2.2	
Indonesia..	222,500	+83.8	1,134,000	+82.9	
Thailand..	156,700	+243.8	650,200	+51.5	
China.....	174,200	+613.5	607,400	+770.1	
Singapore..	92,700	+27.1	372,500	+11.3	
Taiwan....	0	--	18,600	-74.1	
TV Sets					
TOTAL.....	1,442,500	+22.4	9,600,800	+26.3	
color....	1,251,800	+27.6	8,556,300	+31.8	
TV/VCR..	99,900	**	728,100	**	
b&w.....	190,700	- 3.7	1,044,600	- 6.5	
Mexico					
color....	812,700	+25.7	5,694,000	+42.1	
TV/VCR..	35,200	**	230,300	**	
Malaysia					
total....	177,600	+86.5	1,252,600	+52.3	
color....	158,000	+112.4	777,800	+57.7	
TV/VCR..	42,300	**	351,800	**	
b&w.....	19,500	- 5.8	123,000	+15.9	
Thailand					
total....	149,800	- 3.0	883,800	+52.7	
color....	147,700	- 4.4	858,300	+31.6	
TV/VCR..	3,200	**	61,900	**	
b&w.....	2,200	*	25,500	+195.7	
China					
total....	158,800	-10.5	889,200	- 9.4	
color....	45,500	- 7.0	325,600	-15.9	
b&w.....	113,300	-11.8	563,600	- 5.1	
Japan					
total....	48,200	+177.4	244,800	+22.7	
color....	41,200	+349.2	197,900	+47.5	
TV/VCR..	15,200	**	67,800	**	
b&w.....	7,000	-14.5	47,000	-28.1	
Korea					
total....	37,100	- 0.7	238,200	-38.0	
color....	22,700	+11.5	140,400	-44.7	
TV/VCR..	0	**	700	**	
b&w.....	14,400	-15.3	97,800	-25.0	
Canada					
color....	7,200	+361.6	43,100	+ 4.3	
Singapore					
color....	12,100	+ 5.2	127,200	-10.6	
TV/VCR..	3,400	**	17,500	**	
Taiwan					
total....	33,700	+91.8	176,000	-25.4	
color....	2,500	-17.0	14,000	-76.3	
b&w.....	31,200	+113.9	161,900	- 8.4	
Hong Kong					
total....	0	--	18,900	-72.9	
color....	0	--	10,800	-78.5	
b&w.....	0	--	8,000	-58.4	
Philippines					
color....	800	*	2,800	-91.8	

* No significant shipments in 1993 period.

** TV/VCR category not broken out in 1993.

Color TV figures exclude projection.

Some totals may not add due to rounding.

CE DEALERS SELL FURNITURE: After years of eschewing furniture, consumer electronics (CE) power retailers are clearing space for high-margin product.

While CE specialty dealers have long sold furniture as part of elaborate home theater displays, recent forays by Circuit City (CC), Wiz and others may bring product into mainstream.

CC is testing wall units in several markets, including Houston and Jacksonville, and is expected to roll out nationwide late this year. Wiz sells Great American Oak pieces in 12 stores and will expand to 30 by year-end, source said. And Audio King and United Audio bolstered their line-ups recently.

"It takes intestinal fortitude to order it and have it in stock, but the upside is margin," Barrett's Audio/Video Vp Joseph Barrett said. "I keep asking myself what do I want in stock, a 25-point TV or a 55-point piece of furniture that starts at \$900."

Indeed, audiovideo cabinets may range \$900-\$2,500 for Great American Oak or Bellogetti while more elaborate Pennsylvania House or Hooker may be closer to \$4,000-\$5,000. On low end are TV stands (\$199-\$500) or audio racks (\$350-\$499).

Approach to selling furniture varies. While some retailers have built separate "life-style" rooms to display melding of CE and furniture, others have placed it with projection and big-screen TVs. In stores with furniture departments, products are cross-merchandised. Regardless of technique, audiovideo products need to be demonstrated with furniture because many consumers "don't know how they can set it up or how it will look," Bellogetti Sales Mgr. David Miller said.

"My sense is that there is a lot of discussion about home theater, but that there hasn't been a huge amount of single-system selling," said Chuck Cebuhar, div. vp-gen. mdse. mgr. at Sears, which will cross-merchandise CE and furniture at new Home Life store that opens in Lansing, Mich., this month. "It's been more piece selling. But there's a furniture play there because somehow people expect to buy it in the same place."

But with furniture also comes concessions. Many CE retailers, including CC, have sold ready-to-assemble (RTA) furniture in past, but wall units and other furniture gobble up warehouse and sales floor space. And consumers, accustomed to cash-and-carry CE products, become anxious with 6-8 weeks required for furniture delivery.

Selling furniture at CE stores "makes perfect sense, but I'm a little dubious about what kind of sales potential is really there," retail analyst said. "It makes sense to buy that kind of thing at the same place you're buying equipment, but I think most people make do without very expensive wall units."

However, several regional retailers, including ABC Warehouse and H.H. Gregg, don't carry furniture because selling it is "a different kind of game" than selling CE products, said Jerry Salesin, video buyer at ABC. "I'll keep the furniture stores in the furniture business and me in the TV and appliance business," he said. "Delivery of furniture is a lot different than delivering appliances or widescreen TVs. People who have been in the furniture business know how to handle this stuff differently than a widescreen, refrigerator or stove."

SONY LAUNCHES PERSONAL COMMUNICATOR:

Taking what Pres.-COO Carl Yankowski called "the first step down a long road," Sony Electronics last week became first company to launch personal communicator based on technology developed by General Magic. "Magic Link," about size of paperback book, went on sale Sept. 28 in "more than 1,000" consumer electronics stores at \$995 list price.

Magic Link operates via monochrome LCD touch screen using General Magic's "Magic Cap" platform. It offers what Sony calls "a combination of intelligent messaging capabilities that integrate E-mail, fax, telephone, on-line services and nationwide paging with personal information management software." Device incorporates AT&T's "PersonalLink" services, which allow users to communicate on public and private messaging services, send faxes, use other optional services. With exception of wireless paging -- with addition of optional Pager Card -- device communicates when hooked up to phone line via internal 2,400-baud modem (9,600 baud when sending faxes.).

Sony and AT&T had all promotional guns firing for launch (including stories in major newspapers even before Wed. news conference was held), but media gathering also served as opportunity for company to control expectations. Yankowski acknowledged category has been "much discussed with other products in the past, but they've fallen short of expectations." He said that "realizing the potential of the personal communicator is a process, not a single event... It will take time, patience and commitment to build the next phase in personal communication." Brian Sroub, vp-sales & mktg. for Sony Personal Information Co. (SPIC), said market will grow "in stages... Near-term growth will be relatively modest." Company is first targeting 6-million-person market of "technology optimists" from among 27 million "mobile professionals."

Magic Link weighs 1.2 lbs., runs on 6 AAA batteries (with estimated 10 hrs. of life), with installed software that includes access to America Online, PersonalLink, Pocket Quicken financial program, PenCell spreadsheet, Spell Finder, solitaire card game. Optional accessories include lithium ion rechargeable battery, pager card, ROM memory card, full-size plug-in keyboard for desk-based use, Macintosh and Windows connectivity software.



Best Buy (BB), in bid to help finance expansion, last week filed with SEC for 4-million share offering. Underwriters have 30-day option to buy additional 600,000 shares. Proceeds from offering probably will fund Best Buy's expansion in L.A. and Seattle-Portland area featuring 58,000-sq.-ft. Concept III stores. BB also opened software-only warehouse near hq in Edina, Minn., and 311,000-sq.-ft. distribution center in Ontario, Cal. BB officials said earlier this year they favored stock offering over borrowing money, but share price would have to rise above \$30 (TVD June 27 p20). BB stock has been trading at \$37-\$39.

Income tax trial of BrandsMart founder Robert Perlman is set for April 3 in U.S. Dist. Court, Ft. Lauderdale. U.S. Dist. Judge Jose Gonzales continued case, scheduled to begin Sept. 26, after Edward Shohat, attorney for Perlman, indicated he will be counsel for unrelated 2-3-month drug trial in early 1995. Perlman, who was indicted in Dec. and is free on \$250,000 bond, was charged with falsifying 1988 income tax returns, saying he made \$1.28 million when he received substantially more, federal officials have said. Perlman has denied charges.

NEWTON CHANGES FOCUS: Once promoted as Apple's entry into consumer electronics, Newton MessagePad is "couple years away" from returning to consumer market, company executive said.

Price must come down and applications, including 2-way wireless communication, must be available before Newton again hits retail shelves, Apple Mktg. Dir. Kenneth Wirt said at N.Y. conference last week. Second-generation Newton, introduced in March at \$699, is designed to overcome handwriting recognition problems that plagued first model. Newton added letter-by-letter recognition mode as advance from first unit's word-by-word function.

Newton has sold about 100,000 units since shipping in Aug. 1993, with 2nd-generation model accounting for 2/3 of sales, Wirt said. PDA market will hit one million installed base by end of 1996, 2 million by late 1997, 9 million by 1999, he said. Apple has 65% share of PDA market, he said.

Majority of sales have been to individuals and small businesses, although Newton is in "pilot or field test stage" with 300 corporations, Wirt said. Ratio will shift to 50-50 by year-end as corporations purchase product, he said.

"It's not quite the \$3-trillion market that John Sculley used to refer to, but it's growing pretty quickly," Wirt said, referring to Apple's former chmn. who as keynote speaker at 1992 Summer Consumer Electronics Show said Newton was Apple's entry into "the digital information products sector of the consumer electronics industry" (TVD June 1/92 p10). Sculley left Apple in 1993.

Wirt declined to comment on Apple's plans for Newton, although he said licensee would introduce PDA later this year. Motorola is said to be readying PDA that would join Sharp's Expert Pad. Other Newton licensees include Toshiba.

"The lower [price] the better [in introducing consumer PDA], but it depends how many units in the consumer marketplace you're talking about," Wirt said. "There are major price points at every step, \$499, \$399, \$299, but I don't think it's going to start at \$199."



Bounceback in profits of Japanese companies in current fiscal year will be sparked by electronics companies, particularly those in semiconductor business, according to survey by Nikkei. Oki Electric will show biggest increase, up 414.9% to 20 million yen in pretax profits, 487-company survey said. No. 2 is Fujitsu, up 176.7%, with Nippon Electric Glass No. 7, up 88.6%; NEC No. 8, up 88.3%; Casio is No. 14, up 62.6%, with Sony 17th, up 57.1%.

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Consumer Electronics Personals

New senior vps at Zenith: **Kell Benson**, vp finance, who also retains CFO title; **Philip Thomson**, ex-Pitney Bowes, as senior vp, operations, post vacated year ago by Albin Moschner when he was named pres. (TVD Sept 6 p15); **Richard Vitkus**, ex-Vanstar Corp. (ComputerLand), to senior vp, gen. counsel, succeeding John Borst, who retired as gen. counsel... **Michael Johnston**, ex-Black & Decker, joins Philips Consumer Electronics as senior vp-gen. mgr., Philips Service Co., based in Jefferson City, Tenn., filling post vacated in spring by **Gerald Reid**.

William Park, 27-year veteran of Curtis Mathes under previous owners, joins Curtis Mathes Holding Corp. as vp-COO, reporting to Chmn. Pat Custer... Changes in Onkyo reorganization: **Robert Goodman**, **Graham Hallett** and **Fred Maxik** depart as Onkyo pres.-international operations, Onkyo USA pres. and Onkyo USA vp-strategic planning, respectively, to form new management consulting firm with Onkyo as client; **Toki Otsuki**, son of Onkyo Pres. Natao Otsuki, replaces Hallett as Onkyo USA pres.; **Tom Ishii** shifts to Onkyo USA exec. vp from vp-engineering; **Ted Green**, vp-sales & mktg., and **Brian Koji**, vp-finance, named to Onkyo USA board.

Merrill Smith, ex-Adcom, appointed exec. vp-sales & mktg., Nakamichi America, Home Audio Div... **Mitchell Speers** shifts to Technics national mktg. mgr. from national sales mgr. in Panasonic National Accounts Group... **Willie Carter**, ex-Dexter Corp., joins International Jensen (IJ) as vp-quality. Appointed to advisory board for IJ German holding company, supervising operations of Mac Audio and Magnat Electronics: **Herbert Thum**, member of supervisory board, Blaupunkt-Werke GmbH; **Heribert Mackenthun**, Mac Audio founder; IJ Pres.-CEO **Robert Shaw**; **Jeremy Mermagen**, managing dir., IJ European Holdings. Mackenthun resigns as Mac Audio managing dir., his duties to be assumed by **Michael Lennartz** and **Ditmar Schwartz**.

Wayne Huizenga moves from chmn.-CEO of Blockbuster Entertainment to vice chmn. of Viacom and chmn. of Viacom's newly formed Blockbuster Entertainment Group; **Steven Berrard** shifts from vice chmn., pres. and COO, Blockbuster, to pres.-CEO, Viacom's Blockbuster Entertainment Group.... **Randi Benton** promoted to pres. from vp-dir., Random House New Media... **William Marx** now heads AT&T's Multimedia Products Group (MPG), retaining top post for AT&T Microelectronics and global manufacturing and purchasing... **Sega of America** Pres.-CEO **Thomas Kalinske** will be keynote speaker at Electronic Entertainment Expo May 11-13.

GoldStar's U.S. consumer electronics sales totaled \$1 billion in 1993 and are growing 17% this year, according to Mktg. Vp **Jeffrey Mullarkey**, as quoted in Sept. 26 Business Week. Article on Korean parent company's ascendancy under CEO **Lee Hun-Jo** said 34% of parent's sales were appliances, 23.8% TV, 20.7% audio-video products, 12.6% computer and office automation products.

Korea's Daewoo is 50% partner with Chinese interests in new \$3-million plant making picture tube deflection yokes in Xianyang, China. Xianyang Daewoo Electronics Components Co. will produce 600,000 yokes annually for sale to Chinese manufacturers.

Duracell will introduce nickel metal hydride camcorder battery for consumer market in fiscal 1994, it said in annual report. Plans called for camcorder model this fall, but Duracell delayed delivery to focus on laptop PC and cellular phone applications (TVD July 25 p15). Battery was developed jointly with Toshiba and Varta. Report said Duracell Lexington, N.C., plant was under review by EPA as possible Superfund site. In last 10 years, facility has undergone extensive "remediation" and future costs won't exceed \$10 million, company said. Duracell claimed 42% share of U.S. alkaline battery market, with Eveready 2nd at 38%.

Consumers' plans to buy TV sets are holding up despite decline in confidence in economy, according to Conference Board survey. Preliminary results in Sept. showed 7% of all households planned to buy TV within 6 months, compared with 6.5% in Sept. 1993, but down from 7.3% in Aug. Aug. figure was revised from preliminary 6.8% reported month ago (TVD Sept 5 p16). Consumer Confidence Index, which hit 92.5% in June, declined for 3rd consecutive month in Sept. to 88.4%.

JVC is seeking TV plant site in Mexico, according to sources in Tijuana. In Japan, official confirmed that company is "studying" possibility of manufacturing in Mexico. It currently makes large-screen TVs for U.S. in N.J., small sets and circuit boards in Thailand. Official noted that company must make boards in N. America by 1999 to take full advantage of N. American Free Trade Agreement. He said location and timing haven't been determined.

Sony-sponsored beach volleyball team won both men's and women's divisions of 1994 Bud Light Pro Beach Volleyball tour. Tour, which consisted of 14 men's and 10 women's tournaments, started March 19 in San Diego and covered 20 cities in 6 months, ending with final in Clearwater, Fla.

Honda car navigation system with 6" LCD monitor will be sold as factory-installed option in Japan starting this month. It's compatible with both gyro and GPS sensors. It will become dealer option next Feb. Price of \$2,000 is lowest in industry, but also requires car CD changer that functions as CD-ROM for navigation system.

Sony Hi-Vision laserdisc player will sell in Japan for about \$3,000, half price of current model. Sony claims industry's highest sampling frequency, 32.2 MHz, for video signal processing, resulting in improved picture quality. Player also will play standard NTSC laserdiscs. Sony plans to produce 1,000 monthly.

"Innovations" design and engineering program and exhibition will be held at 1995 Winter Consumer Electronics Show Jan 6-9 in Las Vegas. Since debut in 1976, Innovations has been feature of Summer CES. Deadline for submissions is Oct. 31.

Samsung will ship 12-page product guides to dealers this month listing features and benefits, along with glossary of terms. Guides cover audio, video, home office and major appliance products.

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast Cable

MARKEY EYES BROADCASTING: Telecom Subcommittee to consider 'social compact' next term, focus on broadcasting rather than cable. He says telecom reform will pass quickly. (P. 1)

VDT RULES SOUGHT: Cable and consumer groups press for cost-allocation decision before VDT licenses. Telephone companies claim that move is meant only to delay competition. (P. 2)

FCC PROMOTING COMPETITION, Hundt claims at conference. New unregulated cable tier possible. Panelists are optimistic on long-term fate of broadcast TV. (P. 4)

NETWORK AFFILIATE CHURN continues as SF attacks NBC, NBC loses Toledo affiliate, Austin Fox affiliate to switch to CBS, and networks expect viewer loyalty. (P. 5)

FOX LOOKING TO BUY: Joint venture with Blackstar targets 11 VHF stations in markets 50-100. More affiliation churn inevitable. (P. 5)

STANDARD-SETTING KEY TO FSN: Deployment won't be widespread until 1998, report says. Govt. may have to impose standards. 'Intense competition' seen. (P. 6)

LMDS SHARING POSSIBLE: Cable competitor can use satellite frequencies, despite negotiating failure, Bellcore report says. Some doubts raised. (P. 6)

MARKEY PANEL TO FOCUS ON BROADCASTERS: While wireline policy has taken up most of last 2 years for House Telecom Subcommittee, panel plans to turn its attention toward broadcasting's "social compact" in 1995, Subcommittee Chmn. Markey (D-Mass.) disclosed last week.

Markey also said he expects telecommunications legislation to pass fairly quickly next year. Congress is "near the end of the process," with all major compromises made, he said in response to reporters' questions following speech at Interface conference in Washington, sponsored by FCBA and Bestg. & Cable magazine. He said what's needed is "no obstructions" as there were this year. It will be easier to identify which companies will talk about wanting legislation and those that will earnestly want bill, Markey said.

In outlining "conceptual framework" for hearings next year, Markey said in Oct. 4 speech that theme would be to "develop a new model for the competitive realities of the 90s" as broadcasting, which includes public broadcasters, and public interest obligations continue "to evolve in a dynamic business and technological environment." He outlined 3 elements:

Consumer Electronics

ZENITH RAISING COLOR TV TUBE PRICES in reaction to glass shortage gripping industry; Philips also considering 2nd price move this year. (P. 11)

EIA PULLS PLUG ON CES-I FOR 1995 as Nintendo defects to rival Electronic Entertainment Expo. EIA now plans to stage CES-I in Orlando in 1996. (P. 11)

CES MEXICO, ON OTHER HAND, is apparent hit, with 3-day event drawing more than 14,000 to show serving as gateway to companies farther south. (P. 13)

MATSUSHITA SEEN AS DVD WILD CARD, able to tilt scales toward either of 2 systems vying to become industry standard, as all try to avoid format battle. (P. 14)

PHILIPS AND STRIKING WORKERS at Ottawa, O., TV tube plant reach settlement granting first hourly wage increase in several years and \$1,000 signing bonus. (P. 15)

TCE IS READYING 2ND-GENERATION DSS technology with interactive capabilities. (P. 16)

THOMSON AND SUN MICROSYSTEMS will establish joint hq in Palo Alto, Cal. by year-end as prelude to introducing interactive multimedia system next year. (P. 16)

TOSHIBA WILL BOOST CAPACITY at TV assembly plant in Tenn. and chassis factory in Mexico starting in 2nd quarter of 1995 in bid to raise market share. (P. 17)

(1) We must reinvigorate the social compact between broadcasters and the American people. We must review both the quid and the quo of the quid pro quo." Included in this category are multiple ownership and cross-ownership rules, which he said should be evaluated by Congress and not solely by FCC. There should be more attention to children's TV and to parental control over violence on TV, Markey said, noting that half of children in U.S. -- about 33 million -- live in homes without cable and 40% in homes with incomes of less than \$30,000 per year.

(2) Public broadcasting should be given "fresh look," Markey said, because "commercialism has increasingly found its way into the public broadcasting mindset." He said "fundamental reevaluation of the goal and practices" of public broadcasters would be needed, and programs should be shielded from corporate influence while airing diverse points of view. Following his speech, Markey was asked whether his challenge meant that public broadcasters shouldn't be able to keep money from successful spinoffs, such as Barney show. Markey replied that he was "just raising questions" and that funds from products would be one issue under review.

(3) Set-top box and open systems will be on agenda again in 1995. Markey said new technologies have created "bright new opportunities" for broadcasters, but new systems should have widest possible access. He said it was too early to determine whether any or all of elements would be embodied in legislation next year. He also returned to theme voiced repeatedly during hearings on children's TV and violence issues -- that if broadcasters failed to uphold their end of social contract, particularly after having benefited from free spectrum, must-carry and relaxation of other requirements, then Congress could act to take away exemption from spectrum auctions. He said that if TV is "just another high-tech appliance," referring to characterization by ex-FCC Chmn. Fowler as "a toaster with pictures," then "we will have reached the point when free broadcast spectrum should be auctioned like spectrum for pagers and beepers." Broadcasters would readily appreciate how much spectrum is really worth, based on prices paid for narrowband paging spectrum, Markey said, calling federal policy so far one of creating "multimillionaires" among broadcasters built on free govt. spectrum.

CABLE AND CONSUMERS PRESS FOR VDT COST RULES: NCTA, MCI and consumer groups launched new campaign to convince FCC to impose cost-allocation rules before it approves commercial VDT licenses. Groups held news conference in Washington Oct. 5 to announce that letters were sent to commissioners, signed by NCTA, MCI, Consumer Federation of America (CFA), Center for Media Education (CME), NARUC. FCC staffers have told industry officials that VDT issues are likely to be on Oct. 20 agenda.

Consumer and industry groups want Commission to "adopt effective cost-allocation rules," make VDT approvals dependent on removal of barriers to local telephone competition and establish procedure for dividing cost jurisdiction between states and federal govt., they said in letter. NARUC, in separate letter, pressed argument that states must have jurisdiction over cost-allocation rules for intrastate service: "We also fear that current separations rules employ factors that were not designed to compensate for, and are not applicable to, VDT service, thus resulting in the possibility of a disproportionate allocation of costs to the intrastate jurisdiction."

Groups would prefer that FCC launch full-fledged rulemaking on cost allocation before it starts granting VDT licenses, officials said. NCTA Pres. Decker Anstrom said best solution would be rulemaking that offered several cost-allocation alternatives. CFA Legislative Dir. Bradley Stillman said FCC is trying to make VDT decisions "with only a tiny fraction of the information they need."

In another letter to commissioners, National Assn. of State Utility Consumer Advocates said it recognizes potential consumer benefits of VDT but urged FCC to develop cost-allocation method. Group said consumers who don't use VDT could be forced to help pay for it.

There was no strong consensus on how long VDT approvals would be delayed if FCC were to set cost-allocation rules first. Anstrom suggested that it "wouldn't have to be a long, drawn-out proceeding. It could be done in a very simple order, very quickly. There certainly is ample record on which to make a judgment." Stillman said: "The point is to not penalize the consumer for lack of FCC action. If it takes a year to do it right, let's take a year."

Telcos predicted that setting cost-allocation rules could take years. "If the NCTA has its way, it could be forever," Bell Atlantic spokeswoman said. Stillman said he's "not particularly sympathetic" to arguments that demanding cost rules would delay VDT since cable and consumer groups asked FCC in spring 1993 to set

cost rules. One alternative, he said, could be awarding VDT licenses with understanding that cost-allocation proceeding would go ahead, and any findings would be retroactive.

USTA Pres. Roy Neel said there has been enough discussion of VDT rules: "The FCC has taken more time to deliberate, and received more input from interested parties, on VDT than on any other matter in recent memory." He said that VDT is on Oct. agenda, that news conference raised no new issues and that "given the nearness to the FCC's next public meeting, their actions can only be seen as last-minute delay tactics."

Telcos believe that adequate cost-allocation rules already are in place. BA lawyer Michael Glover said that current common carrier rules require telcos to assign at least all incremental costs to new services, that price caps wouldn't allow telephone rates to increase to cover cross-subsidies and that rules require "reasonable" portion of common costs of networks to be assigned to new services.

Question is whether assigning incremental cost alone to video portion of VDT systems is adequate, and what formula should be used for assigning common costs. Stillman said consumers and cable assume that 90-99% of bandwidth of VDT fiber would be used by video, and that costs should be based on bandwidth consumed. He admitted that some "massaging" of that percentage probably would occur to reduce burden placed on video, but indicated that video must continue to carry vast majority of cost burden. Glover said telcos' starting position is that proportion of common cost burden carried by each service should be based on relative investment in each, with common costs apportioned in proportion to incremental costs. "The real problem is that we haven't had this discussion" in formal FCC proceeding, Anstrom said.

Stillman called VDT "the single biggest consumer pocketbook issue that the Commission will face," saying that telephone ratepayers' bills could be raised average of \$16 per month for 20 years to pay for new nationwide fiber network. "Allowing incremental pricing of video services is fundamentally unfair to consumers and will cripple competition," he said. MCI said long distance carriers are almost certain to have to bear most of higher local network costs if VDT costs are assigned to telephony. CME, meanwhile, said "low income and minority neighborhoods are being systematically underrepresented" in VDT plans.

Lab testing of full Grand Alliance HDTV system won't begin until Feb., Technical Subgroup of FCC Advisory Committee on Advanced TV Service (ACATS) was told last week. Committee had hoped to begin tests 2 months earlier (TVD Sept 12 p3), but delays in completion of system and performance specifications pushed schedule back. Subgroup Chmn. Joseph Flaherty of CBS urged members to submit changes and comments on specification drafts being circulated among ACATS task forces "so we can come to final agreements at our next meeting." ACATS Chmn. Richard Wiley was optimistic about testing schedule and committee's plans to submit HDTV recommendation to FCC this year. Subgroup agreed to "Mission Statement" for coordination of its work with Administration's National Information Infrastructure Task Force. Broadcast Caucus representative Lynn Clady of NAB reported it expected to announce "very soon" what company would be selected to build alternative transmission system prototype, based on coded orthogonal frequency division multiplexing (COFDM), and expressed hope it could be built in time to be tested against Grand Alliance vestigial sideband system (VSB). Subgroup received favorable Field Testing Task Force report on its Aug. testing of VSB system in Charlotte.

TvB estimates 1995 TV ad revenues will increase 6-8%, with syndication at 7-9%, and network, local and spot at 5-7%. Report predicts 1995 cable growth of 11-13%. Harold Simpson, vp-R&D, said broadcasting advertising is gaining "from a much broader base than we have seen in several years," including fast food, furniture and appliance stores, home centers, clothing stores, telephone companies, travel and resorts, insurance.

Classic Cable affiliate bought De-Cal Cable and Calco Construction, which have 3,600 subscribers in Karnes City and several other small Tex. cities.

Information services rather than entertainment will drive interactive networks, according to Louis Harris poll conducted for Privacy & American Business, journal of Center for Social & Legal Research. Highest interest in sample of 1,000 adults was in health information (79%), customized news and features (74%), consumer information (67%), discussion groups (60%). In entertainment services, those polled said they were most interested in video-on-demand (56%), and sports-on-demand (54%). Less than 1/3 said they were interested in shopping. Results could be tainted by lack of information about interactive services -- only 6% said they had heard "great amount" about interactivity, 25% "moderate amount," 33% "nothing at all." Poll indicated consumers "want to see potential privacy concerns, particularly... customized advertising, addressed now," before interactivity becomes widespread, said Alan Westin, editor of privacy journal. When asked about whether govt. should regulate interactive service prices and services, 30% said govt. impact would be positive, 33% said govt. would hurt.

Consumer group Center for Science in the Public Interest (CSPI) is planning campaign to attack effects of TV, including persuading viewers not to watch. CSPI put help wanted ad in Oct. 3 Roll Call newspaper: "Director/activist to lead national anti-TV campaign. Demonstrated concern about TV's adverse impact and 5+ years of organizing and leadership experience required." Center Exec. Dir. Michael Jacobson declined to provide details.

Joint venture of Century Communications and Citizens Utilities completed acquisition of TCI cable system with 24,000 subscribers in Glendora, Cal. Joint venture said it's also completing acquisition of TCI's Chino, Cal., system with additional 21,000 subscribers. Total purchase price for 2 systems was about \$90 million.

HUNDT SAYS FCC IS PROMOTING COMPETITION: FCC Chmn. Hundt urged Congress to take up again and pass comprehensive legislation next year "in order to move to competition in all communications markets," but cited power of "200,000 lawyers, lobbyists and associated employees who ply their trade here" and conceded that "conclusion of the journey to competition will not be easy." Hundt also said that FCC is considering allowing unregulated tier composed exclusively of new services, as part of going-forward rate rules, and that Commission isn't satisfied with any proposals that it believes would lead to exclusively a la carte services. He also said he believes that must-carry is a "necessary check on the bottleneck power of cable."

Speaking at Interface VII conference, Hundt said industries seeking "monopoly" status won't be freed from rate regulation. He said he preferred path of FCC's taking "incremental steps, one after another" to open up all industries to competition and Commission should work in each market to foster "consumer choice" and delivery of services at a "fair price for consumers."

Cable industry opposition to telco video dial tone (VDT), which he said amounted to record "33,000 pages, 12 feet high," was example of difficulties Commission faces. Hundt cited need to balance competing interests in many areas, including removal of broadcasting prime-time access rules, adoption of cable going-forward rules, FCC reconsideration of telephone VDT rules. Telecommunications bill would have been helpful in preventing "state-level obstacles to competition" in telephone area, he said. He said he favored "national policy to let cable and long distance carriers get into local telephone market," but also said it's important to "not let telephone companies gobble up cable companies."

FCC Comr. Quello commented favorably on Bell Atlantic idea in VDT reconsideration proceeding to carry local broadcasting signals free. He said it would "guarantee continuation of universal free TV," and "lessen broadcaster hostility to telephone company paid programming services." Quello spoke of constitutional limits on FCC actions in program content area, but said he supported "continual governmental surveillance and pressure to ensure broadcaster and cable self-regulation."

Comr. Chong also expressed disappointment at failure of telecommunications bill to pass but said Commission should "move on a piecemeal basis to seek things the bill would have accomplished in a more sweeping manner." She said she favors Commission's "looking at our rules to see if they are still relevant," citing TV-radio duopoly as example. Chong said opponents of Nov. 1995 expiration of network finsyn rules had "heavy burden." She said cable representatives present different picture of cable industry from "rosy picture" in FCC cable competition report and said: "The cable report is the start of where we are, but not the ultimate view."

Bell Atlantic Chmn. Raymond Smith was optimistic that telecom reform bill would pass in 1995 because of consensus in both houses and because most issues were resolved in S-1822. He also cited "some motivated people" in industry, although he worried that some could "blackball" legislation. There was speculation that bill might be delayed until 1996, but former FCC Chmn. Richard Wiley said it must pass in 1995 because presidential politics in 1996 would make action difficult.

Panelists were optimistic about long-term future of broadcast TV, with CBS Best. Group Pres. Howard Stringer noting that broadcasting was considered "dinosaur" few years ago. Multichannel industry has discovered need for "brand

identification" and quality programming, he said. Trygve Myhren of Providence Journal Co. predicted that broadcasting will remain "enormously strong" despite some falloff in viewing share. Most of dropoff will be absorbed by "fringe stations" that go out of business, he said, with viewing share picked up by stations with strong local component.

One of biggest battles on information highway will be over "main menu" at entrance to system, Discovery Chmn. John Hendricks said. He predicted that only 9-12 items can appear on screen, so "positioning on the main menu will be the critical battle... through 1995." Smith and America Online Pres. Stephen Case agreed that first gateway is "battlefield of the future," but QVC Chmn. Barry Diller said there's "too much attention on the properties of the navigation system... The territorial wars ain't going to be."

Disney is "no closer or further away than it has ever been" to buying broadcast network, Richard Frank, chmn. of Walt Disney TV, said. He said news reports about its activities are "almost universally wrong," although Disney remains interested in any deal that makes sense. He said program producers don't have to own transmission system to survive, since "50 or 60" different outlets are available to give access to audience: "If I have Home Improvement I'll have access." Frank also predicted that interactive networks won't replace broadcast TV, that they will live side-by-side like radio and TV.

ELECTRONIC DISTRIBUTION

Complete issues of Warren Publishing's Communications Daily are being distributed electronically each business day to all 1,994 employees of FCC. The service began Oct. 3.

Under agreement announced by Chmn. Hundt, all employees will access Communications Daily via Commission's internal network or will obtain printed copies after the day's edition is downloaded to a printer. The Daily will go to all FCC field offices as well as to Washington hq. Only FCC employees will be allowed to access Communications Daily under the agreement.

Said Hundt: "Our new technology is allowing all FCC employees to receive up-to-date information every morning instead of sharing a few prized paper copies of this popular publication. This information highway paper route is efficient and economical and will enhance our ability to do our jobs. I know that all FCC employees will value this opportunity for quick access to Communications Daily."

Albert Warren, editor and publisher of Warren Publishing Inc., who has covered the FCC for 50 years, stated: "I think this may be a 'first' -- the first time a major federal agency has provided an industry periodical to its entire staff. Everyone is bound to benefit -- the public, the FCC, the industries. It is particularly gratifying to provide this service in our company's 50th year of operation." This action by FCC follows similar arrangements by major industry entities, such as MCI. Under agreement with Warren Publishing, subscribing organizations are given authority to make broad internal distribution of the periodical, using whatever technology they choose -- computer, facsimile, paper, etc.

NETWORK AFFILIATE CHURN: As network affiliate wars continued last week: (1) SF Bestg. fired back at NBC challenge to Fox station ownership deals (TVD Oct 3 p3), citing NBC's own 49% nonvoting interest in WKYC-TV (Ch. 3) Cleveland. (2) NBC lost Toledo affiliate WTVG (Ch. 13) in deal in which Cap/ABC bought NBC Toledo affiliate station and ABC affiliate WJRT-TV (Ch. 12) Flint, from SJL Best. Management for \$155 million. ABC's Toledo affiliate is WNWO-TV (Ch. 24). Deal will increase Cap/ABC stations to 9 VHF, 1 UHF. (3) Network officials said TV audience confusion over affiliate switches would only be "short-term" problem. (4) United Paramount Network (UPN) announced signing of 21 affiliates. (5) Granite Bestg. will buy KBVO-TV (Ch. 42, Fox) Austin and switch affiliation to CBS in early 1995. Former CBS affiliate KTBC (Ch. 7) is moving to Fox in New World deal. Seller is Canaan Communications and Beard Management for \$54 million cash and tax certificate.

SF's FCC filing characterized NBC petition to deny SF purchase of WLUK-TV (Ch. 11, NBC) Green Bay as effort "to forestall competition in the marketplace." FCC Mass Media Bureau extended until Nov. 2 deadline to file comments on NBC petition. NBC had asked for extension because SF Bestg. didn't file operating agreement for deal until Sept. 22, day before original Sept. 23 deadline.

Network officials told NATPE forum in N.Y.C. there would only be "short-term" confusion among TV audiences due to affiliation switches, and said local news lead-ins and network and local programming were more important for audiences in long run. Ken Solomon, Fox exec. vp-network distribution, said: "Viewers will find what they want to see wherever it is." ABC Exec. Vp-Affiliate Relations George Newi said viewers "watch programs, then channels, then networks -- in that order." Anthony Malaria, pres.-CBS affiliate relations, said daytime viewers "will follow the soaps" to new affiliate stations, but conceded that "network news travels less well." Solomon said Fox will use parent News Corp. resources to create national news service for affiliates, but told us Fox didn't intend to air morning or evening national news.

Neil Braun, pres.-NBC TV networks, said affiliates now "demand that we recognize the increased value of stations." He referred to affiliate discussions that CBS and NBC had with Post-Newsweek group and said "there was a real auction going on." Malaria was asked whether CBS would be hurt by buying "low-rated" UHF stations in Detroit and Atlanta. "Watch what happens when these stations carry CBS programming, get on cable and receive CBS marketing and promotion efforts," he said. "I think they'll surprise some people."

United Paramount Network (UPN) said it signed 10 new primary affiliates and 21 secondary affiliates, making network available to 64% of all U.S. TV households in 72 markets. New primary affiliates (with channel number where available) are WKBD-TV (Ch. 50) Detroit, WABM (Ch. 68) Birmingham, Ala., WXGZ-TV (Ch. 32) Appleton, Wis., low-power K49CY Austin, Tex., WFLI-TV (Ch. 53) Cleveland, Tenn., KJMH (Ch. 26) Burlington, Ia., low-power WBTR Baton Rouge, WYMR Florence, S.C., (Diversified Communications station to go on air later this year) KHDT (Ch. 9) Caldwell, Ida., WMTU (Ch. 16) Jackson, Tenn. New secondary affiliates are WHNS (Ch. 21) Asheville, N.C., WUTV (Ch. 29) Buffalo, WNRW (Ch. 45) Winston-Salem, WRGT-TV (Ch. 45) Dayton, WRLH-TV (Ch. 35) Richmond, Va., WVAH-TV (Ch. 11) Charleston, W.Va., WUHF (Ch. 31) Rochester, N.Y., KDSM-TV (Ch. 17) Des Moines, KAYU-TV (Ch. 28) Spokane, KOCR (Ch. 28) Cedar Rapids, WISC-TV

(Ch. 3) Madison, Wis., KXRM-TV (Ch. 21) Colorado Springs, WTVG (Ch. 13) Toledo, WJCL (Ch. 22) Savannah, WTAT-TV (Ch. 24) Charleston, S.C., KFXK (Ch. 51) Longview, Tex., KNLD Duluth (Granite Bestg. station to go on air this year), KCIT (Ch. 14) Amarillo, KJTL (Ch. 18) Wichita Falls, Tex., KECY-TV (Ch. 9) El Centro, Cal., KTVF (Ch. 11) Fairbanks, Alaska.

FOX DOING NEW STATION DEAL: Fox TV Stations announced joint venture with minority-owned Blackstar Communications (BC) to form new company, Blackstar LCC (BLCC), that intends to buy up to 11 VHF stations in markets 51-100. At Washington news conference, Preston Padden, Fox pres.-network distribution, and John Oxendine, BC pres.-CEO and Pres. of NAB offspring Best. Capital, said acquired stations would become Fox affiliates.

Padden confirmed Fox would move affiliation to BLCC station if BLCC buys outlet in market with existing Fox affiliate. He said BLCC would be looking at markets having at least 4 stations, so displaced stations "would have somewhere to go." He said Fox was "committed to churn." Oxendine told us he hoped to "complete a couple of deals" by end of year and be operating new stations in 1995 first quarter.

Fox will invest \$10-\$20 million in BLCC, depending on other equity raised by BLCC, and receive 20% of Class B nonvoting stock. Oxendine said BLCC hopes to raise \$200-\$250 million in equity investment. He said company will be "100% minority-controlled" by himself (75%) and 3 BC partners who will own all Class A voting stock.

Asked if Fox BLCC investment involved issue of potential skirting of FCC ownership limits that NBC has raised at Commission over Fox investment in SF Bestg. (TVD Oct 3 p3)), Padden said: "This is a relatively small passive investment that completely complies with FCC rules." He said networks should "confine our competition to the marketplace. The other networks were more comfortable when we were content to be a UHF network but are getting cranky as we aggressively seek VHF stations." NBC spokesman declined to comment on FOX-BLCC deal.

"This investment is a significant opportunity for Fox to enhance minority ownership of television stations," Padden said. He specifically referred to comments last week by FCC Chmn. Hundt and House Telecom Subcommittee Chmn. Markey (D-Mass.) that TV minority ownership was key policy objective. Oxendine said he had talked "to other networks and cable" about investment in BLCC but those talks "didn't go anywhere. Hopefully, this deal will motivate other networks to do the same thing."

BC owns 3 independent UHF stations affiliated with Home Shopping Network (HSN), which he said wouldn't move to Fox: WBSF (Ch. 43) Melbourne, Fla.; WBSX (Ch. 31) Ann Arbor; KBSP-TV (Ch. 22) Salem, Ore.

FCC License Transactions: **KHSL-TV** Chico, Cal., license was renewed with "reporting conditions" so Commission can monitor station's efforts to recruit qualified Hispanics... **WYMG(FM)** Braddock, Pa., was renewed subject to EEO reporting conditions and \$6,000 fine for deficient EEO recruitment and documentation practices.

DirecTV will offer customers NFL Sunday Ticket for last 5 weeks of regular season, beginning Nov. 27. Program will be available on full-season subscription basis next year.

STANDARD SETTING KEY TO FSN: Full-scale deployment of full-service networks (FSNs) won't be widespread until at least 1998, and then only if industry or govt. can impose standard for "point-of-entry servers," according to new report, "The Interactive Home: Technologies, Strategies & Business Opportunities." Report, prepared for Warren Publishing by Robert Wells of Lennox Research, predicts that less than 50% of cable households will be fully interactive by end of century and says that "business viability of both the 500-channel [interim] stage and the FSN stage is debatable."

FSNs or broadband integrated service networks will be preceded by interim "partial service networks (PSNs)," report says. PSNs will be heavily driven by broadband data connections to PCs, as well as such things as near-video-on-demand and interactive program guides, Wells said. Point-of-entry server (POES) will be key to FSNs, report says. Units, to be available beginning in 1996, would create "residential area networks" that would link TVs, telephones, PCs, power meters, and other electronic devices via twisted pair, coaxial cable, fiber and wireless. Wells said POES standard "must be defined if FSNs are to achieve widespread penetration."

There will be "intense competition" to control operating system and application programming interface for FSN, possibly lasting until 1997 or 1998, study predicts. Wells says that some are predicting Microsoft victory in that competition, but predicts that govt. will mandate more open approach based on Unix operating system: "Companies may be willing to run FSN tests using multiple, competing operating systems and standards. But when it comes time to spend billions, they will insist on standards that are stable, although extensible." If marketplace sets standard, study says, Microsoft could have inside track. It notes, however, that Congress mandated standardized set-tops, so FCC is likely to have to step in by mid-1995.

Study also predicts that govt. will have to mandate easy access to FSNs for customers and service providers, and to protect privacy: "Some form of government-mandated open access to cable's multimedia servers appears to be in the cards. It would be surprising if the politically beleaguered cable industry could lobby its way to a closed system in which it can retain control of who gets the right to be displayed on its FSN menus."

Other findings include: (1) Audio-on-demand is largely ignored service that could have big financial impact on viability of interactive home. (2) Number of homes equipped for true FSNs won't exceed those with nonaddressable analog equipment until 2000 or 2001 (at 16-17% of all households). (3) "Killer applications" for FSN could include upstream storage, virtual reality, multicamera viewing, play-along TV, interactive ads. (4) At U S West, "old-guard Bellheads are still fighting the reform-minded innovators, raising questions about the long-term prospects for at least this telco's FSN deployment." (5) 3DO may have tried to freeze standard too soon.

The Interactive Home: Technologies, Strategies & Business Opportunities is available for \$495 from Warren Publishing -- Betty Alvine, 202-872-9200.

MCI invested \$30 million in minority stake in Interactive Cable Systems (ICS), which provides cable, telephony and security services to multiple dwelling units. As part of deal, ICS and its local telephone service Active-Tel, will offer local carriage of some MCI services.

LMDS SHARING POSSIBLE: Despite failure of negotiated rulemaking committee to reach consensus on avoiding interference between fixed satellite service (FSS) and local multipoint distribution service (LMDS), FCC should give "additional consideration to co-frequency sharing between FSS and LMDS" in Ka-band, Bellcore said in addendum to committee's report. LMDS is being touted as potentially powerful wireless competitor to cable. Bellcore said it evaluated special antenna design that would reduce interference enough to be "much closer to being acceptable by LMDS receivers." Suite 12 partner Shant Hovnanian said paper "shows the interference issue is nil" if satellite concerns use special antenna to be developed by Andrew Corp.

Paper, prepared by Bellcore physicist Scott Seidel, shows "that a decrease in earth station antenna sidelobe levels along the horizon can reduce the required separation distance between the [LMDS and FSS] terminals under both clear sky and rain conditions by up to one or 2 orders of magnitude." With improved antenna, paper said chances of interference are very small. In cover letter accompanying Bellcore paper, Suite 12 engineer Bernard Boussard said using improved antennas "LMDS reception is better than 99.9%... It is clear that co-frequency sharing between LMDS and FSS is possible without any financial burden to either LMDS or satellite interests."

Satellite companies raised questions about Bellcore paper. Wayne Whyte of NASA Lewis Research Center said it "appears to be an accurate analysis," but raised 4 concerns: (1) Boussard's conclusion that LMDS reception is interference-free 99.9% of time "isn't fully supported by the Bellcore paper." (2) "There's still the question whether manufacturers can make these antennas economically." (3) Paper didn't take into account effect of "scattering" or random reflection of signals off building, ground, other objects.

Bell Atlantic's "will-carry" proposal for VDT systems doesn't violate FCC tariff rules because broadcasters who would benefit have been guaranteed special treatment by Congress, BA said in filing at FCC. Under will-carry proposal, telco said it would carry all broadcasters who qualify for must-carry, plus up to 4 public, education and govt. channels, unscrambled on analog tier of VDT systems without charge to broadcasters. In response to Commission staff queries, BA said free carriage is "just and reasonable" even though others would have to pay for carriage because Congress has concluded that broadcasters are "a unique class of programmers deserving special treatment." Different tariffing also is okay for analog tier because it's fundamentally different from digital 2-way capacity for rest of VDT system, BA said. Will-carry proposal raises no constitutional questions, as must-carry does, because it's completely voluntary, BA said.

Ranking and net worth (in billions) according to Forbes Magazine's annual report on 400 richest Americans: Microsoft's **Bill Gates**, 1, \$9.35; investor **Warren Buffett**, 2, \$9.2; Metromedia's **John Kluge**, 3, \$5.9; News Corp.'s **Rupert Murdoch**, 13, \$4; Newhouse's **Donald Newhouse** and **Samuel Newhouse Jr.**, 14, 15, respectively, each at \$4; Viacom's **Sumner Redstone**, 17, \$3.8; Cox's **Barbara Anthony** and **Anne Chambers**, 18, 19, respectively, each \$2.9; Oracle's **Lawrence Ellison**, \$2.9; philanthropist **Walter Annenberg**, 21, \$2.8.

CPB has new number, effective Oct. 15, for toll-free public comment line: 1-800-CPB(272)-2190.

Shaw Communications plans to begin testing V-chip technology in 100-200 cable homes in Alberta, Canada, within 3 months, Senior Vp James Shaw said. V-chips used in test will be able to read 9 different ratings for violence, language and sexual content, Shaw said, with each family able to select rating level it chooses, block out others. Technology, developed by Timothy Collins, embeds information on ratings in vertical blanking interval. Shaw said he expects 2-3 broadcasters to cooperate in transmitting V-chip ratings information during 3-month test. He said mechanism for setting ratings hasn't been established, but it will be "somewhat arbitrary" during test: "First we want to make sure the technology works and that people want it. We're not trying to establish whether the rating should be one or 9. That should be done by a much larger group, probably with government involvement. This is a technology test." Shaw is talking with CFRN-TV Edinonton on possibility of inserting V-chip activation signal into station's broadcast signal, but no agreement has been reached, said Fred Filthaut, CFRN-TV vp-gen. mgr. "We're very interested in being involved in this, because it is the cutting edge," Filthaut said, "but there's no agreement yet." House Telecom Subcommittee Chmn. Markey (D-Mass.) has backed V-chip technology for U.S. Canadian broadcasters, like those in U.S., generally have opposed V-chip on ground that it's too difficult to determine what programming would qualify for "V" rating.

FCC's EEO rules are working, but can be improved, Commission said in report to Congress required by 1992 Cable Act. Report says number of women and minorities hired by cable and broadcasters increased faster in 1986-1993 than growth of those groups in nationwide work force. Increase of minorities and women was in overall employment and in each upper level job categories, FCC said. It noted that higher percentage of women and minorities in broadcasting was particularly significant because industry was downsizing in 1986-1993. Report indicates that FCC is likely to widen its EEO enforcement to include new communications technologies and industries. Wider coverage may be needed, agency said, because of need for regulatory parity among industries and because technological convergence means that different EEO rules may not make sense. Other areas that report said Commission should consider include: (1) Impact of market and staff size on EEO policies. (2) Whether FCC's broadcast filing requirements are too burdensome. (3) Whether there should be changes in FCC's mid-term TV review procedures. (4) Possible improvements in FCC renewal and employment forms.

Senate Oct. 4 passed bill (S-2406) to extend compulsory licenses for satellite carriers until Dec. 31, 1999. House already had passed its version, which is same as Senate bill. Legislation contains compromise on controversial "fair market value" provision that requires satellite and programming participants to negotiate price. On downside for satellite industry, bill requires it -- not programmers -- to verify that subscribers receiving network programming live in white areas. Measure goes to President Clinton for signature. Satellite Bcstg. & Communications Assn. said "the satellite industry in extremely gratified that the license extension is finally secure."

L.A. Judge Lance Ito will conduct Nov. 7 hearing on whether to allow live TV coverage of O.J. Simpson trial. Hearing date will follow expected completion of jury panel, and precede start of trial. Judge Ito complained of local TV station reporting on issue of DNA blood tests. Networks and local stations are expected to file legal documents in support of continuing live coverage.

Advisory Committee on Advanced TV Service (ACATS) has added White Paper on HDTV multiple channel transmission capabilities to workload. Mark Richer of PBS, chair of working party on systems evaluation and testing, will supervise ad hoc group preparing new study. ACATS Chmn. Richard Wiley said group will deal with issues raised by broadcasters interested in additional uses of compressed digital HDTV signal beyond single high-resolution TV picture that engineers have developed. Richer told us paper won't be long, and will use examples "to point out how the Grand Alliance system can be used for a variety of flexible applications." He said ad hoc group won't hold meetings but will work on written drafts, hopes to submit final draft to ACATS Technical Subgroup at next meeting Dec. 7. Wiley told us review of White Paper wouldn't delay ACATS plans to complete work and submit recommendations on system standard to FCC next year. He said that coordinating different interests of engineers and users is part of advisory committee role and that Grand Alliance and broadcasting representatives agreed White Paper is "way to go" to summarize multiple channel capabilities. Similar consideration of both engineering and broadcasting interests was addressed last year when ACATS endorsed multiple scanning format with mix of progressive scanning favored by computer groups and interlaced scanning favored by broadcasters.

DirecTv Exec. Vp James Ramo thanked selected members of Congress for passage of "strong and effective" program access provisions of Cable Act of 1992. Comment came at DirecTv and National Rural Telecommunications Cooperative Capitol Hill news conference promoting national rollout of DBS. Cable Act requires that cable competitors -- such as DBS -- have access to cable programming on same terms and conditions as cable industry. Rep. Cooper (D-Tenn.) credited "small group of members willing to take on powerful special interests [cable industry]" who stood up for rural Americans who can't get cable.

NAB signed contract late Oct. 7 to occupy 45,000 sq. ft. in building at 2001 Pa. Ave. NW for year while broadcasters' hq at 1771 N St. NW is being renovated. Electronic Industries Assn. (EIA) is moving out of 2001 Pa. Ave., making room for NAB, which plans to move in late Jan.-early Feb. EIA had built building in 1960s, sold it to 2001 Assoc. NAB hq was built in mid-1960s and extensive renovation is required because of asbestos used in construction. NAB offered building for sale, didn't find any takers at \$8.9 million. Lenkin Co. is prime contractor in renovations, total cost of which hasn't been determined.

Better shielding of medical devices would be best way to prevent interference, FCC Chief Engineer Thomas Stanley said Oct. 5. Testifying before House Information Subcommittee, he said: "We do not believe that regulation will be necessary if the medical device industry will adopt and adhere to voluntary standards." Stanley said FDA should take lead role in effort to assure better shielding of medical devices, and said Commission and FDA would work together on issue.

Joint video-on-demand offering in Brighton, N.Y., is operational, partners Rochester Telephone and USA Video reported. They said about half of potential 100 customers for trial are on-line.

House was due to take up late Oct. 7 authorization legislation for FCC. Report on bill was filed late Oct. 6. Commerce Committee staff said there was possibility that Senate also could pass authorization legislation.

Cable operators can increase rates without prior regulatory approval if boosts are to cover higher franchise fees and cable system regulatory fees imposed by federal govt., FCC ruled in order issued Oct. 5. Cable operators had argued that requiring prior regulatory approval for increases could delay them for months, despite likelihood that approval was virtually certain. In order, FCC noted that franchise fees "are generally set by the franchising authority itself... which is aware of and sensitive to the fees' impact upon consumers [so] prior regulatory review appears less necessary from a consumer protection standpoint." Commission said new regulatory fees are mandated by Congress and beyond control of cable operator, so they should be accorded external cost treatment, which allows them to be passed through to basic subscribers. In both cases, boosts are subject to 30-day notice requirement, and regulators can impose refunds and rollbacks if they determine that cable operator raised rates more than increase in costs.

Broadcasters don't have to sell political ads in "odd" program lengths unless they make such periods available to other advertisers, FCC said in ruling issued Oct. 3. Decision was in response to NAB request for clarification. Broadcasters acknowledged responsibility to sell normal spot lengths, such as 30 and 60 sec., and even normal program time, such as 30 min., but asked about need to make 5-min. blocks available. In notice, FCC said it consistently has applied reasonable access provision as saying that broadcaster must treat political ads same way it treats commercial ads. Public interest groups had argued that political ads should be available in "odd" lengths. Media Access Project Exec. Dir. Andrew Schwartzman said he was "distressed" by decision, saying it indicated FCC's willingness "to follow the broadcasters' agenda even where it encourages more sound-bite speech and undermines the opportunity for effective discourse."

FCC isn't including enough cable systems in its definition of small systems, according to letter to FCC from Congressional Rural Caucus signed by 65 rural representatives. David Kinley, whose Small Cable Business Assn. lobbied for letter, said it got most signatures of any caucus activity. "By defining small cable businesses too narrowly, the FCC has excluded operators who should be entitled to transitional relief," caucus said. Letter said small-system decision is causing hardship and "threatening the viability of small cable businesses. This certainly was not the intent of the 1992 Cable Act." Caucus also said it was encouraging Small Business Administration to support legal action to require FCC to comply with SBA definition of small business.

Satellite industry reacted positively to news Oct. 4 that Administration had decided to lift sanctions against China and allow export of most types of satellites for launch by Chinese. However, manufacturers said only 3 birds are awaiting approval of export applications. Martin Marietta (MM) plans to launch 5 of its Series 7000 (3.5-ton) satellites on Chinese Long March rockets. Spokesman said all but 2 of those have export licenses. Satellites cleared for export include Asiasat 2, EchoStar 1, EchoStar 2. Awaiting licenses are Intelsat 801 and Intelsat 805, scheduled for launch in late 1995 and early 1997, respectively. Loral-built Intelsat 708 also needs export license.

Independent Telemedia Group has purchased SkyConnect and Mediatech for undisclosed price. Merged companies are planning national digital broadband network to be operational after one year.

GTE Hawaii is raising pole attachment fees as way to cross-subsidize VDT and handicap cable competitor, Chronicle Cablevision of Hawaii charged in FCC complaint. Cable operator, subsidiary of Chronicle Publishing, also asked Commission to deny GTE's VDT application for Hawaii. Operator contends that telco manipulated financial reports to justify annual per-pole rental that's 350% higher than that of other telcos and 4 times as high as legal maximum of \$2.29 per pole. GTE increased Hawaiian pole rental fees 60% to \$9.32 effective Sept. 20, complaint said, and "the imposition of... new pole rate... is a deliberate statewide attempt to inflict competitive harm on Chronicle and other cable operators... and to protect GTE's entry into VDT." Filing says GTE is claiming poles in Hawaii cost \$289.91 each, vs. \$81.89 price in rest of country. Chronicle said GTE "is engaging in accounting sleight-of-hand."

FCC should conduct full-fledged inquiry before beginning rulemaking to change or eliminate prime-time access rule (PTAR), according to letters sent to commissioners by 13 independent producers of first-run syndicated programming. Group said rulemaking "suggests a tentative conclusion that a change needs to be made," and such presumption should only follow in-depth study of issues. Letters claim that FCC has no up-to-date detailed information on market and "without the PTAR in its present form, opportunity for independent, first-run producers would disappear." Producers said FCC should wait to ascertain impact of end of finsyn rules next fall before acting on PTAR.

Cable Service Notes: Cox said it plans to install CouponSelect printers in 1,000 San Diego homes beginning in Jan., growing to 1 million in year. Printers, developed by Acu-Trac Services, allow subscribers to print coupons in response to ads on TV... Learning Channel said its prime-time audience has grown sevenfold since it was relaunched in 1991 to average of 121,000 viewing households, based on Nielsen ratings. Ratings within households with access to channel grew 264%, company said, and network is available to twice as many households.

NCTA and National PTA will cooperate on national training program to teach parents, teachers and community leaders critical TV viewing skills, groups said at news conference Oct. 6. Cable in the Classroom also is participating. First training session began Oct. 6 in Dallas, with sessions also set for Nov. 12 in Ft. Worth and Nov. 17 in Kissimmee, Fla. At least 8 more sessions are in works, officials said, and groups hope to have about 100 in next year. Industry also is developing packet of critical viewing materials that can be used at local level.

FCC approved merger of PTV stations KCTS-TV Seattle and KYVE Yakima. Move will enable stations to operate more efficiently and save money, KCTS-TV said. It said that for KYVE, move is "positive response" to "increasingly tight economy and competitive media environment." KYVE will continue own local productions, and station's membership drives, and annual auction will continue from Yakima. Two current KYVE board members, Connie Bloxom and Herb Frank, will sit on KCTS-TV board.

At least 2 more MSOs will participate in CableLabs request for proposals for telephony equipment, officials said. New participants Jones and Newhouse are expected to boost total orders from at least 8 MSOs, which may exceed \$2 billion. Proposals were to be postmarked no later than Oct. 7, extension of Sept. 23 deadline. As many as 100 companies had indicated that they planned to submit proposals for at least some equipment.

FCC will send biggest contingent over to NAB Radio Show, along with conventions of RTNDA, SMPTE and Society of Best. Engineers, Oct. 12-15 at L.A. Convention Center. FCC attendees will include Chmn. Hundt, Comrs. Barrett, Chong and Ness, Mass Media Bureau Chief Roy Stewart and Deputy Chief Roderick Porter, Gen. Counsel William Kennard and Special Assistant Abbie Baynes, Audio Services Div. Chief Larry Eads, and commissioners' staffers Jane Mago, Maureen O'Connell, David Siddall, Lisa Smith, Merrill Spiegel.

U S West began transmitting digital video over new network in Omaha Oct. 3 as part of 4-6-month trial authorized by FCC. Testing is expected to begin next month. Suppliers are Scientific-Atlanta, video transmission components and set-top terminals; 3DO, set-top terminal technology, including chips and software; Digital Equipment, video server; Century Communications, subscriber-management software; AT&T, telephony components.

WTVS Detroit and KCTS-TV Seattle have merged programming departments under single chief programming exec., Kay Ingram, who will divide time between cities. This is one of series of joint ventures between PTV stations since they formed Lark International company that develops co-productions with foreign producers and distributors in London, Toronto, elsewhere. Ingram has been consultant and project dir. with KCTS since 1990.

Cal. Cable TV Assn. (CCTA) applauded bill signed by Gov. Wilson that allows cable to enter local exchange telephony. Measure (AB-3606) opens doors in markets only where telcos have obtained right to provide video service. It directs PUC to develop interim rules for cable provision of telephony. "This new law will enable the cable industry to respond to competition from telephone companies," CCTA Chmn. Robert McRann of Cox said.

Time Warner's Orlando full-service network (FSN) is operational -- to 2 homes occupied by TW employees and contractor Silicon Graphics. MSO said engineers are using remote control and navigation system to access games, movies and other services from video server. FSN Pres. Thomas Feige called providing FSN to 2 homes "a significant milestone." Full-scale deployment is scheduled late this year.

ESPN bought exclusive right to carry any Big Ten football or basketball games not aired on national broadcast TV. Six-year deal includes carriage of games on ESPN and ESPN2, right for ESPN subsidiary to produce game coverage for local telecasts and syndication, and international rights to games. Terms weren't disclosed.

Time Warner Cable N.Y.C. said it will pass on more than \$1 million in license fee credits to customers. Credits were received from Madison Sq. Garden Network for cancelled N.Y. Yankee games during baseball strike. Money will appear as credits on cable bills in next month, company said.

Media Institute will give American Legion Award to Viacom CEO Frank Biondi and Freedom of Speech Award to Nadine Strossen, pres., American Civil Liberties Union, at Friends & Benefactors dinner Oct. 19 in Washington -- 202-298-7512.

Ellis Communications agreed to purchase WWAY-TV (Ch. 3, ABC) Wilmington, N.C., for \$25 million from CLG Media.

FCC granted Fox TV Stations 4-week special temporary authority to transmit NFL games to 3 Mexican TV stations for rebroadcast to U.S., despite opposition of San Diego and Laredo stations. FCC said "brief" extension would "serve the public interest by preserving the availability of NFL programming for substantial American audiences" and wouldn't prejudice U.S. stations' petitions to deny Fox's requests for long-term authority to carry games on Mexican stations.

Money raised by PTV stations in Aug. pledge season jumped 18.3% over 1993, PBS Development said. Funds attracted by 106 stations totalled slightly more than \$19 million; last year, 95 stations collected over \$16 million. Figures for this year don't include funds earned during special drives in July centered on Three Tenors II. Number of pledges was up 1.2% to 231,546 from 228,891, PBS said. Average pledge climbed 16.9% to \$82.06 from \$70.18.

FCC celebrated 60th birthday Oct. 6 with table-sized chocolate cake and speeches by each of commissioners, including humorous poem read by Comr. Chong. Among few serious notes at party in Commission meeting room were remarks from Comr. Barrett, who predicted that if FCC does what it can and should to promote competition, agency won't be around for its 70th or 75th anniversary.

Total of 13 more stations have joined TvB, including 8 Chris-Craft/United: WWOR-TV N.Y.-Secaucus, KCOP L.A., KBHK-TV San Francisco, KMSP-TV Minneapolis-St. Paul, KUTP Phoenix, KMOL-TV San Antonio, KTVX Salt Lake City, KPTV Portland, Ore. Also: WNFT Jacksonville, WTVX Ft. Pierce-Vero Beach, Fla., and WABM Birmingham, all Krypton Bestg.; KSAT-TV San Antonio; KRBK-TV Sacramento.

Senate confirmed Alan Sagner, N.J. real estate developer, to 6-year term on CPB board. Action had been held up since Aug. by Sen. McCain (R-Ariz.), who disapproved of some of Sagner's political activities and his lack of public broadcasting experience. When vote came to floor, McCain found he didn't have 40 votes needed to block Sagner. Confirmation brings total members on board to 10 -- 4 Democrats, 5 Republicans, one independent.

Rep. Synar (D-Okla.) is being mentioned as possible successor to Agriculture Dept. Secy. Mike Espy, who announced resignation Oct. 3. Synar's staff said that he hasn't been contacted by White House about job, and that he's leaving options open after his term expires. Synar, member of House Telcom Subcommittee, recently lost renomination bid in runoff election.

Pacific Bell's VDT plan threatens environment because telco would deploy "thousands" of natural gas-powered electric generators as power backups, Cal. Cable TV Assn. (CCTA) said in latest round of FCC filings. CCTA said such generators raise "environmental and safety issues" in earthquake-prone area.

Steering Board of European Digital Video Bestg. Project has decided on Conditional Access Package of techniques and operational agreements founded on Common Scrambling System for Digital Video Bestg. (DVB). Board said package will allow owners of DVB equipment to receive programs through single receiver. It also includes recommendations on common scrambling, common interface and antipiracy legislation issues.

Moody's upgraded Infinity Bestg. senior subordinated notes to Ba3 from B2.

Personals

Ira Kurgan moves up to exec. vp-business affairs, Fox Bstg... **Lynn Dowling** promoted to senior program standards dir., best. standards, NBC Entertainment... **Frank Biancuzzo**, ex-Frank Magid Assoc., joins Hearst Bestg. as dir.-mktg. & promotion... **Alan Sagner** confirmed by Senate as member of CPB board.

Bruce Miller, ex-KDLH Duluth-Superior Minn., joins WIFR Freeport-Rockford as gen. mgr... **Greg Caputo**, news dir.-domestic operations, Malrite Communications, also becomes news dir., WOIO Shaker Heights and WUAB Lorain-Cleveland... **Leslie Glenn**, ex-WAGA-TV Atlanta, joins WWOR-TV N.Y.-Secaucus as programming dir... **Ardyth Diercks** promoted to pres.-gen. mgr., KVUE-TV Austin... Appointments resulting from management merger of WQED and WQEX Pittsburgh: **Michael Fields**, WQEX station mgr., also named WQED station mgr. and vp-both stations; **Mark Smukler**, WQED station mgr., appointed vp-TV production; **Ann Glausser**, WQED controller, advanced to CFO.

President Clinton nominated **Robert Pitofsky**, ex-FTC and now of Arnold & Porter law firm, to chair FTC... **Donna Kaptain**, ex-Computer Sciences Corp. human resources dir., joins TV/Com International in same post... **Floyd English**, Andrew Corp. pres.-CEO, adds chmn. responsibilities... **Robert Beizer** joins Venable, Baetjer, Howard & Civiletti Washington firm as counsel... **Ronald Spoehel**, ex-ICF Kaiser International, joins Harris as vp-corporate development... **Michael Maslaney**, ex-Scientific-Atlanta, named Digital Video vp-engineering.

Robert Levin promoted to senior vp-corporate mktg. and communications, Walt Disney... **Carlos Barba** resigns from Univision TV Group as pres.-COO to pursue interests in Hispanic broadcasting... **Barry Josephson** advanced to pres.-production, Columbia Pictures... **Michael Edwards** advanced to senior vp-financial contract reporting & administration, Warner Bros... **David Goldberg**, ex-Quincy Jones/David Salzman Entertainment, named vp-current programming, Time Telepictures TV... **Ellen Roth** promoted to dir.-worldwide operations, MTM Worldwide Distributions.

Tom Smith, ex-Multimedia Cablevision, Wichita, appointed USA Networks vp-affiliate relations, eastern region... **Michael Marcovsky**, ex-Nostalgia TV chmn., named Action America pres... **Lisa Niedenthal** advanced to Showtime Entertainment Group vp-productions, motion pictures... **Peter Sturtevant**, founding mgr. of CNBC business news operations, appointed to new position of senior vp-international business news, NBC Cable; **Jack Reilly**, ex-America's Talking, joins CNBC as vp-business news... **Elaine Sondel**, ex-United Artists-TCI, Sonora, Cal., joins CAI Wireless Systems as gen. mgr., Rochester system... **Kristine Belson**, ex-20th Century Fox dir.-production, named vp-production, Turner Pictures Worldwide... **Peter Ruben**, ex-Paragon Cable, appointed USA Networks vp-national accounts, affiliate relations... **Stephen Wynn**, chmn.-CEO, Mirage Resorts, named to International Cablecasting Technologies board.



AT&T and BroadBand Technologies said they will cooperate to develop system to connect homes and offices to interactive multimedia services. Planned "Switched Digital Video" feature for AT&T's SLC(a)-2000 access system would incorporate BroadBand's Fiber Loop Transport switching and transport technology.

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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

Business

Albert Warren	Editor & Publisher	Brig Easley	Controller
Paul L. Warren	Sr. Ed. & Exec. Publisher	Gary Maderom	Marketing Director
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Michael French	Assistant Editor		
Elena Lucini	Assistant Editor		
Mike Grebb	Assistant Editor		
Joseph Leano	Editorial Asst.		

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

Market Research & Data Sales Division

Lynn Levine	Director
Brian C. McCleay	Assistant Director

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Program Notes: **USA Network** said it acquired presyndication rights to nearly 50 movies from MCA and Paramount. Titles include *Patriot Games*, *Wayne's World*, *Star Trek VI*, *Addams Family*, *Indiana Jones* and the *Temple of Doom*... **Turner Bstg.** launched **TNT & Cartoon Network** from Hong Kong Oct. 6... **Prevue** network said it topped 37 million subscribers as result of carriage agreements with Cablevision Systems, TCI, Time Warner, Times Mirror... **USA Network** said it won 3rd-quarter prime-time ratings by widest margin of any basic cable network since 1988. According to Nielsen, USA rating was 2.3, followed by TNT at 1.9. USA hadn't won 3rd quarter in 3 years.

Bcst. Cable Financial Management Assn. said it will hold 4 regional seminars beginning Oct. 18 in N.Y.C. Each will include workshops on accounting, workplace diversity, music licensing, "state of industry." Other seminars are Oct. 20 in Chicago, Oct. 25 in Atlanta, Oct. 27 in L.A. -- 708-296-0200.

Sun Microsystems reports it will start producing video servers in Nov. for corporate computer networks using software from Starlight Networks. It said servers will cost about \$28,000.

Consumer Electronics

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STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th week of 5-week Sept. and year to date:

	SEPT. 17-23	1993 WEEK	% CHANGE	SEPT. 10-16	38 WEEKS 1994	38 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	666,764	646,264	+ 3.2	630,482*	17,747,145*	16,095,696	+10.2
DIRECT-VIEW..	648,266	634,836	+ 2.1	616,191*	17,372,260*	15,821,792	+ 9.8
TV ONLY.....	597,667	601,490	- 0.6	583,983*	16,078,488*	14,953,862	+ 7.5
TV/VCR COMBO	50,599*	33,346	+51.7	32,208*	1,293,772*	867,930	+49.1
PROJECTION...	18,498*	11,428	+61.9	14,291*	374,885*	273,904	+36.9
VCR DECKS.....	320,923	345,024	- 7.0	221,008	8,085,100*	8,002,149	+ 1.0
CAMCORDERS.....	60,920	66,640	- 8.6	43,093	2,027,131*	1,965,124	+ 3.2
LASERDISC PLYRS	6,692	5,543 ^r	+20.7	5,268	189,693	187,882 ^r	+ 1.0

Direct-view TV 5-week average: 1994--615,273*; 1993--554,203 (up 11.0%).

VCR deck 5-week average: 1994--289,103; 1993--279,461 (up 3.5%).

Camcorder 5-week average: 1994--56,631; 1993--63,550 (down 10.9%).

* Record for period. ^r Reflects revision by EIA.

ZENITH INCREASES TV TUBES PRICES, PHILIPS MIGHT: Zenith Electronics, citing worldwide TV glass shortage gripping industry, last week raised prices on "certain" sizes of color picture tubes. Company said it also plans to raise picture tube prices "across the board" in Jan. Spokesman declined to elaborate on how much prices have been or will be raised, or on what sizes are affected immediately. Meanwhile, Philips said it was "pursuing that [price increase] option," but that no final decision had been made on what would be its 2nd increase this year.

In brief statement, Zenith said it was raising prices as result of "cost premiums" on imported glass. Neither Philips nor Zenith would disclose screen sizes affected by increases, although Zenith spokesman said price move covers "vast majority" of OEM product.

Philips earlier this year made some "price adjustments" of around 3% (TVD Jan 31 p13) and was followed in June by Thomson, which raised prices 4-7% (TVD July 4 p13). Latest moves come as industry faces first major shortage of color TV glass. As we have reported (TVD Sept 12 p8), U.S. glassmakers Corning Asahi, Thomson and Techneglas reached capacity this year, forcing companies to import 5 million pieces -- 3 million faceplates and 2 million funnels. With demand exceeding combined 20 million U.S. capacity, companies are scrambling to import from every conceivable source, including Germany's Schott (25"), China (19"), Taiwan and Japan (27" and larger).

EIA PULLS PLUG ON CES INTERACTIVE FOR 1995...: Confronted by withdrawal of Nintendo -- by far its largest potential exhibitor -- EIA Consumer Electronics Group announced "postponement" of CES Interactive (CES-I) that had been scheduled for May 11-13, 1995, in Philadelphia. It said it now "plans" to stage CES-I in May 1996 in Orlando, although spokeswoman acknowledged that could change pending dialog with potential exhibitors and attendees.

Announcement left upstart Electronic Entertainment Expo (E3) as clear winner of what had been bitter fight for interactive entertainment community's attendance next spring. E3, created by Infotainment World unit of IDG Publishing and Knowledge Industry Publications (KIP), now will have spotlight to itself on same dates at L.A. Convention Center as those planned by EIA (May 11-13). Show organizers say exhibitors have committed to more than 500,000 sq. ft. of booth space. About 40,000 sq. ft. of that now has been assigned to Nintendo, which until last week was alone among major videogame companies in its allegiance to CES-I.

EIA tried to put statesmanlike spin on its decision. "After reviewing the pressure and stress put on potential exhibitors, buyers and journalists to decide between 2 major industry shows being held at the same time, on 2 separate coasts, we chose to do what was best for the industry," EIA Consumer Electronics Group (CEG) Vp Gary Shapiro said in news release. Statement insisted that "exhibit sales of CES-I were strong and early indications were that buyers preferred CES-I." But that claim seemed to be contradicted by CEG Chmn. Jerry Kalov who, when questioned at CES Mexico show last week in Mexico City, explained reason for postponement by stating bluntly: "We didn't have a sufficient number of exhibitors." Even Shapiro, also queried at CES Mexico, said plug was pulled because "we didn't think we could put on a show with the quality we wanted." He also said results of informal polls had indicated some dissatisfaction with choice of Philadelphia as CES-I show site.

To date, spokeswoman said, EIA had booth reservations from "just under 50" exhibitors for more than 80,000 net sq. ft., 32,000 sq. ft. of which had been booked by Nintendo. She acknowledged that "there is a financial hit" in dropping Philadelphia show, though she had no specific figures.

E3 said EIA's move was "the right decision for everyone involved and [we] are pleased to have the matter finally resolved." It said that "scheduling conflict between CES-I and E3 was clearly a divisive issue," although it didn't mention that EIA had announced those dates well before E3 adopted them. E3 emerges now as show that will host U.S. launches of 3 major new multimedia game platforms -- Sega's Saturn, Sony's PlayStation, Nintendo's Ultra 64.

Nintendo had broken away from rest of videogame community by announcing commitment to CES-I as early as late June. Mktg. Vp Peter Main said early commitment was inspired by fact that show next spring would be "our single most important show of the decade," given Ultra 64 introduction. He noted that Philadelphia as show site "had some limitations," asserting that "we couldn't afford to have the 500 rooms we needed [be] in Valley Forge." Main said he was "glad there's one show, but at the same time I remain respectful of the CES guys' [ability] to put together an event." He said that by end of last month, Nintendo decided that EIA "didn't have a winning hand" and told EIA it was pulling out.

Decision, although notable, wasn't total shock. Die was cast in July when E3 won endorsement of Interactive Digital Software Assn. (IDSA), newly formed trade group whose members include virtually all top videogame companies, such as Acclaim Entertainment, Atari, Electronic Arts, Nintendo, Philips Media, Sega, Sony Electronic Publishing, others (TVD July 18 p10). E3 officials have said that if they hadn't gotten IDSA nod, they would have halted efforts to stage show. Although EIA later tried to thwart E3 by offering \$1 million guarantee (TVD Sept 5 p13) (compared with \$750,000 minimum included in E3 offer), bid was in vain. More recently, EIA unsuccessfully discussed possibility of joint venture with E3 organizers. IDSA Pres. Douglas Lowenstein said that when group "endorsed and agreed to co-sponsor the E3 show, we did so in large part because of its specific focus on the interactive entertainment software industry... We have always felt that it is in everybody's best interests to have a single show next May. EIA's decision helps make this possible. We applaud EIA for acting in a way which is best for our industry."

E3 organizers have freely admitted that they seized opportunity created by perception among many videogame industry executives that their attendance was taken for granted by EIA. "They underestimated how interested this industry is in having its own identity," top videogame industry source said. "I don't think CES saw this industry as the engine for a real show." Advent of E3 actually was second attempt at creating targeted interactive entertainment show; KIP was part of group that tried to start TIMES (The Interactive Multimedia Entertainment Show) in Atlanta last April.

This hardly is last chapter in story of interactive entertainment shows. IDSA's commitment to E3 is only for 1995 show, and group has said it eventually wants to have its own event. As for 1996, Main said that "the association's going to have to anoint... as show managers for the next event," also pointing out that host of show operators might bid for IDSA's business. "The association will be in a very good position to drive a very good deal for themselves. This event is pushing 700,000 sq. ft. The world is full of show managers willing to do that for you."

Shapiro statement said CEG officials now planned to "concentrate our efforts on a successful Winter CES" in early Jan. in Las Vegas for benefit of "the entire consumer electronics industry," including videogame and interactive "segments" that would have been served by CES-I. Sources close to CEG board acknowledged "postponement" of CES-I inevitably would inspire renewed questions at coming EIA fall conference on whether Jan. dates in Las Vegas represented best timing and location for successful industrywide show. Same sources, however, cautioned against unwarranted speculation about major shift in show dates or lineup.

... BUT CES MEXICO IS APPARENT HIT, RENEWED FOR 1995: If other shows were giving EIA major headache, Assn.'s spirits were bolstered by large crowds and happy exhibitors last week at what was frankly experiment -- CES Mexico, 3-day show and seminar in Mexico City. After rousing first day of show, EIA Consumer Electronics Group Vp Gary Shapiro reported that orders for space at next year's CES Mexico were being received from exhibitors.

Show at sprawling Sports Palace and Ramada Airport Hotel seemed throwback to earlier, more innocent times, reminiscent, according to Zenith Sales Pres. Jerry McCarthy, of first CESs at 2 N.Y. Hotels in 1967. Several American exhibitors commented that show, co-sponsored by EIA and Mexican trade groups, appeared to be opening stage of big American common electronics market, with Mexico as gateway to countries farther south, where consumer electronics was poised to duplicate explosive growth it has enjoyed in U.S. "Everybody agrees that people want our products and will buy them when they can afford them," CEG Chmn. Jerry Kalov said at opening keynote seminar. He noted that N. American Free Trade Agreement (NAFTA) and growth of electronics production in Mexico for shipment to U.S. are making new jobs and creating more ability to buy those same products south of border. Kalov quoted estimates that 1.3 million color TVs are sold annually in Mexico, including about 200,000 gray market sets brought in from U.S. However, Zenith International Sales Vp Stephen Main estimated 2 million sets are sold in Mexico, and forecast near-term growth at 10% annually.

Event, which closed Sept. 6 after 3-day run, drew more than 14,000 to booths covering 49,500 sq. ft., according to preliminary count released at end of week by EIA. Show officials said attendees principally were dealers, but we also spotted executives from good number of U.S. firms. Show was open to consumers, but few were expected to pay stiff admission charge equivalent to nearly \$40 per head. However, each exhibitor was given unspecified number of complimentary tickets for distribution to customers.

Show was compact and easy to traverse, in 2 main pavilions and with high-end hi-fi rooms at hotel served by shuttle bus from main area. Size of exhibits was limited, giving show aura of U.S. CES's early days. Although it also featured sophisticated computer products, event was dominated by TV, audio and, to lesser extent, communications products. Most brand names were familiar, and many products were identical to those in U.S. stores. In most cases, major brands are represented in Mexico by distributors, exception being Zenith, which is making huge effort in Latin America through direct distribution.

Largest exhibitor at show was Thomson Consumer Electronics, which had 3 separate exhibits because it's represented by 3 distributors in Mexico. RCA brand exhibit showed everything from small TVs to Digital Satellite Service (DSS) satellite receivers (which aren't being sold in Mexico). GE and ProScan shared separate exhibit, including 16:9 widescreen sets. TCE's David Geise, gen. mgr. of international and commercial mktg. and sales operations, explained that TCE products had separate distributors in Mexico for RCA brand, GE, ProScan Video and GE communications products. New strategy will feature separate GE and RCA distributors in each Latin American country, TCE Exec. Vp Joseph Clayton said in N.Y. during national launch of RCA DSS.

[First NTSC GE and RCA 13", 19" and 20" TVs designed for Latin America market and built at Juarez, Mexico, plant will ship in Nov., Clayton said. TVs will be sold through distributors in NTSC countries Bolivia, Ecuador and Venezuela. U.S.-manufactured PAL products for Argentina, Brazil, Paraguay and Uruguay will be delivered by mid-1995, Clayton said. New focus is expected to boost Thomson's Latin America sales this year to \$120 million from \$60-\$70 million, with Mexico accounting for about 70%, Clayton said. He predicted TV sales in Latin America would total 10 million units this year including 3.3 million in Brazil, 2.3 million in Argentina, 1.8-2 million in Mexico. Previously, Thomson marketed CE products in Brazil, Mexico and Venezuela, where TVs were sold in unassembled kits consisting of chassis, cabinets and tubes. To serve Latin America, Thomson will open new sales offices in Buenos Aires, Argentina, and Brazil within 6 months, Clayton said.]

Zenith used show to make major pitch, McCarthy and Main emphasizing in news conference that company's products are virtually all Mexican-made except for picture tube, that Zenith employs 18,000 Mexicans in 5 plants, that sets are sold directly to dealers from its Mexican plants with no duties or international formalities. Zenith has 20 color TV models in its Mexican line, from 9" to projection. Main announced company will expand sales to S. America, demonstrating line of multistandard sets in 3 screen sizes -- 20", 25" and 27" -- operating automatically on 3 broadcast standards, 110 or 220v, 50 or 60 Hz, with on-screen menus in Spanish, Portuguese, English.

Among other major exhibits were separate displays by Sanyo and Fisher, both showing TV and audio lines, display by Mexico's Zonda Electronics, which distributes JVC along with its own Zonda and Akawa TV

lines, maxi-size display by Daewoo, which has big Mexican plant. Singer and Sansui TVs and audio products were shown in same display (both brands are owned by Semi-Tech). Interestingly, in Mexico Singer is high-end TV-audio brand, Sansui is leader brand, presumably because of omnipresence of Singer sewing machines there.

Other big displays were by Motorola (pagers, cellular phones), Bell South, International Jensen, Harman International and other names familiar north of border. Large Sonance exhibit (not in high-end audio area) featured giant-screen HDTV theater using JVC-made WVHS HDTV VCR, now priced at \$21,500, up from \$10,000 quoted at Summer CES.

Reinforcing déjà vu atmosphere was lack of emphasis on VCRs, camcorders and videogames. Unlike U.S., with virtual 100% color TV saturation, obvious task of industry in Mexico is selling basic installations -- TVs and stereos -- rather than "accessories." There was one videogame exhibit -- by Sega (through local distributor), featuring Sega CD.

"We will be back here next October," Shapiro announced after first day. EIA spokeswoman said at end of week that "a number" of exhibitors at last week's show had signed up for 1995 edition. Early polling of exhibitors, she said, found 75% of those questioned saying show had "far exceeded" expectations.

MATSUSHITA SUPPORT IS 'WILD CARD' ON DVD -- THOMSON'S CLAYTON: Week passed with no significant developments on high-density digital video disc (DVD) front, as rival DVD camps were believed to be busy behind scenes courting support of Japanese giant Matsushita.

Virtually all executives we polled agreed that Matsushita's support is key to tilting scale for particular winning DVD proposal. With competition reportedly close between rival proposals being promoted by Sony-Philips and Toshiba-Time Warner, "the wild card for this thing is Matsushita," Thomson Consumer Electronics (TCE) Exec. Vp Joseph Clayton said last week. He denied that TCE had thrown its support behind either of 2 contenders, saying, "I'm available for courting by either camp." But whichever proposal emerges as DVD winner will need support of TCE and its RCA brand, Clayton said. "No matter who it is, they will not be successful commercially in the United States without us, and all you have to do is go back and take a look at the record."

While TCE remains open-minded on DVD, Clayton said "you've got to think we've got a pretty close association with Toshiba." Companies have had long-term OEM alliance and are partners in Singapore joint venture that produces VCRs. Clayton described TCE's relationship with Sony as "a very distant one, and you have to think we're Matsushita's biggest customer for camcorders and VCRs. The wild card for this thing is Matsushita." Sources we polled privately also counseled us not to underestimate influence of Disney among nonaligned Hollywood studios that have yet to express preference for either of 2 leading DVD systems. "If Sony, Matsushita and Philips go together, but Disney and Time Warner go the other way, I think I'd want to be with Disney and Time Warner," said one hardware executive, pointing to Disney's status as one of only video "brands" with consumer clout, along with TW's inherent market strength.

Meanwhile, Clayton sought to downplay speculation that first DVD products would be ready for introduction to consumers in time for Christmas 1995 selling season. He said he doesn't believe DVD "will be there that fast." He predicted introduction of some DVD products at Jan. 1996 Consumer Electronics Show in Las Vegas. He also said he expects DVD standards "will be worked out amicably because the last thing we want is another standards war." Desire to avoid repeat of Beta-VHS format fight was cited as key reason why studios announced formation 2 weeks ago of industry "ad hoc advisory group" to "encourage public and industry discussion" of DVDs capable of accommodating full-length movie on single 5" disc with picture quality "ideally superior" to that of current high-end laserdisks (TVD Sept 26 p9).

Japanese news reports have said Sony and Matsushita are on verge of forging DVD alliance, and archrivals have been quoted as saying they are promoting company-to-company technology exchanges in bid to formulate standard on DVD. Evoking unpleasant memories of Beta-VHS squabble, one unnamed Matsushita official recently told Japanese reporters: "The industry experienced fierce competition once before over the standardization of videocassette recorders, which ultimately did not benefit the consumer. An alliance with Sony [on DVD] could smooth the path toward achieving an international standard."

Meanwhile, Pioneer at Japan Electronics Show (JES) last week in Tokyo demonstrated DVD player using conventional CD laser developed for company's AlphaVision high-density multimedia CD project. Pioneer said 680-nanometer-wavelength laser can accommodate 135-min. movie on 5" disc at data rate of 3.4 Mbps

-- believed to be same data rate as Sony-Philips proposal. Data rate of Pioneer system shown at JES is considerably lower than 6-12-Mbps processing rate quoted in recent news accounts on Pioneer DVD initiative. At JES, Pioneer also showed working prototype of SHG (for "second harmonic generator") semiconductor blue laser, which it said will play key role in commercialization of future high-density optical disc technologies, including later generations of DVD. But prevailing wisdom has been that commercialization of semiconductor blue lasers on mass scale is at least 5 years away.

Pioneer said at JES it developed SHG blue laser in collaboration with Du Pont. Venture bore fruit in lab stage in March, Pioneer said. Chipset shown at JES, combining semiconductor laser and SHG device, measured 1.2x0.5x0.4". It reportedly has wavelength of 425 nanometers and power output of 2 milliwatts. Pioneer spokesman said goal is to lower cost of chipsets to 10,000 yen (about \$100) when mass production starts, but he declined to specify timetable. SHG blue laser will deliver 6-Mbps data transfer speed -- highest among DVD proposals publicized thus far, Pioneer said. In statement, company said that American CATV companies and others are studying 6-Mbps rate for future era of digital TV. "Our proposal is the best to match their needs," Pioneer said.

SEPT. SALES REPORTS STRONG: Major consumer electronics (CE) retail chains reported mostly strong sales increases for Sept. on overall and comparable-store basis.

Best Buy said comparable-stores sales rose 18% in 5 weeks ended Oct. 1, leading to overall 65% gain to \$438 million. Through first 7 months of fiscal year, comparable-store sales have risen 25% and overall sales are up 75% to \$2.22 billion. Of 176 stores operating at end of month, 109 were considered applicable in computing comparable-store sales.

Circuit City comparable stores were up 22% in Sept., paving way for 40% overall increase to \$419.2 million. Chmn.-CEO Richard Sharp said Sept. sales volume "remained significantly ahead of our expectations." At end of month, Circuit City had 273 superstores, 5 CE-only stores, 32 mall stores.

Tandy said comparable-store U.S. retail sales rose 4% in Sept., with total revenues up 28% to \$385.9 million. Chmn.-CEO John Roach said company is "positioned well for the coming Christmas quarter provided some constrained computer products are available as promised by the suppliers."

Rex Stores reported 32% increase in sales in Sept. to \$25.2 million, with comparable stores increasing 9%. In first 8 months of fiscal year, chain's sales were up 32% to \$197 million on 8% comparable-store increase. Rex had 136 stores at end of month, up from 112 year earlier.

Ultimate Electronics, boosted by new stores in Utah, reported 74% rise in sales in Sept. to \$11.8 million on 21% jump in same-store sales. Company recently moved Denver store to new 31,000-sq.-ft. location, more than doubling retail selling space, and intends to enlarge some of its other Colo. stores in next few years. It currently has 9 SoundTrak stores in Colo., 2 Ultimate Electronics stores in Utah.

Audio King said Sept. revenues rose 36% to \$4.7 million on 24% comparable-store increase. Sept. performance brought year-to-date sales to \$12.3 million, up 31%, with comparable stores up 18%. Company has 10 stores in Ia., Minn., S. Dak.

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The Good Guys, which reports sales only on quarterly basis, said revenues in 4th quarter ended Sept. 30 jumped 23% to \$178.9 million, with comparable-store sales rising 13%. For year, sales increased 29% to \$724.7 million, spurred by 19% comparable-store gains. Company had 52 stores at end of Sept.

PHILIPS TUBE STRIKE SETTLED: Striking Philips workers returned to jobs last week at Ottawa, O., picture tube plant after reaching settlement on new contract carrying hourly wage increase and signing bonus.

Week-long strike ended Oct. 1 after IBEW members voted to approve contract containing 40¢-per-hour wage increase in each of next 3 years and \$1,000 signing bonus. Average hourly wage rises to around \$11 in first year of contract. Previous contracts were based on annual lump-sum payments. Philips proposed wage increase of 40¢ per hour first year, 35¢ for each of next 2 years, sources said. New pact also kept number of mandatory Sats. at 14, and new employees will be given choice of 2 insurance plans vs. three under old contract, sources said. Other employees will continue to have choice of three plans.

Philips spokesman declined to comment on details of settlement, saying, "I think the terms of the contract speak for themselves." IBEW Local 1654 Pres. Gilbert Meyer didn't return phone calls.

Strike, which began after workers rejected contract recommended by union leadership, threatened to paralyze industry. Philips plant has weekly capacity of 80,000 tubes in 19-32" sizes or about 4 million annually, 17% of industry total. Plant builds tubes for Magnavox and Philips brands as well as Sharp and Sanyo. Shutdown of Ottawa plant forced temporary layoffs of some workers on direct-view TV production lines at Philips's Greenville, Tenn., plant, which returned to full power Oct. 2.

In wake of quick settlement, impact of strike will be minimal, industry officials said. Sharp Senior Vp Perry Clay said: "80,000 tubes a week is a big chunk and that will cause a little glitch. It will have an effect, but it won't be significant."

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Mandscape is new corporate name adopted by company known for last 15 years as The Software Toolworks (ST). New name actually is taken from company that ST acquired in 1990; ST has distributed some programs under Mandscape brand since then. Animated sequence featuring new logo is being prepared for all future programs.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 100 yen = \$1, except where noted.

THOMSON LAUNCHES RCA DSS NATIONALLY: With Sony likely to join DBS race in 1995, Thomson indicated last week it may deliver 2nd-generation RCA Digital Satellite System (DSS) with interactive capabilities by midyear. Thomson's introduction would coincide with Sony's first-generation DSS.

TCE DBS Product Mgr. Michael O'Hara confirmed development had begun on new model, but declined to disclose details. TCE Exec. Vp Joseph Clayton said, however, there was "a good likelihood" that Thomson would have 2nd-generation DSS by mid-1995. Under agreement with DirecTv, Thomson had exclusive on product for 18 months or until one million units were sold. Thomson said it will reach mark by midyear, enabling Sony to ship its system under license from Thomson.

DSS will move into nonentertainment applications by 2nd half of 1995, Clayton said, noting that integrated receiver decoder (IRD) has modem link and is capable of 2-way communications.

"What kind of interactivity do you want?" Clayton asked. "If you want to do your income tax on this box the answer is no, but if you want to play videogames, order tickets for a sporting event or a concert or order stuff off television the answer is yes. It [DSS] gives us 48 states of contiguous coverage that allows us to narrowcast and find niches."

Thomson's alliance with Sun Microsystems also is likely to yield advances in DSS technology, although officials declined to be specific. Joint venture is expected to open hq in Palo Alto, Cal., late this year focusing on interactive media services.

Plans for next-generation DSS came as Thomson and partners DirecTv Div. of Hughes and U.S. Satellite Bestg. brought current models to N.Y.C. and L.A. markets last week. System had close to 100,000 subscribers by week's end and Thomson has said it expected to have produced 600,000 units at Juarez, Mexico, plant by year-end.

As DSS enters urban markets, partnership is developing technology capable of providing service to multiple dwelling units (MDUs) such as apartment buildings. O'Hara said tests with MDUs will be run to "verify the installation process" and there will be "some addressing of it [MDUs] with first-generation product. The sales people are trained to ask the right questions and if you're in a high-rise, that's an immediate flag," DirecTv Pres. Eddy Hartenstein said. "You ask 'Do you have a balcony with a south-facing view?' and if the answer's 'yes' then there's no problem."

Tight supply that has kept retailers scrambling is expected to continue into 2nd quarter of 1995, O'Hara said. And while DSS will be available nationwide this month, chains aren't carrying it in every location. "It means that they're in every part of the country and if you get a hundred pieces you can put them in as many stores as a hundred satisfies," said Service Merchandise Vp John Buehler, whose chain is carrying DSS in Chicago, Nashville, Ohio, Tulsa. "I don't want to roll out to too many stores immediately because I want to take care of where we are now."

To promote product, DirecTv will launch 60- and 30-sec. ads this week on network and cable TV. Thomson and USSB also will introduce campaign focusing on Nov.-Dec. and early 1995.

TCE/SUN TO OPEN JOINT HQ: Thomson Consumer Electronics (TCE) and Sun Microsystems will establish joint hq in Palo Alto, Cal., as prelude to launch of interactive multimedia service by 2nd half of 1995, TCE said last week.

As yet unnamed business group, outgrowth of alliance announced in July (TVD July 18 p13), will be staffed by TCE and Sun executives and engineers. Some top executives have been selected and labs will be "consolidated" by year-end, TCE Exec. Vp Joseph Clayton said. At least one senior official, from TCE's Indianapolis hq, who Clayton declined to identify, will join new group. At our deadline, Sun officials hadn't returned calls seeking comment.

Move to open new hq. comes as joint venture begins submitting proposals to various regional telcos, including Bell Atlantic and Ameritech, Clayton said. "Our relationships with telcos are moving much faster than we thought and we've talked with almost every single one of them," he said, citing Nynex and Pacific Telesis as exceptions. First telco products might be in form of set-top decoder boxes, although "eventually we'll have an end-to-end solution with Sun," Clayton said. TCE/Sun alliance first will target commercial market, he said, but it's "too early to tell" whether venture eventually will yield retail products.

Emergence of Sun comes as TCE prepares within 6-9 months to introduce first 3 products resulting from its 2-year-old IBM alliance, Clayton said. While he wouldn't disclose specifics, he said products will target educational market by combining PC and TV technology for use in teleconferencing and presentations.

PRIMESTAR SIGNS DBS DEAL: PrimeStar has purchased TCI subsidiary Tempo's DBS license in move that will upgrade its satellite system from medium to high-power by 1996, company said. Terms weren't disclosed.

Deal will enable PrimeStar, authorized by FCC to lease 14 medium-power transponders from its part-owner GE American Communications, to deliver up to 200 channels by 1996. Bala Cynwyd, Pa., company operates 68-channel direct-to-home satellite system expected to reach 77 channels by year-end.

PrimeStar DBS system will use 2 Loral-built satellites providing up to 32 transponders. However, it will seek only 27 transponder frequencies, said Tempo Senior Vp David Bellow. PrimeStar, joint venture of 7 cable companies including TCI, acquired \$565 million in credit in March to build and launch 2 satellites and construction has begun, PrimeStar spokesman said.

DBS competition will heighten in 1996 if PrimeStar and EchoStar launch proposed systems. Thomson, DirecTv Div. of Hughes and U.S. Satellite Bestg. (USSB) joint venture currently operate only DBS service under RCA Digital Satellite System (DSS) brand.

PrimeStar's service, available through cable companies and some retailers, passed 100,000-subscriber mark in Sept. About 1,000 new subscribers are being added per day, rate that would increase base to around 200,000 by year-end, company said. Earlier this year, it projected reaching 225,000 subscribers by end of year.

TOSHIBA TO EXPAND TV PRODUCTION: Toshiba will increase capacities of TV assembly plant in Lebanon, Tenn., and chassis factory in Mexico starting in 2nd quarter of 1995, company said.

Production at 16-year-old Lebanon plant will rise to 2 million sets by 1996 from 1.4 million. Current facility, which operates 5 direct-view and 2 projection assembly lines, will remain at 500,000 sq. ft., Toshiba America Pres. Hitoshi Ohashi said. In Aug., Toshiba tripled projection TV capacity at plant to 100,000 units, he said.

In Mexico, 7-year-old factory will expand 70% to 200,000 sq. ft. as capacity increases to 1.7 million chassis from one million by 2nd quarter of 1995, Ohashi said. Production will rise to 2 million units by 1996, he said. Plant produces all chassis for N. America except 13." "These production decisions reflect our strong commitment to the North American market," Ohashi said, adding that Toshiba is seeking 10% share of U.S. projection TV market by 1995.

In separate news, Toshiba this week will launch first TV ad campaign in 4 years to support new 32" and 35" "FST Perfect" sets that company claims are flattest in industry. New 30-sec. spots will air on network and cable TV through Feb. Models include two 35" sets (\$2,600 and \$2,800 Cinema Series model) and two 32" (\$1,800 main line, \$2,000 Cinema Series). Company said there are no immediate plans for 27" FST Perfect sets. FST Perfect models are outgrowth of flatter squarer tube (FST) technology Toshiba introduced in early 1980s.

Toshiba also showed its first 27" Hi-Fi TV/VCR that has shipped at \$899. Tube is built in Horsehead, N.Y., plant, VCR chassis in Singapore, combo assembled in Tenn. Toshiba also markets similar 13" and 21" TV/VCRs in Japan, although there are no current plans to import similar models for U.S.

In widescreen, Toshiba 56" set "isn't a tonnage business," but continues "to be good demonstration piece for technologies in the TV area," Toshiba Senior Vp Michael Larson said. Company will continue to focus on widescreen projection sets and has no plans for direct-view, Larson said.

Matsushita signed agreement with StarSight Telecast, becoming 8th TV manufacturer to license on-screen guide technology. Company will build guide into SuperFlat TVs for delivery in late 1995. Matsushita's agreement follows those with GoldStar, Mitsubishi, Philips, Samsung, Thomson, Uniden, Zenith. Zenith introduced first StarSight-equipped TVs this fall. Standalone unit, which will be delivered in Dec. at \$199, tentatively is to be sold under StarSight name, although company has said consumer electronics manufacturer may be licensed to market branded product (TVD May 9 p17). Decision is expected by month's end, StarSight Senior Vp Brian Klosterman said. Device will be about 1" thick with footprint similar to VCR, packaged with universal remote.

Mitsubishi has terminated contract with Fretter covering 66 Silo and Fred Schmid stores to sharpen focus on "dealers who understand, demonstrate and market our products." Company, which severed ties with Tops Appliance City for similar reasons in June (TVD June 20 p16), said move "came as further refinement of marketing strategy." Mitsubishi products were sold through 50 Silo stores in La., Philadelphia, Pittsburgh and Upstate N.Y. and 16 Fred Schmid outlets in Denver. Fretter officials weren't immediately available for comment.

STEREO TV UP 12% IN AUG.: Month after industry saw biggest growth of year in stereo TV, Aug. saw significant dropoff in growth rate, with number of stereo sets up 12.2% from same month last year. Stereo sound was included in 43% of direct-view color TVs shipped to dealers in Aug., EIA Mktg. Services Dept. said. That's slightly behind same month year ago, when 46.4% of sets included color -- highest for any month in 1993. Highest percentage for any month this year was 46.9% in July.

For first 8 months of 1994, stereo sound was included in 43.6% of color sets, vs. 40.4% in same period last year. So far in 1994, 16.4% more stereo color TVs have been sold to dealers than in same period year ago. Here are EIA figures on stereo sound in color TV sets (excluding projection TVs, nearly all of which have stereo):

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
April....	676,444	41.4	575,270	38.9	+17.6
May.....	593,140	39.9	532,444	40.3	+11.4
June.....	919,021	43.5	797,770	42.7	+15.2
July.....	820,020	46.9	672,999	43.1	+21.8
August...	911,518	43.0	812,379	46.4	+12.2
TOTAL....	6,152,540	43.6	5,293,680	40.5	+16.2

Sega will launch Saturn advanced game system in Japan Nov. 22 at introductory price of 44,800 yen (equivalent of \$448). Company says price will hold at that level until Jan. 31, when it will be restored to official list of 49,800 (\$498). Sega said 9 titles will be available at launch, and it expects 41 pieces of software to be on market in Japan by March. It said 100 titles currently are under development, and 200 3rd party licensees have been signed for Saturn. Sales plan calls for company to sell 2 million pieces of hardware in first year. It hasn't announced plans for U.S. launch, which is scheduled for next year.

Time Warner settled patent suit brought by Thomson of France over charges its subsidiary WEA Mfg. infringed Thomson's optical memory technology. "Time Warner and its subsidiaries have agreed to license from Thomson the right to use this technology in manufacturing and selling optical memories," including CDs and laserdisks, Thomson said. In Aug., Nippon Columbia and its U.S. subsidiary Denon reached similar settlement with Thomson (TVD Aug 29 p13). French company also has sued Thorn EMI, Quixote and Bertelsmann in U.S. Dist. Court, Wilmington.

Merrill Lynch will pay Taiwanese company \$1 million for remaining 51% in Code-A-Phone to settle \$34 million claim. Merrill Lynch Interfunding, which previously owned 49% of Portland, Ore., company, said in documents filed in Del. Chancery Court that Code-A-Phone failed to meet debt payments. Documents stated that agreement to buy Applications P.L.C.'s share was quicker and more desirable reorganization than Chapter 11 filing, according Bloomberg report.

ESPN has signed agreement to provide programming for PrimeStar satellite service, including professional and college sports.

Consumer Electronics Personals

Robert Weissburg shifts to Sony Consumer Products senior vp-strategic sales planning from senior vp-sales, Eastern Zone, succeeding Tim Errington, who becomes vp-mktg., Sony Components & Computer Products... David Geise appointed gen. mgr., Thomson Consumer Electronics (TCE) international and commercial sales operations, reporting to Sales Vp William Casamo; Geise, formerly pres. of TCE's Canadian marketing and sales operations, will spearhead TCE expansion into Latin American markets... Mario Kobu, Sharp-Japan, appointed Sharp Latin America Group gen. mgr... Horst Jaletzke, ex-Hagener & Glaser, named to head Franklin's new German subsidiary.

Appointments at Philips: N.U. Büktas becomes managing dir., Philips Sound & Vision Group, and member of senior management committee; W.J. van der Vegt, Philips Hong Kong, named mgr., Philips activities in Hungary, reporting to Wim Wielens, onetime managing dir., Philips Audio Business Group, now head of company operations in Austria, Hungary, Czech Republic, Slovakia... William Park, 27-year veteran of Curtis Mathes under previous owners, joins Curtis Mathes Holding Corp. as vp-COO, reporting to Chmn. Patrick Custer.

Radio Shack (RS) Vp Henry Chiarelli named to head chain's New Venture Group to explore range of technology service ventures; Dave Martella moves from RS dist. sales mgr. to regional mgr. in training in New Venture Group... LucasArts Entertainment Gen. Counsel-Business Affairs Dir. Robert Roden elected first pres., Recreational Software Advisory Council, group established by Software Publishers Assn. and others to implement and oversee software ratings program... Fredrick Paul promoted from editor to editor-in-chief, Electronic Entertainment magazine... Audio-Technica Senior Vp Fred Nichols also named corporate secy... Jay Moses, ex-Times Mirror Magazines, joins BMG Interactive Entertainment as senior vp-gen. mgr.

Gerald Geddis promoted to pres., video, Blockbuster Entertainment Group's Domestic Consumer Div... Tim Bratton, ex-Media Vision, appointed vp-mktg. & sales, Desper Products, developer of Spatializer 3D audio technology licensed recently by Matsushita... Changes at Warner Home Video: John Quinn promoted to senior vp-sales; Ron Sanders moves from vp-sales, sellthrough to vp-sales, rental product; Jeffrey Pietrzyk, ex-Technicolor Video Services, rejoins Warner as vp-sales, sellthrough.

Version of hot-selling PC game "Doom" will be created by Williams Entertainment for Nintendo Ultra 64 videogame platform. Game is planned for release next fall when Nintendo introduces Ultra 64 system, and will be distributed by Williams/Nintendo Inc., joint venture.

In effort to boost sales in Latin America, Sharp has formed Miami-based business group -- Sharp Latin America Group (SLAG). It will direct distribution of consumer electronics, information systems and LCD products in region with goal of boosting sales to \$200 million by 1996 from current \$50-\$60 million, Sharp Vp Daniel Infantil said. SLAG will have 16 employees including 4-5 transferred from Sharp in Japan, and new warehouse is expected to open near Miami office in early 1995. New group will set up distributor network, provide sales and product training later this year, Infantil said. Region previously was covered by Sharp in Japan and local distributors. Group won't serve Brazil where company has joint sales and manufacturing operation.

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
Audiovox Corp.			
1994-9 mo. to Aug. 31	341,329,000	26,942,000	2.96
1993-9 mo. to Aug. 31	281,809,000	9,802,000	1.09
1994-qtr. to Aug. 31	109,719,000	1,520,000	.17
1993-qtr. to Aug. 31	94,479,000	2,642,000	.29
Broderbund Software			
1994-year to Aug. 31	111,774,000	11,061,000	1.10 ^a
1993-year to Aug. 31	95,583,000	13,628,000	1.36
1994-qtr. to Aug. 31	27,907,000	4,472,000	.44
1993-qtr. to Aug. 31	22,223,000	2,944,000	.29
Sun Television & Appliances			
1994-6 mo. to Aug. 31	294,096,000	6,863,000	.39
1993-6 mo. to Aug. 31	218,441,000	5,794,000	.33
1994-qtr. to Aug. 31	161,186,000	4,375,000	.25
1993-qtr. to Aug. 31	120,642,000	3,763,000	.21

Note: ^aAfter special charge.

Backtracking slightly, Samsung spokesman said last week company has "no definitive plans" for glass plant at proposed \$500-million integrated complex in Tijuana, Mexico, but will meet with joint venture partner Corning next month to discuss matter. Samsung said last month that Samsung Corning -- 50-50 joint venture with Corning -- would join complex to produce glass for tube plant starting in 1996 (TVD Oct 3 p9). Corning officials stood by earlier statements that Samsung Corning "had no plans for manufacturing in Mexico." Korean manufacturer has "no right to make that decision," which requires Corning approval, Corning officials have said. Samsung has maintained that subject of glass plant was discussed with Corning, but that more talks were needed since "no conclusion" was reached.

ITA's 25th anniversary membership meeting Nov. 22 in N.Y. will be keynoted by Roy Pollak, senior counselor at Fordham U. Business School and former RCA exec. vp, on "You Can Manage Change, But What About Upheaval?" Updates on various industry segments will be provided by TDK's Douglas Booth, blank audio and videotape; JVC's Bill Sims, video hardware; Sonopress's Dieter Baier, audio and CD duplication; Allied Film & Video's James Merkle, video duplication; Verbatim's William Kopatich, floppy discs and computer tape; Cambridge Assoc.'s Richard Kelly, worldwide 1/2" videotape market; Telefuture Partners' Robert Pfannkuch, information superhighway; speaker to be announced on prerecorded video.

Jeff Sagansky, recently named exec. vp of Sony Corp. of America, "will move to New York to help me manage the entire U.S. group. His responsibilities cover everything I cover -- electronics, music, pictures, merchandise companies, I needed a strong capable executive with me. His role is the same as mine." -- Sony America Pres. Michael Schulhof, quoted in Sept. 30 N.Y. Times on occasion of Peter Guber's resignation as head of Sony Pictures.

Matsushita's Flat Vision TV sales will be discontinued in Japan. The 14" flat-panel beam matrix set has been on sale there at about \$3,000, never was offered in U.S. (TVD Nov 1 p16). Matsushita spokesman here denied Japanese press reports that development had been discontinued, saying it was being returned to drawing board, presumably with eye to lowering cost.

TELEVISION DIGEST®

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OCTOBER 17, 1994

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VDT TEED UP for FCC action as Commission faces last-minute pressure. Rules on Oct. 20 agenda. Key legislators want more safeguards. (P. 3)

FCC TO ACT ON PTAR: Hundt tells Congress issue is 'ripe,' puts it on Oct. 20 agenda. Broadcasters told rulemaking to be 'neutral,' include options. (P. 3)

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CBS PROFITS DOWN 51% but others are up. CBS stations rise. Increases for Gannett, Media General, Scripps, Pulitzer, others. (P. 4)

RADIO LENDING AVAILABLE: Banks note loan volume is up, equity deals available. FCC moving to 'economically oriented' broadcast rules. Combined shows boost attendance. (P. 5)

FCC HINTS AT LIGHTER REGULATION: FCC commissioners discussed lightening regulatory load on broadcasters and seeking comments on new EEO enforcement rules in comments at NAB Radio Show. Chmn. Hundt spoke of importance of radio as "forum of public discussion," said value of bandwidth freed up by digital technology would be determined in part by auctions underway for other parts of spectrum. Hundt listed initiatives to ease regulatory burden: Oct. 20 meeting to reconsider radio ownership rules; addressing satellite digital audio broadcasting; new rules for antenna structure owners, rather than licensees, to register structures with FCC; procedure for station owner to file renewal application for translators at same time as main station.

Comr. Ness said solicitation of comment on new set of rules for EEO enforcement would occur "within a reasonably short period of time." Comr. Chong denied charge that FCC was using EEO fines as revenue generator. Ability to fine "gets people's attention," she said, but "punishment should fit the crime." Violations that endanger life or property deserve higher fines, Chong said, but lesser offenses may be handled by such things as educational classes on rules. Under questioning by NAB Pres. Edward Fritts, Hundt said FCC is doing management study in enforcement section. While morale is high there, Hundt said, it's time to examine cost-benefit equation for that area.

Consumer Electronics

SEPT. WAS BEST SALES MONTH in history for TVs and VCRs, direct-view color sets exceeding 3 million for first time. Camcorders lag for month, up for year. (P. 8)

INTERACTIVE SYSTEMS providing new step-up features for hardware makers. Mitsubishi pushes high-end StarSight. ABC-TV to transmit Index Plus data. (P. 9)

RECORDABLE DVD STANDARDS by 1996 forecast by TDK which banks on write-once system. Toshiba says DVD project with Time Warner exceeds laserdisc quality. (P. 10)

JAPANESE CAMCORDERS hit new low price in yen in Aug. exports to U.S., but set new high for year in shipments. VCR average prices up from July. (P. 11)

NINTENDO SLUMPED IN FIRST HALF on major drop in domestic software sales and in Europe. Patent suit brought by inventor thrown out. (P. 12)

LEADING CE-RELATED ADVERTISERS: Sears is No. 1 again, 4th in total Ad Age compilation. Sony, Matsushita high as result of software ads. (P. 12)

AUG. AUDIO BOOM charted by EIA factory dollar figures, with all categories showing double digit increases for 20.8% rise over 1993 month. (P. 13)

NEW U.S. LCD VENTURE by Sarnoff Center and In Focus Systems to make lower price high resolution displays. (P. 13)

Minority ownership of stations is limited by lack of access to capital, Comr. Barrett said. He said radio TV ad revenue is up 18%-25% but Hispanic and black-owned stations "have not had that kind of increase." Ness said new access to Small Business Administration loans could boost minority ownership.

Chinn, Hundt, in response to question about what FCC might allow on air when digital technology frees up bandwidth, said that was "the \$64 question." He said issue of value of freed-up spectrum is important because it relates to "social compact." He said viable broadcast industry is only likely forum for effective national debate on major issues such as health care and campaign finance reform, and even on telecommunications regulation reform. He said Congress failed to act on those issues because "the process" of generating national consensus on issues "broke down."

Consensus can only be achieved "if we have the forums of public discussion that work well for everyone," Hundt said. "This sort of public discussion today goes on over the air.... In truth, the broadcast mediums are the only way this public discussion can involve all Americans, as it must." He said, however, nation needs to ask itself if broadcasting helps learn truth or spawns disinformation, and whether modern communications increases willingness to listen to views of others. Role of FCC isn't to judge quality or content of public discourse, he said.

Other comments at Show: (1) Barrett said FCC shouldn't move to reimpose fairness doctrine, leaving action to Congress: "I think the fairness doctrine has seen its day and should not be relived." (2) Radio will have role on information highway because it's locally interactive, Chong said. (3) Predictions of radio's demise because of new technology are premature, Ness said: "Nobody wants to see the demise of local radio stations." (4) Number of radio stations broadcasting talk radio has tripled in last 5 years, Hundt noted, and one of every 7 dollars earned by radio stations is brought in by talk radio. (5) About 4,000 requests for documents are coming into FCC each week over Internet, and Hundt hopes to establish electronic filing system to reduce costs.

VDT TRIAL TERMED 'SUCCESS': VDT test in W. Hartford, Conn., by Southern New England Telephone (SNET) is "unqualified success" that topped telco's most optimistic one-year penetration projections in only 6 months, according to Ronald Serrano, SNET senior vp-corporate development. SNET claims it has taken well over 40% of TCI's cable subscribers in small test area with "virtually no churn." TCI says figure is much lower.

SNET says VDT attracted more than 400 customers in area that passes about 1,250 homes, including about 875 cable subscribers. Serrano said VDT system was designed to achieve no more than 40% penetration after one year: "We said to ourselves: 'Look if we can achieve a 40% market share in a year, then this will be an unqualified success.' We got there very quickly." He said SNET is seeing only "one-way churn... customers switched to us and then they don't churn back."

TCI, which serves area through 82,000-subscriber Hartford system, sees no evidence that 40% of subscribers in area switched to SNET, according to Gen. Mgr. Ronald Roe: "It may be that some people are taking both, but we are just not seeing that many disconnects. They've had very little impact. Many of the customers that they do attract are switching back to us after the free 90-day SNET trial because they don't carry many of the networks that we do. Why shouldn't they try it if it's free? I'd like to see what they have 6 months from now after everyone is paying."

TCI is rapidly upgrading Hartford system. Firm has already completed upgrade from 45-channel to 78-channel 750-MHz system throughout W. Hartford, and in other areas. Roe said channel count will increase to more than 125 when digital compression is added in Jan. Operator also is working on upgrading customer service by adding staff and increasing training, he said. Roe said TCI isn't engaging in rate competition, isn't even aware of what SNET is charging.

Biggest finding of VDT trial is size of "first-mover advantage," Serrano said. That means that there's bigger-than-expected advantage to being first to offer new technology and services, he said. Other findings in first 6 months: (1) Public access channels are more popular than expected, and significant number of subscribers will switch back to traditional cable if they're not available. Serrano said SNET is adding channel. (2) Market for on-demand video is broader than expected, rather than focusing on only most-popular movie channels. He said there's surprising demand for special-interest and niche videos, indicating that video-on-demand revenue may be more than expected. (3) Demand for videos is more predictable than expected, with maximum of 7% of subscribers likely to order same movie at same time. (4) Average customer orders 3 movies per month from library of about 1,300.

VDT TEED UP: FCC was under last-minute pressure from variety of groups, from U.S. Senate to New Yorkers for Fair Cable to just about everyone at USTA and NAB/RTNDA conventions last week on West Coast, as it announced that VDT will be on Oct. 20 agenda, as expected. Commission is to consider petitions for reconsideration of previous VDT decisions, as well as telco-cable cross-ownership rules.

All 5 FCC commissioners attended USTA convention in San Diego, joined by key FCC staff members. Despite big names, few secrets were imparted, said one USTA official, who noted that while Commission vote on VDT was mentioned frequently, "we still don't have a clue" as to how decision will go. Speaking as part of panel on FCC issues, James Casserly, chief aide to Comr. Ness, would say only that reconsideration proceeding has been "truly comprehensive, with all issues under review," because 3 of 5 commissioners weren't at agency when original order was adopted. He said: "It's no secret" order will deal with cost-allocation issues, as well as platform capacity, definition of video programming and "what to do about video-on-demand."

Senate Communications Subcommittee Chmn. Inouye (D-Hawaii) and senior Republican Danforth (Mo.) urged FCC Chmn. Hundt to set up "specific, effective safeguards" before approving video dial tone applications from telephone companies. Senators said they support VDT deployment but are concerned Commission hasn't developed safeguards to protect ratepayers and to make certain there's nondiscriminatory access to VDT facilities. They specifically mentioned FCC's approval of Bell Atlantic's project in N.J., which provided "no guidance" as to how much of bill would be paid by ratepayers. Senators were concerned about GTE's proposal in Hawaii for VDT that would provide service much like traditional cable operator, according to objections to plan from state senators cited in letter.

Seven equipment manufacturers sent Hundt letter saying that if cost allocation rules discourage telcos from entering VDT market, opportunities for gear makers "will be severely restricted." They said "tens of thousands of manufacturing jobs may be at stake." Letter was signed by presidents of OK Champion Corp., Viking Electronics, XTP Systems, Remarque Mfg., DeYoung Mfg., T.T. Technologies, Teletrend.

LECs have been cheated on VDT, Pacific Telesis CEO Phillip Quigley said at USTA convention: "We followed the rules and submitted plans to participate... Under [ex-FCC Chmn.] Al Sikes, the Commission had claimed that, with video dial tone, it had come up with the model of the future and it said it was eager to start rolling... We want to take it forward, but nobody can move. There's total uncertainty." On later panel, Geoffrey Gould, GTE vp-regulatory & govt. affairs, said legislation still is needed before VDT can be competitively effective. Congress has to eliminate ban on telcos providing programming, require faster FCC approvals of new services and provide parity in regulatory treatment between cable and VDT, he said.

Library of Congress Oct. 13 unveiled its digital library program, with \$5 million in grants each from media billionaire John Kluge and Packard Foundation. Funds will be used to make material from library's special collections of documents, photos, films and music available over Internet and other formats. Library hopes to put about 5 million items online by 2000. Material, from public domain, will be made available online and on CD-ROM.

HUNDT DEFENDS PTAR PROCESS: FCC Chmn. Hundt confirmed Commission will start rulemaking for consideration of changes to prime-time access rule (PTAR). In Oct. 7 letter to House Telecom Subcommittee Chmn. Markey (D-Mass.), Hundt said "matter is ripe." Item is on Oct. 20 agenda.

Hundt wrote Markey: "The record in this matter clearly provides a sufficient basis for issuing an NPRM to review the need for the 24-year-old PTAR."

Representatives of networks, independent broadcasters and syndicators visiting commissioners' offices recently to discuss issue were told rulemaking document would be "neutral" and include "number of options," including retaining entire rule in current form. However, one Commission source said use of word "neutral" was "overstated" and that draft contains proposals for change.

INTV President James Hedlund said he hopes FCC will provide at least 120-day comment period "to allow sufficient time" to provide detailed comments and arguments, particularly for new commissioners.

Main issue is whether to repeal or modify rule that prohibits network affiliates in top-50 markets from using off-network syndicated shows 7-8 p.m. Independent broadcasters and first-run producers and syndicators favor retention of rule; major networks, network affiliates and off-network syndicators want it repealed.

It's still too early to say whether Intelsat board will decide in Dec. on plans to buy high-power Ku-band satellites that would be used for direct-to-home (DTH) satellite TV, among other things, said Maury Mechanick, Comsat vp-international & regulatory affairs. "There's still work to be done, particularly in developing a good business case" for buying satellites, Mechanick said during briefing on Intelsat issues. Satellites that would be used for DTH also could be controversial because that's new line of business for Intelsat, and it could compete directly with commercial DTH providers. It's unclear how many of satellites, dubbed K-FOS (Ku-band follow-on satellites) would be needed if board decides in Dec. or next year to launch request for proposals. Main interest is in DTH to S. America, where 1-2 satellites might be needed, industry officials said. Other possible areas include Asia, N. America, Europe or Africa, but all 4 either already have extensive DTH service or are considered unlikely to support DTH.

WLUC-TV (Ch. 6, ABC) Marquette, Mich., will switch primary affiliation to NBC under NBC long-term affiliation agreement with Federal Bestg. (FB). Station has been secondary NBC affiliate since 1981. Agreement includes 3 existing NBC affiliates: WSTM-TV (Ch. 3) Syracuse; WPBN-TV (Ch. 7) Traverse City, Mich., and satellite WTOM-TV (Ch. 4) Cheboygan, Mich.; WDAM-TV (Ch. 7) Laurel-Hattiesburg, Miss. FB Pres.-CEO Peter Kizer said he "hoped to enter into discussions with ABC" about secondary affiliation at WLUC-TV. Secondary affiliate can use network shows but can't preempt primary affiliate.

Times Mirror settled stockholder suits related to sale of cable systems to Cox, in deal that leaves basic Cox sale intact (TVD June 13 p4), officials said. Settlement, subject to court approval, provides additional dividend benefits to some Times Mirror stockholders by giving them opportunity to exchange common stock for new series of preferred, officials said. Firm said it settled dispute to avoid potential delays closing deal.

TELCO ROLE IN S-1822 DEFENDED: Telcos didn't kill S-1822, Pacific Telesis CEO Phillip Quigley said in keynote speech at USTA convention in San Diego last week. He said legislation was "completely hijacked by forces who fear open markets," particularly cable and long distance companies. In last days of S-1822, bill became "unrealistic," he said. For example, it would have let cable into LEC markets immediately "while we would have to wait years to enter theirs."

FCC Chmn. Hundt urged USTA to work for compromise. He said "special interests" killed bill: "Telecommunications reform was not only about responsible associations seeking compromise on important points of great public concern. It was and it is also about huge companies in different industries, retaining fleets of lawyers and armadas of lobbyists that made war on Capitol Hill every hour of every day for months on end." Hundt didn't let USTA off hook: "When I talk about special interests, I do not refer to any specific communications industry. All played a role in the defeat of reform."

What he called telco decision to kill S-1822 was "truly a sign of their own weakness," NCTA Pres. Decker Anstrom said at Mid-America Cable TV Assn. convention Oct. 12 in Overland Park, Kan.: "They retreated into the safety of their own monopolies after they sized up the competition." Cable will begin mapping strategy for next year within few weeks, Anstrom said, but since demise of S-1822, real battle will be in legislatures of 42 states where cable can't compete with telcos. Action at state levels is likely to be successful, he said: "Many states are showing signs of increased momentum to open up the phone monopoly." Anstrom said "genie" of competition "is out of the bottle, and there's no getting him back in. We will succeed in opening up the local phone monopoly... whether we get it through federal law, or whether we win it state by state."

At USTA, executives of Bell Atlantic and Rochester Telephone told convention that they might as well accept competition because fighting is useless and there's lot to be gained. "This is not the time to circle the wagons, protect a shrinking monopoly franchise and wish away competitive threats," Bell Atlantic Chmn. Raymond Smith said. "This is a new world that will destroy our companies if we try to do business as usual," Rochester Pres. Ronald Bittner said.

Telco officials continued to press for "fairness" telecommunications reform. For example, BA's Smith said "barriers to entry in local telephone, long distance and cable markets should be lifted simultaneously, and competitors should operate on more or less equal terms and conditions" and MFJ and cable cross-ownership rules should be ended.

Prime-time viewing share for 3 major networks dropped to 58% from 63% a year ago, according to Nielsen. CBS won race in 3rd week of season with 12.1%, 0.1 point over NBC's 12%, but NBC remained in first place for season to date. Cap/ABC drew 10.9%, Fox 7.5 for its 15 hours of prime time, compared with 22 hours for other 3 networks. Of top 20 shows, NBC had 10, led by No. 2 show, *Seinfeld*; CBS had 5, led by No. 7, *60 Minutes*; ABC had 5, led by top-rated *Home Improvement*.

C-Tec is acquiring cable systems with 74,000 subscribers in Lehigh Valley area of Pa. from Twin County Trans Video in stock transaction. Officials said systems will easily interconnect with other C-Tec systems in Pa. and N.J.

Political spot ads on local cable systems totaled \$2.3 million in 3rd quarter 1994, Cable Networks Inc. said.

CBS PROFITS DOWN: CBS net profit dropped 51% in 3rd quarter ended Sept. 30 to \$58.4 million because of higher income tax rate and comparison to 1993 figures that included benefit of \$29.5 million legal settlement with Viacom, company said. Chmn. Laurence Tisch said strong local advertising meant improved operating results for CBS-owned stations. However, TV network operating results were hit by higher cost of prime-time movies, increased preemptions, lower daytime ratings, lower syndication sales. Profits at CBS Sports were higher because of absence of professional football and baseball, company said. Overall revenue dropped 4% to \$726.3 million and operating profit to \$83.9 million from \$132.8 million.

In other financials: Gannett broadcast profit jumped 48% to \$27.2 million in 3rd quarter ending Sept. 30, in part because of sale of 4 radio and one TV station. Broadcast revenue was up 3% to \$95.2 million. Overall net profit grew 16.8% to \$105.5 million... Media General broadcast operations showed "strong improvement" in 3rd quarter ended Sept. 30, more than offsetting "continuing softness" in cable, Chmn. Stewart Bryan said. Net profit was \$8 million, vs. \$5.1 million year ago, and revenue was \$155.2 million, vs. \$147.5 million... E.W. Scripps 3rd-quarter earnings increased to \$26.4 million from \$14.1 million year ago. For first 9 months, net income increased 58% to \$82 million compared to \$51.9 million last year... Pulitzer Publishing 3rd-quarter earnings increased to \$8.4 million from 1993's \$3.3 million. Nine-month net earnings were \$23.7 million, vs. \$14.5 million in 1993.

Price Communications instituted "preventive" takeover defense by declaring policy that if a person or group buys 20% or more of company's common stock, existing stockholders can purchase additional shares for half their market value... Comcast can absorb acquisitions of Maclean Hunter cable systems and QVC without deterioration of credit profile, said analysis by J.P. Morgan Securities, which upgraded its recommendation on Comcast debt to buy... Interactive TV firm NTN Communications has signed deal for Comind Performance Network to provide up to \$10 million to finance interactive gaming applications... C-Cor had \$2.2-million profit in quarter ended Sept. 23, vs. \$1.1 million profit year ago. Sales grew to \$27.6 million from \$15.7 million.

Teleport Communications Group (TCG) launched local residential telephone service using TCI's Arlington Heights, Ill., cable system, officials said. Full-scale 6-month technical trial of Motorola equipment is to begin in March, and TCG Pres. Robert Annunziata said commercial service is to expand quickly after trial. TCG said it selected Arlington Heights because of liberal policies of Ill. Commerce Commission, TCI and TCG both operate in area, nearness of Motorola hq.

NBC signed distribution agreement with Hong Kong's cable franchisee Wharf Cable to carry NBC Asian 24-hour business news service, ANBC. Service includes 10 hours produced live in Asia, 5 hours live coverage from Europe, 9 hours from CNBC in U.S. NBC also announced long-term agreement with PanAmSat for use of new PAS-2 satellite in Asia.

FCC formally activated International Bureau Oct. 12. Chief is Scott Harris, deputy Roderick Porter, assoc. chief-policy James Ball, assoc. chief-negotiations & planning Wendell Harris. Bureau includes Telecommunications Div., Satellite & Radiocommunication Div., Planning & Negotiations Div.

RADIO LENDING AVAILABLE: Financing for radio stations is becoming more available, according to panelists at NAB Radio Show in L.A. last week. Chase Manhattan Vp James Kuster said that Chase's lending to radio companies will increase to as much as \$2 billion by end of year from \$300 million in 1993. Meanwhile, FCC is moving toward more "economically oriented" approach to broadcasting, said Abbie Baynes, special counsel with Commission. She said she saw no change in duopoly rules at this time, and EEO issues should begin moving through FCC more quickly because of consensus on 8th floor.

"More players are willing to lend money," Kuster said, although he added that deregulation of cable had "scared off some banks." He said initial public offering and public debt markets currently are "quite available" to radio. Stuart Katz, Furman Selz Inc. senior managing dir., said that before Nov. 1992 there had been only one pure radio play, but since then market has seen 10 initial public offerings and 8 equity offerings raising \$900 million, plus another \$800 million in convertible debt.

Duopolization has resulted in radio station combos in 25-30% of larger markets, but only 10-15% in smaller markets, said Brian Cobb of Media Venture Partners. But of 13,000 radio stations in U.S., he said 4,000 "can't seem to get funding," in part because in smaller markets there isn't enough liquidity for duopolies. Ted James, general partner of Genesis Merchant Group Securities, said radio was about 25% into period of "duopolization," with companies gobbling each other up.

* * * * *

Combining NAB Radio Show with RTNDA, SMPTE and Society of Best. Engineers (SBE) appears to have boosted all 4 shows, according to preliminary attendance figures for shows, which continued through Oct. 15. One unofficial estimate was that shows would top 17,000 attendance, including exhibitors. RTNDA had set record of nearly 2,000 by Oct. 13, and SBE figure of 302 was ahead of last year. SMPTE registration of 1,354 by end of day Oct. 13 was described as about normal. NAB, which released no attendance figures for Radio Show, had about 6,500 last year.

Radio ownership rule changes have boosted station sales 47% in first half of 1994, according to NAB report released at radio convention. Number of station sales is up 127% from 1992, according to report prepared for NAB by Hoffman-Schutz Media Capital. Study is \$140 for NAB members, \$290 for others -- 800-368-5644.

President Clinton addressed RTNDA convention via satellite from Washington. He cited President Kennedy remarks in speech to TV and radio broadcasters 30 years ago that reporters were a lot of trouble but said nation needed "very active press" whether he personally liked it or not.



About 46% of cable customers are likely to subscribe to similar video service if it's offered by Bell Atlantic (BA), according to survey of 500 customers commissioned by BA. Percentage grows to 56% if movies-on-demand are included, 61% if service is priced 10% below cable. BA also said that 30% of cable non-subscribers would subscribe to BA-provided service if it includes movies-on-demand.

Sammons officials confirmed that MSO has placed its systems with 1.1 million subscribers on market in deal that could be worth more than \$2 billion. Deal is being handled by Lehman Bros. Sammons has 77 cable systems in Ala., Cal., Conn., Ga., Ill., Ind., Ky., La., Miss., N.J., N.Y., N.C., Okla., Pa., Tenn., Tex., Va., Wash.

FCC turned down waiver requests by 13 interactive video and data service (IVDS) auction winners who failed to make down payments of 10% of their license bids that were due after Commission's IVDS auction in July. Companies had sought extension of deadline on ground that IVDS equipment won't be available on time. Equipment maker EON, meanwhile, said it has okay to provide mobile messaging services in Mexico using IVDS equipment. In order, Common Carrier Bureau Deputy Chief Gerald Vaughan said granting waivers would be "likely to undermine the important public interest goal that only serious qualified bidders participate in spectrum auctions" and said that allowing delay would encourage "speculative bidding" by "financially unqualified bidders." FCC order dismissed contentions that potential IVDS equipment delays would justify waivers, said equipment manufacturers EON and Radio Telecom & Technology "have vigorously disputed allegations of equipment unavailability." EON CEO Michael Sheridan told us company "is prepared to provide equipment within 12-16 weeks of receiving orders." EON said it received authorization from Mexican govt. to use 2 MHz to develop 2-way mobile consumer message and interactive services there. Sheridan said EON equipment used to win Mexican contract is "identical to equipment that will be used in IVDS in U.S."

Advertisers unhappy with TV content have taken separate actions against NBC's Tonight Show show and some Cal. stations. Amtrak has withdrawn all ads from NBC and its affiliates "in response to continuing jokes about Amtrak by Jay Leno on NBC's Tonight Show," Amtrak said. In letter to NBC Pres. Robert Wright, Amtrak Pres. Thomas Downs said Amtrak had been advertiser on NBC for decades, including spending "almost \$2 million with NBC affiliates" last year. He said: "Amtrak has been unfortunate enough to have been involved in a series of accidents over the last year, none of which was our fault." NBC spokesman told us: "We have the highest regard for all our advertisers, including Amtrak, but we do not discuss our business relationships in the press." Meanwhile, R.J. Reynolds threatened Cal. stations with libel suit if they aired anti-smoking ads prepared by Cal. Health Services Dept.; RJR claimed ads implied that tobacco company chiefs lied in testimony before Congress. According to AP, 3 Cal. stations pulled ad.

Neither Sprint nor cable MSOs are commenting on reports that they're negotiating partnering deal for FCC's broadband PCS auctions Dec. 5. Analysts, however, said such talks are widespread as Oct. 28 deadline approaches for bidders to register with Commission, with companies often talking with many potential partners. Wall St. Journal reported that Sprint broke off similar talks with Bell Atlantic and Nynex, also unconfirmed. None of MSOs reportedly talking with Sprint -- TCI, Comcast, Continental, Cox -- would confirm talks. They reportedly are interested in using Sprint brand name and local networks provided by cable operators to provide nationwide PCS.

Nynex, Bell Atlantic (BA) and MCI reportedly are discussing partnership in bidding for national PCS network, but companies weren't commenting late last week on published reports. MCI would say only that company seeks allies in entering wireless business and continues discussions. AT&T formed partnership earlier with purchase of McCaw, and Sprint has talked with various cable TV companies, including TCI. Bells are seeking up to \$1 billion and at least \$200-\$300 million from MCI as its share, according to reports. MCI offered its name but no cash, officials said. Nynex-BA-MCI alliance would cover 55 million customers.

SF Bcstg. (SF) changed corporate structure of subsidiary purchasing WLUK-TV (Ch. 11, NBC) Green Bay to eliminate issues raised at FCC by NBC that Fox investment is way to circumvent ownership limits. SF filed new application reflecting changes. SF Pres.-CEO Thomas Herwitz said changes make application "as plain and simple as hundreds of others the FCC has approved since it rewrote the ownership rules a decade ago" and leaves Fox with "minority, non-voting interest." Two changes: (1) SF part-owner Savoy Bcstg., which had been 74% holder under original plan, will own 100% of voting stock and 75% of equity of SF Wis. subsidiary; Fox TV Stations' original 25% interest will be replaced by 25% non-voting interest held by Fox subsidiary FTS Investment; 1% share originally held by Savoy officers has been eliminated. (2) Subsidiary will be corporation, not limited liability company (LLC). Herwitz said that FCC may take "considerable additional time" to consider LLC issue and that SF made change to avoid delays. NBC statement said issue is "substance not form" and involved questions of Fox "control" over station's "programming, personnel and financial policies" and of foreign ownership. "We will not be able to answer these questions until we review the new application," spokesman told us.

Station Sales: U.S. Bankruptcy Court, Miami, approved sale of WTVX (Ch. 34, Ind.) Ft. Pierce-Vero Beach to Whitehead Media for \$17.17 million, and sale of WNFT (Ch. 47, Ind.) Jacksonville to RDS Bcstg. for \$10 million by Krypton Bcstg... **Citicasters** completed sale of WBRC-TV (Ch. 6, ABC) Birmingham to New World Communications Group. Station will switch affiliation to Fox. **Citicasters** (formerly Great American) completed sale to New World and switch to Fox of 3 additional stations in Sept.: KSAZ (Ch. 21) Phoenix; WGHP-TV (Ch. 8) Greensboro-High Point; WDAF-TV (Ch. 4) Kansas City. Price for 4 stations was \$355 million cash and warrant to purchase 5 million shares of New World common at \$15 per share... **Saga Communications** completed purchase of KOAM-TV (Ch. 7, CBS) Pittsburg, Kan.-Joplin, Mo. for \$8.55 million. This is first TV station for Saga, owner of 24 radio stations in Midwest and New England.

Japanese Ministry of Posts & Telecommunication (MPT) said its central research lab will start development next April of ultra-high-density HDTV display system. MPT hopes to complete fundamental technology work on system by year 2000, according to Japanese news accounts. Reports said system will have 4 times more scanning lines than conventional NTSC and double number of scanning lines of HiVision HDTV. First phase of project will focus on development of lenses and image sensors for HDTV cameras. MPT said system will be used first in applications such as medical, printing and fine arts industries. Agency said it will start talks with private-sector companies after mapping basic plan.

Cal. Public Employees' Retirement System (CalPERS) approved investment of \$555 million in Comcast. Groups signed letter of intent for CalPERS to participate in new joint venture to buy and operate cable systems. Venture would be 55% owned (and managed) by Comcast, 45% by CalPERS, will buy Maclean Hunter cable systems that Comcast earlier agreed to buy for \$1.27 billion (TVD June 27 p7).

Radio Ad Bureau (RAB) reported combined national spot and local revenue grew 13% in Aug. 1994 from Aug. 1993. RAB said year-to-date combined radio revenue through Aug. was up 12% overall in year, based on 13% increase in national spot, 12% gain in local.

NTIA awarded first \$24.4 million in grants for National Information Infrastructure (NII) demonstration projects and plans, in amounts ranging from \$3,000 to rural Mont. school district to 2 of more than \$700,000. NTIA expects to have about \$58 million available in current fiscal year. Several grants went to state regulatory commissions and to public TV stations and networks for planning and demonstration purposes. NTIA hopes to begin taking applications for next round of grants early next year. At same time, agency will set up monitoring procedures to determine what can be learned from those projects getting started from first round of grants.

Battle over telecommunications legislation claimed first victim Oct. 14 when Ameritech fired head of its Washington office, former Ill. Democratic congressman Terry Bruce. Change was effective Oct. 15., when he was replaced as vp of federal relations by Gary Lytle, Ameritech's chief Hill lobbyist, who is 28-year veteran of company. Event such as Bruce's dismissal is first such occurrence since RHCs opened their Washington offices following divestiture. From time to time, office heads have transferred out or retired, but none has been forced to leave company as Bruce has.

Ameritech announced 3 new video services for business customers: (1) Advanced Video Services include dial-up public video network, digital broadcast video, commercial "bridged" video. (2) Broadcast video provides broadcast-quality hookups for TV broadcasters, ad agencies, health care providers, others. (3) Bridged service offers video link for full-motion videoconferencing worldwide. Dial-up network provides instant full-motion teleconferencing for businesses.

Cap/ABC Multimedia Group began interactive entertainment, news and sports service for America Online subscribers, including content from ABC Prime Time, ABC News, ABC Sports, ABC Daytime, Good Morning America, ABC Radio, ABC Classroom. KCNC-TV (Ch. 4, NBC) Denver, meanwhile, announced its news and public service announcements will be accessible through American Online.

U.S. Appeals Court, D.C., Oct. 11 vacated FCC decisions dealing with USTA challenge to Cox's ownership in Teleport. USTA had charged that Cox couldn't provide telephone and cable service in same market, but brief order from Appeals Court said matter was moot because Cox had given up control of Teleport Communications, N.Y. FCC was directed to dismiss USTA complaints against Cox.

Radio station gen. mgrs. in Mid-Atlantic are paid average of \$141,000, compared to national average of \$103,889, according to NAB survey. Other nationwide averages are \$68,797 for gen. sales mgr., \$57,363 for program dir., \$82,102 for morning drive talent, \$45,009 for afternoon drive talent, \$32,441 for news dir., \$28,417 for news reporter, \$40,680 for chief engineer.

Unisys and Mitel will form "Multimedia Alliance" to manufacture and distribute equipment allowing cable operators to offer telephony, they said. Partnership was among groups that responded to CableLabs request for proposals for cable telephony equipment, they said, and is pursuing other business opportunities in N. America and worldwide.

United International Holdings and Philips finalized agreement to form joint venture to build and operate European cable systems. Firms will contribute their existing cable operations to joint venture, which will be owned 50/50.

Personals

Leonard Grossi, ex-vp, 20th TV, appointed senior exec. vp, United Paramount network... Laurie Goldstein, ex-Landsburg Co., appointed vp-movies and miniseries, NBC Productions... Roland McFarland moves up to vp-broadcast standards, Fox Bestg.; Ian Rae promoted to exec. vp, Fox News, Fox TV Stations... Tom Arnost advanced to exec. vp-sales, Univision TV Group.

At KRON-TV San Francisco, **Sylvia Cardwell**, ex-KPRC-TV Houston, named design dir.; **Jodie Chase** promoted to dir.-press and PR... **Kevin Gill**, ex-WNT-TV South Bend, joins WPTD Dayton as program-operations mgr... **Steve Kremer**, ex-KTVN Reno, named producer-news and public affairs, Md. PTV... **David Bright**, ex-KVEA Corona-L.A., joins KTTV L.A. as research dir.

Spelling Entertainment's **Peter Bachmann**, exec. vp-business and legal affairs, and **Thomas Carson**, senior vp-CFO, named to office of pres.; they're joined by **Ronald Castell**, senior vp-programming and communications, Blockbuster... In reorganization of Development Dept. of Network TV Div., Paramount TV Group, **Kathy Lingg** is named senior vp-drama; **Fernanda Carapinha**, exec. dir.-comedy development; **Tom Russo**, ex-MCA/Universal, joins as vp-movies and miniseries... **Gary Berberet** promoted to Genesis Entertainment vp-ad & promotion... **Jed Petrick**, ex-Baseball Network, becomes head of media sales, Warner Bros. Networks... **Robert Moore** promoted to senior vp-CFO, Walt Disney TV & Telecommunications. **Chris McGurk** advanced to pres., Walt Disney Motion Picture Group.

Shelbie Berry moves up to vp, materials purchasing, Jones Intercable... **Chris Bourne** promoted to Prevue Networks senior vp, operations customer services... **Carl Aron**, ex-RAM Bestg. CEO, joins EDS Management Consulting Services as national dir.-wireless industry consulting... **David Easterly**, Cox Newspapers pres., moves to Cox Enterprises as pres.-COO... **Nick Rhodes** resigns from Prime Ticket as vp-business development to join Daniels Programming Ventures as exec. vp-business development; **Tom Morris** promoted to vp-sales, Prime Ticket Networks... **Emmett Clements** advanced to northeast region vp, Showtime Networks Sales & Mktg... **John Davies**, ex-TV New Zealand, appointed gen. mgr., ESPN Asia... **Michelle Allario** advanced to consumer mktg. dir., Cartoon Network... **Donald Ershow**, ex-Weather Channel, named senior vp-ad sales, Talk Channel; **Dawn Hill**, ex-Caribbean Satellite Network, appointed vp-affiliate sales; **Allan Gaherty**, ex-senior vp-CFO, TAK Communications, appointed vp-finance and administration... **David Reed**, ex-policy analyst, FCC Office of Plans & Policy, joins CableLabs as senior advisor-strategic planning... **Bob Thompson** promoted to senior vp-regional sports network operations, Liberty Sports.

Reed Bunzel, ex-Radio Ink exec. editor, joins Radio Ad Bureau as vp-communications; **Laura Morandin** shifts to vp-public affairs... Children's TV Workshop promotions: **Marjorie Kalins** to senior vp-programming and production; **Franklin Getchell** to senior vp-creative dir., new post. Appointments at Children's TV Workshop: **Josephine Holz**, ex-NBC, named vp-research; **Taska Carrigan**, ex-Canadian Bestg. Corp., joins legal department as senior counsel... Promoted at DirecTV: **William Butterworth** to exec. vp-overall technical development; **James Ramo** to exec. vp-sales, mktg., programming, customer service; **David Baylor** to senior vp-operations; **Larry Chapman** to senior vp-programming; **Lawrence Driscoll** to senior vp-customer service and information systems; **John Godwin** to senior vp-DBS Network Systems; **Steven Ste. Marie** to senior

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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: 212-889-5097

David Lachenbruch	Editorial Dir.
Paul Gluckman	Senior Editor
Martin Brochstein	Senior Editor
Mary 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

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vp-sales and mktg.; **Louise Wildee** to senior vp-finance... **Masahiko Morizono**, Sony, awarded honorary membership in SMPTE, group's highest award, for "lifetime of pioneering work... FCC Events: Chmn. Hundt addresses IRTS Oct. 19, Waldorf Astoria, N.Y.C.; Oct. 27, he speaks at Conn. Bestrs. Assn., Hartford Marriott, Farmington.

OBITUARIES

Jack Harris, 82, founder, first pres. and chmn. of Maximum Service TV, died Oct. 12 at St. Luke's hospital in Houston of subdural hematoma. In 1947, Harris joined Houston Post Co. as KPRC radio mgr., later was mgr. of KPRC-TV. For 5 years, he chaired NBC TV Affiliates Board. In 1979, he won NAB's Distinguished Service Award. Harris retired in 1984 as pres. of KPRC-TV and all broadcast properties owned by H & C Communications. He's survived by wife, 3 children.

Peter Allport, 74, pres. emeritus, Assn. of National Advertisers, died Oct. 3 after heart attack at Royal S. Hants Hospital, Southampton, England. In 1945, he joined ANA as editor of news publications, became secy. in 1951, vp in 1958, pres. in 1960. He retired in 1984. He's survived by wife, son.

Consumer Electronics

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STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 5th and final week of Sept. and year to date:

	SEPT. 24-30	1993 WEEK	% CHANGE	SEPT. 17-23	9 MONTHS 1994	9 MONTHS 1993	% CHANGE
TOTAL COLOR TV.	1,246,139*	1,104,923	+12.8	666,764	18,993,084*	17,200,619	+10.4
DIRECT-VIEW..	1,212,879*	1,081,167	+12.2	648,266	18,584,939*	16,902,959	+10.0
TV ONLY.....	1,102,892*	968,717	+13.9	597,667	17,181,380*	15,922,579	+ 7.9
TV/VCR COMBO	109,787	112,450*	- 2.4	50,599*	1,403,559*	980,380	+43.2
PROJECTION...	33,260*	23,756	+40.0	18,498*	408,145*	297,660	+37.1
VCR DECKS.....	897,358**	705,650	+27.2	320,923	8,982,458*	8,707,799	+ 3.2
CAMCORDERS.....	222,438*	204,489	+ 8.8	60,920	2,249,569*	2,169,613	+ 3.7
LASERDISC PLYRS	12,264	20,411 ^r	-39.9	6,692	201,957	208,293 ^r	- 3.0

Direct-view TV 5-week average: 1994--667,446*; 1993--606,756 (up 10.0%).

VCR deck 5-week average: 1994--348,885*; 1993--325,705 (up 7.1%).

Camcorder 5-week average: 1994--73,294; 1993--77,167 (down 5.0%).

* Record for period. ** Record for any period. ^r Reflects revision by EIA.

SEPT. WAS BEST TV SALES MONTH IN HISTORY: More TVs and VCRs were sold to dealers last month than in any other month in history. This includes individual record highs for direct-view TV-only receivers, projection TVs, TV/VCR combos and VCR decks.

Five-week Sept. traditionally is year's best sales month, and it ran true to form this year, slashing all previous records for that or any other month in industry's major products. Aside from laserdisc players, only camcorders failed to set record in Sept., but their sales total was best of year to date -- best since Sept. 1993, in fact.

Sales of direct-view color sets (excluding TV/VCR combos) exceeded 3 million for first time in any month, up 9.4%, and final week of Sept. was best single week in history, with sales over 1.1 million for first time in any week, and only 2nd week ever to exceed million sales in this category.

Sales of TV/VCR combos exceeded quarter-million in Sept. for first time in any month, and actually were double those of preceding month. Total direct-view sales (TV-only plus TV/VCR) topped 3.3 million for month, beating previous record of 3.03 million set in Sept. 1993 by 10%. Projection continued to be star in TV galaxy, rising 34% in Sept. to 88,932, topping previous all-time high of 66,560, set in Dec. 1993. Total color set sales, including combos and projection, came to record 3.4 million, up 10.5% from previous record of 3.1 million set just one year earlier.

VCR deck sales were up 7.1% in Sept. to 1,744,427 to complete all-time records, Sept. ending with best week in history in which nearly 900,000 decks were sold to dealers. Camcorder sales were down 5% in Sept., but still set record for year's first 9 months, as did all other product categories except laserdisc players (see State of the Industry).

Full-year records almost certainly are in cards for all TV and VCR products, with camcorders still iffy. Total direct-view color TV (including combos) sold at 27 million annual rate in Sept., 28.9 million in 3rd quarter and 26.56 million rate in year's first 9 months -- each figure well above record 24.6 million sold last year.

TV/VCR combos should pass full-year record of 1,628,847 (1993) next month. In Sept. they sold at annual rate of just above 2 million, in 3rd quarter 2.1 million and in 9 months 2.2 million -- so even with recent slowdown in acceleration they should exceed 2 million for full year.

Projection TV continues to astound, rising in Sept. to all-time high annual rate of over 824,000 -- 77% above the 465,359 record sales in 1993. For 4th quarter, annual PTV sales were 615,000 and for 9 months 637,500. VCR decks, which set sales record of 12.4 million last year, sold at 13.85 million rate in Sept., 14.4 million in 3rd quarter and 13 million in first 9 months. Only camcorders failed to log record annualized sales in Sept., at 2.95 million rate vs. actual 1993 sales of 3.09 million. However, 3rd quarter sales rate totaled nearly 3.2 million and 9-month rate topped 3.3 million.

Here are dimensions of Sept. records in 1994, from EIA data, compared with 1993 and 1992 data:

Product	Sept. 1994	Sept. 1993	% Change	Sept. 1992
Total color.....	3,425,960**	3,100,148	+10.5	2,775,825
Direct-view....	3,337,028**	3,033,778	+10.0	2,724,049
TV Only.....	3,085,008**	2,819,451	+ 9.4	2,604,020
TV/VCR Combo.	252,020**	214,327	+17.6	120,029
Projection....	88,932**	66,370	+34.0	51,776
VCR decks.....	1,744,427**	1,629,525	+ 7.1	1,348,613
Camcorders.....	366,470	385,836*	- 5.0	299,253
Laserdisc Players	32,555	38,411 ^r	-15.2	21,573

* Record for any Sept. ** Record for any month. ^r Revised.

STARSHIGHT AND EDS PROVIDE NEW STEP-UP FEATURES: New interactive step-up features for TV sets and VCRs are being made possible by data transmissions in TV signal's vertical blanking interval (VBI) -- and manufacturers are expected to employ these new services in various ways in search of exclusive selling points.

Mitsubishi last week became 2nd set maker -- after Zenith -- to introduce StarSight interactive program guide, and its pitch was that it has added own features to basic StarSight system to appeal to high-end buyers. Other features -- including VCR indexing, on-screen program description and automatic recording -- will be possible soon when ABC adds extended data service (EDS) feature to its VBI. There were also hints that StarSight may add new interactive features.

Mitsubishi will have StarSight feature in 4 new high-end sets -- 35" table model and console (suggested list \$3,199 and \$3,399), 60" and 70" projection TVs (\$4,698 and \$6,399) -- for delivery within 30 days. Company has integrated StarSight on-screen graphics with its own bit-mapped menu system, and claims more readable program grid (with 90 min. of programming displayed horizontally vs. 60 min. on Zenith), browsing feature which lets viewers get descriptions of shows on other channels without changing picture on TV. Major feature is new ergonomic remote control, which adds color-coded StarSight function buttons in circular pattern -- for "list," "theme," "guide," "info," "page" and "day." When used with new model Mitsubishi VCRs, special IR remote cable isn't required when selecting programs from grid for taping.

StarSight Sales & Mktg. Exec. Vp John Burns, present at N.Y. unveiling of Mitsubishi's offerings, said in answer to our question that nearly 2,000 dealers -- presumably all Zenith dealers -- have had StarSight feature activated in their stores, with "close to the same number" of consumers buying service. Activation for dealers is free; consumers pay \$3.93-\$4.33 monthly, depending on length of contract (TVD June 27 p17). System uses VBI of PBS stations and cable programmers, including those affiliated with Viacom, StarSight's largest stockholder, with more than 30%.

Feature will be promoted actively by StarSight as well as by TV set manufacturers. Former will have demonstrators in stores and will feature special promotions, coupons, etc., in addition to first-month-free offer. Standalone adaptor will be offered at \$199 in first quarter, Burns said, "in partnership with a major manufacturer to distribute it for us, ultimately to manufacture it."

StarSight has eye on adding own programming to system, Burns indicated. This could include weather, news and sports -- all carried on VBI and presumably tailored to specific regions of country. Among other features being considered for future is phone jack or connector on back of set for feedback by viewers -- mild forms of interactivity such as calling football plays. However, Burns said VBI can't support high information 2-way systems such as videogames. Also being explored is picture-in-picture approach to illustrate program descriptions. In future, StarSight could adopt limited form of ads, in terms of "highlighted" or "spotlighted" programs, or "critic's choice" feature for which programmers presumably would pay.

Mitsubishi officials noted that company's first StarSight sets will be handled by its top dealers, who will stress that they encompass "the most advanced StarSight system." Julius Szakolczay, research and advanced development vp, saw company's use of StarSight "the first step in true product differentiation."

More opportunities for differentiation will be coming soon, when ABC-TV starts transmitting program information in extended data service (EDS) portion of VBI, 2nd field of closed-caption line. Network has licensed Index Plus technology from Gemstar and will begin data transmissions in Nov. using EDS, officials said. First transmissions, including on-screen program and station ID, program descriptions and start and stop times will be coup for Gemstar, which in past has tested technology with NBC and cable, latest test having been with ABC's KGO-TV San Francisco in Aug. Gemstar Mktg. Dir. Andrew Duncan confirmed agreement with ABC.

Index Plus will be available to all ABC affiliates, although network officials conceded support may be limited at first. "We're not completely sure what it offers us at this point," said Robert Niles, ABC vp & engineering dir. for Cap/ABC-owned TV stations. "Our concern is that when we do it there could be some incorrect data transmitted."

Network acceptance is considered key to Gemstar's plans for Index Plus in consumer electronics. Hitachi, JVC, Matsushita, Mitsubishi, Sanyo, Sharp and Thomson have signed licenses, and industry officials have noted that they have been waiting for broadcasters to start transmitting signals. Index Plus-equipped VCRs could be introduced in April-May 1995, depending on prevalence of broadcasting. With VCR, Index Plus captures EDS material and uses it to provide on-screen index of programs taped on cassette, permitting rapid access to desired program (TVD Jan 17 p16).

However, same program information supplied by broadcasters on EDS can be used in different ways as well, such as aid to channel surfing on TVs, identification of program during commercials, etc. Gemstar is developing "Instant Info," which will allow consumers with Index Plus TVs or VCRs to view program-related or text information on demand through VBI. Information could include baseball statistics or cooking recipes which may be encoded on prerecorded tape. Advertiser would be charged fee for inserting Instant Info into broadcast commercial, company has said.

To greater degree than StarSight, EDS will provide manufacturers opportunities to develop own exclusive features using transmitted data. Sony was first manufacturer to use EDS last spring when it introduced 3 VCRs, whose clocks are set automatically by EDS signal carried by PBS (TVD April 18 p13).

RECORDABLE DVD STANDARDS BY 1996 -- TDK: TDK plans next year to develop next-generation high-density recordable CD (HDCD-R) capable of write-once record and playback of new Digital Video Discs (DVDs), Toshiki Aoi, R&D mgr. at TDK Technical Center in Nagano, Japan, told reporters at N.Y. news briefing last week. Pending successful development in 1995 of HDCD-Rs capable of being read by new shorter-wavelength lasers of DVD, TDK believes industry could achieve final standard by end of 1996 -- year after standards are expected to be completed on read-only DVD, Aoi said.

But hurdles abound in TDK's quest to help forge industry consensus on HDCD-R. Market viability of write-once recording for consumer digital video has yet to be proven, compared with systems that boast ability to erase or rewrite recordings many times. Aoi said Japanese industry is "not united yet" on whether to pursue write-once HDCD-R technology favored by TDK or rewritable phase-change approach supported by Matsushita.

Beauty of HDCD-R over rewritable phase-change technology is that former potentially will be much less expensive because of lower production and quality control costs, Aoi said. While he gave no yardstick on potential production costs of HDCD-Rs, he said costs of producing phase-change discs will be equivalent to that of magneto-optical media. Responding to questioner, Aoi said it's conceivable phase-change discs can be re-recorded up to 1,000 times.

Aoi, high-ranking R&D executive at TDK, sidestepped opportunities to state his preference among competing DVD proposals being floated by Sony-Philips, Toshiba-Time Warner and others. But he responded to questioner on Toshiba-Time Warner proposal -- which reportedly is based on 2-layer disc playable on one side -- by saying that his "personal" belief is that substrate thickness of 1.2mm of current CD-R discs should be retained in move to next-generation HDCD-Rs for backward compatibility with existing CD media. In discussing new digital video applications of optical media such as DVD and HDCD-R, Aoi cast aspersions on MPEG-1 White Book-compatible Video CD products that abounded at last week's Audio Fair '94 and

week-earlier Japan Electronics Show in Tokyo. Aoi used delicate wording to say that picture quality of Video CDs "is not appreciated" by many in motion-picture industry who desire DVD picture quality superior to that of high-end laserdisks.

As for importance of CD-R and HDCD-R technologies to TDK, Takashi Tsuji, pres. of U.S. subsidiary, started briefing by telling reporters that company's future can be summarized by letters "CD-R." Tsuji told reporters "there's no doubt that CDs have had a major impact on all of us." He predicted that optical DVDs may do to prerecorded VHS movies what audio CDs did to LPs.

Aoi said CD-R is getting popular among data storage media users "because there are tens of millions of CD-ROM readers in use, and many more CD [audio] players. They can all play recorded CD-R discs. The physical structure of CD-R may make people feel that the price will come down in the future to a level just above that of Compact Cassette tapes."

* * * * *

Toshiba in Japan announced development of video encoder that it said offers real-time compression of digital movies to resolution specified in MPEG-2 standards. "The encoder is a basic requirement of the high-speed, high-volume digital systems that will support multimedia networks and services, and brings their practical realization a large step closer. Toshiba said encoder is world's first to support MPEG-2 standard and offer advantages of constant bit-rate coding and variable bit-rate coding technologies believed to be endemic to DVD and other high-density CD projects.

Toshiba spokesman was secretive in responding to our questions on basic elements of Toshiba-Time Warner DVD proposal. Spokesman said he couldn't disclose information on basic specifications of system, including transfer speed, reported in Japanese news accounts to be 4.1 Mbps. Spokesman acknowledged that "Toshiba has been working with Time Warner on the development of DVD," but he said "the concrete role of Time Warner cannot be disclosed at this moment." Asked to specify how picture quality of Toshiba DVD system measures up to stated demands of ad hoc "advisory group" of Hollywood studios that new technology should be "ideally superior" to that of current high-end laserdisks, spokesman said: "We believe that Toshiba's DVD can meet the movie companies' request on the picture quality issue."

JAPANESE CAMCORDERS HIT NEW LOW (IN YEN): Average price of camcorder exported from Japan to U.S. dropped below 50,000 yen for first time in Aug., illustrating determination of manufacturers there to make that product more attractive in U.S. and at same time hold on to their national monopoly.

Despite increasing popularity of more expensive LCD monitor camcorders, average export price in Aug. 1994 as reported by Japan's Finance Ministry fell 12.2% to 49,953 yen from 56,880 in Aug. 1993. At average exchange rate of 100 yen to dollar in Aug., this brings theoretical dollar price to \$499.53, down 8.7% from \$546.92 year earlier when dollar bought 104 yen. It was only 2nd time average dollar price fell below \$500 -- other time being in March of this year when exchange rate was 105.5 yen to dollar and average dollar price hit low of \$497.89.

Camcorder shipments from Japan to U.S. hit high in quantity for any month this year in Aug. -- highest, in fact, since Oct. 1993. Each month since May has seen increase over preceding month in shipments, presumably reflecting introduction of new models which manufacturers and marketers believe are more saleable than past versions. More than 90% of camcorders sold in U.S. come from Japan, only other significant source being Korea.

In VCRs, on other hand, Japan continues to loosen its grip on market, its exports now representing only about 25% of all VCRs shipped here. However, Japanese manufacturers still control that market through their plants in other Pacific Rim countries. Average VCR price in Aug. was 27,291 yen, down 9.9% from Aug. 1993, but up 12.6% from all-time low set in July 1994, while dollar price in Aug., \$272.91, was 6.1% below year-earlier but 11.4% above July's price.

CD player exports from Japan declined from year earlier in Aug. for 9th consecutive month. Videodisc players were up 43.4% for year's first 8 months, and color TV shipments, although still very low, were up 71.8%, with VCRs and camcorders both down cumulatively.

Japanese exports to Canada for Aug. (8 months in parentheses): Color TV, none in Aug. (560 in 8 months, down 49.5%); VCRs 17,811, down 24.6% (106,738, down 33%); camcorders 10,415, down 23.6% (100,626, down 19.4%); videodisc players 3,049, up 9.7% (14,800, up 14.7%); CD players 28,147, down 44.7% (179,667, down 42.8%). Here's table of exports to U.S. for Aug. and year's first 8 months:

Product	Aug. '94	Aug. '93	% Chg.	8 Mo. '94	8 Mo. '93	% Chg
Color TV.....	17,933	6,947	+158.1	112,943	65,740	+71.8
VCR Decks.....	336,572	312,136	+ 7.8	2,427,680	2,726,256	-11.0
Camcorders.....	296,335	317,492	- 6.7	1,901,496	1,948,182	- 2.4
Videodisc players	38,064	32,043	+18.8	261,528	182,382	+43.4
CD players.....	399,583	576,585	-30.7	2,651,743	4,071,450	-34.9

NINTENDO FIRST-HALF SLUMP: Beset by weak domestic software sales and sharp reduction in revenue from export markets, Japan's Nintendo reported 36% sales decline to \$1.66 billion in first half ended Sept. 30. Company said that ordinary income dropped 16% to \$510 million, with operating profit off 19% to \$520 million. Revenue decline had several facets, including huge drop in domestic sales of Super Famicom software. Meanwhile, exports to U.S. and Europe plunged 60%, situation which was exacerbated by increasing strength of yen. Nintendo forecast that full-year sales will be off 27% to \$3.4 billion.

Meanwhile, Nintendo of America (NOA) reported that judge in U.S. Dist. Court, L.A., dismissed patent infringement suit filed against Nintendo by inventor Edward Gussin. Nintendo counsel John Kirby offered dismissal as proof that "in light of the complexity of patent cases and the difficulty of making complex technologies and concepts of patent law understandable to jurors, courts are becoming more vigilant against letting meritless claims go to trial."

News release cited last week's decision as 2nd of year in which claim against Nintendo was thrown out; other was case brought by National Semiconductor over cartridge technology, dismissed in Feb. Kirby also said he expects judge in U.S. Dist Court., N.Y., to rule favorably by end of Oct. on Nintendo's motion to dismiss \$208 million patent judgment awarded by jury in infringement suit by Alpex Computer (TVD Aug 8 p15).

Also last week, U.S. Supreme Court refused to hear Nintendo's appeal in copyright infringement case against Lewis Galoob Toys, letting stand \$16.1 million judgment against Nintendo to compensate Galoob for lost sales when Nintendo obtained injunction against Game Genie.

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Top Nintendo of America executives will hold 60-min. on-line conference with CompuServe users this Oct. 19 to kick off 3-month campaign around Nov. 21 launch of Donkey Kong Country cartridge, centerpiece of Nintendo offerings for holiday season. In Nintendo's first foray into online world, Chmn. Howard Lincoln, Pres. Minoru Arakawa and Mktg. Vp Peter Main will participate in conference starting 9 p.m. EDT in CompuServe's "Electronic Convention Center." Other activities during campaign will be Donkey Kong trivia contest, ability to download video clips of game play one clip per week for 5 weeks beginning Oct. 24, 60-min. conference Nov. 8 with technical representatives of Nintendo, Silicon Graphics and Rare Ltd. -- Donkey Kong Country developers.

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Almost all CES Mexico exhibitors -- 94%, according to EIA poll -- said they will come back to 1995 edition (TVD Oct 10 p13). Official attendance was 14,533, with 214 exhibitors covering 55,212 sq. ft. Nearly 50% of attendees filling out registration questionnaire said their object was buying merchandise for their stores, 20% to find distribution arrangement, 15% to seek representation or joint ventures. Attendees came from 20 countries. Of exhibitors, 33% displayed audio hardware, software and accessories, 28% mobile electronics, 21% video, 11% phone equipment, 10% home theater products.

LEADING CE ADVERTISERS: Retailers and companies with show business interests dominated consumer-electronics related firms in Ad Age's annual listing of leading national advertisers.

Procter & Gamble again was No. 1 (\$2.4 billion), with Sears again No. 4 (\$1.3 billion). Sony, thanks to its movie and music interests, was No. 20, up from 25th in 1992, spending \$589 million, with Kmart No. 23, down from 22nd, at \$558.2 million. Matsushita was 29th, up from 37th, at \$385.1 million. Circuit City rose to No. 37 from 43rd, Wal-Mart to 48th from 51st (\$251.9 billion), Tandy climbing to 55th from 65th at \$223.1 million. Philips was No. 76 (from No. 78) at \$158.3 million.

Breakdown shows all of Sony's "top brands" advertised were movie and music companies. Matsushita's top brand was Universal studios, followed by Panasonic (\$35.9 million in 1993, up 11.2% from 1992). Tandy spent \$70.6 million on Radio Shack ads, \$19.8 million on Computer City stores, \$12.8 million on Tandy Computers and \$6.3 million advertising Incredibly Universe. Philips breakdown was dominated by consumer products (\$18.2 million), followed by components, professional products, lighting.

"Second 100" leading advertisers were headed by Montgomery Ward (101st, down from 72nd), with Sega 130 (from 177), Blockbuster Entertainment 133 (from 155), Bertelsmann 140 (from 153), Wiz 149 (from 178), Nintendo 154 (from 123), Best Buy 194 (from 198).

Retailing was top category in measured U.S. ad spending (\$8.08 billion in 1993), followed by automotive, business & consumer services and entertainment & amusement categories.

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Bringing RCA brand to telecommunications, Thomson will introduce RCA cordless phones, digital answering machines and other products in 4th quarter 1995, Thomson Exec. Vp Joseph Clayton said. Cordless lineup is likely to include 900 MHz and 25-channel versions, he said, and product will be step-up from GE brand. While GE currently has 13.5% of consumer telecommunication products market, RCA entry will boost share to 20%, Clayton said. "We're going to be in [RCA] telecommunications products because we think RCA gets a higher price," he said. "This will make our brand strategy the same across all product categories."

Gemini, seeking to expand PC accessories line, will introduce 46 products at Comdex in Las Vegas next month, including keyboard holders, monitor stands, mouse pads, screen cleaners, storage boxes, wrist rests and others at \$1.99-\$49. Gemini entered PC market in Jan. with purchase of Dallas-based PC Accessories (TVD Jan 10 p14).

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 100 yen = \$1, except where noted.

EIA CHARTS AUG. AUDIO BOOM: Aug. factory dollar shipments of consumer audio equipment posted gains well into double digits, according to EIA data. Strong performance in month was spurred by huge jump in aftermarket autosound shipments and rare 14% advance in components, fueled undoubtedly by continuing surge in home theater electronics and speakers.

Overall Aug. shipments rose 20.8% to \$750.25 million from \$621.27 million in Aug. 1993. Aftermarket car audio led all of EIA's 4 broadbased categories in month in percentage increase, rising 33.8%. In dollar terms, portable audio was largest of 4 categories tracked, as shipments rose 14.9% to \$251.62 million. Systems posted 2nd largest percentage rise, climbing 25.1%. Even relatively sluggish components market scored significant 13.8% increase. Components shipments in recent months had been fueled by robust sales activity in standalone hi-fi receivers with built-in surround capability and companion sales of speakers for home theater applications.

For 8 months, overall audio shipments climbed 12.6% to \$4.77 billion. Aftermarket car audio again scored biggest percentage, rising 20.8%. Systems, buoyed by healthy increase in Aug., jumped 16.7% for year-to-date period. Portable audio remained industry's largest breadwinner, rising 10.2%, while components managed only 3.6% rise for 8 months despite 14% Aug. increase.

Here's EIA breakdown for audio factory dollar shipments in Aug. and first 8 months of year:

FACTORY SALES OF AUDIO EQUIPMENT
(add 000)

Product	Aug. 1994	Aug. 1993	% Chg.
Portable Audio*	\$251,620	\$218,928	+14.9
Components	157,745	138,674	+13.8
Systems	171,080	136,756	+25.1
Autosound (aftermarket)	169,809	126,908	+33.8
TOTAL	\$750,254	\$621,265	+20.8
Product	8 Mo. 1994	8 Mo. 1993	% Chg.
Portable Audio*	\$1,541,932	\$1,399,034	+10.2
Components	996,989	962,023	+3.6
Systems	955,504	818,859	+16.7
Autosound (aftermarket)	1,276,088	1,056,610	+20.8
TOTAL	\$4,770,513	\$4,236,526	+12.6

* Includes home radio

Banking on experience gained with CD-I, Philips will launch 30-min. infomercial Oct. 22 detailing features of new Magnavox 27" TV. Airing through Dec. on network and cable in variety of time slots, infomercial will focus on Remote Locator and Smart Sound features. Infomercial is broken into 8-min. segments, each ending with toll-free number for name of nearest dealer and offering free remote (\$24.99 retail) with TV purchase. Philips first used infomercials for CD-I in 1993. Company has severed ties with actor John Cleese, chief product spokesman for 3 years, in introducing three 30-sec. spots earlier this month that will run on network and cable through Dec. and return in first quarter. Commercials focus on features of 25" and 27" Magnavox TVs and minicomponent system with 7-disc CD changer. Company will begin print ads later this month.

Jerry & Ketchum has been selected as Franklin Electronic Publishing ad agency.

NEW U.S. LCD VENTURE: One plan to produce LCDs in U.S. collapsed last week and another was announced -- both involving In Focus Systems (IFS), Wilsonville, Ore.

Motif, joint venture of Motorola and IFS, formed in 1992 to manufacture IFS-developed active addressing LCDs, which cost less than active matrix types (TVD Aug 24/92 p16), decided to call off manufacturing plans, shut down its active addressing plant but continue to license others to use process, laying off 43 of its 65 employees.

IFS CEO John Harker said "the manufacturing was less and less strategic" to parent companies. IFS will take \$6.4 million restructuring charge. IFS manufactures overhead projectors and other systems using LCDs.

Same week as Motif's manufacturing plans collapsed, David Sarnoff Research Center and IFS announced formation of Sarif, joint venture to domestically produce and commercialize polysilicon active matrix panels and projection systems, using technology developed by Sarnoff which utilizes standard IC fabrication technology to make "color image engine" measuring less than 2" for high resolution projectors. Steven Hix, formerly of IFS, is Sarif Chmn.—CEO.

In addition to simple fabrication, one of major advantages of polysilicon panels is fact that all circuitry is built as part of display, with no complex wiring required, we were told by Sarnoff Center Display Applications Dir. Arthur Firester. First major use, he said, will be in information projectors, including multimedia uses. TV isn't "a primary focus," he said in answer to our question, but it's "not precluded in the future." There have been suggestions that polysilicon LCD projection is well suited to HDTV displays.

For 2nd time in 5 months, Gemstar has postponed public stock offering. While Gemstar officials weren't available for comment at our deadline, company cited slow financial market in delaying earlier offering in July (TVD July 25 p13). Gemstar had proposed 6-million share offering through Lehman Bros. at \$13-\$15. In other news, Geinstar delivered new low-priced VCR Plus universal remote and will launch \$3 million TV ad campaign this week. VCR Plus remote at \$29 controls TV, VCR and cable box but lacks CallSet feature found in step-up VCR Plus Control Tower (\$44 retail) introduced in 1993. CallSet allows consumers to program VCR Plus feature by calling 800 number. Ad campaign consists of two 30-sec. spots on network TV through Dec. promoting VCR Plus and Control Tower remote.

Widescreen flat panel TV using 26W" DC plasma display will be introduced by Matsushita next spring, according to company officials at Japan Electronics Show, where panel was demonstrated. The 16:9 panel also will be available for business displays, according to company. Display was shown shortly after company announced it's discontinuing its Flat Vision TV, which uses 14" beam matrix display (TVD Oct 10 p18). Mitsubishi showed 20" color plasma panel which it's selling in Japan for commercial use at about \$10,000. Company said panel will be offered in U.S. Production totals 300 monthly. NEC demonstrated prototype 40W" plasma display in 16:9 ratio, but marketing is still several years off.

Toshiba America Electronic Components (TAEC), Irvine, Cal., is absorbing its subsidiary Vertex Semiconductor, offering jobs with TAEC to all Vertex employees.

ON-LINE PRODUCT GUIDES: Servicers and manufacturers soon may dispense with thumbing through voluminous consumer electronics (CE) product guides with flick of computer key.

Key Prestige Information Network System (KPINS) will launch PC on-line service in Jan. giving subscribers virtually instant access to product manuals, technical tips, manufacturers' policies and procedures, warranty periods for different parts, schematic drawings.

At least 29 CE and major appliance companies have joined new service that will have \$30 monthly access fee plus charge for downloading data, servicers said. Service will be sold in 2 packages, one allowing access just to system's database and step-up adding E-mail and other interactive features, KPINS Pres. Fay Wood said.

Under new system, data will be downloaded at 1.9 Mbs -- roughly entire product manual -- in 3 min., servicers said. Eventual goal is to have 80 companies on network and 2nd-generation product download at 4.9 Mbs, servicers said. Aiwa, Alpine, Hitachi, Kenwood, Sharp and Toshiba have joined system, while negotiations are continuing with Matsushita, Sony and Thomson, which are testing with company for claims processing. Goal is to add 5-10 manufacturers to system in 1995, KPINS said.

Manufacturers will update product guides, pricing and other information while KPINS administers service at Cypress, Cal., hq. There are about 40,000 servicers nationwide.

"It's going to be instant information," Professional Servicers Assn. Pres. Ronald Sawyer said. "A servicer who gets on-line won't have paperwork or microfiche to get product information."

Service is outgrowth electronic claims processing technology developed separately by Key Prestige and Information Network Systems, which merged in May. Key Prestige launched Oasis on-line system in 1987, giving servicers access to manufacturers' claim status, parts pricing, availability. But while previous on-line service was funded primarily through monthly fee charged to manufacturers, servicers will pay for access to new system's advanced features, KPINS said.

Home Theater Industry Assn. (HTIA) has distributed ballots for members' vote on proposal to incorporate group into EIA (TVD Oct 3 p13), consultant Michael Heiss told us. He said results of poll will be known before adjournment of this week's EIA fall conference in San Francisco, where plan is expected to be discussed. Proposal also could come up for vote at EIA Consumer Electronics Group (CEG) board meeting set for late this week in Carmel, Cal. Among those expressing support for HTIA proposal was Thomson Consumer Electronics Exec. Vp Joseph Clayton, leading candidate to succeed Jerry Kalov, Cobra Electronics, as CEG chmn. in Jan. Of HTIA members, Clayton told us: "We definitely want them and we'll do a lot in the EIA to promote them."

"The first on-chip closed-captioning decoder in the industry" is advertised in business publications by Motorola, which pictures RCA 52" Home Theatre projection TV.

Closed Circuit TV Mfrs. Assn. Div. of EIA will sponsor technical seminar in Orlando Nov. 7-9 -- James McMahon, 202-457-4931.

BEST BUY OPENS NEW STORES: Best Buy (BB) will open first 8 Concept III stores in Washington-Baltimore area Oct. 28 as it launches format featuring larger outlets. Move into Washington will be followed by 7 more stores in L.A. in early Nov., BB spokeswoman confirmed.

New Concept III stores will be 58,000 sq. ft., boost software to 60,000 titles from 45,000 and include 100 listening stations, touch screen kiosks for product information, softer lighting, more carpeting, more installation services. Other Concept III outlets will be open by year-end in Columbus, Las Vegas and Minneapolis, BB spokeswoman said.

Analysts are projecting that BB's 4.6-million share convertible monthly income preferred securities offering in late Sept. will generate about \$230 million. Money is expected to be used to buy inventory and continue store expansion including openings in Seattle-Portland in 1995, analysts said. Under proposal, securities will offer investors chain's first dividend in move to make BB more attractive to institutional groups, analysts said. Dividend will have 6% annual yield or \$3 per unit and be paid in monthly installments.

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Dual-deck VCR direct mail campaign by GoldStar will target a million 8mm camcorder owners. Promotion, which runs through Dec. 31, includes \$100 mail-in rebate with purchase of Goldstar 8mm/VHS deck, with toll-free number to locate nearest dealer. Deck carries \$799 advertised price. To provide retail incentive, Goldstar also will operate toll-free number for retail personnel who sell decks to qualify to receive \$20-\$500 and monthly drawing for dual-deck. Contest runs through Dec. 31. Goldstar shipped dual-deck in late June (TVD July 11 p14) under license from Go-Video. Licensing agreement avoided patent litigation threatened by Go-Video when Korean manufacturer introduced dual-deck at Winter Consumer Electronics Show in Jan.

"Zero down and with no interest and no payments until 1996" is new Mitsubishi promotion for big-screen TV, backed by direct-mail campaign. Purchases using Mitsubishi 3 Diamond Card Oct. 20-Dec. 5 are eligible for elimination of all interest and payments until Jan. 19, 1996. Increasing its emphasis on large-screen TVs, Mitsubishi will source all TVs 20" and smaller, having them built to its own specs, Mktg. Vp Michael Spiekerman confirmed, saying move is temporary to ease overload on company's production facilities. Outside sourcing will include upcoming TV/VCR combo.

Proton was scheduled to start assembling TVs in U.S. Oct. 14, according to news release dated Aug. 15, which arrived at our N.Y. office Oct. 14. Release said that at first all 27" sets and eventually all 31" sets for distribution in U.S. will be assembled in U.S. Proton's new location was given as 13855 Struikman Rd., Cerritos, Cal. 90703. Phone number is unchanged -- 310-404-2222. There was no answer at that number.

Viacom has joint marketing agreement with HTP International to support line of Paramount Pictures licensed products. HTP has licensed Paramount name for audiovideo products.

"Videomaker TV Show," instructions on how to make home video, is carried now on Channel America and American Independent cable networks, featuring writers for Videomaker magazine.

EIA, DEALERS FIGHT RETURNS: As EIA launches drive to combat questionable product returns, many retailers are already tightening return policies.

New policies in some cases set limits on returns or add service technicians to sales floor. EIA/CEG Retail Advisory Council subcommittee of manufacturers and retailers issued guidelines in Sept. suggesting 10 steps for stemming flow of returns. Addressed to retailers were proposals to improve sales training and reject damaged products while manufacturers were urged to upgrade owners manuals, establish phone lines for customer support and supply service manuals, parts and schematics when product is introduced.

"I didn't find any great revelations that came out of that report," said John Buehler, Mdse. Vp of Service Merchandise, where sales personnel must decipher reason for return before approving it. "The issue isn't always one of quality, but it's all the other factors that allow this stuff to come back and the customers know it. It's become a competitive situation and the last thing you want to do if you've got someone who finally comes to shop is to make them mad by having a non-liberal return policy."

Return policies vary. CE retail standard appears to be 30 days, although some dealers such as H.H. Gregg impose strict 10-day policy across board while Best Buy places 5-day limit on radar detectors and camcorders. Even retailers widely criticized for liberal policies -- such as Wal-Mart -- have begun imposing 90-day period.

In addition to limiting return period, retailers also are considering hiring service technicians, strategy employed successfully by Silo in 1993. Adding servicers "cut down on everything," said former Silo executive. "The return on investment was fantastic without even measuring the positive impact on the customer. It was one of those situations where the salesman who didn't want a confrontation with the customer or to take the time could put the customer over to a service technician who with a lab coat had a degree of credibility that the salesman didn't."

Push to revise policies and test new strategies comes as returns lower profits in some cases by as much as 25%, according to industry sources. "The industry has gotten to a point where it is extremely costly to manufacturers to absorb these returns and in a way it's costly to the retailer," said JVC Exec. Vp Harry Elias. "Even though they're returning the product to manufacturers, [retailers] have got to create paper work and put it in their warehouse."

Main subjects for returns appear to be cordless telephones and answering machines. As retailers seek lower prices, manufacturers are forced to cut component costs, leading in some cases to lower quality products. "I'm not saying that anybody is designing products that are not high quality, but you certainly are trying to shave every penny you can out of these things," said Go-Video Vp Edward Brachocki, former telecommunications product mgr. at Goldstar. "Inevitably, you have to make some compromises in the components you use and even when you have a good product you get tons of returns because of too liberal return policies."

Retailers, however, counter they're often confronted with consumers who buy product, use it for weekend and then return it or purchase item and later decide they don't want it. "You have no choice but to take it back," one retailer vp said. Others said it's combination of consumers and manufacturers that result in returns. "The problem is that most people don't read an instruction manual and you

combine that with the fact that most instruction manuals are poorly written and you get a return," said Harvey Electronics Vp Franklin Karp.

EMERSON 'NEARER BREAK-EVEN': Reorganized Emerson Radio reported 81% decline in operating loss to \$2.4 million in first quarter ended June 30, compared with \$12.4 million year earlier, and 83% drop in net loss to \$2.9 million, bringing in "closer to breakeven than it has been in some time," according to Chinn. Geoffrey Jurick.

Sales rose by 34% (see financial table). Citing "significant improvement" in results, Jurick said better figures resulted from efforts to diversify products and significantly increase sales, together with reduction in costs, expressing confidence that continued efforts "will restore Emerson Radio to profitability. Company also announced promotion of Eugene Davis to pres. (see Personals).

Company extended deadline for purchase of stock by approved 3rd parties to 5 p.m. Oct. 17.

Digital Pictures and Acclaim Entertainment, which have mined only videogame platforms until now, announced entry into computer world this fall. Acclaim said it will publish PC CD-ROM edition of Mortal Kombat II later this year, though it didn't disclose precise timing and price. Spokeswoman said MK2 will be Acclaim's first and only computer title this year, adding there are "no plans" to do Macintosh version. Meanwhile, Digital Pictures is making first leap into computer-based CD platforms with release of Macintosh version of Night Trap this month, to be followed by Corpse Killer (Macintosh in Nov., PC in March), Slam City with Scottie Pippen (Pentium in Dec.), Kids on Site (PC in Nov., Macintosh in Dec.), What's My Story? (Macintosh in Nov., PC in spring). All titles also are due on Sega CD by year-end. Company also plans to launch Supreme Warrior, martial arts production filmed in Hong Kong, for Sega CD in Nov., later for 3DO. Pres.-CEO Tom Zito said most of company's titles "appeal to older game players, so our target customer mirrors the age group that is likely to own a Mac or PC CD-ROM."

More than 1,000 letterbox movies are listed in "Home Theater Edition" of Laser Video File laserdisc catalog. Advertisers include Pioneer (for Elite 16:10.7 expanded screen projection systems), Toshiba (56" widescreen projector), RCA (widescreen direct-view 34" set and custom home theater), Yamaha (Cinema DSP sound system), JVC (widescreen projection TV), Velodyne (speakers), Runco (IDTV front projection). Publisher Ron Rich said publication will be placed in outlets carrying Pioneer Elite line in addition to 2,500 stores which carry laserdiscs.

Acclaim Entertainment reported record sales and profits for year ended Aug. 31. Net income jumped 59.9% as revenues grew 47% (see financial table). In 4th quarter, net income was up 21.5% as revenues increased 24.3%. Company told analysts that Sega Genesis platform accounted for 55% of 16-bit business during year, Super Nintendo 45%. For 4th quarter, Genesis had 52% share, SNES 48%, and that looking forward, there was likely to be even split. Sales of SNES version of Mortal Kombat 2 are running slightly ahead of Genesis translation, officials said.

Matsushita Microwave Oven Corp. of America said it recently manufactured its 7 millionth oven at Franklin Park, Ill., plant, and expects to reach 10 million in 1996.

Consumer Electronics Personals

Yasuhiro Kuga, senior vp, Sony Recording Media & Energy Co., Japan, becomes pres. Nov. 1 of Sony Component & Computer Products Group, San Jose, replacing **Tatsuya (Ted) Matsumoto**, who returns to Tokyo as head of customer service operations at Sony parent... Appointments at Sony Retail Entertainment, subsidiary formed last week to "pursue new retailing and themed attraction opportunities stemming from the many Sony companies:" **Stanley (Mickey) Steinberg** chmn., reporting to Sony Corp. of America Exec. Vp **Jeff Sagansky**; **Lawrence Ruisi**, ex-Sony Pictures, pres.; reporting to Steinberg are **Guy Leibler**, pres., Sony Plaza, and **Dell Furano**, pres., Sony Signatures; reporting to Ruisi are **Jim Loeks** and **Barrie Loeks**, co-chmn., Sony Theaters.

Eugene Davis promoted from exec. vp to pres., Emerson Radio, retaining position of interim chief financial officer; **Geoffrey Jurick** relinquishes pres. title, continuing as chmn.-CEO... **Van Toffler**, MTV senior vp-program enterprises, and **Matthew Farber**, vp-new business, to head new MTV Interactive Div. to create products involving videogames, CD-ROMs, on-line services, interactive TV... **Norman Goldberg** promoted to national mktg. communications mgr., Cobra Electronics... **Tom McIntyre** shifts to exec. vp and chief financial officer, BMG Entertainment, from senior vp and chief financial officer, Bertelsmann Music Group.

Changes at Philips: **A.S. Cathcart** and **J.P. Lac** appointed dirs. of corporate finance and members of senior management committee; **Sally Hui**, formerly vp of Philips Domestic Appliances and Personal Care Products for Chinese market, becomes vp-corporate mktg., China, at Philips China Hong Kong Group; **J.A. Dinklo** retires Nov. 1 as dir. of corporate planning and strategy.

Jerry Salesin resigns as ABC Warehouse video buyer, plans unannounced... **Anthony Noce**, ex-Lechmere, named VAC Service Corp. vp-operations... **Jake Buerma**, ex-senior vp, engineering, of Vertex Semiconductor subsidiary now merged into Toshiba America Electronic Components (TAEC), named TAEC vp of system IC engineering, new post... **Rian Cain**, ex-Warrantech, named Adray major appliance buyer replacing **Jeffrey Sporkin**, plans unannounced... **David Bates**, ex-Relevant Data licensing firm, joins Desper Products as engineering mgr.; **Kenneth Dawes**, ex-AKG Acoustics, appointed engineer.

Richard Pardo resigns as 47th St. Photo CFO, plans unannounced... **Robert Roden**, LucasArts Entertainment gen. counsel and dir. of business affairs, elected first pres., Recreational Software Advisory Council, group formed to implement ratings program... **Fredrick Paul** promoted to editor-in-chief, Electronic Entertainment magazine... **Lee McEnaney**, ex-Bohle Co., joins Manning Selvage & Lee PR firm as vp to head Sega account... **Kim Grunbaum**, ex-Columbia TriStar Home Video, named exec. dir.-mktg., Compton's NewMedia... **Martin Lafferty**, ex-EON Corp. and NBC, named exec. vp, FutureVision, interactive service provider.

Jeffrey Yapp, ex-Pizza Hut, named pres. of international home video, Twentieth Century Fox... **Orlando Raimondo**, ex-Pirelli Cable, named pres., Technicolor Video Services... **Paul Pasquarelli**, ex-Visual Expressions, joins Buena Vista Home Video as sales vp based on East Coast to service key national accounts... **Nan Halperin**, ex-Western Publishing, named vp-home video, Children's TV Workshop... Appointments at Allied Film & Video: **Jim Mitchell**

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
Acclaim Entertainment 1994-year to Aug. 31	480,756,000	45,055,000	1.00
1993-year to Aug. 31	327,091,000	28,185,000	.63
1994-qtr. to Aug. 31	148,868,000	14,132,000	.31
1993-qtr. to Aug. 31	119,793,000	11,634,000	.25
CBS 1994-9 mo. to Sept. 30	2,855,900,000	237,000,000	3.00 ^a
1993-9 mo. to Sept. 30	2,467,300,000	279,800,000	3.53 ^a
1994-qtr. to Sept. 30	726,300,000	58,400,000	.77 ^a
1993-qtr. to Sept. 30	752,900,000	118,200,000	1.48 ^a
C-COR Electronics 1994-13 wk. to Sept. 23	27,554,000	2,195,000	.46
1993-13 wk. to Sept. 24	15,719,000	1,136,000	.25
Emerson Radio 1994-qtr. to June 30	137,140,000	(2,894,000)	--
1993-qtr. to June 30	102,667,000	(17,484,000)	--
Franklin Electronic Publishing 1994-6 mo. to Sept. 30	36,383,000	5,218,000	.67
1993-6 mo. to Sept. 30	33,075,000	3,517,000	.46
1994-qtr. to Sept. 30	21,258,000	3,589,000	.46
1993-qtr. to Sept. 30	18,429,000	2,255,000	.30
Gannett Co. 1994-39 wk. to Sept. 25	2,775,933,000	316,015,000	2.17
1993-39 wk. to Sept. 24	2,659,031,000	268,775,000	1.84
1994-13 wk. to Sept. 25	932,427,000	105,531,000	.74
1993-13 wk. to Sept. 24	876,532,000	88,780,000	.61
Media General 1994-39 wk. to Sept. 25	459,190,000	104,860,000	3.99 ^a
1993-39 wk. to Sept. 24	444,300,000	16,648,000	.64
1994-13 wk. to Sept. 25	155,192,000	8,022,000	.30
1993-13 wk. to Sept. 24	147,527,000	5,095,000	.20
Motorola 1994-9 mo. to Oct. 1	15,792,000,000	1,045,000,000	1.79
1993-9 mo. to Sept. 30	11,970,000,000	682,000,000	1.20 ^a
1994-qtr. to Oct. 1	5,660,000,000	380,000,000	.65
1993-qtr. to Sept. 30	4,408,000,000	254,000,000	.44 ^a
Park Communications 1994-9 mo. to Sept. 30	133,317,000	17,964,000	.87
1993-9 mo. to Sept. 30	123,607,000	11,858,000	.57
1994-qtr. to Sept. 30	45,077,000	6,348,000	.31
1993-qtr. to Sept. 30	41,483,000	3,855,000	.19
Pulitzer Publishing 1994-9 mo. to Sept. 30	351,065,000	23,018,000	1.77
1993-9 mo. to Sept. 30	304,753,000	14,841,000	1.24
1994-qtr. to Sept. 30	116,944,000	8,354,000	.64
1993-qtr. to Sept. 30	106,833,000	3,295,000	.25
Raytheon 1994-9 mo. to Oct. 2	7,284,000,000	391,200,000	2.92 ^c
1993-9 mo. to Oct. 3	6,685,000,000	507,600,000	3.74
1994-qtr. to Oct. 2	2,443,000,000	191,900,000	1.45
1993-qtr. to Oct. 3	2,223,000,000	170,800,000	1.26
E. W. Scripps 1994-9 mo. to Sept. 30	889,330,000	99,026,000	1.32 ^b
1993-9 mo. to Sept. 30	882,821,000	68,752,000	.92 ^d
1994-qtr. to Sept. 30	295,978,000	26,105,000	.35
1993-qtr. to Sept. 30	292,180,000	14,067,000	.19d

Notes: ^aAdjusted. ^bIncludes special credit. ^cAfter special charge. ^dRestated.

promoted to sales and customer service mgr., Chicago; **Marilyn Quist**, ex-Rank Video Services America, named regional sales exec. based in Ill.

Thailand company will build \$27-million rechargeable alkaline battery plant in Bangkok and start production by 1996. White Group Public Co. will build 200,000-sq.-ft. plant under license from Battery Technologies International (BTI), developer of reusable alkaline manganese (RAM) system that Rayovac markets in U.S. under Renewal brand.

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OCTOBER 24, 1994

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INTERACTIVE PICTURE UNCLEAR: Long-term future called sure, short-term cloudy at CTAM. (P. 7)

FCC SETS VDT RULES, NO COST ALLOCATIONS: FCC gave go-ahead to VDT service but declined to set specific cost-allocation formula at Oct. 20 meeting. Commission did say that VDT service must recover all incremental costs and at least some direct costs, and rejected "anchor programmer" concept that would have allowed some telcos themselves to offer equivalent of cable basic tier. NCTA said it would appeal decision because of lack of specific cost allocations and said it will "participate in each and every tariff filing" for VDT. Telcos generally were generally pleased with decision, but disappointed with some details.

Despite pressure from House Telecom Subcommittee Chmn. Markey (D-Mass.) to set cost-allocation rules first, FCC officials said it would be premature to set specific rules. Instead, they said, cost allocation decisions will be made on case-by-case basis in individual VDT tariff proceedings. "A one-size-fits-all approach to cost-allocation would not adequately address" varying VDT architectures and operating plans, and would unnecessarily delay VDT competition, Comr. Chong said. Comr. Barrett said new set of allocation rules would "further complicate the regulatory treatment" of VDT. Common Carrier Bureau Chief Kathleen Wallman said it's too soon to set rules because "we still have a lot to learn in the tariff process."

Markey had said in letter to commissioners that FCC should set consumer safeguards first, even if that would delay action on VDT. "Concrete and workable safeguards" would benefit industry and consumers, Markey said, and lack of safeguards could mean "flood of paper" at Commission raising spectre of 33,000

Consumer Electronics

ZENITH RETURNS TO BLACK with \$9.4 million profit in 3rd quarter, keyed to record color TV sales. Pearlman sees color sales rising in 4th quarter. (P. 10)

VALENTI TO EIA/CEG: 'Let's work together' to 'develop policies and craft legislation' to tackle problem of illegal copying of digital video. (P. 11)

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SONY SUIT AGAINST FUNAI dismissed by U.S. federal court, which rules case belongs in Japan courts. Sony had sought to bar Funai from U.S. VCR market. (P. 13)

CES SPECIALTY AUDIO & Home Theater Show slated for Chicago's Palmer House Father's Day weekend 1995. (P. 13)

3DO 'TAX' ON DISC PRESSERS will fund aggressive ad campaign and incentives to encourage hardware marketers to put sharp prices on machines. (P. 14)

SAMSUNG EARMARKS \$723 MILLION for new European manufacturing base in U.K. Microwaves, PCs and monitor tubes added to color TV plant base. (P. 14)

pages of material submitted in current proceeding duplicated each time another tariff is filed. That would swamp FCC, and while results may have "some analytical purity," it's not clear that costs of delay incurred through individual tariff fights would be worth effort, Markey said.

There was another last-min. question about whether FCC would act on VDT proposals when, for 2nd time, 9th U.S. Appeals Court, San Francisco, remanded FCC's 8-year-old Computer 3 rules, saying it's still not satisfied with competitive safeguards that were put into place when Commission agreed to let RHCs offer enhanced services without separate subsidiaries. Cable groups immediately touted decision as raising additional questions about VDT since original VDT decision in 1992 said there's no need for new safeguards against cross-subsidies of VDT system by telephone ratepayers because existing safeguards in Computer III and ONA rules are adequate. NCTA Pres. Decker Anstrom said remand "underscores why any Commission action on VDT that relies on existing safeguards is unacceptable policy," but FCC didn't even mention case when announcing VDT decision.

VDT order does provide some guidance on cost-allocation: (1) VDT rates must recover all incremental costs. FCC Chief Economist Michael Katz said, for example, that if there was no need to build new infrastructure just for voice, so system is only for video, all costs would be attributable to VDT. (2) All capital, operating, salary, marketing, legal and other expenses attributable to VDT must be covered by VDT rates. (3) VDT must recover "reasonable" share of expenses of shared plant. FCC said it presumes that VDT's share of plant and overhead expenses can't be zero, but provided no guidance on what share would be appropriate.

FCC rejected anchor programmer concept because of concerns that it would allow telco to cross over from being common carrier to becoming cable operator, Wallman said. Several telcos had claimed that VDT is feasible only if they provide "anchor" package of programming that includes, for example, all broadcast channels and most popular cable channels. In several proposals, anchor programmer would occupy most analog channels, relegating other program packagers largely to digital channels. Though FCC said it wouldn't allow anchor programmers, telcos would be able to have interest in at least some channels carried on VDT system. Commission didn't set specific limit on number of channels, made issue subject of further inquiry.

Commission affirmed most of its 1992 VDT decision, including saying that LECs can't own more than 5% of any video programmer and that they can't buy cable facilities to start VDT service. Exception is allowing VDT operator to lease non-exclusive capacity on drop wires from cable operators for up to 3 years. FCC officials said provision was inserted to help jump-start VDT. Commission did say that telcos could enter some non-equity relationships with outsiders to provide VDT service. Comr. Ness said she would have preferred different decision on non-equity relations because they could "increase incentives for discriminatory behavior."

Among key modifications of earlier VDT decision is that FCC no longer asserts complete jurisdiction over VDTs, to exclusion of state and local authorities. Instead, FCC said it only has jurisdiction over transmission of video services that originate either from broadcasts or are transmitted across state boundaries, such as those delivered to headends by satellites. Decision would give state authorities jurisdiction over such things as any services originating from VDT system's own video server and local cable channels. FCC launched inquiry into implications of jurisdictional separations process on introduction of new technologies.

Jurisdictional decision rejected proposal by state and other officials that FCC set up federal-state joint board to review separations issues. FCC said such board is premature and could unduly delay VDT. Comr. Quello said joint board "may have great facial appeal [but] the simple fact is we do not yet have a body of data from which we believe any meaningful conclusions can be drawn." Common Carrier Bureau Deputy Chief Kathleen Levitz said Commission also was concerned that joint board would focus only on VDT, rather than all broadband issues.

Other FCC decisions include: (1) VDT operators must establish subsidiary accounting records. (2) Common Carrier Bureau will develop data collection and monitoring program. (3) FCC will seek comment on separate price cap basket for VDT. (4) LECs must expand VDT system capacity if there's more channel demand than capacity, but only to extent that it's financially and technically feasible. LECs must provide FCC with notice of anticipated capacity shortfalls and plans to meet demand. (5) FCC eliminated requirement that LECs only provide enhanced services such as billing and data processing to programmers who use VDT system, saying that serving outsiders would encourage VDT development. (6) Order generally

prohibits video programmers from participating in operation of VDT system. (7) Telcos must identify types of Customer Proprietary Network Information that they have access to in order to help FCC assure VDT customer privacy. (8) FCC refused to eliminate video-on-demand from definition of video programming and continued to refuse to provide special incentives for VDT deployment.

FCC also launched rulemaking to clear up several other issues, including how to share analog channels among various programmers. VDT proposals generally assume that all program packagers will use same network affiliate, for example, but offer varying proposals on how to determine what channels will be shared. Rulemaking also will deal with such issues as "will carry" for broadcasters, lower tariffs for special groups of programmers such as broadcasters, and when prohibitions on telco acquisition of cable facilities shouldn't apply.

FCC Chmn. Hundt said VDT decision will help create "another lane on the information highway" and encourage competition between telcos and cable. He said neither industry has said it objects to competition, they just want it to be fair. Chong emphasized that VDT decision could benefit cable, and FCC, by hastening creation of effective competition that would eliminate most cable regulation. Reacting to cable complaints that telcos would use cross-subsidies to support below-cost pricing of VDT service, Chong said below-cost pricing by new entrants is common practice and "there is nothing inherently nefarious in such a strategy." FCC officials also said price cap regulation would discourage using telephony to subsidize video service.

NCTA's Anstrom, however, called action "an incredibly bad decision that flies in the face of all logic and the record. All we asked for were fair cost-allocation rules, but we got none" so telcos can go ahead with VDT without answering question who will pay for it. He also said decision creates policy inequity because cable is still awaiting rate rules determining how it can recoup investment in new technologies, but telco decision is already made. CATA Exec. Vp James Ewalt said he was pleased that FCC dropped anchor programmer, but said case-by-case review of cost allocation "will swamp the regulatory process" and "may impair the ability of cable companies to compete."

Telco reaction to VDT decision was restrained. USTA Pres. Roy Neel welcomed step toward VDT but said "we do have some concerns about the details of the decision." Bell Atlantic praised VDT decision, saying it "paves the way for a new era in telecommunications... The FCC showed strength and commitment in addressing VDT issues now" and setting ground rules. FCC took "important step" toward competition with VDT decision, said BellSouth Senior Vp William Reddersen, but telco reserved specific comment pending detailed reading of order. Salim Bhatia, CEO of equipment maker BroadBand Technologies, said decision "gives the telephone companies the certainty they need" to build VDT systems.

Consumer Federation of America called VDT action "an ominous sign for consumers" because FCC delayed decision on "critical issues" of cost-allocation. CFA Legislative Counsel Bradley Stillman predicted that VDT could add \$16 per month to every consumer's phone bill for 20 years.

FCC ACTS ON PTAR, RADIO RULES: FCC as expected unanimously approved rulemaking Oct. 20 on whether to "retain, modify or repeal" Prime Time Access Rule (PTAR). Commissioners emphasized they have open mind on subject but commented on need for reevaluation of rule in light of network competition from new technologies. Mass Media Bureau Chief Roy Stewart said evaluation will be "within a rigorous economic framework."

Comr. Quello said he favored "transition period to minimize market disruption" if rule is changed or eliminated and expressed concern about rule change effect on independent broadcasters. Rulemaking asks whether any changes should be phased in over specific period of time or after satisfaction of specific market conditions. Chmn. Hundt said issue involved "whether the government needs to micro-manage" in broadcast area. Comr. Barrett said he was interested in seeing comments on "nexus" between PTAR and network financial interest and syndication rules due to expire in Nov. 1995.

Commission set 60-day period for comments, 30 days for replies. INTV Pres. James Hedlund, vigorous opponent of change to off-network portion of rule, said: "We applaud the Commission for issuing a neutral rulemaking but believe we need 120 days to put together the economic data and analysis the Commission is asking for." He criticized "ridiculously short comment periods." Deputy Mass Media Bureau Chief Renee Licht said 60 days was "traditional" rulemaking comment period and Commission felt it was "reasonable" in this case. Gerald Udwin, representative of group of independent, first-run producers told us "burden of proof in the proceeding must be on those who propose change."

Commission press release highlighted Commission desire to evaluate degree to which PTAR: (1) Increases number of independent programs and program producers; (2) restrains ability of 3 major networks to dictate program choices to affiliates; (3) encourages development and growth of independent stations and new or emerging networks.

Commission also adopted 2 changes to minority ownership rules for radio: (1) Increased radio minority ownership limits from 23 AM and FM stations to 25 each; (2) increased number of minority or small business-controlled AM or FM stations in which a non-minority broadcaster may hold non-controlling but attributable interest from 3 to 5 stations above 20/20 limits. Comrs. Quello and Barrett said additional steps were needed to increase financing of minority-owned stations, and Stewart said Mass Media Bureau was working on new proposals to submit to Commission in that area. Commission affirmed non-minority owned national station limit of 20 AM and FM stations and local market rules that (1) permit ownership of 2 AM and FM stations in markets with more than 15 stations and (2) 3 stations, only 2 of one kind, in smaller markets.

SHOW PARTICIPANTS PLEASED: Organizers of combined NAB Radio Show and RTNDA, SMPTE, Society of Best. Engineers (SBE) conventions at L.A. Convention Center reported attendance increase from separate shows last year, said their members felt World Media Expo exhibits were useful and look forward to repeat joint show in New Orleans next Sept. Main improvement cited was need for better promotion of event.

NAB Exec. Vp-Operations John Abel said success eliminated early concerns about intermingling 4 conventions: "The entire concept of the combined exhibit and separate meetings worked extremely well." RTNDA Pres. David Bartlett said combined exhibits were "big plus" for RTNDA members. SMPTE Exec. Dir. Lynette Robinson praised "synergy" of combined exhibits. SBE Exec. Dir. John Poray said engineers benefited from expanded exhibits and that combined show furthered goal of "finding ways for engineers and management to get together."

Total attendance at combined exhibits and conventions was 17,637. RTNDA reported attendance of 2,018, increase from 1,906 in 1993. SMPTE reported 1,380, up from 900 in 1993. SBE reported 333, increase from 269. NAB didn't release attendance figures but said it was more than 6,500 at separate show last year. Other 7,000 registrants were exhibitors and exhibit-only attendees.

Robinson said that in future "exhibit needs to be promoted better." SMPTE attendee Joan Allen, Dolby Labs, also saw need for better promotion: "There are fewer film people than we expected and a lot more radio people. In New Orleans, we'll probably take a smaller booth," he said. Attendees praised show. Richard Vanderschie, Audiomation/Sellmark, said: "The NAB was one of the primary shows we attended at one time, but we've stayed away for 3 years and came back this year because they were all together."

Abel said meeting reciprocity was subject to be considered in future. Organizations didn't extend reciprocity for members of organizations to attend meetings and sessions. RTNDA offered single-day meeting ticket for \$100. L.A. show was first under 8-year agreement between NAB and other organizations.

FCC amended its ex parte rules to allow for presentations by Justice Dept. or FTC during ex parte period, in order released Oct. 21. Exemption applies only when agencies haven't become party to cases or filed comments. Commission said exemption "will promote the public interest through the exchange of information and ideas between the Commission and the other principal agencies responsible for... the telecommunications industry."

USIMTA RESURFACES: U.S. Interactive & Microwave TV Assn. (USIMTA) has resurfaced in York, Pa., accompanied by "sister" organization called U.S. Independent Personal Communications Assn. (USIPCA), according to Lynnea Dalton, head of both organizations. While USIMTA, which disappeared more than year ago (TVD Nov 1/93 p7), is "reorganizing," Dalton said, USIPCA will co-sponsor conference on broadband PCS auctions Dec. 1-4 in L.A.

Conference will include "a keynote presentation by Vice President Al Gore," USIPCA said in press announcement and printed program. Gore's office, however, told us that no speech to group is on schedule. Dalton later said group is "working to get Gore," probably via satellite feed: "We have gotten some very positive feedback that we'll be able to do this."

"Rumors of our death are greatly exaggerated," Dalton said of USIMTA, which said it represented wireless cable applicants. She said group never really ceased operations, even though it closed Washington office year ago without notice, without forwarding mail address, or forwarded telephone number. One employee claimed then that he received no advance notice of move and wasn't paid. Dalton, however, said USIMTA members were kept informed of move and that USIMTA is "still alive and kicking" and preparing new newsletter. Group expects to make announcements within next month, she said.

Meanwhile, Dalton's husband, Marcus Dalton, has been associated with 4 of winning bidders for interactive video & data service (IVDS) who failed to make FCC-required downpayments on their bids. In each case, Marcus Dalton was listed as one of persons authorized to submit bids, though Dalton has denied any association with them. According to Form 175s submitted to FCC by bidders, bidders listing Marcus Dalton were Rasputin International, who won 5 bids totaling \$7.7 million, Tarik Choudhury, who won 3 bids totaling \$6.3 million, Manoranjan Das (2 bids totaling \$1.3 million), and Ruth Das (3 bids totaling \$1.7 million).

—
Assn. for Maximum Service TV (MST) holds Advanced TV conference Oct. 25, ANA Westin Hotel, Washington, including exhibit of HDTV equipment. Panelists include FCC Comr. Quello, Advisory Committee on Advanced TV Service Chmn. Richard Wiley, officials from alliance companies. Other FCC and congressional representatives have been invited to speak -- 202-861-0344.

CBS news and entertainment programs will be included in 6-month interactive TV market test to be conducted by Your Choice TV in 1,500 homes in Mt. Prospect, Ill., and 300 homes in Denver.

COURT QUESTIONS INDECENCY: Sufficiency of FCC data to justify regulations banning broadcast of indecent material 6 a.m.-midnight was major subject of questioning at U.S. Appeals Court, D.C., oral argument Oct. 19. Full 11-judge panel also questioned FCC Deputy Gen. Counsel Christopher Wright and opposing broadcast coalition counsel Timothy Dyk extensively on whether govt. can directly shield children from indecent programming or should be limited to measures enabling parents to make programming decisions.

Three-judge Appeals Court panel in Nov. struck down FCC regulations as not being "tailored" to pass Constitutional test of not abridging First Amendment rights (TVD Nov 29 p3) and FCC appealed for full panel rehearing. Despite strong questioning by Judge Patricia Wald, who wrote earlier decision, and Chief Judge Harry Edwards, who also was on 3-judge panel, lawyers for both sides told us full panel vote on issue will be close, with possible 6-5 decision going either way. Lawyers didn't discount compromise decision to remand issue to Commission for new proceeding.

Dyk told court there was "no record finding that a single child was exposed to indecent material" and said that law and regulations didn't consider "huge differences by station on child viewing." Edwards said he was aware of "significant data on violence but none on harmful effects from indecency." Wright defended regulations as "accommodating conflicting interests." He said that parents had choice whether to allow children to watch TV during "safe harbor times" midnight-6 a.m., when stations can broadcast indecent material, but said regulations also protected children of "indifferent parents." Edwards commented that outright programming ban was inconsistent with policy of facilitating parental choice. "The 2 policies are mutually exclusive," he said. Wald criticized FCC for trying to be "censor. You are the national nannie," she said. A number of judges also expressed interest in technology such as blocking devices or chips that would allow parents to control viewing.

Judge Laurence Silberman asked whether FCC provision allowing public broadcast stations that go off air at midnight to air indecent material from 10 p.m. to midnight would "undermine" restrictions on commercial broadcasters. Wright said Congress had "tried to accommodate a subset of public broadcasters" but Dyk countered that "200 public TV stations benefit" from provision.

Dyk said that FCC has issued 32 enforcement decisions on indecency and "seems to be tightening their standard and enforcing the regulations more rigorously." Dyk and Wright commented that FCC enforcement had focused on talk radio shows but Dyk said: "Children don't listen to talk radio."

Also discussed in full court oral argument were FCC rules allowing cable systems to reject indecent programming on leased access channels and requiring cable systems that offer such programming to put it on separate channels that can be blocked by subscribers. Same 3-judge Appeals Court panel had remanded issue to FCC on ground that regulatory scheme appeared to be unconstitutionally broad state action. Justice Dept. attorney Jacob Lewis said rules "allow cable operators to police their own systems." Judge Edwards questioned inconsistency of govt. arguing that cable provision "only facilitated parental control" of indecency while at the same time supporting outright programming ban in earlier broadcast case.

Direct Response TV Expo & Conference will be held Nov. 15-17 at N.Y. Hilton -- 212-371-0798.

DAB CASE PRESSED: "All the signs are very encouraging" for technical development of in-band on-channel (IBOC) digital audio broadcasting (DAB) operable within existing AM and FM bands, Randy Odeneal, Sconnix Bestg., chmn. of NAB DAB Task Force, told NAB Radio Show in L.A. Buoyed by what was described as success of first mobile demonstrations last month of USA Digital Radio system in Cleveland and Chicago, Odeneal said Task Force plans to promote virtues of IBOC to international broadcasters.

Following Chicago and Cleveland tests, Odeneal said, Task Force members were "very optimistic" about viability of IBOC: "Now we intend to take a much more aggressive stand internationally to convince the rest of the world that in-band on-channel is the way to go." He said IBOC won't be easy sell because there's "relatively strong leaning" in Canada, Mexico and Europe in support of Eureka-147 system. Of European-invented Eureka-147, once favored by NAB senior management, Odeneal said: "There's absolutely nothing wrong with that particular system. We simply don't have the spectrum available in the United States to utilize it, and it causes us some economic dislocation problems that in-band on-channel would at least mitigate."

Odeneal said Task Force will meet with FCC staff on IBOC regulatory issues "formally and informally," since broadcasters don't know how Commission will treat IBOC. He said there's prevailing view within broadcast community that FCC will govern IBOC same way it does FM subcarriers, "but that's something we'd better find out."

Odeneal said AM DAB signal in tests sounded "terrific" and "comparable" to quality of existing FM service, and difference between AM analog and DAB signals was "dramatic." He said system suffered "a few minor dropouts" when vehicle traveled under overhead signs, through overpasses and occasionally when it passed other vehicles, said he was assured by USA Digital Radio engineers that problems were easily correctable. In FM tests in Chicago, Odeneal said WBBM had been transmitting DAB for 2 months before tests without telling public and didn't field single complaint about interference.

Much of discussion that followed at L.A. panel had more to do with broadcasters' stake in fledgling Radio Best. Data System (RBDS) on which NRSC published formal standard almost 2 years ago. David Benjamin, Community Pacific Bestg., said: "While the technology is still in its infancy, it will definitely not go the way of AM stereo." While broadcasters complained about slow RBDS data rate, faster rates of new format that has come to be called "high-speed RBDS" will make possible "some new and very useful consumer services," Benjamin said. While no standard exists yet for high-speed RBDS, he said, NRSC subgroup has been studying issue for nearly a year: "Hopefully, there will be more to report soon."

Scientific-Atlanta will provide all equipment for cable systems in 14 Bulgarian cities, under deal with Union TV. Union TV licenses for 14 cities will pass 400,000 households. In addition to equipment, S-A will provide management expertise, installation support, training. Systems passing majority of households are to be operational within 2 years. Systems will eventually be 2-way with 750-MHz. Terms weren't disclosed.

TV Production Partners (TPP), developer of original TV programming, has formed partnership with Sears giving it retail category ad exclusivity in TPP projects.

TV PROFITS UP: GE said NBC had "double-digit improvement in operating profit" but didn't break out figures for separate businesses. GE announced 3rd-quarter earnings of \$1.368 billion (80¢ per share), 13% increase over 1993 (\$1.206 billion, 71¢). GE 1994 nine-month figures showed earnings of \$3.958 billion (\$2.32), improvement over 1993 (\$3.625 billion, \$2.12). Other TV groups also showed improvement:

Time Warner lost \$32 million in 3rd quarter ended Sept. 30, vs. \$133 million loss year ago. Operating profit grew to \$141 million from \$91 million, and cash flow was \$747 million vs. \$726 million. HBO (up 16% to \$66 million), as well as publishing and music businesses, had record cash flow, while cable results declined 9.7% to \$242 million. Cable revenue was \$552 million vs. \$551 million, and HBO revenue was \$386 million vs. \$344 million... McGraw-Hill broadcasting group had double-digit gains in revenue and operating profit because of strong auto and political ads, Chmn. Joseph Dionne said. Overall profit was \$90.2 million in 3rd quarter ended Sept. 30, vs. \$91.7 million loss year ago.

Tribune TV revenue grew 2% in 3rd quarter ended Sept. 30, and radio revenue was up 20%, but operating profit for broadcasting and entertainment group dropped 26% to \$23.7 million because of impact of baseball strike and startup of TV Food Network. Parent company's net profit grew 24% to \$47.8 million... Chris-Craft TV station earnings were up 11% in 3rd quarter ended Sept. 30, but TV division operating profit dropped 3% to \$25.9 million because of higher program development expense. Overall net profit grew 72% to \$22.4 million, and revenue was up 6% to \$112.8 million... United TV net profit increased to \$7.5 million in 3rd quarter ended Sept. 30, from \$7.3 million year ago. Revenue increased 19% to \$34.4 million... Multimedia announced 3rd-quarter earnings of \$30.5 million (80¢ per share), up from 1993's \$30.2 million (79¢). Broadcasting revenues were \$33.2 million, up 3.4%. Cable revenues of \$40.9 million were flat. Company said broadcast increases came from strong political and automotive advertising but said cable cash flow was cut by FCC rate rollbacks.

N.Y. Times Bctg. & Information Group operating profit grew to \$5.6 million in 3rd quarter ended Sept. 30, from \$4.3 million year ago, and revenue was \$26.4 million, vs. \$21.1 million. Overall net profit was \$120.6 million, vs. \$3 million loss year ago... General Instrument profit more than doubled in 3rd quarter ended Sept. 30 to \$57 million, and revenue grew 50% to \$555 million. Operating profit jumped 69% to \$83 million. Sales were up in all business segments, including cable and satellites, and firm said international cable sales set record with 93% growth rate... Century Communications reported first-quarter loss of \$14.9 million, vs. loss of \$8.6 million year earlier, on revenue of \$97.4 million, up from \$91.1 million. Company owns 56 cable systems, 4 radio stations, cellular systems with 5.9 million customers, mostly on West Coast... BET Holdings profit was \$3.9 million in 4th quarter ended July 31, vs. \$2.7 million year ago, while operating profit dipped to \$6.2 million from \$6.3 million. Revenue was \$25.5 million vs. \$20.3 million year ago.

European cable operators formed new Assn. of Private European Cable operators (APEC), to press for increased privatization of cable. Members include U.K. Cable TV Assn., German independent cable association, ANGA, French equivalent CGV, Danish cable operator STOFA. Group will press for right to carry non-video service on cable, APEC Coordinator Marcel de Sutter said. APEC will have offices in Brussels.

VIACOM TO SELL CABLE SYSTEMS: "We have been negotiating with our friends at TCI... We do expect to sell our [cable] systems," Viacom Chmn. Sumner Redstone said in response to question, confirming widespread speculation. Move isn't for "cash," he said in Oct. 19 speech at National Press Club, Washington -- though systems are worth "well over \$2 billion" -- but is "strategic" move out of highly regulated industry to focus on being "software-driven powerhouse."

Redstone was skeptical of information superhighway: "It will take a lot longer and cost a lot more to create the so-called information superhighway, with no certainty that the consumer will pick up the price tag." Redstone said there's long history of failures of interactive services going back to 1960s, pointed out that after 40 years the only quasi-interactivity on cable is home shopping. He said that more recent research, including Viacom's own test in Castro Valley, Cal., "are adding proof to what is fast becoming undeniable," i.e., that there's no "killer application" that will pay for info highway. Even full video-on-demand (VOD) buy rates up to 4 times as high as pay-per-view -- numbers reported in some tests -- aren't sufficient to finance superhighway, he said.

Other Redstone comments: (1) Wall St. estimates of value of existing TV networks "sound exorbitant to us... The network that Viacom wants is called United Paramount," not NBC or CBS. He said company's 5th network can be rolled out to 85% of U.S. homes for \$200-\$300 million, rather than \$5 billion that acquisition would require. (2) Company doesn't anticipate "alliance" with any telephone entities, but "we will sell our programming to everybody... in the world." (3) "We take our social responsibilities very seriously," he said when member of audience asked if he had guilty "conscience" about such programming as MTV's Beavis and Butthead. He said that show satirizes title characters, opposite of celebrating them. "I have a great joy in what we do."

Electric Power Research Institute (EPRI) study concludes that energy utilities can benefit greatly by making more use of their telecommunications resources, to improve their operations and to offer information services. According to study released Oct. 24: "Utilities face a brief window of necessity and opportunity: The necessity to assess the... telecommunications capabilities they will need to support their core businesses in the future and the opportunity to consider what new sources of revenue could be opened up by those capabilities." Report recommends that to "prevent erosion of their customer bases," utilities should "become more aggressive" in deploying information technologies to improve operation of their generation, transmission and distribution facilities. Partnering with telecommunications companies would be good strategy, study adds. One problem is regulation "inconsistent" with policies promoting competition and study recommends that utilities work with regulators to improve that. Report, "Business Opportunities and Risks for Electric Utilities in the National Information Infrastructure," can be obtained by calling EPRI at 510-934-4212.

Cable rates dropped 1% in Sept., according to Bureau of Labor Statistics' Consumer Price Index (CPI). Drop meant that average cable rate nationwide was 3.6% lower than 12 months ago. Overall CPI was up 0.3% for month, 3% for year.

Chancellor Bctg. said it completed buy of 11 radio stations from American Media for about \$150 million.

INTERACTIVE PICTURE UNCLEAR: Although no one is sure what interactive services will thrive in, panelists at Cable TV & Mktg. Society (CTAM) technology seminar in Bethesda, Md., Oct. 20 said final picture won't be clear for long time. During last year's talk of interactivity, hype over new services and products was so rarely questioned that "if it was interactive diapers, your stock surged," said Kim Lemon, Showtime vp-research. Now, press scrutiny and Wall St. cynicism means "tide has been a little negative." He said that's caused some delays and trepidation about new products, but urged players to "keep the capital rolling."

Lemon said his research points to 4 types of potential interactive consumers: (1) "Technophobes" make up about 59% of market, he said, and consist of those with little interest in computers or buying entertainment. (2) "Technophiles" (11%) are "very responsive" to new technology. (3) "Entertainment" group (22%) has little experience with computers but enjoys TV. (4) "Productivity" group (8%) wants to use new technology to improve work performance or personal efficiency. He said PC products are best suited for technophiles and productivity group while TV products show most promise for rest.

Digital compression will catalyze interactivity by providing competitors to cable, said John Vartanian, HBO dir.-engineering. He said DBS and wireless will soon use compression to offer same 2-way communication now possible with fiber, but he said consumers must evaluate each delivery method carefully and watch for faults. For example, he said DBS's claim of 99.9% reliability actually amounts to about one-hour outage per month, which he said would distress normal cable subscribers.

Extensive testing of new services is key, said Vincent Grosso, AT&T dir.-interactive TV. He cited company's recent Chicago employee test, in which 50 employees received variety of free interactive services to gauge usage, preferences. Although cost flexibility wasn't addressed, Grosso said "killer application" proved more elusive than finding "killer attributes" of certain services. Test results suggested that 4 key elements must exist for application to succeed: Entertainment, transactions, communications, information. He said other "musts" include: (1) Sturdier remote to handle heavy activity. (2) Frequent updates of accessible information. (3) Longer customer service hours to handle inquiries on new services.

Panelists mostly agreed that services will split between TV and PC with entertainment on TV and more task-oriented features relegated to PC. Steven Walden, Prodigy exec. dir., said on-line services through cable systems could allow operators to tap new markets and attract subscribers who don't watch TV but are heavy computer users. He said many on-line subscribers pay for 2nd phone line at cost similar to that of cable, but can receive higher speed transmissions over coaxial than twisted pair.

Media watch organization Fairness & Accuracy in Reporting (FAIR) issued report questioning "legality" of GE ownership of TV stations on ground that GE is "a corporation that has repeatedly been found guilty of felonies." Report charges GE "has been caught in at least 16 instances of fraud against the government." GE responded: "The report is a pathetic, inaccurate litany of shopworn allegations. Matters have been reported to the FCC over a period of years in connection with NBC's license renewal applications. The Commission has found absolutely no links between any incidents at GE and NBC's qualifications to hold broadcast licenses."

QVC entry into bidding for Paramount didn't cause antitrust injury to Viacom, even though Viacom ended up paying \$2 billion more for Paramount than it would have, U.S. Dist. Court, N.Y.C., ruled in Viacom's antitrust suit against QVC and TCI. Court refused to grant damages to Viacom, dismissed suit. Viacom had claimed that QVC bid was antitrust violation because it had "anticompetitive effect" of reducing Viacom's ability to compete with TCI by raising Viacom's costs, forcing it to ration capital, spend less on new products, raise prices, sell assets. TCI, Liberty and QVC replied that higher price for Paramount was result of competitive process, not antitrust injury. Court also rejected Viacom claim that TCI forced Viacom to pay more for Paramount by tampering with Viacom stock price. Even if TCI did tamper with stock price, court said, it wouldn't constitute tortious interference because Paramount complied with contract.

FCC Chmn. Hundt warned broadcasters "not to put their heads in the sand" on issue of payment for broadcast spectrum. In speech to International Radio & TV Society in N.Y. Oct. 19, Hundt said he doesn't think spectrum fees for broadcasters is "a good idea. [But] America is about to watch the FCC raise billions of dollars auctioning off that which broadcasters receive for free. I predict America will ask what broadcasters are giving back to the public that justifies their deal." He said: "I believe broadcasters can and will make a powerful case that they do live up to a social compact. In particular, they can show that they help America reason its way to consensus on major public issues -- at least sometimes, at least potentially." He added: "Because TV and radio reach all Americans, these mediums give us the potential to live in the most well-informed society in history."

Paramount Stations Group (PSG) agreed to buy WGBS-TV (Ch. 57, Ind.) Philadelphia and WBFS-TV (Ch. 33, Ind.) Miami from Combined Communications. Terms weren't disclosed. Stations will affiliate with United Paramount Network (UPN). Last month, PSG agreed to sell Philadelphia Fox affiliate WTXF (Ch. 29) to Fox for \$200 million. Group is selling 2 other Fox affiliates: WLFL (Ch. 22) Raleigh-Durham, KRRT (Ch. 35) Kerrville-San Antonio. PSG owns 4 other UPN affiliates: WDCA (Ch. 20) Washington, KTXH (Ch. 20) Houston, KTXA (Ch. 21) Ft. Worth-Dallas, WKBD (Ch. 50) Detroit.

KMGH-TV (Ch. 2) Denver is switching affiliation from CBS to ABC at date to be determined. Current ABC affiliate is KUSA-TV (Ch. 9). Owner McGraw-Hill said: "We sought an affiliation that will be consistent with the interests of Denver viewers and the needs of Denver advertisers. ABC's strong network programming appeal coupled with its outstanding news organization fit well with KMGH-TV's local news and popular syndicated programming." CBS spokesman declined comment.

TCI is reorganizing operating divisions, COO Barry Marshall said. Changes include: (1) TCI West will be split into 2 divisions, one including Cal., Nev., Ariz. and Hawaii, other with Wash., Ore., Ida., Mont., Utah. (2) TCI East will be divided between MSO's Great Lakes and Southeast divisions. (3) TCI East Vp Thomas van Bockern is promoted to vp-operations at TCI hq, TCI Southeast Vp Daniel Bryan is promoted to similar position in U.K., and Sharon Becker, vp-Utah & Ida., will head operations in Fla.

Zenith is offering higher-speed computer interface for communications via cable network, officials said. New HOMEworks Elite interface allows PC-based communications at 4 Mbps.

Manufacturers of most computer monitors wouldn't be required to provide closed captioning of video services, under public notice expected to be issued soon by FCC's Office of Engineering & Technology (OET). At least one computer device manufacturer is trying to have interpretation, currently in draft form, changed. Commission is looking ahead to time when it will be common for PCs to access real-time video, whether broadcast or cable. According to 1990 law, captioning is required for TV screens 13" or greater. However, FCC officials said, TV sets are measured differently from computer screens. TV screens are measured according to usable screen space. Computer monitors are measured from one edge of entire device, including screen and case, to opposite edge. In that case, Commission officials said, usable screen space is generally less than 13", and so those monitors wouldn't be required to be adapted with card in order to provide closed captioning. Officials said that because it's uncertain how larger monitors sold separately would be used, it's unlikely those devices would be required to be equipped for closed captioning. But monitors larger than 13" sold as part of complete system could be required to be outfitted to handle captioning. Draft notice is under review by OET's front office, but notice isn't expected to be issued this week, as top OET officials are attending week-long retreat in Charlottesville, Va., at Boar's Head Inn.

NBC raised new questions at FCC on Fox TV Stations ownership in SF Bestg. of Wis. (SF), which is purchasing WLUK-TV (Ch. 11, NBC) Green Bay. Letter from NBC Gen. Counsel Richard Cotton said SF's proposed corporate structure changes (TVD Oct 17 p6) were "cosmetic" and failed to answer NBC's questions on station "control" and "alien ownership of Fox and Savoy." NBC letter stated: "The [SF] application lacks key documents reflecting a series of agreements through which Fox -- the supposed 'passive' investor -- appears to have direct control and influence over [the station]." NBC enumerated list of documents for SF to file, including employment agreement of SF Pres. Thomas Herwitz. Herwitz told us: "All the terms and conditions of these transactions have been filed at the FCC. They are asking for documents that don't exist." Regarding his own employment agreement, Herwitz said: "I don't think the qualifications of SF's application should turn on the number of vacation weeks I get." Herwitz said SF will file response to NBC at FCC and SF will file "shortly" details on 2nd Fox-Savoy company, SF Multi-Stations.

CBS and Paramount TV Group carried interviews with author of Nicole Simpson book, Faye Resnick, despite letter from O.J. Simpson trial judge Lance Ito urging them to "delay [the] program's broadcast until after the jury in this case has been selected and sequestered." CBS interview was on Eye to Eye with Connie Chung; Paramount-syndicated Maury Povich Show also was distributed last week. CNN agreed to delay Resnick appearance on Larry King Live. CBS News Pres. Eric Ober replied to Ito: "The contents of the book have been widely publicized. We believe that broadcasting [the interview] is fully consistent with responsible journalism." Paramount statement said it distributed interview "due to the [book] availability in bookstores on Monday October 17, the concurrent media coverage, and scheduled airing of other programs containing interviews with Ms. Resnick." CNN said "in this case CNN has decided to exercise its First Amendment right and will delay telecast of the interviews."

General Instrument said it has commitment from Jones Intercable to buy 150,000 DigiCable digital set-top decoders. GI said it now has orders for 2.5 million DigiCable units.

Cable "going forward" rules being considered by FCC would "make it virtually impossible for new services like fX to compete for widespread distribution on regulated cable tiers," fX Chmn. Anne Sweeney said in letter to FCC Chmn. Hundt. Commission is expected to set "going forward" rules that essentially deregulate prices for new cable channels that aren't on basic or expanded basic tiers. "Under your proposal, cable operators will be incented to add to regulated tiers only free services or services of little value" because "price-value calculation... has been skewed by the recent FCC-ordered rate cuts," Sweeney said: "The proposal will also insulate entrenched... program services from competition from new services." She said result will be govt.-created world of program service "haves" and "have nots." Sweeney said FCC should at least permit "some modicum of migration from regulated tiers to a la carte tiers so that new services have a realistic chance, however slim, to fight their way onto basic." Alternative, she said, would be to modify proposed \$1.50 cap on program rate increases so 70¢ can be used only to offset higher program costs, or allow \$2 cap if 50¢ is to offset program costs.

Mediascope named 17 members of Council of Independent TV Violence Assessment Study. Council will oversee \$3.3-million, 3-year study of TV violence commissioned by NCTA as result of congressional pressure (TVD Feb 7 p1). Members: Showtime Chmn. Winston Cox representing NCTA, Cable TV Administration & Mktg. Society Pres. Char Beales, KRON-TV San Francisco journalist Belva Davis representing AFTRA, Dorothea Petrie of Producers Guild, Gene Reynolds of Directors Guild, Carl Gottlieb of Writers Guild, Donald Robers representing International Communication Assn., Trina Anglin of Society for Adolescent Medicine, Darlene Chavez of National Education Assn., Delbert Elliot of Center for Study & Prevention of Violence, Laura King of National PTA, Robert McAfee of American Medical Assn., Michael McCann of American Bar Assn., Robert Phillips of American Psychiatric Assn., Donald Shifrin of American Academy of Pediatrics, Barbara Staggers of National Children's Hospital Assn., Brian Wilcox of American Psychological Assn.

Nine network affiliated TV stations will be sold by 3 separate ownership partnerships affiliated with Martin Pompadur. ML Media Partners stations are: KATC (Ch. 3, ABC) Lafayette, La.; WREX-TV (Ch. 13, ABC) Rockford, Ill. TCS TV Partners stations: WRBL (Ch. 3, CBS) Columbus, Ga.; WTWO (Ch. 2, NBC) Terre Haute; KQTV (Ch. 2, ABC) St. Joseph, Mo. TV Station Partners stations: WROC-TV (Ch. 8, CBS) Rochester; WEYI-TV (Ch. 25, CBS) Saginaw; WRDW-TV (Ch. 12, CBS) Augusta, Ga.; WTOV-TV (Ch. 9, NBC) Steubenville.

Several portions of FCC reorganization took effect Oct. 17, including: (1) Cable Bureau Competition Div. moved to Office of Gen. Counsel. (2) New Office of Workplace Diversity was established. (3) Office of Small Business Activities became Office of Communications Business Opportunities. (4) Legislative affairs office became Office of Legislation & Inter-Governmental Affairs. Also on Mon., Mass Media Bureau Chief Roy Stewart returned to office full-time after lengthy illness.

FCC Notes: FCC will preview new technologies at workshop 10 a.m. Oct. 25, Rm. 856, FCC hq. Workshop is part of National Consumers Week... FCC FY 1993 annual report is available from GPO, stock number 004-000-00496-5 for \$4 -- 202-512-1800... FCC reference rooms for Mass Media and Adjudication Branch (Rms. 221, 230, 239, 250) will be closed 10 a.m.-noon Oct. 27 for staff workshop.

Personals

Trevor Walton resigns as vp-movies and miniseries, CBS Entertainment; **Larry Sanitsky**, exec. vp, assumes oversight of division... **Lisa Hakim** promoted to dir.-finance, radio, Cap/ABC... **Lana Corbi** and **Adam Ware** advance to senior vps-network distribution, Fox Bstg... **Donald Barnett** advanced to vp-syndication sales, All American TV; **Jason Greenberg** promoted to station sales coordinator... **Tom Warner**, ex-WHDH-TV Boston, named div. mgr.-midwest region, Columbia TriStar TV Distribution... **Jeffrey Sherman**, pres.-COO, Federated Dept. Stores, elected to Infinity Bstg. board... **Ira Goldstone** promoted to Tribune Bstg. vp-dir.-engineering... **James Tisch** succeeds uncle **Preston Tisch** as pres., Loews Corp... **Roy Brunett**, ex-CBS News communications mgr., appointed dir.-Fox News Publicity... **Valerie Cavanaugh**, ex-Gracie Films, named senior vp-business and legal affairs, United Paramount Network.

B.J. Leber, ex-WTAE-TV Pittsburgh promotion mgr., named vp, corporate communications & community relations, QED Communications... **Fran Levey**, former fund-raiser, National Community AIDS Partnership, joins PBS Development staff as dir.-major gifts... **Jeffrey Hoops** promoted to vp-western region syndication sales, Group W Productions... Elected to 3-year terms on Prairie Public Bstg. (PPB) board: **Teresa Coles**, Winnipeg Film Group, reelected to 2nd term; **Rich Veit**, W. Fargo, (N.D.) Public School Dist. psychologist; **Gloria Anderson**, retired teacher; **Nicholas Spaeth**, attorney with Fargo law firm Dorsey & Whitney. Appointed to PPB Community Advisory Board: Chmn. **John Condra**, attorney; Vice Chmn. **Kathleen Gershman**, U. of N.D.; **Margaret Gunderson**, retired registered records administrator; **Lynn Biberdorf**, YES Canada; **Lucille Lindgren**, retired teacher.

Edward Breen promoted to exec. vp-terrestrial systems, General Instrument Communications Div.; **Geoffrey Roman** advanced to senior vp-technology... Advanced to Harris Corp. Bst. Div. international regional sales dirs.: **Warren Bottorf**, southern Asia and Pacific, **Terry Bonkowski**, northern Asia and Pacific; **George Koumblis**, Middle East-N. Africa; **Vic Reardon**, Africa, excluding North... SMPTE elects: Pres. **Stanley Baron**, NBC managing dir.-TV technology; Exec. Vp **David George**, Imagineering, Toronto; Editorial Vp **Peter Dare**, senior vp-technology, Sony Corp. of America; Secy.-Treas. **Richard Thomas**, sales mgr.-western U.S., Eastman Kodak, Hollywood.

Lauren Zalaznick, ex-Boomer Pictures, named vp-on-air promotions, VH1... **Theodore Browne**, ex-Gaylord Entertainment, named Charter Communications exec. vp-gen. counsel... **Richard Ramirez** resigns Oct. 28 as La Cadena Deportiva Prime Ticket founding vp-gen. mgr. to pursue new opportunities in TV... **Derk Tenzythoff** advanced to dir.-mktg., United Video... **Dena Kaplan** promoted to dir.-ad sales, Rainbow Ad Sales... **Karen Reynolds**, ex-ABC-TV, named senior publicist, USA Networks; **Katherine Cross** promoted to dir.-ad sales, central region... **Dan Sweeney** advanced to senior vp-sales, mktg. and programming, Prevue Networks... **Dean Hallett** moves up to vp-finance and administration, Buena Vista Pictures Mktg... **Bill Dankers**, ex-Antec, joins Sprint/N. Supply as outside representative in new cable TV group... **Chris Ender** promoted to vp-PR, Columbia TriStar TV Distribution... **Richard Shae** advanced to vp-sales, southwest region, MTM TV Distribution... **Maryann Schulze**, advanced to project mgr., Tribune Interactive Services at Orlando Sentinel, will oversee paper's provision of news, information and ads to Time Warner Cable Network.

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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

WASHINGTON HEADQUARTERS
 Albert Warren Editor & Publisher
 Paul L. Warren Sr. Ed. & Exec. Publisher
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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 Lachnerbruch 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 Tafisferro Managing Editor &
 Asst. Publisher—Directories
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 Richard Koch Asst. Managing Editor &
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FCC events: Comr. **Barrett** addresses National School Board Assn. Leadership Symposium, Oct. 25, Informart, Dallas, 9:15 a.m. He speaks at N.Y. Society of Securities Analysts 2nd Annual Information Superhighway Conference, Nov. 2, 1 World Trade Center, N.Y., 12:15 p.m. On Dec. 6, he addresses World Telecommunications Conference, London International Continental Hotel; Chmn. **Hundt** speaks to Comr. Bestrs. Assn. at annual meeting Oct. 27, Hartford Marriott, Farmington. He addresses Princeton Club of Washington Nov. 3, Occidental Restaurant. On Nov. 15, he keynotes NARUC convention, Reno, 2 p.m. He participates in Aspen Institute CEOs Forum, "Communications in Society," Nov. 18, Eastern Shore, Md. He addresses FCBA Chmn.'s Dinner, Dec. 5, Washington Hilton, 7:30 p.m.; **David Siddall**, legal counsel to Comr. **Ness**, participates on NAB panel, "Legal/Regulatory Affairs Answers Service," Oct. 27, L.A., 2-4 p.m.

Turner Bstg. Chmn. **Ted Turner** is receiving award for "creative destruction." Turner receives Austrian govt.'s Schumpeter Award Oct. 26 in Washington. Award is in honor of Austrian economist Joseph Schumpeter, author of theory that "creative destruction" changes economic structures and brings dynamism to evolution.

WRH

Consumer Electronics

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STATE OF THE INDUSTRY

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

	OCT. 1-6	1993 WEEK	% CHANGE	SEPT. 24-30	40 WEEKS 1994	40 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	450,165*	382,684	+17.6	1,246,139*	19,443,249*	17,583,303	+10.6
DIRECT-VIEW..	439,841*	374,614	+17.4	1,212,879*	19,024,780*	17,277,573	+10.1
TV ONLY.....	408,214	360,246	+13.3	1,102,892*	17,589,594*	16,282,825	+ 8.0
TV/VCR COMBO	31,627*	14,368	+120.1	109,787	1,435,186*	994,748	+44.3
PROJECTION...	10,324*	8,070	+27.9	33,260*	418,469*	305,730	+36.9
VCR DECKS.....	152,984	128,743	+18.8	897,358**	9,135,442*	8,836,542	+ 3.4
CAMCORDERS.....	23,320	29,968	-22.2	222,438*	2,272,889*	2,199,581	+ 3.3
LASERDISC PLYRS	2,725	1,438 ^r	+89.5	12,264	204,682	209,731 ^r	-2.4

Direct-view TV 5-week average: 1994--661,001*; 1993--601,613 (up 9.9%).

VCR deck 5-week average: 1994--339,933*; 1993--308,010 (up 10.4%).

Camcorder 5-week average: 1994--74,590; 1993--74,792* (down 0.3%).

* Record for period. ^r Reflects revision by EIA.

ZENITH HAD \$9.4 MILLION PROFIT IN 3rd QTR.: Zenith got out the black ink for first time in 11 quarters to report \$9.4 million net profit for 3rd quarter, as opposed to \$14.5 million loss one year earlier (see financial table). Sales were up 39%, and Chmn. Jerry Pearlman was optimistic for further sales increases in final quarter, without actually forecasting financial results.

Wall St. reflected Pearlman's enthusiasm, pushing Zenith stock up full point on Wed., day financial results were announced. Stock closed at 13, just 1/2 point off its 365-day high and nearly double its year's low price in very heavy trading. Company's net operating income for quarter was \$8.1 million, vs. \$10.4 million operating loss year earlier. Third quarter results include \$5 million gain on sale of real estate.

Sales of Zenith's "core business," consumer electronics and network systems, were up 44% or \$126 million, company said, even though its "consumer electronics selling prices were \$13 million lower in the 3rd quarter than a year ago." Non-core business revenues dropped by \$9 million to \$5 million. Zenith said its color TV unit sales to dealers were at record for 3rd quarter, as was industry's, and company increased its color TV market share in quarter. Revenues of network systems, particularly set-top boxes, also "increased strongly," company said.

Increase in operating income was attributed to "higher sales, lower costs resulting largely from new re-engineering programs, a reduction of losses from non-core business areas... and the benefits of the N. American Free Trade Agreement." Asked to elaborate on last point, Pearlman told us NAFTA has already resulted in lower duties on products shipped into Canada and Mexico, zero duties on N. American large-screen picture tubes shipped into U.S. as part of TV sets, helping assure boom in color TV tubes.

Zenith plans to increase color tube production by automating Chicago plant, Pearlman said in answer to our question, adding that company is "looking into other things," presumably to increase tube output, saying it will make announcement if action becomes "major and significant."

For 4th quarter, Pearlman said Zenith is projecting industry color TV sales 7-8% above 1993 quarter, "and we think we will continue to be up more than the industry, reflecting the programs and distribution strategy we have in place," which envision increase of about 8%. He noted that Zenith registered "big sales gain in color not only domestically, but in Canada, Mexico and in exports." As for 1995, he said it was too early to make specific forecasts, but industry color sales probably would be up "a little more next year,

perhaps in the 3-4% range." Asked about prospects for direct satellite business, Pearlman noted that "by the end of 1996 there will be 3 networks using 18-inch dishes, each with 160 channels or more," indicating Zenith might become supplier for one or more systems, but "not necessarily" DSS.

Zenith's short-term debt was \$34 million at end of 3rd quarter, down from \$62 million year earlier. In quarter, cost of products sold totaled \$382.3 million, up from \$284.6 million; selling, general and administrative expenses \$28.6 million (from \$22.5 million), engineering and research expense \$11.2 million (from \$12.1 million). For year's first 9 months, company had net loss of \$10.9 million, down from \$61 million in first 3 quarters of 1993; 9-month sales were \$1.015 billion, up 17% from year-earlier.

Three-month profit was first registered for any quarter since 4th quarter 1991, when company reported \$500,000 net; it was 2nd profitable quarter in last 23 (since 4th quarter 1988).

VALENTI TO CEG: LET'S SOLVE DIGITAL COPY PROBLEM: Consumer electronics manufacturers "have as much to lose over the long haul as the creative community if we uncage illegal copying and allow it to roam at will through the cyberspace" in era of digital superhighway, MPAA Pres. Jack Valenti told EIA Consumer Electronics Group (CEG) board last Thurs. in Pebble Beach, Cal. In strong contrast to adversary stance of Betamax era, he urged industries to work together "to develop policies and craft legislation" ensuring unimpeded flow of new digital technology to consumer marketplace without destroying "owners of creative property."

Valenti recalled that most record companies refused to release music repertoire on DAT format "until they were assured of protection" under Audio Home Recording Act. "Would you expect the creators of movies and TV to stand casually by while their digital works are swallowed by copying? Who wants to wake up in the morning and find their fair world shattered and their creative worth squandered?"

Movie industry's chief spokesman told hardware manufacturers "we have a common interest" in digital superhighway era. Valenti said consumer electronics companies "must be confident that the hardware you construct will be hospitable to programs that give value to what you make and market." In turn, he said, studios "must be confident that our digitized movies and programs are not going to be ambushed by wrongful copying." In apparent reference to bitter Betamax dispute, Valenti said: "Neither of us should ever again waste time, money and energy going to battle stations, except in the common cause of protecting our common interests, yours and ours."

Valenti recalled that 15 or more years ago, he personally "spoke of the impending disaster about to befall the cinema because of the intrusion of the VCR. I spoke with much passion. Perhaps I should have recalled that TV did not kill radio, nor did it put the cinema to death." In reality, he said, in late 1970s, movie theaters were posting about one billion admissions per year. In 1993, he said, industry drew over one billion theatrical admissions and added over 3 billion movie viewers via videocassette rentals. "Not only did the VCR -- a piece of magical technology -- not cripple moviegoing, it quadrupled movie-viewing, even as the movie theater enjoys its most bountiful years."

Many are "chafing with impatience to enter the arena" of new digital technology, Valenti said, including software and hardware entrepreneurs, telcos, cable companies and broadcasters. He said key element will be "the prime ability to see what you want to see at the exact time you want to see it." But technology "will still remain merely a transport system whose worth will be judged by the caliber of programs it dispatches to family homes," he said. "People don't buy cable because it has a fascinating head-in, don't call down a satellite because it gives a lovely light, don't buy a VCR because it rewinds. People buy programs. Whether it's Bob Shapiro and Marcia Clark doing the minuet in Judge Ito's courtroom or almost real dinosaurs in Jurassic Park, the program's the thing."

Fact that "all future programming will be conveyed in digital form" has inspired "a fear in the creative community," Valenti said. In comments reminiscent of music industry's expressed concerns on DAT, Valenti told CEG board that "it is a plain and certain fact that the 1,000th copy of a digitized movie/program is as pure and clean as the first copy, with fidelity to sight and sound unmarred and fully intact." He said thousands of digital movies "will be sprung loose from giant servers and navigation systems to millions of homes and offices... [But] the great riddle yet to be solved is how, in a digital world, to reconcile the jarring interests of copyright protection with machines whose principal aim in life is to reproduce audiovisual works. If that abrasion is not soothed, owners of creative property will be wrung dry of protection. And if you cannot protect what you own, you own nothing."

In emphasizing "common interests" of consumer electronics industry and creative community, Valenti said digital technology "introduces both of us to deeper obligations." He said industries "must join together to develop policies and craft legislation that will allow all that is being done now to continue to be done," but also "put in place protective guards so that the new digital magic can enter the marketplace legitimately and be greeted warmly." Partnership shouldn't be confined to U.S. borders, he said, because "the same issues, the same dangers, confront us abroad in every major market in the world."

Three years ago, MPAA released landmark statement hailing compromise on digital audio recording as "a strong endorsement of fundamental copyright principles." MPAA said then that pact was "an unmistakable sign that hardware manufacturers recognize the mutual benefits that arise from the principles at the heart of American copyright law." Statement concluded then that "if, in the future, a new technology poses the type of threat to the motion picture industry that DAT poses to the sound recording industry, we would hope that we could work amicably with the equipment manufacturers to arrive at an intelligent solution."

Last summer, Macrovision officials visited Japan to propose voluntary solution to digital video copying problem, but received tepid response indicating Japanese manufacturers there preferred legislation (TVD Aug 1 p9). Valenti, in his remarks to CEG, appeared to be pushing legislation as proper approach.

ECHOSPHERE PROMISES 3rd DBS SYSTEM: Echosphere, seeking to provide low-cost DBS alternative to those supplied by RCA Digital Satellite System (DSS) and Primestar Partners, will launch 77-channel service in 1995 with receivers selling for less than \$500 retail, company officials said.

Company's Echostar service, which will include 18" dish, integrated receiver decoder (IRD), low-noise blocker (LNB) and remote, would undercut hardware packages sold by RCA at \$699 and \$899 and leased by Primestar at \$29 per month. Programming would sell for less than \$20 per month, slightly below both DSS packages sold by DirecTv and U.S. Satellite Bctg. (USSB) and Primestar. Installation would be same at around \$150.

Echostar will start in Nov. 1995 with 77 channels and add another 77 with launch of 2nd satellite in July 1996, Echosphere Pres. Charles Ergen said. System will operate using 11 frequencies operating at 119 degrees W and has option with DirectSat for 10 more, he said. DSS is expected to exceed 150 channels by year-end and Primestar has said it will reach that level by 1996.

"We have to come in less expensive if we want to attract the customers," Ergen said. "I contend that it will be like the General Motors, Ford and Chrysler of the DBS business."

New service will be sold through satellite dealers under Echostar name, but gain entry to consumer retailers through licensing agreement with unnamed CE manufacturer, Ergen said. "We have name recognition with satellite dealers, but to enter CE retailers we will use a different brand name than Echostar," he said, declining to identify potential suitors, although Zenith Chmn. Jerry Pearlman last week told us company might become hardware supplier for DBS system, but "not necessarily" for DSS (see separate report, this issue). Echosphere is in "final stages" of negotiations with CE manufacturer to build hardware, Ergen said.

On programming side, Ergen said Echostar will pursue CNN, ESPN and others and plans to launch with MPEG-2 data compression, technology Thomson plans to implement in 1995 and Primestar in 1996. System will feature "open architecture" to ensure that programmers have "vested interest." Echostar will need to attract a million subscribers to break even, Ergen said.

Echostar will face hurdles including sizeable lead by DSS and Primestar, analysts said. "It is at a disadvantage because it was later into the market and I have an issue with a medium power satellite," said Adele Morrisette of investment banking group dir. at Cowen & Co. "We feel the industry will go to those who were first with a big splash." Lead could be insurmountable, since DSS and Primestar will "drive down equipment costs," Morgan Stanley principal Richard Bilotto said. Ironically, TCI subsidiary Tempo was said to be negotiating earlier this year with Echosphere to acquire 20 frequencies for Primestar, deal that later collapsed. Primestar, however, exercised option earlier this month to acquire 27 frequencies from Tempo in move that will enable it to move from medium to high power by 1996.

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Existing DBS companies will break even by 1996, industry officials said at Sky Forum panel discussion last week. DirecTv, which has invested \$750 million in technology for DSS, will break even by late 1996 with

3 million subscribers, Pres. Eddy Hartenstein forecast. Fellow DSS programmer USSB has spent \$200 million and will reach that point by late 1995, according to Pres.-COO Stanley Hubbard. Thomson, which has spent about \$100 million, will require sales of "substantially less" than 3 million receiving systems to break even, DBS Product Mgr. Michael O'Hara said. Primestar's coalition of 7 MSOs has spent \$1 billion and will hit black by 1996, Pres.-CEO John Cusick said.

TCE GIVING AWAY DSS WITH WIDESCREEN TV: Thomson Consumer Electronics, which can't make enough Digital Satellite System (DSS) receivers to fill cash orders, is giving them away. Promotion, which started Oct. 15 and runs through year-end, offers buyers of 34W" RCA Cinemascreen TVs free integrated receiver decoder (IRD) and 18" dish plus coupon for up to \$200 in installation as mail-in offer with proof of purchase.

Retail sources said Sears and Circuit City, among others, are participating in promotion, which will be accompanied by direct mailing to 50,000 consumers in Atlanta, Chicago, Denver, L.A. and N.Y. Tie-in appears to be natural fit, since TCE has been pushing both DSS and widescreen as key elements of home theater.

Promotion says more about Cinemascreen than it does about DSS. The widescreen sets were introduced in Dec. 1992 at \$4,999 suggested list (TVD Dec 21/92 p10). It's good guess that current 34W" models are due to be replaced early next year by new version, possibly projection, although company, of course, doesn't signal such moves in advance. TCE's competitors are fielding projection models, whose larger screens give far more impact to widescreen programs.

By all indications, nationwide debut of DSS has been rousing success, with virtual sellout of receivers, which have been carefully allocated to retail customers. Some retailers, who have been scrambling for DSS supplies, predictably reacted coolly to giveaway. "It would be rather presumptuous of [TCE] to have this promotion when nobody is getting enough [DSS] product," said vp at one major retail organization. However, another was more philosophical, stating that offer could help boost somewhat sluggish widescreen sales.

COURT DISMISSES SONY vs. FUNAI: U.S. Dist. Court, San Francisco has granted Funai's motion to dismiss Sony's case of VCR patent infringement. In little noted decision Sept. 30, Judge Sandra Armstrong ruled that "Sony will have an adequate forum to litigate its dispute with defendants in Japan," which it called "the more convenient forum."

Sony had claimed that Funai infringed its 6 U.S. patents on video recording technology and asked injunction to prevent Funai's VCRs and TV/VCRs from entering U.S. (TVD Nov 1/93 p12 et seq.). In litigation in U.S. and Japan, Sony charged Funai with underreporting quantities of VCRs it manufactured under Sony license.

Funai claimed "major victory" in case, saying that Sony, "apparently unhappy with initial rulings from the Japanese court," filed action in U.S. Sony has actions pending in Japanese courts, including suit seeking 1.7 billion yen (\$17.5 million) in unpaid license fees, another seeking injunction to prevent Funai from making or selling VCRs, all of which use some Sony patents.

Commenting on court decision, Sony said judge made "no ruling on the substance" of case, merely deciding it lacked jurisdiction "without consideration of our allegations." Company statement said there had been no decision on any further action in U.S., but noted that "this has no effect on the case against Funai in Japan, which is continuing."

Court papers reveal sidebar dispute about Funai manufacture of VCRs in China, which Sony claims isn't authorized under its patent agreement. Funai is first to export VCRs from China to U.S. Its Guangzhou plant reportedly has monthly capacity of 300,000. Company also assembles VCRs in Thailand.

CHICAGO SHOW JUNE 17-19: EIA Consumer Electronics Group (CEG) late Fri. announced June 17-19, 1995 dates for newly renamed CES Specialty Audio & Home Theater trade show at Chicago's Palmer House. Sat.-Mon. event over Father's Day weekend formerly had been called CES Specialty Audio & Video Show. Assn. said new name was chosen to "better reflect the full scope of the show's focus."

CEG statement reiterated that event will be staged as standalone trade show and "will provide a concentrated forum for the market with product specific educational sessions and exhibits." It said Palmer House was chosen as site "due to the nature of the exhibits, which require isolated listening rooms." We're told by insiders that Palmer House was among few inner-Chicago sites still available in month of June for event of such type on such relatively short notice.

NAFTA notes: Kyushu Matsushita shifts assembly of low-end phones for U.S. market from Japan to Mexico, now producing 100,000 monthly from partly assembled phones made at Malaysian plant... Sanyo will start its first overseas personal computer production this month in Tijuana, building notebook and subnotebook models for Zeos, Minneapolis.

If you really must go to a consumer electronics show next spring, you might try AUVI, International Consumer Electronics Fair, scheduled for April 9-13 at 3.6 million sq. ft. exhibition hall in Brno, Czech Republic.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 97 yen = \$1, except where noted.

3DO 'TAX' TO FUND MARKETING: 3DO is levying additional \$3-per-disc charge on its disc presses to fund aggressive ad and promotional campaign for rest of this year and into 1995. Newly created "Market Development Fund" (MDF) also will be used "to provide an incentive to hardware licensees to price their 3DO products aggressively." Language recalls that used in Feb. when 3DO announced stock incentive program, which offered hardware manufacturers 2 shares of 3DO stock for every machine sold at "aggressive" prices -- then defined as \$499 (TVD Feb 28 p15).

Spokeswoman declined to give examples of new "incentives." Only specific she offered was that stock incentive offer, which ran out last month, won't be reinstated. 3DO officials justified new royalty on basis that presses and publishers (who ultimately will bear most if not all of cost) stand to benefit from larger hardware installed base. COO Hugh Martin said current holiday season is "our window of opportunity... to build an even larger installed base worldwide, which means potentially greater profits for all 3DO business partners..."

John Taylor, analyst for L.H. Alton, Portland, Ore., echoed Martin's comments. "3DO basically has a 12-month window to build a market before the gorillas [new systems from Sony, Sega, Nintendo] come out. They need to pull out all the stops, lean on all their friends" to aid in promotional effort, he said. Ad campaign includes TV spots comparing 3DO with other systems, spreads in major gaming magazines.

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New, sleeker 3DO player will be introduced in Japan Nov. 11 by Matsushita, and is scheduled to be on U.S. market early next year. Model FZ-10 is said by Matsushita to be 23% thinner and 40% lighter than current FZ-1, and will carry suggested retail price of 44,800 yen (about \$450), though it's expected to be sold widely for same 39,800 yen street price as FZ-1.

Matsushita said it achieved cost and size savings on new model by using top-load system (rather than FZ-1's front-loading mechanism) and through use of "higher density" major circuits -- presumably new "Anvil" chip set that 3DO has said would lower cost when it became available to manufacturers this fall.

In conjunction with FZ-10 unveiling, Panasonic announced availability of Video CD adapter for FZ-1 (29,800 yen, or about \$300), with alternative version for FZ-10 available in spring (no price disclosed). Matsushita software operation plans to begin selling Video CD software -- only title announced was Prince's Trust All Star Rock Concert (\$50), which went on sale last weekend. Matsushita also said it will release 7 Photo CD discs this year. Company announced other accessories, including new control pads (\$25 and \$35), mouse (\$45), karaoke mixer and "memory unit" -- presumably outgrowth of agreement signed with TDK earlier this year for flash memory system (TVD July 25 p14).

Matsushita said it shipped 300,000 3DO players around world though Sept., about 2/3 of them within Japan, and expects to ship total of 500,000 machines this year. It also said it's trying to develop business-to-business markets (kiosks, catalogs, showroom demos, etc.), projecting that such uses could account for 30% of market next year.

New Panasonic player in Japan will join older FZ-1, and also Sanyo's, which went on sale this month, primarily through toy channels, at street price of 44,800 yen (TVD Sept 5 p13).

SAMSUNG'S HUGE U.K. BASE: Samsung continues to expand around globe. Its latest announcement last week is coup for U.K., which will be Samsung's main manufacturing base for Europe.

In last few weeks, Samsung announced major TV and picture tube facility in Tijuana, which will be its base for Americas, and eventually will include glass plant, depending on negotiations with Corning, according to Samsung (TVD Oct 3 p9). But \$500 million it will invest in Tijuana is overshadowed by some \$723 million earmarked for building new facilities in Wynyard, Cleveland, northeast England.

British plant will have annual production of 1 million computer monitors, 1.3 million microwave ovens, 250,000 fax machines, 250,000 PCs, 3 million monitor tubes, as well as semiconductor wafers and color TVs, with annual sales of \$2 billion. Samsung already makes 700,000 color TVs annually in U.K. plant in Teeside and has agreed to invest \$17.6 million over 3 years to improve and enlarge that plant.

Among other major Samsung ventures outside Korea are TV and VCR manufacturing facilities in Barcelona, Spain, picture tube and glass plants in former E. Germany, color TV plant in Turkey, as well as \$500 million IC and appliance complex being built in Souzhou, China and \$100 million Tianjin facility there to make camcorders, TVs, stereos, VCPs and cameras.

Ads & Promos: Goldstar signed agreement to become Global Sponsor of United Nations 50th Anniversary commemoration, contributing \$3.5 million in cash, and undertaking range of promotional activities, including worldwide billboard campaign. Goldstar also is producing multilingual CD-I disc, "The World of the U.N.," and will provide equipment for interactive kiosks at major U.N. regional offices and for expositions around world... Thomson Consumer Electronics begins national ads for RCA DSS system tonight during Mon. Night Football. Campaign includes 30-sec. spot to appear through holiday season on NBC and ABC prime time programs, 2 print ads featuring headline: "We Raised Home Theater to a New Level (22,300 miles above sea level, to be exact)..." Half-hour infomercial that helped promote Philips CD-I system beginning with last holiday season gained top honors for "Best Production of an Infomercial" and "Best Corporate Image Awareness Building Infomercial" in balloting by infomercial trade group. Members of NIMA International (formerly National Infomercial Mktg. Assn.) gave awards last week to Tyee Productions and Philips for "The Great Wall."

Tandy Corp. said net income rose 8.5% to \$46.2 million as revenues jumped 19.1% to \$1.12 billion in 3rd quarter ended Sept. 30 (see financial table). Preceding year's quarter included \$4.2 million in income from sale of joint venture; company said that without that gain, pretax income in this year's quarter would have been up 11%.

Tweeter Etc. will expand into N.H. when it opens 7,000 sq. ft. store in Salem in Nov. Outlet will have increased space for car stereo installation, although AV lines will remain same as other stores. Chain will add 3 more stores in N.H. during next 18 months and expects to relocate outlet in Chestnut Hill section of Boston by April.

Gold Disk has shipped VideoDirector 2.0 for Windows, expanding line of PC video editing software. New version, which retails at \$199, connects PC to TV, VCR, 8mm or Hi8 camcorder and adds ability to create titles, sounds, animation, wipes and special effects to edited videotapes.

ACCLAIM-TCI VENTURE: Acclaim Entertainment and Tele-Communications Inc. (TCI) -- largest videogame publisher and cable system operator, respectively -- last week formed venture aimed at creating and promoting "a new standard broadband network game platform to be incorporated into advanced set-top boxes." Venture's earliest revenues, however, are likely to come for its other mission -- "development and acquisition of entertainment software for broadband interactive networks." In separate but related deal, TCI acquired 10% of Acclaim in stock swap valued at about \$80 million, and will take seat on Acclaim board.

Acclaim will own 65% of unnamed venture, TCI 35%. Companies said they haven't yet determined how much each would put into company. New company at first will be run by 5-member board, whose first task is to recruit CEO.

TCI Chmn.-CEO John Malone said networked videogames, along with video on demand, will be prime "locomotive" driving widespread acceptance of interactive broadband networks. "By working with Acclaim, we expect to lead the industry in the development of new platforms for network games." Companies began talking in July.

Acclaim Chmn.-CEO Gregory Fischbach said early agreement "gives Acclaim and TCI a strategic advantage" in creating "platform and content." Malone said he envisions incorporating platform into future generation of set-top devices. "We believe Acclaim is in the best position to help us specify what the platform should be in order to make it optimally salable both as a retail item through their traditional distribution and also as an added-value feature through our set-top boxes," Malone said. "We have purchase orders out for several million set-top boxes," he said, "and the idea of being able to incorporate this functionality into those devices is of paramount interest to us." Acclaim officials later downplayed talk of standalone unit to be sold at retail.

TCI executives said they remain committed to The Sega Channel, electronic distribution venture in which it has partnered with Sega and Time Warner. Malone called Sega channel "an electronic distribution technology for existing [videogame] platforms [that] may well evolve into the distribution [channel] for this software platform."

Earliest revenues from new venture, said Acclaim Pres. Robert Holmes, will come from developing programming specifically designed for distribution over "existing network media" or to create "comprehensive game play environment/channel" via computer online services. "I would anticipate that we will be coming out with an announcement in the next several months that will talk about revenue streams" and potential additional partners in program distribution, Holmes said. Revenues from latter phase -- creating platform for set-top boxes -- could begin flowing in about 3 years, officials said.

On related matter, Malone said he anticipates that TCI's venture with Microsoft on interactive TV will begin with limited services before year-end to Seattle area homes of Microsoft and TCI employees, expanding to some consumers early in 1995. He also said TCI next year hopes to test cable connection to personal computers "to enable PCs as another platform for broadband interactive network game play."

BRIGHTER SHARP PROJECTOR: Sharp last week announced new version of its compact single-LCD projector, claiming fourfold increase in brightness by eliminating color filters.

New model, for sale in Japan only for time being, uses combination of dichroic mirrors and microlens array on surface of LCD. Light from 120w bulb is divided into 3 basic colors by 3 dichroic mirrors, while each microlens gathers light of specific color, focusing it on given dot on 3.6" LCD. When projected on 40" screen, Sharp says brightness is 500 lux, compared with 140 lux of previous model using filters.

The 301,158-pixel projector can generate image up to 80", according to Sharp. Its size is about same as 13" color set. It's priced at equivalent of \$2,200, same as predecessor. Principle is similar to that used in 3-LCD projectors, and Sharp says new model is first single-LCD system to use it.

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Nippon Telephone & Telegraph (NTT) has developed high definition projection system with claimed 4 times resolution and brightness of current Hi-Vision projectors. System produces 110" picture by use of 4 projectors, whose images are superimposed, yielding resolution of nearly 590,000 pixels (2,880 horizontally, 2,048 vertically). NTT says system will be used for virtual reality displays.

ITA POSTPONES 'INFOHIGHWAY': ITA's planned Information Superhighway '95 conference has been detoured from standalone event Jan. 24-27 in Santa Clara, Cal., to part of its 25th Anniversary Spring Seminar March 8-12 in Rancho Mirage, Cal.

ITA attributed action to "U.S. Senate's failure to approve the National Superhighway legislation as well as recent reports of delays and problems with several of the nation's interactive TV trials." Ex-FCC Comr. Sikes, now pres. of Hearst New Media, will keynote Spring Seminar instead of Superhighway conference. Robert Pfannkuch, dir. of postponed conference, is charged with integrating "full day [session] devoted to the volatile changes on the nation's information superhighway," according to ITA.

"The rapidly changing profile of the information superhighway makes it premature for ITA to conduct a dedicated conference on the subject at this time," said Pfannkuch. ITA noted that registration for Rancho Mirage seminar is already under way. -- 212-643-0620.

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JVC will market version of Sega's Saturn multimedia system later this year in Japan. JVC's "V*Saturn," whose price hadn't been set at our deadline, will differ only cosmetically from Sega's Saturn, which will hit Japanese stores Nov. 22 at 44,800 yen (TVD Oct 10 p17). JVC spokesman in Japan said V*Saturn will be marketed purely as game machine, and plans for marketing it overseas haven't been set. JVC currently offers XEye console, which combines Sega Genesis and CD into single unit, but also emphasizes superior sound quality and karaoke capability as means of differentiating it from Sega's own offerings.

High definition plasma display 40" or larger in time for 1996 Winter Olympics in Nagano is goal of 26-member international development group composed of broadcasters, electronics, glass and printer manufacturers. Among groups involved are NHK, Sharp, Pioneer, JVC, Asahi Glass, Dai Nippon Printing, DuPont, Texas Instrument. Chmn. is Hideo Honma, ex-pres. of NHK Labs.

Hot audio sales in Aug., as reported by EIA (TVD Oct 17 p13), resulted in industry's largest monthly percentage increase since Sept. 1992, according to EIA Consumer Electronics Group (CEG). Group said components' 13.8% increase was sparked by 36% rise in sales of AV receivers to \$40 million and 24% increase in shipments of home CD changers, also to \$40 million. Speaker sales climbed 11% in month. CEG said Aug. sales of boombox portables without CD were up 8%. Rack systems with surround capability were up 126% in month, contributing heavily to 25% overall rise in systems category, CEG said. Rack systems accounted for \$64 million, or over 25%, of total systems shipped. In aftermarket autosound, Aug. saw doubling in sales of detachable faceplate cassette head units (for 62% rise in dollar shipments to \$22 million), while in-dash cassettes with CD changer controller rose 120% to \$19 million. Overall unit sales of in-dash cassette products climbed 42% in Aug. and 17% for year's first 8 months. CEG Vp Gary Shapiro said industry traditionally experiences weaker sales during summer as prelude to recovery in 4th quarter, "but with figures up in August, we're somewhat ahead of that schedule."

"The platform transition is here" in electronic entertainment, Robertson Stephens & Co. analyst Keith Benjamin told Screen Entertainment 2000 conference in London last week. Benjamin forecast 33% drop in 16-bit videogames in 1995, but 30% rise in games for personal computers. However, he noted, addition of 32-bit videogames will still keep overall revenues in favor of TV-based platforms. In computer market, he said "I see a yuppie mass market boom, with people boasting that 'my drive is bigger than yours.'" Benjamin gave mixed reviews to prospects for 3DO and Sony PlayStation, saying each combined good technology with weak marketing. He was dismissive of CD-I: "We don't even bother to mention it," he said. "In our opinion it has failed and will fail. The technology is not competitive. There is not enough to save it." He conceded that he likes some CD-I games but "there's not a lot of hope for it."

Carlton UK TV has signed licensing agreement with Gemstar to use Spot Plus in U.K., Gemstar Pres. Henry Yuen said. Technology allows advertisers to include Gemstar's VideoPlus (VCR Plus in U.S.) code in TV commercials to enable consumers to tape 3.5-min. "video brochure." Carlton TV will broadcast video brochures, which include product information, at 5:55 a.m. each day in London and Midlands areas starting in Jan. Carlton agreement is most recent for Spot Plus, which was first broadcast on CBS-TV in U.S. earlier this year to promote Sony Pictures Entertainment films (TVD Jan 17 p16).

Entertainment Software Rating Board (ESRB), arm of Interactive Digital Software Assn., said it has rated more than 100 computer and videogame programs since it began operating Sept. 1. ESRB Exec. Dir. Arthur Pober said ratings are being determined and communicated back to publishers 3-4 days after materials have been received. He said ESRB will establish toll-free information line Nov. 1 for consumers questions about rating system, ratings on specific games and to register any complaints on rating assigned to specific title.

Consumer Reports rates videotapes in Nov. issue, giving top rating to TDK Hi-Fi Extra High Grade, but noting that high-rated Target HQ (Target Stores) and Focal (Kmart) may make recordings that look just as good but cost less. Tested on basis of dropouts, color noise and luminance noise, longer playing T-160 and T-200 had performance comparable with that of standard T-120 types.

Still plagued by inventory, Universal Electronics reported plunge in net income during 3rd quarter to \$394,000 from \$2.5 million year ago. Sales rose 13.1% to \$28 million. For 9 months ended Sept. 30, UE reported \$2.1 million net loss vs. from \$3.2 million profit year earlier (see financial table). Inventory, largely finished products and microprocessors, "remained high" during 3rd quarter at \$62 million, but down from 2nd quarter peak of \$65 million and will continue to drop in 4th quarter, company said. Low-priced remotes will continue to pressure UE's gross margins, which company has said would be 39% in 1994, down from 42.5% year ago (TVD May 9 p18). UE will ship 4-function remote fitted with NBA team logos in Nov. at \$40. One For All Sports Clicker, which controls TV, VCR, cable box and CD player, first shipped with NFL logos in Sept. New remotes will be backed by print ads. Separate 30-sec. TV commercial promoting VCR Pro remotes will air in Nov.-Dec.

Sima Products will enter software with introduction of editing package in early 1995, Technical Sales Mgr. Kevin Lord said. Ed/it software at \$99 appears similar to Gold Disk's VideoDirector 1.5 introduced in Jan. at \$129 (TVD Feb 28 p19). Like VideoDirector, Sima software will allow user to connect PC to camcorder, VCR or TV, enabling keyboard to serve as editing deck. Company also has launched PC Pals accessories with introduction of 6 items, including mouse pad, disc storage box, trackball, mouse pen and wireless headphones, \$5-\$75, Lord said. New line targets youth market with variety of features including mouse pen that enlarges cursor and headphones that allow consumer to preset volume level.

New Venture Group has been formed by Radio Shack (RS) to explore entry into technology-based services. Group, headed by RS Vp Henry Chiarelli, "will evaluate the possibility of strategic relationships and alliances with service providers of all types," company said. Services considered include satellite programming, security monitoring, national paging, long distance telephone. Group also will be responsible for further developing Repair Shop at Radio Shack, Radio Shack Gift Express, other new programs. RS Pres. Leonard Roberts said group represents "one of the most significant and far-reaching elements of our 5-year strategic plan."

Techmark Services has opened office in Japan to market and administer extended service contracts in Far East. Joint venture of Warrantech and American International Group, launched in U.K. in 1993, will sell contracts covering automobiles, consumer electronics, appliances and personal computers. Warrantech CFO Bernard White wasn't immediately available for comment, but Techmark representative Christopher Ford said company will have "several major accounts" under contract by late 1995 or early 1996.

Packard Bell has opened 300,000 sq. ft. manufacturing facility in Angers, France, capable of producing more than 1.2 million PCs annually at full capacity. Plant will supply retailers in Europe, where Packard Bell says it has captured 15% of mass market PC business. Angers plant has 100 employees, expects to have 400 within 3 years.

U.K. TV and video sales picked up slightly in first quarter, according to BREMA. Large-screen color set deliveries to the trade were up 0.6% from year earlier, while small screen sets were down 2% and total color TV dipped by 0.7%. VCR sales were at record, running 7% above 1993, while camcorder slump continued, deliveries down by 16.8%.

Consumer Electronics Personals

Joseph Clayton, Thomson Consumer Electronics exec. vp, elected EIA Consumer Electronics Group chmn., succeeding Jerry Kalov, Cobra pres... **Charles Stott**, ex-Dynatech, joins Cobra as vp-operations, reporting to COO **Steve Yanklowitz**... **Ilana Diamond**, ex-Price Waterhouse, named Sima Products pres. replacing **Steven Breslau** who becomes chmn. & CEO... **Chuck Dawson** resigns as editor of Home Theater magazine, plans unannounced.

Appointments at Acclaim Entertainment: **John Peterson** named vp-sales; **David Cox** promoted to national sales dir.; **David Clark**, ex-Sony ImageSoft, named Central regional sales mgr... Additions to BMG Distribution's video sales force: **Barry Gordon**, ex-Pacific Arts, national sales mgr.; **Steve Bulzoni**, ex-Maier Group, southeast regional sales mgr.; **Dorothy Roy**, ex-Visual Expressions, central regional sales mgr.

David Pierce shifts to new post of senior vp-video sales & mktg., Sony Music Distribution, from senior vp-sales, Columbia TriStar Home Video... **Paul Cooper** promoted to Warner Music pres. from Atlantic Records senior vp & west coast gen. mgr... Changes at Turner Home Entertainment: **Craig Van Gorp**, vp-sales, domestic home video, switches to vp-sales, sellthrough, responsible for sellthrough video, special markets and interactive product; **Robert Prudhomme**, dir.-sales distribution, western region, becomes national dir.-distribution sales, responsible for rental properties.

Construction will begin in Nov. on \$15 million Ultimate Electronics (UE) complex in Thornton, Colo., that will include hq, distribution center, service center and superstore. Buildings will cover around 300,000 sq. ft., of which hq/service center will occupy 60,000-65,000, store 30,000-40,000, distribution center 180,000, UE CFO Alan Kessock said. Distribution center will open next Aug., followed by hq/service center in Sept. and store Nov. Complex will be located on 35 acres and replace 40,000 sq. ft. building in Wheat Ridge, Colo., that has been UE's hq/service center since 1985. Distribution has been split between 2 Denver locations totaling 80,000 sq. ft., company officials said. Chain, which operates SoundTrak stores in Colo. and UE in Utah, has about 650 employees which will increase to around 1,000 by year-end with addition of stores in Albuquerque, Boise, Las Vegas and Utah, Kessock said.

Nokia reported fivefold increase in pretax profits for year's first 8 months, with sales up 40%, thanks to mobile phones and other telecommunication products. Losses deepened in Consumer & Industrial Electronics Div., with sales totaling just \$89.5 million, but company forecast return to profit in 4th quarter. Finland-based Nokia is Europe's 3rd largest TV maker (after Philips-Grundig and Thomson). CEO **Jorma Ollila** said company plans to keep its consumer electronics operation, despite poor profitability, to keep door open to exploration of multimedia products.

Program Notes: Discovery signed video distribution deal with Pickwick, allowing British firm to distribute Discovery Channel Video products in U.K. and Ireland... **Nielsen** said Prime Ticket is first customer for its Savie personal computer-based system for researching audience of cable systems. Five agencies have signed on, Nielsen said... **QVC's** 2nd network, Q2, will expand to 7-day-per-week operation and merge with sister service, onQ, officials said. Q2 currently operates Fri. through Sun.

"Picture MD" specs were finalized by Sony in Japan. MiniDisc derivative accommodates storage of color still photographs on 2-1/2" disc. Specs will permit MD Data disks to be compatible with variety of future products such as digital still picture cameras and other devices combining still photography and digital sound. Sony said it will distribute Picture MD specifications to MD Data licensees and "seek to promote it widely in related industries." Tokyo spokesman said first Picture MD products are possible in Japan before end of 1995, including computer peripherals and electronic still cameras. He said image quality of Picture MD will exceed that of S-VHS or Hi8. Format is based on JPEG still-picture compression method. Single disc has capacity of 365 images in 4x3 format, with 480 lines of picture resolution and 45 min. of ATRAC-encoded audio.

FTC consent order requires 3 of country's largest retailers to revise policies on warranties. Macy's, Montgomery Ward (MW) and Sears reached preliminary settlement with FTC in July (TVD July 11 p11) requiring them to have manufacturers' warranties on products costing \$15 or more available for consumer inspection at time of purchase. FTC officials said chains were either downplaying manufacturers' warranties or not telling consumers about them. Under consent order, retailers must instruct employees on required availability of warranty information, continue to inform them about federal law for 4 years and furnish FTC with copy of written instructions for 5 years. Preliminary settlement capped year-long investigation that focused on consumer electronics and major appliances. Probe targeted Pre-Sale Availability Rule of Magnuson-Moss Warranty Act, passed in early 1970s and revised in 1982.

Play along and sing along as you drive along -- that presumably is aim of new generation of Japanese car navigation systems which include TV and videogames as well as karaoke, along with driving aids. Nikkei Weekly reports Sony TeleNavi -- 6" CRT-based combination TV and navigation system -- was so popular production was tripled to 30,000 monthly. Pioneer car navigation systems contain CD-ROM drives for game playing and karaoke. Matsushita combines portable TV and car navigation system, while Toshiba plans system for use in home or car with 32-bit 3DO multimedia drive, according to article. Doshisha Corp. has introduced 10" color TV with CD+G capability for karaoke, designed for car and portable use -- but lacking navigation system. Systems with TV screen visible to driver are illegal in many states of U.S.

Electronic Arts (EA) net income dropped 16.2% in 2nd quarter ended Sept. 30 despite 5.1% revenue increase (see financial table). For first half, net income was up 20.5% even though revenues edged down 0.7%. As previously reported, first quarter earnings were aided by \$6 million payment from Broderbund in aftermath of failed merger agreement. Company said CD-ROM products accounted for 21% of 2nd quarter revenues, compared with 1% in same period year earlier. EA said revenues were hurt by European slump blamed on overstuffed retail inventories of cartridge products. Chmn.-CEO Lawrence Probst said company "is beginning to see positive results from our [new] product strategy which concentrates hit cartridge releases in the holiday season" instead of spreading them out over year.

Thomson has strong presence at International Home Furnishings Show that opened last week in High Point, N.C., with RCA DSS satellite feed at showrooms of Ladd Furniture, Drexel Heritage, Great American Oak and PeopLounger. RCA Custom Home Theatre systems were displayed by Pennsylvania House, Warmbold Furniture, Wild Rose, Dillon Furniture, Hooker Furniture and Ameriwood.

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
Ackerly Communications 1994-9 mo. to Sept. 30	146,900,000	4,400,000	.28
1993-9 mo. to Sept. 30	138,600,000	2,200,000	.15
1994-qtr. to Sept. 30	44,100,000	500,000	.03
1993-qtr. to Sept. 30	39,000,000	--	--
Apple Computer 1994-53 wk. to Sept. 30	9,188,748,000	310,178,000	2.61 ^a
1993-52 wk. to Sept. 24	7,976,954,000	86,589,000	.73 ^b
1994-13 wk. to Sept. 30	2,493,286,000	114,655,000	.95
1993-13 wk. to Sept. 24	2,140,789,000	2,664,000	.02
AT&T 1994-9 mo. to Sept. 30	53,984,000,000	3,372,000,000	2.16
1993-9 mo. to Sept. 30	50,281,000,000	(6,682,000,000)	-- ^c
1994-qtr. to Sept. 30	18,649,000,000	1,050,000,000	.67
1993-qtr. to Sept. 30	17,225,000,000	1,022,000,000	.66 ^c
BET Holdings 1994-year to July 31	97,510,000	14,776,000	.72
1993-year to July 31	74,218,000	12,640,000	.61 ^b
1994-qtr. to July 31	25,521,000	3,935,000	.19
1993-qtr. to July 31	20,289,000	2,702,000	.13 ^b
BHC Communications 1994-9 mo. to Sept. 30	323,059,000	70,968,000	2.83
1993-9 mo. to Sept. 30	302,996,000	193,073,000	7.45 ^a
1994-qtr. to Sept. 30	107,259,000	32,609,000	1.31
1993-qtr. to Sept. 30	100,216,000	24,516,000	.95 ^a
BMC Industries 1994-9 mo. to Sept. 30	163,690,000	8,826,000	.65
1993-9 mo. to Sept. 30	140,506,000	18,841,000	1.54 ^d
1994-qtr. to Sept. 30	53,979,000	2,286,000	.16
1993-qtr. to Sept. 30	45,208,000	1,487,000	.12 ^d
Century Communications 1994-qtr. to Aug. 31	97,421,000	(14,957,000)	--
1993-qtr. to Aug. 31	91,091,000	(8,552,000)	-- ^d
Chris-Craft Industries 1994-9 mo. to Sept. 30	340,708,000	50,720,000	1.75
1993-9 mo. to Sept. 30	323,287,000	124,987,000	4.42 ^d
1994-qtr. to Sept. 30	112,803,000	22,422,000	.77
1993-qtr. to Sept. 30	106,725,000	13,012,000	.45 ^d
Electronic Arts 1994-6 mo. to Sept. 30	160,530,000	18,502,000	.37
1993-6 mo. to Sept. 30	161,590,000	15,353,000	.31
1994-qtr. to Sept. 30	86,287,000	6,736,000	.14
1993-qtr. to Sept. 30	82,090,000	8,035,000	.16
General Electric 1994-9 mo. to Sept. 30	46,531,000,000	3,958,000,000	2.32
1993-9 mo. to Sept. 30	42,475,000,000	2,838,000,000	1.66 ^d
1994-qtr. to Sept. 30	16,153,000,000	1,368,000,000	.80
1993-qtr. to Sept. 30	14,858,000,000	1,206,000,000	.71 ^d
General Instrument 1994-9 mo. to Sept. 30	1,496,054,000	159,767,000	1.30
1993-9 mo. to Sept. 30	984,150,000	51,046,000	.42 ^d
1994-qtr. to Sept. 30	554,750,000	56,781,000	.46
1993-qtr. to Sept. 30	369,145,000	27,367,000	.22 ^d
GTE 1994-9 mo. to Sept. 30	14,696,000,000	1,758,000,000	1.83 ^a
1993-9 mo. to Sept. 30	14,685,000,000	1,366,000,000	1.43 ^b
1994-qtr. to Sept. 30	4,995,000,000	659,000,000	.69 ^a
1993-qtr. to Sept. 30	4,943,000,000	468,000,000	.49 ^b
Harman International Industries 1994-qtr. to Sept. 30	228,607,000	4,150,000	.28 ^b
1993-qtr. to Sept. 30	163,661,000	1,044,000	.10
Home Shopping Network 1994-9 mo. to Sept. 30	824,832,000	14,984,000	.16 ^b
1993-9 mo. to Sept. 30	750,147,000	(21,106,000)	--
1994-qtr. to Sept. 30	276,612,000	6,425,000	.07
1993-qtr. to Sept. 30	260,462,000	1,115,000	.01
Jones Intercable 1994-qtr. to Aug. 31	34,209,000	10,293,000	.51 ^a
1993-qtr. to Aug. 31	32,373,000	(5,852,000)	--
Jones Spacelink Ltd. 1994-qtr. to Aug. 31	44,343,000	607,000	.01 ^a
1993-qtr. to Aug. 31	40,829,000	(2,003,000)	--

Company & Period	Revenues	Net Earnings	Per Share
LEN Broadcasting 1994-9 mo. to Sept. 30	636,242,000	529,629,000	10.19 ^a
1993-9 mo. to Sept. 30	497,576,000	(57,689,000)	-- ^b
1994-qtr. to Sept. 30	225,027,000	37,893,000	.73
1993-qtr. to Sept. 30	175,145,000	(26,483,000)	--
Musicland Stores 1994-9 mo. to Sept. 30	844,973,000	(6,860,000)	-- ^b
1993-9 mo. to Sept. 30	697,143,000	(7,306,000)	-- ^b
1994-qtr. to Sept. 30	302,479,000	(2,554,000)	-- ^b
1993-qtr. to Sept. 30	251,263,000	(3,816,000)	-- ^b
New York Times 1994-9 mo. to Sept. 30	1,752,191,000	172,666,000	1.63 ^a
1993-9 mo. to Sept. 30	1,383,608,000	30,245,000	.39
1994-qtr. to Sept. 30	527,150,000	120,634,000	1.16
1993-qtr. to Sept. 30	445,574,000	(3,032,000)	--
Oak Industries 1994-9 mo. to Sept. 30	185,866,000	25,044,000	1.36
1993-9 mo. to Sept. 30	169,024,000	17,030,000	.94 ^a
1994-qtr. to Sept. 30	58,400,000	7,366,000	.40
1993-qtr. to Sept. 30	51,578,000	6,450,000	.35 ^a
Orion Pictures 1994-6 mo. to Aug. 31	113,244,000	(28,384,000)	--
1993-6 mo. to Aug. 31	70,223,000	(47,054,000)	--
1994-qtr. to Aug. 31	29,487,000	(16,280,000)	--
1993-qtr. to Aug. 31	30,632,000	(30,205,000)	--
Tandy 1994-9 mo. to Sept. 30	3,120,567,000	122,401,000	1.51
1993-9 mo. to Sept. 30	2,647,720,000	368,000	-- ^b
1994-qtr. to Sept. 30	1,119,155,000	46,191,000	.58
1993-qtr. to Sept. 30	939,897,000	42,559,000	.52
Texas Instruments 1994-9 mo. to Sept. 30	7,533,000,000	503,000,000	5.29 ^b
1993-9 mo. to Sept. 30	6,149,000,000	339,000,000	3.60
1994-qtr. to Sept. 30	2,574,000,000	186,000,000	1.94
1993-qtr. to Sept. 30	2,161,000,000	146,000,000	1.54
Time Warner 1994-9 mo. to Sept. 30	5,109,000,000	(103,000,000)	--
1993-9 mo. to Sept. 30	4,621,000,000	(228,000,000)	-- ^b
1994-qtr. to Sept. 30	1,884,000,000	(32,000,000)	--
1993-qtr. to Sept. 30	1,535,000,000	(133,000,000)	-- ^b
Times Mirror 1994-9 mo. to Sept. 25	2,400,068,000	120,394,000	.93 ^a
1993-9 mo. to Sept. 26	2,346,683,000	155,353,000	1.21 ^c
1994-qtr. to Sept. 25	858,726,000	52,299,000	.41 ^a
1993-qtr. to Sept. 26	806,882,000	77,707,000	.60 ^c
Tribune 1994-39 wk. to Sept. 25	1,569,897,000	172,928,000	2.36 ^a
1993-39 wk. to Sept. 26	1,438,660,000	130,531,000	1.76
1994-13 wk. to Sept. 25	513,326,000	47,827,000	.64
1993-13 wk. to Sept. 26	486,669,000	38,595,000	.51
United Television 1994-9 mo. to Sept. 30	104,306,000	22,669,000	2.25
1993-9 mo. to Sept. 30	91,575,000	34,788,000	3.42 ^a
1994-qtr. to Sept. 30	34,426,000	7,479,000	.75
1993-qtr. to Sept. 30	28,950,000	7,253,000	.72 ^a
Universal Electronics 1994-9 mo. to Sept. 30	71,452,000	(2,081,000)	--
1993-9 mo. to Sept. 30	59,224,000	3,247,000	.58
1994-qtr. to Sept. 30	27,958,000	394,000	.06
1993-qtr. to Sept. 30	24,727,000	2,503,000	.39
Video Display 1994-6 mo. to Aug. 31	24,699,000	550,000	.13
1993-6 mo. to Aug. 31	26,923,000	701,000	.17
1994-qtr. to Aug. 31	11,904,000	118,000	.03
1993-qtr. to Aug. 31	12,256,000	387,000	.09
Westinghouse Electric 1994-9 mo. to Sept. 30	6,080,000,000	184,000,000	.38
1993-9 mo. to Sept. 30	6,234,000,000	152,000,000	.32
1994-qtr. to Sept. 30	2,229,000,000	73,000,000	.15
1993-qtr. to Sept. 30	2,060,000,000	65,000,000	.15
Zenith Electronics 1994-9 mo. to Oct. 1	1,015,500,000	(10,900,000)	-- ^a
1993-9 mo. to Oct. 2	867,000,000	(61,000,000)	--
1994-qtr. to Oct. 1	419,400,000	9,400,000	.21 ^a
1993-qtr. to Oct. 2	301,800,000	(14,500,000)	--

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

TELEVISION DIGEST®

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

With Consumer Electronics

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

SPRINT JOINS CABLE to provide telephony. TCI, Cox, Comcast to use cable for local service, Sprint for long distance. Wireless venture planned. (P. 1)

RHCs TALKING PRODUCTION: Bell Atlantic, Nynex, PacTel said to near deal with Ovitz to build TV production facility for VDT networks. (P. 2)

TOUGH RACES SEEN for key congressional leaders. Markey in good shape. Lehman, Schenk are shaky. (P. 3)

ANSTROM VENTS FRUSTRATION with cable regulation, says rules should acknowledge competition, 'new world order.' VDT, rate rules hit. (P. 4)

TW SEEKS TELEPHONY approval in Ohio, would use cable systems to compete with telcos. Has similar plans for other states. (P. 4)

ABC POSTS RECORD earnings. Network, cable and international up. Gains also seen at Gaylord, Clear Channel, Belo, Meredith, Scientific-Atlanta, Washington Post. (P. 5)

FEES FOR HDTV? Hundt warns that free HDTV spectrum could mean demands for better broadcasting, cites \$18 per viewer cost of spectrum. (P. 5)

PCS BIDDING TOPS \$380 MILLION: Interest in 30 regional licenses higher than expected, indicating higher value on spectrum. (P. 6)

SPRINT, TCI, COX AND COMCAST TEAM UP: Sprint joined TCI, Cox and Comcast in joint venture to create single-source provider of telephony and cable (TVD Oct 17 p5). Sprint Chmn. William Esrey said: "This alliance of nontraditional partners -- telephone and cable -- will revolutionize what is delivered over your telephone, your cable television and your computer." Sprint owns 40% of venture, TCI 30%, Cox and Comcast 15% each. Venture, called "Newtelco," will bid for PCS licenses at Dec. 5 FCC auction, competing with Nynex/Bell Atlantic-U S West/AirTouch alliance and AT&T, which completed merger with McCaw Cellular Sept. 19.

Partners expect to cooperate on wireless and wired telephony but declined to discuss financial or corporate arrangements, citing competitive factors. Joint venture plans to develop local service that would use cable facilities to connect to homes, with Sprint to provide long distance. Partners immediately invited other cable operators to join group, with TCI CEO John Malone touting venture as way to enter telephony without having to sell out to telcos. Companies also expect competitive access provider Teleport Communications Group, owned by venture's cable partners plus Continental, to join venture. Executives declined to discuss other partners, but Malone said venture probably wouldn't be compatible with RHC alliance.

Consumer Electronics

RETURN OF SPRING CES based on core AV products in Orlando discussed at EIA board meetings. Chicago Audio & Home Theater Show may be broadened. (P. 11)

SONY PLAYSTATION DEBUT in Japan scheduled Dec. 3 at about \$400 list, underpricing Sega Saturn. Launch called 'one of largest ever for Sony.' (P. 12)

TV, VCR, CD PLAYER IMPORTS soared in Aug. to records or near-records, with color TVs from Mexico up 2 million in Jan.-Aug. over 1993. (Pp. 12 & 18)

CASH INFUSION FOR MEMTEK products could come from 2 prospective investors in Hong Kong-based parent Haunny Magnetics. (P 13)

3DO TRIES TO QUELL FIRESTORM of protest after announcing royalty surcharge on publishers as peak sales season nears. Program could be changed. (P. 14)

BYE-BYE 'CABLE-READY': Phrase will be taboo starting this week as first part of cable compatibility rules goes into effect. (P. 14)

JAPANESE ELECTRONICS PROFITS and sales up on parent-only basis for first half, but AV products still lag in Japan. Full-year forecasts up. (P. 15)

TAPE PRICE INCREASES weighed by manufacturers as they struggle with sharp rise in material costs. (P. 15)

As part of deal, cable companies are upgrading systems with 290,000 miles of cable passing 1/3 of U.S. homes delivering broadband, digital telephone service and new entertainment products. Companies already are engaged in upgrading to fiber, and TCI is spending \$1 billion annually on improvements. Improvements for joint venture will be leveraged on existing investments, companies said. Cable companies also are offering incentives for other operators to join, expanding reach, and several already have expressed interest in joining, officials said. Details of incentive plan weren't disclosed, but Malone said amount would be sufficient for operator to meet specifications for "pin-drop" quality on video -- referring to Sprint TV commercial. "This will accelerate the buildout of the nation," Comcast Pres. Brian Roberts said.

Sprint said products and services with its trademark and cable services and products will be cross-promoted. Esrey said joint venture will provide more "cost-effective, feature-rich local service than thought possible." As example, he said customers could expand or contract service as needed, even during times of day when extra lines are needed. Malone said venture allows entertainment, information and communications services to be "bundled" for "one-stop shopping" by customers who would have option of one bill for all services. "This is the right idea at the right time," he said. Cable companies said broadcast signals and interactive video aren't part of venture.

AT&T said it welcomed competition, but added: "We hope the venture will be subject to safeguards at least as strong as those imposed on the AT&T merger with McCaw and on others attempting to integrate long distance and wireless services." Company urged review, citing Sprint's full integration and effort to sell "20% of its company to foreign monopolists." House Telecom Subcommittee Chmn. Markey (D-Mass.) said Sprint-cable alliance "shows a serious commitment to competition in the local telephone and cellular market."

No. 3 long-distance carrier Sprint serves 15.1 million customers, 6.3 million local in 19 states, 8 million long distance and 800,000 cellular, and sold 20% stake to French/German consortium for \$4.2 billion. New Sprint and cable partnership had combined \$16.5 billion in annual revenues, \$28.8 billion in assets. Teleport operates fiber network in 19 major cities and said it plans 4 new markets next year.

RHCs TALKING PRODUCTION: Bell Atlantic (BA), Nynex and Pacific Telesis are near agreement on joint venture to build video production subsidiary to package, produce and sell TV programs, movies and other programming, industry sources said. Programs to be produced by venture would be for their own video systems and also might be sold to other RHCs, such as Ameritech, which reportedly is discussing similar arrangement with Disney.

RHCs could spend almost \$450 million through 1997 working with Hollywood agent Michael Ovitz and his Creative Artists Agency (CAA), which would package programs for RHCs. Negotiations between RHCs and CAA are in progress and companies refused to discuss details until talks end. Plan might require regulatory approval if project conflicted with FCC VDT rules. Commission source said that would depend upon where programming was offered and whether RHCs were directly involved in distribution and pricing decisions.

Programming could begin in late 1995, probably in Washington, with 3 companies offering programs in their regions in 1996 if regulations permit. BA won court battle in Aug. 1993 to provide video over its lines and created separate video programming unit to provide content.

Companies would establish 2 entities owned equally by 3 RHCs to satisfy regulatory requirements that RHC keep programming company separate from telephone operations. Media company would develop and produce programs from offices in L.A. and N.Y.; technical company would integrate technology and develop computer software for distribution from offices in San Francisco and Reston, Va.; BA set up Digital Services Bureau (DSB) in Reston to convert analog video to digital. Programs would include movies, video-on-demand, home shopping, games, conventional TV shows and possibly interactive programs, sources said.

More than 45 companies are expected to participate in CableLabs' CableNET 94 technology demonstration at Western Cable Show Nov. 30-Dec. 2, Anaheim Convention Center. Among participants: Cisco Systems will show LANCity platform for using cable to create metropolitan areawide network; Northern Telecom, narrowband and wideband switching over cable; AT&T, videoconferencing; IBM, media server; several on-line services; General Instrument; Hewlett Packard; Motorola; NEC; Philips; Scientific-Atlanta; Sun Microsystems; Unisys; Zenith.

Time Warner (TW) unveiled National Operations Center in Englewood, Colo., Oct. 25. Center was described as principal technology element of TW Communications networks nationwide, providing centralized ordering, provisions, billing and maintenance functions.

BMI announced music license agreement with On Hold Communications, message systems company that uses music while callers are on hold.

TELECOM PANEL IN TOUGH RACES: House Telecom Subcommittee Chmn. Markey (D-Mass.) heads into last full week before Nov. 8 election in relatively good shape to return for 10th term, even though his opponent, attorney Bradley Bailey 3rd, is expected to receive late infusion of support from national Republican organizations.

Same can't be said for others on Markey's subcommittee. In strange coincidence, 3 of closest House election contests involve members of that panel. There's no guarantee that any of 3 -- Reps. Lehman (D-Cal.), Schenk (D-Cal.) or Margolies-Mezvinsky (D-Pa.) -- will return for 104th Congress in Jan. Those races come on top of another shocker, defeat of Rep. Synar (D-Okla.) in primary. Subcommittee also will lose Rep. Cooper (D-Tenn.), who's running for Senate. On full Commerce Committee, Reps. Sharp (D-Ind.), Swift (D-Wash.), Rowland (D-Ga.) and McMillan (R-N.C.) are retiring, while Rep. Brown (D-O.) is in another tight race. Rep. Washington (D-Tex.) also lost in primary.

Markey's staff is confident that its candidate will come through as he has in past, when he had victory margins as high as 70%, and some local campaign observers agree. Despite that winning percentage, National Republican Congressional Committee, which provides help to candidates, targeted Markey's district in suburban Boston as one in which it thought there was good chance for upset. Spokesman Dan Leonard said Republicans have "an excellent candidate, the toughest Markey's run against." This election is "a real opportunity" because, they believe, Markey has "lost touch" with his district. That charge has come up frequently during campaign, as Bailey has made issue of fact that Markey doesn't own or rent property in his district. Bailey said in interview that Markey "lives in an almost \$700,000 home in Chevy Chase, Md." and spent only 27 nights in congressional district last year, as opposed to freshman Rep. Torkildsen (R-Mass.), who spent 240 nights back home, Bailey said.

Bailey, former asst. U.S. attorney who resigned in Jan. to run for Congress, is campaigning as someone who would be tougher on crime than Markey. He also said cable regulation is "still a big issue." Through cable regulation, Markey slowed development of information superhighway, Bailey charged. He also said Markey was too close to industries he controls, citing large amount of political contributions that have come from communications and entertainment executives. Even though Markey doesn't accept PAC money, he does accept "vast amounts of bundled contributions" from executives, Bailey contended. While Markey promised \$6 billion in cable savings, "effect of excessive regulations was to increase cable rates up here," Bailey said, adding that rates "doubled and tripled" at Continental Cablevision of Winchester. However, spokesman for Continental Cable said rates increased only 3¢ in last 2 years, to \$23.48 monthly from \$23.45 for package of basic, 2 tiers, set-top converter, remote. Extra outlet charge of \$7.95 monthly was eliminated.

Markey's camp rejected Bailey's challenges, noting for example Markey has several endorsements from law enforcement groups while Bailey has none. Markey stays with his parents when he returns to area, campaign spokesman Thomas Philbin said. Philbin said Markey's role as active subcommittee chmn. has prevented him from returning to Malden as often as he would like, but he goes "as many times as humanly possible." Philbin also said cable rates have "dropped or stabilized" in area towns. Markey staff noted that his decision not to accept PAC money was made before he was chairman of subcommittee, and that he

could raise much more in contributions if he accepted PAC funds.

As it is, Markey's campaign isn't hurting. Latest Federal Elections Commission reports showed that he had about \$540,000 on hand as of Sept. 30. His contribution list reads like Who's Who of telecommunications, with donations from virtually every major player. On mass media side, that includes Turner Chmn. Ted Turner, Viacom Chmn. Sumner Redstone (who is Mass. Democrat) and CEO Frank Biondi, Comcast's Ralph and Brian Roberts, News Corp. Chmn. Rupert Murdoch, Hubbard Bctg.'s Stanley Hubbard (senior and junior), assorted Washington lobbyists.

Bailey had about \$14,000 on hand after hard-fought Sept. 20 primary in which he spent about \$200,000 to win 60% of vote. He's expecting about \$5,000 from Republican Congressional Committee and another \$55,000 in indirect support from Republican National Committee in form of money to pay for mailings and TV ads.

Margolies-Mezvinsky has been high-profile target for Republicans since she cast deciding vote last year for Clinton budget plan. Poll published recently by Philadelphia Daily News showed her 7 points behind opponent Jon Fox. That's improvement from her earlier showings, however, that found her trailing by more than twice that. Race is deemed too close to call. Both candidates have raised massive amounts of money -- Margolies-Mezvinsky about \$1.3 million, Fox about \$577,000, according to FEC reports. In latest report, Margolies-Mezvinsky had \$568,200 on hand, while Fox was down to \$151,700.

In Cal., Schenk is in tight race with Brian Bilbray, cousin of Democratic Nev. congressman. There have been no published polls, but local observers believe race is very tight. Both candidates are well financed, and air has been filled with negative TV ads. Schenk has campaigned on her ability to help local biotechnology industry. Farther north, Lehman is in tough fight with local winemaker George Radanovich. Lehman won by only 1,000 votes 2 years ago in district that heavily favors Republicans. Radanovich has had lots of high-ranking support, as Senate Republican Leader Dole (R-Kan.), House Republican Whip Gingrich (R-Ga.), Jack Kemp, William Bennett and Charlton Heston have come to campaign. But local observers said weak campaign by Radanovich may allow Lehman to win, although he still would have tough race in 2 years, local observers said.

Also on Commerce Committee, Brown is in tight race with Lorraine County Prosecutor Greg White. Brown lagged at first, but has picked up fund-raising efforts, largely through his committee connections, and appears to be in better shape for reelection to 2nd term than earlier in campaign season. He recently appeared at anti-GATT rally with Ralph Nader.

U S West filed revised application with FCC showing substantial changes in architecture of multimedia network to be used for systems in Boise, Denver, Minneapolis-St. Paul, Portland, Ore., Salt Lake City. Exec. Vp Tom Bystrzycki said new design improves current system used in Omaha where market trial is expected to pass 50,000 homes next year.

Women In Cable changed its name to Women In Cable & Telecommunications and expanded potential membership base. Change is effective Jan. 1, means membership will be open to professionals working in cable, telephony, DBS, interactive services, video.

ANSTROM HITS REGULATION: Airing growing frustration with decisions on VDT, cable rate going-forward rules and other govt. actions, NCTA Pres. Decker Anstrom said it's time for federal regulators to "get over the injuries and grievances of the past" and recognize "new world order" for cable. He compared regulators with Japanese soldiers still fighting World War II after it ended and said "too many policy-makers are... disconnected from reality."

Anstrom speech to FCBA Oct. 26 followed recent trend of his going public with policy complaints on VDT (TVD Oct 24 p1) and rate rules (TVD Sept 26 p4), but NCTA officials said Assn. was avoiding turning "profound policy differences" with FCC on some issues into personal dispute. They cited fact that recent Commission decision on productivity offsets benefited cable and there was likelihood that going-forward rules would include at least some helpful provisions.

Adverse reaction by consumer and cable groups to VDT decision reportedly ruffled some feathers on FCC's 8th floor, resulting in meeting between Chmn. Hundt and Bradley Stillman of Consumer Federation of America, which attacked decision. After Anstrom speech, Common Carrier Bureau Chief Kathleen Wallman said she generally was pleased with comments, particularly statement that cable is ready for competition. She said FCC shares NCTA's concerns on keeping competition fair in VDT rules and indicated that final VDT order, due out "soon," will include "significant safeguards... It will be important to read the order."

Bell Atlantic leaped to FCC's defense. External Affairs Vp Edward Young issued statement saying it's "unfortunate that the FCC is the current target of the cable monopoly's criticism. It is clear that the cable lobby is now singling out regulators and competitors alike in a desperate attempt to delay the entry of those new competitors in the cable market."

"The world around us has entirely changed in the last couple of years," Anstrom said in speech, "and yet the cable industry is still forced to fight battles based on outdated assumptions and grievances." He said problems that led to 1992 Cable Act "have been addressed and conquered" and there's "a strong irreversible trend toward competition in telecommunications" from telcos and DBS: "The combination of regulation and new competition has fundamentally shifted the world order for cable [but] the news still hasn't reached many of those caught inside... the Beltway."

Anstrom said FCC focused VDT decision on providing competition to cable, causing it to miss opportunity to create real telecommunications competition by conditioning VDT approvals on opening of local telephony to competition. He repeated claim that VDT decision allows telcos to make "end run" around regulation and said FTC investigation of cable system clustering reflects "fundamental misunderstanding" of industry, since telco clusters cover up to 14 states. Among things Anstrom said FCC should consider in light of changes: (1) New definition of effective competition since DBS is available everywhere. (2) New program access rules. (3) Reevaluation of role of cities in regulation. (4) Elimination of barriers protecting local telephony from cable competition.

NCTA "remains committed to working with the FCC," Anstrom said in response to question on going-forward rules. He said industry hopes rules will be released soon but wouldn't comment further. Cable is said to be frustrated by FCC action on rules, which are supposed to provide

incentives for cable operators to add new services. Process began at NCTA convention, when Hundt acknowledged need for change and asked for industry consensus. After weeks of work, industry consensus did emerge, but it now fears that final rules will be very different.

"Prospects look good" for telecommunications reform bill in Congress next year, Anstrom said, mainly because "logic of the bill is overwhelming." He said, however, VDT may make it more difficult to get telco support for reform.

TW SEEKS TELEPHONY: In first of what may be many such actions, Time Warner (TW) asked Ohio PUC for right to use local cable systems to provide local telephony statewide, as well as for resolution of interconnection and related competitive issues. TW said it plans to operate similar systems everywhere it has significant cable presence, and similar filings are likely in other states in next few months.

TW said Ohio is likely to be first to be ready for cable-delivered local telephony. Company is rebuilding cable systems there with hybrid fiber/coaxial structure that it says is conducive to local telephony. Rebuild is expected to be largely completed next year, allowing telephony to begin then if PUC approval is received. Officials wouldn't speculate on where next filing is likely, but noted that TW has agreement with Rochester Telephone and N.Y. state officials to provide telephony there beginning next year.

Ohio is first occasion in which TW has filed simultaneously to provide telephony in all of its operating locations throughout a state, as well as for resolution of what it calls competitive issues statewide. Spokesman said TW would prefer that federal legislation resolve issues, but it will continue such filings on state-by-state basis.

TW's Time Warner Communications Div. would operate telephone service, acquiring capacity and other services from TW Cable, as well as building its own separate facilities, TW Communications Pres. Thomas Morrow said. Since TW is "spending hundreds of millions of dollars upgrading its cable systems" anyway, he said, adding telephony "makes good business sense for us... Once we have approval... we are ready to step forward and commit significant dollars to Ohio's information infrastructure." TW Communications operates competitive access telephone services in 15 locations, including Cincinnati, Columbus, Lima.

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Park Communications board agreed to sell company to private investment concern headed by Donald Tomlin and Gary Knapp for \$711.4 million. John Fiorini, attorney for buyers, said Tomlin is Columbia, S.C., investor who previously owned radio stations in Ind., N.C. and S.C., and Knapp is securities broker in Lexington, Ky. Park said buyers intend to retain current management and employees. Park owns 9 TV stations: WBMG (Ch. 42, CBS) Birmingham, WTVQ-TV (Ch. 36, ABC) Lexington, Ky., KALB-TV (Ch. 5, NBC) Alexandria, La., WUTR (Ch. 20, ABC) Utica-Rome, WNCT-TV (Ch. 9, CBS) Greenville, N.C., WDEF-TV (Ch. 12, CBS) Chattanooga, WJHL-TV (Ch. 11, CBS) Johnson City, Tenn., WTVR-TV (Ch. 6, CBS) Richmond, WSLS-TV (Ch. 10, NBC) Roanoke. Fiorini said new managers hadn't discussed any network affiliation changes. Park was put on market after death of founder Roy Park in Oct. 1993.

Time Warner ordered 1.5 million analog addressable set-top terminals from General Instrument. CFT 2200 units will be deployed over 3 years.

MASS MEDIA EARNINGS: Cap/ABC reported record 3rd-quarter earnings of \$133.67 million, up from \$78.3 million last year, citing strong ad demand at network and stations, improved network ratings, growth at ESPN. Net revenues were \$1.462 billion, up 12%, with broadcasting net revenues up 13% to \$1.185 billion.

Cable and international operations had substantial revenue increases, radio gains were moderate. Overall earnings per share increased 85% to 87¢ from 47¢. Effective TV station cost controls were cited for significant increase in operating income.

Gaylord Entertainment broadcast revenues dropped to \$36 million from \$39.08 million, but company said figures included sale of assets of WVTW Milwaukee and one-time \$2.2-million music performance royalty settlement. Revenue increased 9.6% to \$192.6 million and net income to \$18.56 million. Cable Network Div. posted largest 3rd-quarter revenue increase, 15.8%, to \$59.62 million, from \$51.47 million... **Clear Channel Communications** said broadcast revenue increase of 48% to \$47.6 million reflected improvement in station operations and favorable ad environment. After-tax cash flow jumped 84% to \$11.61 million... **EZ Communications** reported increase in net income to \$1.65 million from \$931,000, attributing growth to acquisition of FM/FM duopolies.

Tribune Co. board declared quarterly dividend of 26¢ per common share, and dividend of \$8.52 on Series B convertible preferred held by Tribune's Employee Stock Ownership Trust... **A.H. Belo** reported 3rd-quarter net earnings of \$15.7 million, doubling 1993 results. **Bstg. Div.** revenues were \$66.3 million, based on strong local ad sales, political ad revenues in Cal., Okla. and Tex. and favorable national ad trends in all markets... **Meredith** posted net adjusted earnings for quarter ending Sept. 30 of \$5.9 million, up from \$3.4 million. It credited 27% increase in ad revenue from 5 TV stations for gain.

Scientific-Atlanta set records for earnings, revenue and new orders in quarter ended Sept. 30. It said sales were up "substantially" in broadband and satellite businesses, and international sales jumped 66%. Profit rose to \$12.1 million from \$7.2 million, and sales to \$232.3 million from \$170.3 million... **Washington Post** broadcast revenue climbed 62% in 3rd quarter ended Sept. 30 with acquisition of 2 stations and increased network affiliate revenue, while cable revenue dipped 1%. Net profit grew to \$47.5 million from \$44.8 million, and revenue to \$400 million from \$364 million.

Outlet Communications reported 3rd-quarter revenue increased to \$13.7 million, up from \$10.7 million year ago. Company attributed growth to "vigorous" TV advertising market and said nonpolitical ad revenues increased more than 20%. Net income was \$3 million, compared with \$1.9-million loss in 1993 resulting from debt refinancing and settlement of music license fee litigation... **Bloch Bcstg. Group** will merge with Spartan Funding in \$120-million share exchange. Bloch will receive restricted shares and control of Spartan. Bloch owns 3 radio stations and operates Independent Bcstrs. Network, which feeds talk shows to 300 radio stations.

Ameritech is latest RHC to win its challenge of telco-cable crossownership ban. U.S. Dist. Court, Chicago, ruling announced late Thurs. applies throughout Ameritech's 5-state area. Ameritech Chmn. Richard Notebaert called decision "outstanding news for consumers and an important step forward."

FEES FOR HDTV? FCC Chmn. Hundt warned broadcasters that use of new advanced TV (ATV) spectrum, such as HDTV, could raise questions of spectrum fees and "what broadcasters are giving back to the public that justifies their deal" (See related report on page 6). In speech to Conn. Bstrs. Assn. in Farmington Oct. 27, Hundt said: "Some in the public will expect that part of the profits from the use of the additional [HDTV] spectrum could be used to pay for new public affairs or children's educational programming." Fleshing out IRTS speech (TVD Oct 24 p7), Hundt said spectrum auctions aren't good idea but "this question will also be voiced in the context of HDTV. The public will want to know, if broadcasters acquire additional valuable spectrum without purchasing it at auction, why shouldn't they be required to give something back to the public in return?"

"The going rate in today's narrowband auctions is \$3 per pop per MHz -- and it's heading north," he said: "For broadcasters using 6 MHz, that's \$18 for every person in your audience." Referring to suggestions that broadcasters pay for new spectrum use, he said: "Under the calculation set by our current auction, the payments would be frighteningly large" (more than \$50 million in Washington, D.C., for example). Distinction between broadcasters using new digital ATV spectrum for new subscription-type services, which might involve spectrum fees, and traditional over-air broadcasting, which probably wouldn't, was raised at Assn. for Maximum Service TV HDTV conference earlier in week. FCC source said Hundt's comments on HDTV should be read in context of question of ancillary non-universal service use of new spectrum.

Hundt also raised questions about broadcast news and information content: "As far as I can tell, broadcast TV and radio is long on opinions, but short on facts... Whether broadcasters are doing as much as they could or should be to disseminate true facts and to correct disinformation or misinformation -- that is a serious and open question." Hundt asked: (1) "How many [broadcasters] run... anything like a letters-to-the-editor column?" and (2) "How many try to correct in any way for those talk radio shows in which facts may sink completely out of sight?" He commented that "we don't want the FCC to be the editor-in-chief for broadcast news," but added: "Most print publishers adhere to numerous practices to promote truth and accuracy in their publications. Since the reality is that broadcasters deliver the news to more Americans than print publishers do, why isn't it time for broadcasters to adopt similar practices?"

PBS has become authorized Panasonic repair center, offering videotape machine maintenance and repair for any TV outlet, including commercial broadcasters and cable systems. Network said it will be only source besides Panasonic for maintenance and repair of D340 and D350 machines. It also will service M-II machines. PBS said it will offer one-year contracts at unspecified set fee per machine, with income used to offset operating expenses. It said lightweight machines can be mailed to technical maintenance center, directed by Larry Jefferson, and loaner machine will be provided if repairs take more than 3 days -- 703-739-5204.

AT&T formed subsidiary to provide construction services for voice, data and video interactive networks being launched by telephone and cable operators. **AT&T Netcon** will build underground portion of Pacific Bell's advanced system as part of agreement announced in Nov. 1993. **AT&T Netcon** also said it had signed labor agreement with IBEW for PacBell installation.

MSTV HDTV CONFERENCE: Broadcaster use of new digital advanced TV (ATV) signal for subscription services in addition to over-air HDTV service could require payment of spectrum fees, panel of govt. officials told Assn. for Maximum Service TV (MSTV) HDTV Update conference Oct 25. Advanced TV Systems Committee Chmn. James McKinney said testing has proved that single HDTV channel could deliver 4 digital standard NTSC TV signals. However, broadcasters argued that "flexible" combination of multiple-channel program and data delivery in some day parts and selective HDTV transmission in others would enable them to compete against cable, DBS and telephone VDT.

FCC Office of Plans & Policy Chief Robert Pepper said that traditional broadcasting services in HDTV didn't raise fee issue but that broadcasters "could be required to pay for additional services." NTIA Office of Policy Coordination & Management Dir. Michele Farquhar said: "There should be some new spectrum use fee for new services that otherwise would be subject to use fees." House Telecom Subcommittee Counsel David Zesinger said Congress had "established a clear line between advertising and subscription services" and added: "It's an equity question. Others have had to make an investment to earn the right to offer new services, and it would be hard to argue that broadcasters should not be on the same footing."

MSTV counsel Jonathan Blake questioned panel's comments: "Broadcasters will be driving the delivery of HDTV. Why should they be charged fees if they offer cost-saving additional services" that he said may be needed to pay for HDTV service. FCC Advisory Committee on ATV Chmn. Richard Wiley said: "If the cost of transition [to HDTV] is daunting, hopefully revenue from new ancillary services can help offset that expense." Edward Reilly, pres.-COO McGraw-Hill Bestg. and MSTV chmn., raised question whether midsize market broadcasters could afford ATV: "Economic factors must be given more weight" in policy debates, he said. Alexandra Wilson, dir.-public policy, Cox Enterprises, minimized issue: "Broadcaster applications [of HDTV] will be related to their core businesses."

Fox Exec. Vp George Vradenburg said: "HDTV is an important component of the digital channel, but only one component. We need more varied offerings to compete in a multichannel environment." He said sports and entertainment could be broadcast in HDTV but during news shows and low-viewing times channel could provide "additional services related to our programming." NAB Exec. Vp John Abel concurred: "If there is a consumer market for HDTV, broadcasters want to do HDTV, but not only HDTV. Multiple services are much more relevant in the consumer's mind than just better quality pictures."

CBS Senior Vp-Technology Joseph Flaherty warned that broadcaster focus on non-HDTV use of digital channel was premature. He said channel that FCC set aside for broadcasters for HDTV use was "our only way to move from analog and compete with digital technologies" being used by cable, DBS, telephone. He said: "First, get the channel. Don't run the risk of losing an exclusive channel." James Carnes, pres.-CEO, David Sarnoff Research Center, said digital transmission of NTSC signal didn't require full 6-MHz bandwidth and cautioned: "Some broadcasters could face an auction of spectrum that they didn't need." MSTV Vp Victor Tawil reported on computer modeling study on new HDTV channel allocation and assignment. He said that FCC goal of using only UHF for new HDTV service could result in serious interference problems: "We need to be able to use vacant

VHF channels as well as UHF channels to avoid undue interference with existing NTSC service."

At conference, FCC Comr. Quello received MSTV Jack Harris Founders Award for "leadership in supporting free and universal locally based broadcasting service." Quello said he wanted to "assure that TV station programming remains the most essential information ingredient of the multichannel future."

NARROWBAND PCS AUCTION HITS \$380 MILLION: Bidding for 30 regional narrowband will resume today (Oct. 31), after reaching \$380 million on Oct. 28, 3rd day of auction. Auction, in Washington, is for 6 licenses in each of 5 regions.

Bidding appeared more predictable by afternoon of Oct. 28, with 3 companies laying claim to same frequency blocks in all 5 regions: Pagemart had settled in as high bidder for block 1 -- valuable 50 MHz licenses with 50 MHz paired channel -- throughout country. PCS Development had done same with block 2, other 50-50 license set, bidding total of \$115 million, highest combined bid so far. Mobilmedia latched onto block 3 across country, Advanced Wireless Messaging laid claim to block 4 -- both 50 MHz licenses with 12.5 MHz returns. AirTouch and Ameritech both set sights on block 5, AirTouch bidding on that 50-12.5 block in northeast, southern and western regions, Ameritech in midwest. "Designated entity" named Lisa-Gaye Shearing had high bid on block 6 in 4 regions. Blocks 2 and 6 are earmarked for discounted prices if won by designated entities. Spectrum auctions are designed so that breakdown can change at any time if new players suddenly enter with high bids. Outcome won't be certain until auction is over.

Bidding soared to \$343 million in 2nd day of auction, with would-be licensees hitting ground running on opening day with combined first-round bid of \$186 million. By end of 3rd round, bidding had been driven up to \$240 million. Most observers said opening bids were higher than expected -- particularly those of PCS Development.

FCC officials attributed higher figures to fact that bidders are more experienced as result of nationwide auctions in July and know how much such licenses ultimately will cost. PCS Development, which will get 40% discount on price if it ultimately wins licenses, bid \$16 million each for 5 licenses -- one in each of 5 regions into which country is divided for FCC auction purposes. Strategy was to piece together nationwide network, with combined bid for those 5 licenses of \$80 million equaling most valuable nationwide licenses sold off in July. Company also bid \$4 million for 5 less valuable blocks.

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Bell Atlantic (BA) Video Services completed construction of Digital Services Bureau (DSB) in Reston, Va., expanding capacity to convert video to digital for on-demand service being tested in Northern Va. BA said center can prepare more than 150 full-length movies monthly for use in Stargazer programming offered to 1,000 customers, pending regulatory approval. DSB has capacity for 20,000 min. monthly at start, with expansion to 50,000 min. planned. BA said it spent \$150,000 and 150 hours converting its first movie to digital.

Conus will provide video for AP's new international video news service, APTV. Multiyear deal calls for Conus satellite co-op to provide video of average of "several dozen" events per week for APTV to distribute outside U.S.

FCC has skewed benchmark formula to favor cable operators and can't justify action by "administrative convenience," group of municipalities and counties said in reply brief to U.S. Appeals Court, D.C., on industry's challenge to rate rules. Petitioners include Austin, Tex.; Dayton and Wadsworth, O.; Dubuque, Ia.; King County, Wash.; Miami Valley Cable Council, Ohio; Montgomery County, Md.; St. Louis. Cities cited one FCC respondent's brief that said competitive differential was made "simple to apply... to be sufficiently favorable to the industry" and discourage cost-of-service showings. Lack of decisions on local rate complaints, rate order appeals and lingering a la carte rules further impede franchisers, they said. Other arguments in petition: (1) Price caps "fail to halt the perpetuation and amplification of unreasonable rates." (2) External cost passthrough favors operators because it doesn't require them to factor lower costs or increased revenues, allows for "double recovery" of some costs and "has treated as external several costs that are within the operators' control." (3) FCC rules don't honor minimum channel requirements in franchise agreements even though 1992 Cable Act gives operators express option only to add channels to basic, not move them to higher tier.

Navigation systems on cable systems could be "very detrimental for broadcasters" if they make it more difficult for viewers to find networks, NBC CEO Robert Wright told Washington Cable Club Oct. 25: "We have to be very strong in preventing that from happening." He said existing broadcast and cable program services have "window of opportunity" to build viewer loyalty now, before expected rapid expansion in cable channel capacity and number of program services. In meantime, he said, broadcasters shouldn't expect much regulatory help from FCC, which Wright described as "very busy" dealing with current regulatory issues. He predicted a la carte pay systems for TV programming would become more prevalent but said big broadcast networks wouldn't be big player in a la carte. Planned new broadcast networks don't have to attract large audiences to be at least marginally successful, Wright said, since affiliates of 5th and 6th network are likely to be better customers for syndicated programming provided by owners of networks. On long-running issue of whether GE will sell NBC or buy something else, Wright would say only that company is "talking to a lot of people. We feel very comfortable with what we are doing, but we would be negligent if we didn't talk."

U S West received clearance from U.S. Dist. Judge Harold Greene to transmit Time Warner (TW) TV signals across LATA boundaries. Ruling was needed as result of U S West's acquiring 25% of TW Entertainment last year. Ruling lets TW transmit programming via satellites and other facilities. It also waived manufacturing ban by permitting TW to design and develop equipment needed for advanced cable systems. When U S West acquired interest in TW, some assets of partnership such as satellite uplinks and downlinks were set aside because of MFJ concerns. Order allows those assets to be reintegrated into TW, companies said.

NAB and INTV warned members that they may receive subpoenas, queries or complaints related to must-carry as part of current court activities on issue. Broadcasters began their own discovery process earlier this month, asking about "adverse actions" taken by cable industry to drop or threaten to drop broadcasters from carriage any time since 1985. In letter to broadcasters, NAB and INTV recommended that any stations contacted by cable industry on must-carry issues contact broadcasters' lawyers, Jenner & Block in Washington.

FCC prime-time access rule (PTAR) rulemaking text released last week asks for comment on definition of network subject to rules, specifically issue of status of Fox: "We ask commentators to address whether the current definition of a network continues to be appropriate to define which entities are networks and which stations are network affiliates subject to PTAR." On issue of independent programming, notice asks whether establishment of "direct limits on the amount of in-house programming that the networks could distribute to other affiliates" would "better achieve the goals of PTAR." Notice sets Jan. 6 as deadline for comments, Feb. 6 for replies. It repeats "rigorous economic framework" issues discussed at Oct. 20 meeting approving rulemaking (TVD Oct 24 p3) but also asks "public interest" questions involving new media competition, including impact of increased national cable coverage and new video services: "Our assessment of the trends indicate that by the year 2000 the percentage of the population able to receive nonbroadcast video service will reach 100%." FCC also seeks comments on impact of existing rules such as cable rate regulation and availability of subscription video services.

Comsat announced plans to purchase L.A.-based film and TV production company Beacon Communications for \$10 million cash, \$19 million in assumption of existing liabilities and future cash considerations based on production and performance of Beacon's motion pictures over 5 years. Company said independent Beacon has long-term production financing and domestic distribution arrangement with Sony Pictures, and other assets include Beacon Records subsidiary and copyrights on existing films. Comsat also signed agreement in principle with Anschutz Corp. to jointly build 19,000-seat arena near downtown Denver, home of Comsat-owned Denver Nuggets basketball team. Comsat CEO Bruce Crockett confirmed that new facility, which will cost more than \$100 million, also would allow Comsat to compete for hockey franchise and other sporting and entertainment events. Company also said it, Prime Sports Network and Liberty Sports are contemplating building TV production center to service arena and for other potential projects. Assets will be managed by Comsat Video Enterprises.

Single entities should be able to own both interactive video & data service (IVDS) licenses in single geographic area, Interactive TV Assn. (ITA) said in petition for FCC rulemaking. Instead of assuring IVDS competition, ITA said, Commission decision to allow single entity to have only one of 2 licenses in each area would limit competition because small licensees may have difficulty competing with larger interactive companies. Petition said, for example, that IVDS licensees would have to compete with such other interactive services as cable-delivered full-service networks and telco-operated interactive systems. ITA said "telecommunications giants" haven't participated in IVDS and have no interest in alliances with IVDS companies, preferring to compete with them via wired interactive systems: "In most markets, the IVDS licensee will be the loser in this competition." Petition said, however, that if both IVDS licensees were able to cooperate, they could pool resources to become more competitive.

FCC changed license renewal dates for low-power TV (LPTV) stations, TV translator stations and FM radio translator stations to coincide with renewal dates of full-service TV and FM stations in same state. It also modified forms to permit translator stations co-owned with primary stations to file renewal on single application form. In transition period, FCC will grant short-term LPTV and translator renewals.

PR battle has emerged in Sarasota, Fla., over ABC affiliate move from WWSB (Ch. 40) Sarasota-Bradenton to Scripps-Howard (SH) WFTS (Ch. 28, Fox) Tampa-St. Petersburg. WWSB has taken out 3 full-page ads in newspapers saying its local service will suffer from affiliation loss and suggesting that viewers write FCC in support of station "fighting for our affiliation." WFTS responded with ads in same papers urging viewers: "Don't be deceived by WWSB's reckless campaign to distort the truth and damage our reputation." FCC source said more than 500 letters have been received, primarily in support of WWSB, many attaching ad. WWSB Exec. Vp Glen Eklund said station decided to "take our case to the people" after receiving official ABC notification Oct. 3 that affiliation would shift in 6 months. Ad said: "At present WFTS does not produce any local news programs for Tampa, its licensed community, let alone a local news program for Sarasota, Bradenton and Venice." WWSB also has aired commentaries on issue at end of news shows. WFTS ad responded: "WFTS is building one of the biggest and most aggressive news staffs in Florida and is committed to comprehensive coverage of the entire area -- including Sarasota and Manatee counties." WFTS Vp-Gen. Mgr. James Major said: "We felt we had to respond to the WWSB ad because it was knocking us unfairly."

Telemundo Group rejected consumer group demands to stop carrying Presidente Brandy ads on network and local stations in violation of long-standing voluntary industry ban on hard liquor spots. Joint statement by Telemundo and advertiser Domecq Importers said ads were "responsibly placed and produced." Telemundo said it wouldn't air brandy commercials before 10 p.m. "to minimize any potential for unintentionally reaching underage viewers." Telemundo agreed in 1988 to adhere to hard liquor ad ban, but spokesman Joseph Kessler said decision was made by "prior management" and current Pres. Joaquin Blaya and board took new look at issue. Spokesmen for ABC, CBS, NBC and Fox said there would be no change in their policy not to accept liquor ads. Distilled Spirits Council of the U.S. (DISCUS) spokeswoman said Telemundo spots appeared to be "isolated incident" but brandy ads don't conform to DISCUS ethical code. Domecq isn't member of DISCUS. Univision rejected Presidente Brandy ads. George Hacker, spokesman for Center for Science in the Public Interest, said group is "disappointed in Telemundo's minimal response" to its letter.

Liberty Cable lawyers are helping form Video Dialtone Assn. (VDTA) to represent telcos, VDT programmers and others interested in VDT, according to Henry Rivera, acting as pres. pending organization of group. VDTA plans to begin soliciting members and hold first meeting within month or 2, he said. Rivera said VDTA is needed, even though USTA exists, because nonteleco entities also are interested in VDT and want representation. Liberty Cable, for example, plans to provide programming for VDT. Even broadcasters might join VDTA, Rivera said, because they could benefit from multichannel competition. Group will have part-time staff at first, but Rivera said he could envision its growing to 4 fulltime professionals within 2 years. VDTA at start will be interested mainly in such issues as channel sharing, channel capacity and cost allocation, Secy.-Treas. Jay Newman said, but it eventually could become involved in such things as copyright. Current hq is at Rivera's office -- 202-637-9012.

N.Y. and Long Island Newsday and L.A. Times started offering electronic versions of their newspapers over Prodigy Oct. 26, bringing country's 2 largest markets on line. N.Y. Times already has service over America Online (AOL), but that's generally limited to arts and entertainment.

Bell Atlantic (BA) took exception to Consumer Federation of America statement (TVD Oct 24 p1) that FCC's new VDT rules could cost consumers "\$16 a month for 20 years." In letter to CFA Legislative Counsel Bradley Stillman, BA said statement left "very distorted and unfair picture in the minds of readers." In letter, Lincoln Hoewing, BA exec. dir.-external affairs, said in many states telephone rates are frozen until year 2000: "How can we raise rates \$16 a month with rates frozen?" But Stillman replied that BA "simply does not understand the legitimate concerns of consumers" about VDT. He said \$16 figure "reflects a reasonable estimate of the capitalized costs of building the superhighway" and could show up as rates not lowered as much as they should have been, or increases that Bell Atlantic would be permitted for other services, such as call waiting, which are never frozen and frequently subject to even less price constraints."

Four TV networks said they will provide newspapers with parental advisory symbol (PA) to be included in TV program listings for shows with violent content or other matter that parents might find objectionable. Newspaper Assn. of America (NAA) asked members for cooperation in implementing program. Chmn. of Cap/ABC, CBS, NBC and Fox said they would work with newspapers to find suitable text to go along with warning system that would fit into limited space that newspapers allot to each TV listing. Network chiefs made their plan known in letter Oct. 27 to House Telecom Subcommittee Chmn. Markey (D-Mass.), and in Oct. 12 letter to NAA Pres. Cathleen Black. Black's Oct. 24 letter to her members didn't endorse listings plan, however.

TCI is acquiring Comcast's 19.9% of Heritage Communications in stock deal valued at \$290.3 million, companies said. Comcast has had option to force TCI to buy out its stake in Heritage, which had about one million subscribers, for about year. Comcast could have traded interest for TCI cable systems or for cash or stock. Stock transaction gives Comcast estimated 4% of TCI's Class A common and gives TCI 100% ownership of Heritage. Deal is subject to regulatory approval. Companies had owned Heritage jointly since 1988, and Comcast Pres. Brian Roberts said deal resulted in "superior returns for our shareholders."

Neither Turner Bcstg. nor Time Warner would comment on USA Today report that Time Warner had given Turner okay to bid for broadcast network, although one official did point out that previous reports have been inaccurate. Chmn. Ted Turner has complained about restrictions placed on him by TW (TVD Oct 3 p1), since TW has right to veto any major purchase. Newspaper said TW has given its permission for Turner to bid for network, but has right to veto deal if it doesn't like terms. When asked about report, NBC CEO Robert Wright said only that if it's true he would welcome bid from Turner.

First Data agreed to sell its Cable Services Group to CSG Holdings, newly formed partnership affiliated with Morgan Stanley and Trident Investment Group. Cable group is 2nd-largest provider of data processing services, including billing, to cable industry, has 580 employees in Omaha. First Data is selling group because it plans to focus on core business, Chmn. Richard Duques said.

NCTA set schedule for national convention May 7-10 at Dallas Convention Center. Main change is moving Vanguard awards to lunch session Wed., instead of at banquet Wed. night. Lunch will be followed by NCTA board meeting, normally Thurs. morning.

General Accounting Office (GAO) issued report saying FCC procedures sometimes delay release of orders. Report was requested by House Telecom Subcommittee Chmn. Markey (D-Mass.) because he was concerned that Commission "has been taking an excessively long time to release decision documents after the Commissioners have voted," GAO said. GAO concluded: "FCC has been responsive to congressional concerns about the length of time required to release meeting decisions publicly, and all but 3 meeting decisions in 1992 and 1993 were released within 30 days. However, FCC does not apply its 30-day target to circulated decisions and during 1990 through 1993, between 8% and 17% of circulated decisions were not released within 30 days." GAO said FCC should "establish written procedures to maintain a record of documents on which Commissioners vote." GAO report is No. GAO/RCED-94-242.

Franchise authorities shouldn't be able to delay routine passthroughs of external costs to cable subscribers, TKR Cable said in FCC petition to reconsider. TKR said rules currently can mean 9-month delay in increasing rates to offset such cost increases, even though boosts clearly are allowed by FCC rules, which filing said "envisioned expedited, automatic passthroughs of external costs." Rules technically allow franchise authorities to cause extended delays only in "complex" cases, but TKR said some authorities have said they will brand even external cost cases as complex. Operator wants FCC to clarify rules to avoid that, with rate gains related to external cost increases taking effect immediately subject to refund in case of errors. TKR also said cable operators should be able to recover external cost increases with higher rates even if hikes are delayed.

CNN and Intel launched "CNN At Work" service that will deliver CNN or Headline News directly to subscribers on local area networks (LANs). System will require company to purchase gateway (\$4,995) that converts analog signal received via cable or satellite into digital form for transmission over LAN. Per-person charge will be \$12.50/month for up to 50 at single site, \$10/month for more than 50. Users will be able to receive constant real-time CNN feed in small window running at 12 frames/sec. In addition to constantly monitoring CNN, users will be capable of recording stories automatically from index of headlines for later playback, receive text stream of stock quotes, headline "slugs," other messages from local LAN administrator over VBI.

FCC shouldn't micromanage cable rates through going-forward rules, said Diane Asadorian, gen. mgr. of PBS Horizons Cable Network. Responding to letter from FX Chmn. Anne Sweeney, Asadorian said it's wrong that low allowable rate increase for each added channel will result in low quality channels. In letter to FCC commissioners, she cited example of low-cost C-SPAN, as well as her own planned network. Asadorian opposed larger incentives for added cable services as "additional incentives which help the broadcasters and studios to the detriment of the innovative, the independent, the entrepreneurial and the public service-minded."

Jones Spacelink is joining Chronicle Cable action against GTE Hawaii, in which cable operators claim that GTE is manipulating pole attachment rates in order to subsidize VDT. In petition for stay of GTE's VDT approval in state, Jones charged that GTE had manipulated financial reports to create artificially high pole attachment rate, nearly 350% above company's rates in other states.

FCC Comr. Barrett said issues of availability of information superhighway services in classrooms and "electronic redlining" of such services are 2 issues Commission must address. In keynote address at National School Board Assn. School Leaders' Symposium in Dallas Oct. 25, Barrett said Education Secy. Richard Riley's call for FCC to find way to ensure free or low-cost telecommunications access to public schools was "well taken" but "begs the issue of cost for such a noble objective."

PBS hailed 1993-1994 as "most-watched season in 4 years." Network, in latest Report to Managers, said prime-time viewing increased 5% and full-day cumulative climbed to "record" 101 million people per week, topping previous best of 96.7 million in 1992-1993. PBS said among year's highest-rated programs were *Mystery!* "Prime Suspect 3" and "Poirot V," National Geographic's *Island of the Giant Bears*, American Playhouse's *Tales of the City*, as well as *Baseball*, *3 Tenors*, others.

Cox will exercise option to double stake in U.K. cable partnership with SBC (formerly Southwestern Bell), Cox Cable Pres. James Robbins said. Action will give Cox 50% of SBC CableComms, which has 100,000 video and 90,000 telephone customers in U.K. Option was part of March 1993 partnership deal with SWB. Robbins said Cox exercised option because "we've found the United Kingdom to be an excellent business location," with CableComms adding about 3,500 customers per week.

HSN Mktg. has agreed to stop distributing "black boxes" that allow buyers to bypass Macrovision system for preventing copying of videotapes. HSN (no relation to Home Shopping Network) was described as largest importer of such units into U.S. Agreement was part of settlement of Macrovision's patent infringement suit against HSN.

European Commission draft directive urges govts. to assure that telcos and cable networks aren't operated jointly in geographic area, move that could hurt telcos that control 40% of Europe's 35 million cable TV subscriptions. EU wants to promote competition by having telcos surrender cable units.

TCI and Comcast officials weren't commenting on reports that FTC is widening its probe into their takeover of QVC. Neither FTC nor MSOs would confirm Wall St. Journal report that agency had issued subpoenas to top executives as part of antitrust probe into deal. FTC earlier subpoenaed documents related to takeover.

NAB TV Market Analysis report shows 1993 revenue growth in all regions of country. TV stations in southern markets experienced largest increase, 6.9%, followed by Midwest 4.9%, West 4.8%, East 3.7%. Study is \$250 for NAB members, \$463.50 nonmembers -- 800-368-5644.

Morality in Media has started White Ribbon Against Pornography (WRAP) campaign to encourage federal prosecutors to enforce obscenity laws. Effort involves getting supporters to display white ribbons in support of campaign and to contact public officials.

RAB reported national spot and local radio revenue jumped 13% in Aug. from year ago. Aug. national spot revenue was up 15% and local ad sales increased 12%. RAB said double-digit gains were reported in every region of country.

Personals

Alan Braverman promoted to gen. counsel, CapCities/ABC... Mark MacCarthy, Cap/ABC vp-govt. affairs, leaves to "explore other interests," no replacement named... Cheryl Birch, ex-Universal TV, named vp-business affairs, Paramount Network TV; J.R. McGinnis, ex-Walt Disney TV, appointed vp-business affairs... Tom Campbell, ex-MTV, joins ABC as vp-daytime programming, West Coast... Christopher Russo promoted to NBC vp-mktg. development & promotion; Flody Suarez advanced to exec. press dir., prime-time programs, entertainment press & publicity, NBC Entertainment; Lynn Gardner, ex-Lippin Group, named NBC Media Relations dir.-news information.

INTV board names new officers: Chmn. Kevin O'Brien, vp-gen. mgr., KTVU Oakland-San Francisco; Vice Chmn. Michael Eigner, exec. vp-gen. mgr., WPIX N.Y.; Secy. Edward Aiken, pres.-gen. mgr., WTOP St. Petersburg-Tampa; Treas. Linda Cochran, vp-gen. mgr., WSYT Syracuse... Haidee Calore, ex-Convention Management Group, named senior vp-conventions and exhibitions, NAB... Hilda Jannesson, dir.-NAB convention housing, retires Nov. 30 after 21 years with Assn... RTNDA elects: Chmn. Bill Yeager, Metro Networks News; Chmn.-elect Loren Tobia, KMTV Omaha; Treas. Lou Prato, Medill News Service dir.; Past Chmn. is Marci Burdick, KYTV Springfield, Mo.

Robert Salat, ex-WCTI New Bern, N.C., vp-gen. mgr., joins WOGX Ocala, Fla., in same post... Lisa Gregorisch appointed news dir., WNYW N.Y... N.Y. Times Co. rearranges Best. Group: Olin Morris, WREG-TV Memphis pres.-gen. mgr., becomes group senior vp-govt. & cable relations; Robert Eoff, pres.-gen. mgr., KFSM-TV Ft. Smith, Ark., assumes same responsibilities at WREG-TV, where Ronald Walter becomes exec. vp-station mgr.; Tim Morrisey named pres.-gen. mgr., KFSM-TV... Clifford Marks promoted to ESPN vp-eastern sales... Matthew Wood, ex-WQED Pittsburgh, joins PBS N.Y. as publicity coordinator.

Patti Smith, FCC assoc. managing dir.-public information & reference services, leaves Commission this week to become assoc. dir., Transportation Dept. Office of Commercial Space Transportation... Magalle Salas appointed acting chief, FCC Law Enforcement Div., Field Operations Bureau; James Bridgewater named engineer-in-charge, Detroit field office.

Changes at Walt Disney TV & Telecommunications: Etienne de Villiers advanced to pres.-international TV, new post; Dean Valentine promoted to pres.-network TV; Dolores Morris resigns as vp-Walt Disney TV Animation to join Children's TV Workshop as vp-program development... Lawrence Little, ex-pres., Spelling TV, named pres., Big Ticket TV; Bill Sanders becomes senior vp-creative affairs... Laurie Younger promoted to senior vp-business affairs and administration, Walt Disney TV & Telecommunications... Changes at Century Communications: Robert Larson, controller, also elected vp; Scott Schneider, senior vp-treas., elected to board... Joseph DiSalvo, ex-Viacom Enterprises, named senior vp-East Coast sales, Genesis Entertainment... Scott Foreman promoted to L.A. dist. mgr., Warner Bros. Distributing... John Goldwyn signs 3-year contract renewal as pres., Paramount Pictures Motion Picture Group/Production.

Karl Kuechenmeister, ex-Time Warner Interactive vp-advertising, joins Viacom as senior vp in charge of One World Entertainment barter sales unit.

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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	Business
Paul L. Warren	St. Ed. & Exec. Publisher	Controller
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Elena Lucini	Assistant Editor	Deborah Jacobs
Mike Grebb	Assistant Editor	Information Systems Mgr.
Joseph Leano	Editorial Asst.	

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
Candy Spiegel	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

Market Research & Data Sales Division

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OBITUARIES

William Leonard, 78, former pres. of CBS News, died Oct. 23 at Laurel Regional Hospital, Md., after stroke. He joined CBS in 1945 at WABC N.Y., which later became WCBS. He was CBS News floor reporter at 1952, 1956 and 1960 political conventions. In 1961-1965, he headed news election unit, in charge of editorial policies, production plans, on-air broadcasts. In 1965, he advanced to vp, later senior vp, CBS news programming. Leonard went to Washington as CBS Inc. vp-govt. relations in 1975. He returned to N.Y. in 1979 when he was appointed exec. vp-COO, CBS News, succeeding Richard Salant as pres. He retired in 1982 but served as consultant to CBS News. N.Y. native, he's survived by wife, 5 sons, one stepson (ABC's Chris Wallace).

John (Jack) Dille, 80, chmn., Pathfinder Communications, which operates 11 radio stations in Ind., Mich., Miss., Ohio and Okla., died Oct. 7 after heart attack at Elkhart, Ind., home. He served as chmn. of NAB and Minority Bestr. Investment Fund and was vp of Best. Pioneers. He joined Truth Publishing in 1952 as editor, publisher, vp. Company owned WTRC(AM) in addition to newspaper. Chicago native, he's survived by wife, son, daughter.

Consumer Electronics

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STATE OF THE INDUSTRY

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

	OCT. 7-13	1993 WEEK	% CHANGE	OCT. 1-6	41 WEEKS 1994	41 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	561,667*	520,270	+ 8.0	450,165*	20,004,916*	18,103,573	+10.5
DIRECT-VIEW..	548,566*	511,848	+ 7.2	439,841*	19,573,346*	17,789,421	+10.0
TV ONLY.....	501,070*	492,230	+ 1.8	408,214	18,090,664*	16,775,055	+ 7.8
TV/VCR COMBO	47,496*	19,618	+142.1	31,627*	1,482,682*	1,014,366	+46.2
PROJECTION...	13,101*	8,422	+55.6	10,324*	431,570*	314,152	+37.4
VCR DECKS.....	205,589	260,730	-21.1	152,984	9,341,031*	9,097,272	+ 2.7
CAMCORDERS.....	60,392*	40,875	+47.7	23,320	2,333,281*	2,240,456	+ 4.1
LASERDISC PLYRS	5,082	3,604†	+41.0	2,725	209,764	213,335†	-1.7

Direct-view TV 5-week average: 1994--693,149*; 1993--629,752 (up 10.1%).

VCR deck 5-week average: 1994--359,572*; 1993--336,059 (up 7.0%).

Camcorder 5-week average: 1994--82,033*; 1993--77,791 (up 5.5%).

* Record for period. † Reflects revision by EIA.

EIA EYES BROAD AUDIOVIDEO SHOW FOR 1996: "Shocking" degree of interest was expressed at recent EIA Fall Conference and Consumer Electronics Group (CEG) board meetings in Cal. in resurrecting broad-based, audiovideo-oriented Consumer Electronics Show (CES) for May 1996 in Orlando, EIA CEG Vp Gary Shapiro told us.

Shapiro wouldn't be pinned down on specifics of plan -- or even whether there was plan on table -- to reposition May 1996 Orlando show as broad event for traditional CES AV companies as opposed to present plan for "interactive" event. He said Assn. focus now is on Jan. 1995 Winter CES in Las Vegas and Mobile Electronics Show and CES Specialty Audio & Home Theater events to follow in spring. He said CEG considers it premature to discuss possible event so far in advance. Independently, sources told us CEG officials tentatively plan to discuss feasibility of repositioned Orlando show at internal budget meetings scheduled for Dec.

Outgoing CEG Chmn. Jerry Kalov, Cobra Electronics, told us at recent CES Mexico (AW Oct 10 p4) of his "personal" wish of "resuscitating" summer show, featuring industry's core products, in some form because of industry's need to stage annual get-together in spring or summer. Comments were made in context of CEG's decision to "postpone" CES Interactive next May in Philadelphia and attempt to restage event in Orlando in May 1996 (TVD Oct 10 p11). Cancellation of event at Philadelphia's Pa. Convention Center left CES with first May-June void since before first CES in 1967.

While Shapiro would speak only in most general terms about May 1996 Orlando CES, he said "it's fair to say" issue of resurrecting broad-based show came up at recent Assn. meetings. He attributed growing opinion to postponement of Philadelphia event, success of CES Mexico (TVD Oct 10 p13) and decision by EIA to back organizers of specialty Audio & Home Theater trade show next Father's Day weekend at Palmer House hotel in Chicago (TVD Oct 24 p13). While declining to comment directly on Kalov's remarks, Shapiro echoed Cobra Electronics executive in saying industry has need to convene annually in spring or summer. He said CEG is committed to Orlando for show in some form in May 1996, noting that city scored high marks in polls among members for possible future CES venues.

As for Palmer House event next June, Shapiro said it has drawn significant "mainstream support" within CEG since being renamed CES Specialty Audio & Home Theater Show "to better reflect the full scope of the show's focus." While it grew from petition drive organized by high-end AV companies that exhibited at Chicago Hilton during last Summer CES, Shapiro specifically referred us for testimonials on show to Robert

Borchardt, Recoton, and Gerald McCarthy, Zenith Sales Co. McCarthy, who will become EIA Video Div. chmn. Jan. 1, couldn't be reached for comment.

But Borchardt told us there's "good chance" Recoton will participate at Palmer House event to tout line of 900 MHz wireless speakers for "upscale" home theater applications. High-end emphasis of CES Specialty Audio & Home Theater companies that have pledged to participate thus far doesn't dissuade mass-oriented Recoton from renting hotel suite there, Borchardt said. Recoton is perceived as having "lower-fi" image, he noted, "and we really need to change that."

SONY PLAYSTATION ON SALE DEC. 3 IN JAPAN: Final piece in fall lineup of Japanese 32-bit system introductions fell into place last week with Sony's announcement that PlayStation will go on sale Dec. 3 at 39,800 yen (just over \$400). That's about 10 days later and 5,000 yen lower than launch of Sega's Saturn system. PlayStation price includes controller and stereo A/V cable. High-ranking Sony source said he expects PlayStation street price to be closer to 34,800 yen (\$358). Common list price for software will be 5,800 yen (\$60).

Sony said 8 titles will be available on day of launch and 23 will make it to market by year-end, including those from 3rd parties. Launch titles will include Ridge Racer, Motor Toon Grand Prix, TAMA, Crime Cracker. Titles scheduled before end of year include Myst. Sony is claiming more than 240 licensing agreements with 3rd party developers, who have been supplied with more than 700 development systems. Sony executive in U.S. said company has signed licensing agreements with about 70 companies outside Japan and has shipped development systems to them "in the hundreds" of units.

PlayStation CDs will have unique "Black Disc" look, Sony said. News release said their appearance -- which apparently refers to coloration that extends beyond traditional label side of disc -- will "help consumers distinguish PlayStation software from conventional CDs or other CD-ROM software." But reason extends beyond cosmetics; Sony source acknowledged that unique color is "designed to thwart write-once systems," presumably by making it easy to identify pirated copies. Licensing agreements require that discs be made by Sony Disc Mfg., job that will be handled in U.S. primarily by Sony's DADC plant in Terre Haute at first, although plant being built in Springfield, Ore., also is likely to be on line for PlayStation discs next year. Discs for Europe, where system is scheduled to debut in 1995, can be handled out of Sony's plant in Salzburg, Austria. Sony executive said there are no plans to authorize non-Sony pressers to duplicate PlayStation CDs.

Company said it will ship 100,000 units for first-day sale and expects to sell million players in first 6 months in Japan. Bypassing traditional distribution steps, PlayStation hardware and software will be sold direct to about 3,000 retail outlets "which constitute the bulk of the videogame business done in Japan," said Sony news release issued in Tokyo. It also will be sold through Sony's own electronics stores, Sony Music Entertainment's music network and through distributor to toy channels -- all of which add another 4,000 outlets to total.

Program for Japanese launch includes distribution of 300,000 promotional videos, ad blitz that is "one of the largest ever for the Sony group" and PlayStation-dedicated magazines from 5 different publishers.

COLOR, VCR AND CD PLAYER IMPORTS SOARED IN AUG.: Imports of color TVs exceeded 1.7 million in Aug., up more than 50% from year earlier and just shy of all-time record, while CD player imports set new monthly record of 1.18 million, up 44.2%, and VCR shipments rose almost 25% to 1.83 million, 2nd best monthly figure in history. Those are highlights of our compilation of Commerce Dept. figures on consumer electronics imports.

Color TV's increase -- up more than 2.7 million in first 8 months of this year -- presumably reflects impact of N. American Free Trade Agreement (NAFTA), with imports from Mexico alone rising by more than 2 million sets during period, and comprising more than 70% of direct-view color TVs (excluding TV/VCR combos) during period. Color imports from Canada -- still a minor amount -- were up almost sevenfold in Aug. and 25.8% in Jan.-Aug., also presumably showing influence of NAFTA.

Surge in VCRs in Aug. brought 8-month import total up 16.5% to 10.24 million, although sales to dealers currently are up only 2.7%, and 8-month sales totaled only 7.24 million -- 3 million less than imports for same period (TVD Sept 12 p9). Japan, once sole source of VCRs, accounted for only 20.6% of supply in Aug. and 24.2% in 8-month period. Biggest percentage gain for VCR supplier was 552.8% increase in shipments

from China, totaling 775,800 in 8 months and now running ahead of Singapore in shipments to U.S. (see separate report, this issue). Other significant gains were scored by Malaysia, Indonesia, Thailand.

Camcorder imports for year's first 8 months are same as last year in numbers, but supply of 8mm has increased 5.7%, while "other" category is down 3.5%. In Aug., 8mm represented just over 40% of camcorder imports.

In new breakout this year, projection TV is shown as being sourced only from Mexico and Japan -- Mexico supplying 91.2% of 104,500 imported this year. Total of 875,000 TV/VCR combos were imported in Jan.-Aug., 48.8% from Malaysia, 32.9% from Mexico, 7.8% from Japan.

Aug.'s record 1.18 million CD player imports -- first one-million month since Sept. 1992 -- illustrates what's happening in CD. Japan still was biggest supplier, but was source of only 37% of total, vs. 60% in Aug. 1993. In 1994 month, Malaysia was close 2nd to Japan, up 216.7%, followed by China, which supplied more than 250,000, increase of 412.6%. Here's statistical summary of selected U.S. imports for Aug. and Jan.-Aug., from Commerce Dept. figures:

Product	Aug. 1994	Aug. 1993	% Chg.	8 Mo. '94	8 Mo. '93	% Chg.
Total color TV...	1,717,700	1,1407300	+50.6	10,354,000	7,623,500	+35.8
TV/VCR combos..	146,900	**	--	875,000	**	--
Projection.....	24,500	**	--	104,500	**	--
Flat-panel color*	78,700	105,000	-25.0	345,400	379,800	-9.1
Monochrome TV....	163,200	186,800	-11.7	1,107,800	1,301,700	-14.9
VCR decks.....	1,831,300	1,467,900	+24.8	10,241,600	8,787,900	+16.5
Camcorders.....	321,600	299,700	+7.3	1,989,200	1,993,100	-0.2
8mm.....	131,200	113,000	+16.1	762,100	720,900	+5.7
Other.....	190,400	186,700	+1.9	1,227,000	1,272,200	-3.5
Videocass. players	136,200	119,700	+13.8	750,500	605,000	+24.3
CD players.....	1,180,600	819,000	+44.2	6,277,600	5,088,700	+23.4

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

HANNY MAGNETICS INVESTORS: Stronger Memorex brand in U.S. will result from cash infusion by 2 companies seeking to acquire significant stake in Memtek Products' Hong Kong-based parent Hanny Magnetics, Memtek Vp David Metzger told us.

Hong Kong investment company Hutchison Whampoa Ltd. is prospective buyer of equity in Hanny, while U.K.-based Peregrine International, which already owns unspecified number of Hanny shares, would increase its holdings, Metzger said.

Hanny last year bought Memtek and Memorex trademarks from Tandy for \$65 million (TVD Nov 15 p19). New owner later closed Memtek hq in Ft. Worth, combined Memorex blank tape, electronics and accessories with Memorex Computer Products and moved consolidated group to suburban L.A. (TVD Jan 17 p20).

Metzger said Memtek hopes to use new funding from latest investments to "further strengthen" Memorex brand in U.S. "By increasing [Hanny's] financial position, it's going to give us the ability to be more aggressive in the marketplace," he said.

Hanny board is scheduled to meet this week to discuss Hutchison-Peregrine purchase and Dysan tape brand. Hanny officials have said that Dysan would be operated independently from Memtek.

China imported 60,000 TV sets in Aug., up 0.1% from year earlier, and 720,000 tubes, down 8.9%, China Daily reported.

Thomson will close TV plant in Singapore, moving operations to Thailand and Indonesia. Rising costs in Singapore reportedly are responsible. "Expanding our manufacturing manufacturing operations in Thailand and Indonesia, while strengthening our support functions at the regional headquarters in Singapore, makes good common sense," TCE Asian Gen. Mgr. Didier Trutt was quoted as saying in news reports. TCE's Singapore operations currently employ some 5,000 -- 900 of whom reportedly will lose their jobs. Key employees have been given opportunity to move to other TCE plants. Our inquiries resulted in no further information at last week's end.

New Pentagon grants to develop flat-panel display industry in U.S. comprise most of \$202.2 million committed under Technology Reinvestment Project. Major awards went to group headed by Silicon Video Corp., Cupertino, to develop 10" display using high-voltage field emission display technology (U.S. contributing 1/3 of \$67.2 million cost), group led by Planar Systems, Beaverton, Ore., for thin-film electroluminescent technology (govt. providing half of \$29.2 million cost), to Texas Instrument and Raytheon for flat-panel displays (govt. supplying less than half of \$25.5 million cost).

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 97 yen = \$1, except where noted.

3DO TRIES TO QUELL FIRESTORM: At our deadline, 3DO had embarked on series of face-to-face meetings with its top licensees to explain, justify and probably revise its plan to immediately double \$3-per-disc fee paid by publishers of 3DO software (TVD Oct 24 p14). One publisher who met with 3DO Chmn. William (Trip) Hawkins last week said Hawkins asked him to hold off on any action until 3DO officials could meet with other publishers and decide on course of action.

In speech last week at conference in N.Y. and in interview with our affiliated Consumer Multimedia Report, Hawkins insisted that 3DO had to apply surcharge immediately to fund major ad campaign and -- more importantly -- to ensure support from hardware manufacturers going into 1995 so it could try to rapidly build market share and machine base. Underlying question is whether 3DO has alienated developers and publishers at time when it most needs their loyalty and support.

Even Hawkins, seemingly surprised at vehemence of protest from publishers, conceded 3DO may have to reevaluate its stance. "I know I've got a lot of feather-smoothing to do with the software companies," he told us. "There are a lot of details about this that we still haven't defined, so we have the opportunity to get a lot of input from the software guys to make sure the details are satisfactory." Asked whether starting date of surcharge program might be pushed back, Hawkins said 3DO is "going to look at the whole thing. [But] there's no retreat here. Basically, we have to do this."

"I would be surprised if they did not reexamine this at a later date," Interplay Productions Pres. Brian Fargo said. "The change happened so abruptly that we did not have a chance to plan." Interplay is partly owned by MCA, one of 3DO's original six backers.

PF. Magic Managing Dir. John Scull said "none of us would disagree" with 3DO's need to "correct their business model," but "the timing and the way they did it was unfair." He said surcharge would be applied just as most publishers were having their discs made for Christmas season. He estimated that extra cost would raise his break-even point on 3DO title by more than 10,000 units -- significant jump unless base of machines soars from currently estimated 75,000 in U.S.

Most vocal among protesters is Digital Pictures Pres. Tom Zito, who said he was scheduled to have 3DO versions of several products (developed for multiple platforms) pressed this week but is "absolutely" considering holding off. He also said he and other developers were exploring possibility of class action suit against 3DO for changing royalty terms. Although 3DO has called extra fee a "surcharge" rather than royalty increase, Zito said that "if it walks like a duck and quacks like a duck, it is a duck." Zito and Hawkins met Thurs., session at which Zito said little was resolved, although he agreed to give Hawkins time to meet with others before taking any action.

In interview at midweek, Hawkins insisted 3DO had little choice but to extract more money from software community so hardware manufacturers would increase production. "We've been in negotiations with hardware companies for the last 3 months to try to get them to step up to a much higher production level for next year," he said. "The bottom line is, they can't do that with the cost structure they [now] have in the business." He said 3DO has used various measures to ease strain on manufacturers until now, but "we've pretty much exhausted the whole bag of

tricks for this year. It got us the production commitments that will carry us through." For further details, see current issue of Consumer Multimedia Report.

BYE-BYE 'CABLE-READY': Beginning tomorrow -- Nov. 1 -- it's illegal to describe any TV products (presumably including VCRs) as "cable-ready" or "cable-compatible" unless they meet strict new standards (which can't be met yet). This is first deadline in FCC's new cable TV-consumer electronics (CE) compatibility rules (TVD May 9 p11).

Theoretically, at least, manufacturers and marketers should be scrutinizing their literature and advertising to excise those phrases, if they haven't done so already. Currently, it's certain that no products are eligible to use those descriptors because they require use of decoder interface, whose specs haven't yet been established by joint cable-CE committee. "Cable-ready" sets also must meet technical specifications spelled out by FCC for adjacent channel, image channel and direct pickup interference, tuner overload, cable input conducted emissions, radiated emissions.

Although those 2 phrases are taboo as of tomorrow, cable-ready standards don't go into effect until Jan. 1, 1997, according to FCC rules. On that date, sets that don't meet cable-ready standards must be "labeled with an advisory... on the device and on its packaging" that they don't full meet FCC's requirements for cable compatibility.

Meanwhile, cable systems are beginning to fulfill rules for providing "consumer education program," as spelled out by FCC. For example, Time Warner cable systems are including flyer with bills titled "Consumer Guide to Cable and Home Entertainment Equipment." It lists compatible remote controls that subscribers can buy as alternative to renting remotes from cable company, containing 68 models under 13 brand names.

Flyer also lists special equipment available to help subscribers "take advantage of advanced TV functions" -- A/B switches and dual descramblers. Other sections describe necessity for descramblers for scrambled signals, need for converters, channel mapping.

Introductory note says set-top converters may limit "some features of your TV or VCR," adding: "For example, without special additional equipment, you may not be able to use picture-in-picture, channel review and display features. You may not be able to record one program while viewing another, or record consecutive programs on different channels. We can provide you with special equipment you may need to enable full utilization of these features. Except in the case of descrambling converters, this equipment may also be purchased from local retail outlets. If we provide and install such equipment, a one-time trip charge and/or monthly equipment rental fee may apply."

Even as it prepares for next month's debut of Saturn in Japan and Genesis 32X add-on in U.S., Sega last week disclosed plans to begin selling in mid-1995 "Neptune" console that integrates Genesis and 32X into single unit. Sega of America Exec. Vp Paul Rioux said target price for Neptune, which will have first public exposure at Winter Consumer Electronics Show, is "under \$200." Neptune also would be able to interact with current version of Sega CD peripheral, Rioux said. He said company is developing adapter that will allow Saturn owners to play 32X titles in Saturn consoles when they go on market next year in U.S.

JAPANESE PROFITS UP: Foreshadowing more meaningful consolidated financial reports (which include subsidiaries), Japanese electronics companies last week reported sharply improved unconsolidated profits on higher sales in first half of fiscal year, although consumer electronics sales and profits continued to lag. Most companies also raised their forecasts for full-year sales and profits.

Matsushita said that of its major groups, only video and audio products suffered lower sales than year earlier, "largely as a result of a shift in consumer demand to lower priced models and the impact of the high yen." Spokesman said prices of leader products on Japanese domestic video market fell about 15%, with audio prices down 20% in year.

Parent-only video equipment sales (including TVs) declined 9% in half-year ended Sept. 30, while audio product sales were down 4%. Home appliance sales recovered by 10%, led by air conditioners and washing machines; communication and industrial equipment rose 7%, components 2%, batteries and kitchen-related products 4%, others 3%. Domestic sales rose 3% and exports by parent company alone inched up 2%, representing 37% of total.

Parent company sales rose 3% to 2.204 trillion yen (\$22.7 billion). Operating profit was 23 billion yen (\$237 million), up from 11.7 billion in 1993 period. Net income of 21.9 billion yen was up 20%.

Matsushita attributed profit improvement mainly to companywide efforts to lower manufacturing costs, along with sales gains. Japanese domestic market saw "modest revival" in consumer spending, although "generally slow economic climate" persisted. Overseas markets had "continued expansion of the U.S. and Asian economies," with some signs of recovery in Europe.

Company raised its parent-only sales forecast for full year to 4.42 trillion yen, up 2% over last year (from previous 4.32 trillion yen, down 1%). Recurring profit now is forecast at 85 billion yen, up 33% (vs. 80 billion, up 25%), with net income at 50 billion, up 16% (from 48 billion, up 11%).

Sharp said its nonconsolidated recurring profits rose 55%, largely on demand for LCDs and other electronic devices. Sales rose 7% to about \$6.35 billion, while net profits were up 24% to about \$160.8 million. Company said TV and video equipment sales declined 4% to about \$1.27 billion on weak demand. Sharp anticipates 41% rise in recurring profits and 31% increase in net profits for full fiscal year on 6% increase in sales.

Toshiba said its consumer product sales rose 1%, sparked by 50% unit sales increase in air conditioners but consumer electronics sales continued weak sales. Information, communication systems and electronic device sales rose 16%, but heavy electrical apparatus declined 30% and company's total sales dipped 1% to \$15.5 billion. Recurring profit rose 10% to \$252 million, net income 1% to \$176 million.

Hitachi enjoyed 44.1% increase in recurring profits and 23.4% rise in net profits, but sales were down 3.1%.

Mitsubishi sales were up 2.3%, recurring profits up 79.6%, net up 193.8%.

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Matsushita's parent-only report didn't include results of subsidiary MCA, whose status has been subject of much press analysis since meeting of MCA management with top

Matsushita officials. Nikkei Weekly headlined "Feud With MCA May Force Matsushita to Take a New Direction" in front-page story Oct. 24. Article summed up problem in paraphrased quote from unnamed Matsushita director that "Matsushita... considers MCA one of its numerous business divisions, while MCA sees Matsushita as merely an investor."

"Industry sources here," Nikkei article reported, "said Japanese companies generally do not understand the rapid changes taking place in the U.S. entertainment business, including multimedia and the information superhighway, with computer makers, cable TV companies, telephone companies and home shopping firms all involved."

TAPE PRICE RISE STUDIED: Stung by increases of up to 67% in cost of some raw materials, blank tape manufacturers are weighing boost in retail prices for first time in years.

Size of increase remains unclear, although companies said likely target will be 2.5-3.5% for consumer audiotape and videotape similar to boost 3M's Professional Div. reported earlier this month. Maxell, Memtek, 3M and TDK Consumer Divs. are among those considering increases.

Any move would be unusual for market where prices have eroded for years, although there were some indications recently that retail prices had started to stabilize (TVD Aug 8 p16). "Consumer pricing certainly will cease to erode and in '95 if the cost of raw materials continues to rise it is possible that you will see an increase at the retail level -- and that is something we haven't seen in the last 15 years," TDK National Sales Mgr. Charles Roth said, adding that company currently is absorbing increases.

Final decision on retail pricing will be based on outcome of negotiations with raw material suppliers that are expected to be completed by first quarter of 1995. Increases will hit videotape first, followed by audiotape in late 1995, industry executives said. Largest cost increase in materials was 67% for cobalt, followed by plastic components at 28%, 3M said.

Current \$1.99 and \$2.49 advertised and every-day prices for standard grade T-120 videotape are likely to "firm up" as result of rise, 3M Scotch Magnetic Tape Mktg. Dir. Lee Kennedy said. "If we're going to do something, I think it would be significant enough to the retailers so that they would see a tangible benefit on their side as well," he said.

Many retailers remained skeptical, although one said tape companies "could get away with it as long as it was only a few pennies [increase per tape]. " One tape company executive conceded that reporting price increase and making it stick at retail aren't same: "I think a lot of people will try and raise prices, but retailers will be very resistant."

Bottom line will be tape companies' ability to anticipate many cycles of raw materials market, industry experts said. "What it comes down to is how strong your purchasing professionals are, how well they have hedged the market and how good their contacts and sources are," Maxell National Mktg. Mgr. Peter Brinkman said. "Because if you have to go out and buy on the spot market on an ongoing basis you'll lose because you're paying a premium over the already high pricing."

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Millionth Viewcam was produced by Sharp Sept. 1.

STARLIGHT ROYALTY-FREE DEAL: StarSight is offering manufacturers enticing deal to license on-screen guide technology, annual report shows. At same time, company has signed agreement with PCI Ltd. to build standalone decoders.

In signing 11 manufacturers to licensing agreements, StarSight waived initial royalty fees and reimbursed some companies for part of cost of modifying products to accommodate technology, report said. Length of waiver wasn't identified. Eight CE manufacturers have signed pact, as have General Instrument, Scientific-Atlanta, Uniden.

Consumers who buy StarSight-equipped TV or VCR and purchase service from company are being charged one-time fee to help reimburse manufacturers, report said. Agreements with Zenith and GoldStar require StarSight to reimburse "a portion of the incremental cost" of modifying products, although "dollar amount" and "duration" are "limited," report said. Goal is to boost sales enough to enable StarSight to charge licensing fees and not have to reimburse companies, report said.

PCI of Singapore, as reported earlier (TVD June 14/93 p15), will produce standalone units that StarSight will sell to subscribers. Standalone model is expected to be delivered by year-end and sold under major consumer electronics brand at \$199. Final decision on brand is expected in several weeks, company has said.

Decoders use 4 chips produced by 4 manufacturers -- International Microelectronic Products, ITT, Motorola, Universal Electronics. Zilog is providing digital TV controller and Personalized Mass Media Corp. (PMMC) technology for program schedule navigation and information. StarSight paid PMMC \$500,000 at start and will continue \$25,000 monthly installments for 3 years, report said.

In cable industry, StarSight is continuing test with Viacom in Castro Valley, Cal. It also has agreements with 4 other MSOs including Cox, which has 1.7 million subscribers. In courting MSOs, StarSight is negotiating split of subscription fees that consumers will pay to cable companies. Program guide will be offered as premium or as part of tier or basic service, StarSight said.

On legal front, company is continuing battles with Gemstar and United Video Satellite Group. Litigation cost company \$1.1 million in fiscal 1994, report said. StarSight and Gemstar have exchanged lawsuits for more than year, including latter's filing in U.S. Dist. Court, San Jose, Oct. 21. Gemstar charged StarSight had violated 2 patents.

United Video suit, filed Oct. 19, 1993, in U.S. Dist. Court, Muskogee, Okla., sought court ruling that its Video and Trakker programming services didn't violate 3 StarSight patents, report said. StarSight responded by filing infringement suit Oct. 22, 1993, in federal court, San Jose. Both suits are pending.

Winter Consumer Electronics Show workshops Jan. 6-9 in Las Vegas will include sessions on multimedia home computers, computer software, interactive TV and entertainment, electronic games, spoken audio, virtual reality, high-end audio, home theater, mobile electronics, celebrity multimedia, retailing, DBS. As previously announced, Sony America Pres. Michael Schulhof will be keynoter and Microsoft Chmn. Bill Gates featured speaker at new Executive Perspective presentation.

BEST BUY OPENS CONCEPT III As Best Buy (BB) opened Concept III stores in Washington, D.C., last week, chain said it will convert most existing outlets to same format in next 3-4 years.

At least 10% of 204 stores will be Concept III by end of fiscal 1995, with another 50 planned for following year, retailer said in prospectus accompanying 4-million share preferred securities offering. Format change is first since BB's Concept II, which featured noncommissioned sales force, was launched in 1989.

First 8 Concept III stores in Washington have smaller 45,000-sq.-ft. format featuring 12 Answer Centers, touch-screen monitors displaying product information. Outlets also contain demonstration areas for surround sound and videogames, room with 100 CD changer for sampling different speakers, 100 "listening posts" to preview CDs, automobile to display car stereo speakers.

Audio is matched with expanded room for direct-view and projection TV, kitchen for demonstrating major appliances and software and accessories departments. Software in new stores has been boosted to 65,000 titles from 45,000 and accessories, including more high-margin batteries and cables, have been increased. L.A. stores, expected to open next week, will be larger at 58,000 sq. ft. and include room for 80,000 software titles, prospectus said. Eventually, BB will split 50-50 between 2 sizes, analysts predicted.

New stores will generate about \$50 million in annual sales, up from current \$25-\$30-million average, analysts said. Home office products account for 35% of BB sales followed by video, 21%; audio, 14%; entertainment software, 14%; major appliances, 10%. Hewlett-Packard, IBM, Packard Bell, RCA and Sony are top brands, representing 29% of sales, according to prospectus. For year ended Feb. 26, BB reported \$3 billion in sales.

SAMSUNG TO DOUBLE MEXICAN TV: As ground was broken for Samsung's integrated manufacturing facility in Tijuana last week, company announced its TV set production there would be doubled to 1.4 million annually from current 1.2 million when full production begins in 1996. Since 1988, Samsung has had TV assembly plant in Tijuana, which will be integrated into new plant complex.

Although company announced new \$500-million facility will manufacture 3 million TV and monitor tubes annually, it made no official mention of proposed glass plant, which has been subject of controversy. Last month, Samsung announced that 50-50 venture Samsung Corning would build glass plant and Corning quickly countered that no such plant was in works (TVD Oct 3 p9).

Week later, Samsung retracted announcement of glass plant but said it would discuss matter with Corning in Nov. (TVD Oct 10 p18). At dedication, Samsung Mexicana Pres. Jin Choi said Samsung still would like to have glass plant in project and hopes Corning will change its mind. Meanwhile, company hopes to bring in glass from Samsung Corning plants in Korea and Germany, as well as from U.S. suppliers.

First products from new plant will be TV sets, followed by computer monitors, TV/VCRs and "VCR parts" -- understood to be tuners for TV/VCR combinations -- followed by microwave ovens, according to announcements last week. Earlier, Samsung had said it would build cameras and such home appliances as washing machines there. When in full production, plant will employ 5,000, it said.

MACROVISION ALTERS ANTICOPY STANCE:

Macrovision, which earlier this year proposed digital anticontrol system with goal of forestalling govt. action, has moved to back legislative solution, executive told us last week.

Mountain View, Cal., company, which supplies anticontrol system in widespread use for analog cassettes, reversed field after meeting with hardware companies and movie studios, many of which support legislative approach similar to Audio Home Recording Act. MPAA Pres. Jack Valenti told EIA Consumer Electronics Group earlier this month that industries should work together to "develop policies and craft legislation" (TVD Oct. 24 p11).

"We originally thought a 100% technical solution would be satisfactory," said Macrovision Senior Sales & Mktg. Vp William Krepick, whose company proposed Intellectual Property Protection System (IPPS) as possible anticontrol standard (TVD July 11 p8). "After talking to the groups we decided there could be some advantages to legislation. Certainly it could make life easier for us because we wouldn't have to go through all these patent infringement lawsuits if it were the law of the land."

Bill may be introduced by mid-1995 as "technical/legal" solution that coincides with first digital hardware, Krepick said. Federal law will be drawn from "parallel proposals" being developed by film and consumer electronics (CE) industries and federal govt., Krepick said, noting that Commerce Dept.'s Information Infrastructure Task Force released preliminary report on intellectual property rights in July.

Macrovision is discussing licensing fees with film studios and is "fairly close in concept" with CE manufacturers "in how they would use our technology," Krepick said. Negotiations cover both Digital Video Disc (DVD) and Digital Video Cassette (DVC). New products must protect both digital and analog intellectual property, he said. "The copyright holders will not be satisfied if their intellectual property is only protected in the digital domain," Krepick said. "They require protection in the analog domain during the 10 years or so transition... to digital hardware."

Meanwhile, Macrovision continues to defend analog patents. Distributor HSN Mktg. agreed last week to cease supplying black boxes that defeat Macrovision's analog anticontrol system by April 30, 1995. Settlement, reached without legal action and with financial terms undisclosed, requires Boonton, N.J., company to turn over existing 1,000-2,000 inventory to Macrovision. HSN supplied black boxes to 71 "small" retailers and several large catalogs, all of which must stop advertising product by Dec. 31 and selling it by April 30, Macrovision spokesman said. HSN marketed boxes for about 2 years and retailers sold "several hundred" each before settlement, Krepick said. Macrovision also said it may take legal action against Far East company that built "black boxes" for HSN. HSN spokesman didn't return telephone call seeking comment.

3M has launched 6-city test of new Scotch Select series videotape on way to national rollout in Jan. Line consists of 4 SKUs including high-standard, high and professional grade T-120s for children, consumers that re-record or use tape as archive. Fourth is T-130 and T-160 high-grade tape designed for collections of TV programs or movies, company said. Select series is being sold at \$2.99-\$5.99 in Atlanta, Boston, Chicago, Detroit, Minneapolis, Portland, Ore.

JOHNSTONE IN WHITTLE-LAND: Philips has written off losses from its investment in Whittle Communications, company said following publication of article in Oct. 31 New Yorker on demise of Chris Whittle's empire. Philips said, however, that it still has financial interest in and supports Whittle's Edison Project of privatized public schools.

Article, "Grand Illusion," by James Stewart said that at beginning of end of Whittle's reign, "Time Warner and Philips were already facing the writeoff of their total investments -- \$185 million and \$175 million, respectively," noting that Philips' investment "had vanished in just over 2 years." Article accused Whittle of financial irregularities, which Whittle denies.

At time of investment, Philips Chmn.-Pres. Jan Timmer, who visited Whittle hq in Knoxville, said it would bring Philips "substantial new impetus for the development and application of consumer-oriented electronic technology" (TVD Feb 10/92 p13).

Whittle purchased more than 300,000 TV sets from Philips for Channel One project for sponsored broadcasts to public schools. Philips, which owned 25% of Whittle Communications, exercised option in 1992 to acquire 8% more. Article said that while "event was ballyhooed as a vote of confidence in Whittle... Philips had been given the option to acquire the additional stake for a dollar if certain targets weren't met, [and] Whittle had failed to meet the targets." In 1993, however, Philips put \$40 million in Edison project, which was spun off into separate company.

Donald Johnstone, who resigned presidency of Philips Consumer Electronics (U.S.) to take over presidency of Whittle after investors "lost confidence in [Chris] Whittle and were moving swiftly to reduce their losses... immediately began to slash costs: He came up with an astounding \$40 million in savings over a 2-month period."

In retrospect, Johnstone is quoted as saying: "Chris cannot and will not be the guy to take your costs down... It's a shame that someone like me hadn't come in sooner." Despite debacle over which Johnstone was called to preside, his admiration for Whittle is apparent: "He has such a belief in things that it is extremely difficult to talk him out of anything. He's a good listener -- he smiles, then he goes right back and does what he believes in."

Samsung will launch TV ad campaign this week featuring two 30-sec. spots promoting 19" TV/VCR combo. Commercials, which will run on network TV through year-end, will air in Chicago, L.A., Miami, N.Y. Company also has sponsored infomercial tying microwave oven to MicroCrisp food wrap. Samsung microwave is featured in 30-min. MicroCrisp infomercial that first aired last month. Infomercial offers purchasers of MicroCrisp coupon carrying \$15 rebate on Samsung microwave oven and \$25 on TV/VCR. Samsung also is providing mail-in coupons through Feb. for free Original MicroCrisp package (\$14.95) with purchase one of 6 microwaves, \$119-\$179.

HTP International introduced 120-disc CD changer, availability and pricing undisclosed. It said changer will be targeted to "high-end audiophile segment." Changer features "intelligent controller" and "fingerprint cross-reference system" to permit users to access CD library by song title, disc title, artist, music type or location. Meanwhile, HTP reported net income rise in first quarter ended Sept. 30 to \$1 million from \$346,007 year ago on 52.3% sales gain to \$11.2 million from \$7.3 million.

BATTERY ALLIANCE PLANS U.S. PLANT: Duracell, Toshiba and Varta, partners in venture to produce nickel-metal hydride (NiMH) batteries, announced they will open \$100-million plant in Mebane, N.C., by mid-1996.

Plant, first in U.S. since companies formed alliance in 1992, will manufacture cells for use in cellular phones, PCs, camcorders, printers. Construction of 200,000-sq.-ft. factory, which will employ 650 by 1999, will begin in Jan., Duracell said. Each company will assemble and sell battery packs separately. Toshiba has been manufacturing joint venture's NiMH batteries in Japan.

Duracell unveiled NiMH batteries for personal computer and cellular phones this year. Compaq signed licensing agreement year ago and Canon, Fujitsu and at least 6 others are expected to do so in Nov., company said. Printers powered by NiMH also will be introduced at Comdex, Duracell N. America Pres. David Bluestein said, with plans for camcorders to be finalized by year-end. Duracell first planned to deliver NiMH camcorder batteries this year, but it said increased demand for PC and cellular batteries caused it to delay launch.

Meanwhile, construction began this month on Duracell plants in India and China to manufacture AA, AAA, C and D alkaline batteries. In India, Duracell is building 100,000-sq.-ft. plant near Delhi in venture with S.K. Poddar Group, while in China 150,000-sq.-ft. factory is being constructed in venture with Dongguan Huaxin Industry & Commerce Corp. Both facilities are expected to begin in 1996. Company also is considering possible entry into Russia.

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As Duracell and its partners seek to expand NiMH market in U.S., Troy, Mich., company has filed complaint with International Trade Commission seeking injunction, claiming alliance and 2 other companies are infringing patent. Ovonic Battery and parent Energy Conservation Devices claim NiMH batteries marketed by Duracell, Sanyo, Toshiba, Varta and Yuasa infringe patent covering anode that absorbs hydrogen from electrolyte during charging. Duracell, Toshiba and Varta formed alliance in 1992 and have sold batteries for use in PCs and cellular phones to Compaq, Canon, Fujitsu, others. Toshiba, which has supplied NiMH batteries for its own and NEC's laptop PCs, had \$100 million in NiMH sales in U.S. in 1993, complaint said. Sanyo built batteries for Apple, Compaq and Dell PCs and Motorola cellular phones and pagers. Yuasa is focusing on car batteries. ITC hearing on complaints is scheduled for Feb. 6.

AUG. IMPORTS BY COUNTRY: U.S. imports of VCRs and TV sets by source country in Aug. and 1994's first 8 months, from Commerce Dept. data (see related report, this issue):

VCR Decks

	Aug.	% Chg.	8 Months	% Chg.
TOTAL....	1,831,300	+24.8	10,241,600	+16.5
Japan....	377,100	+ 8.5	2,482,800	-11.4
Malaysia..	365,100	+32.5	2,184,900	+17.8
Korea....	340,100	-16.2	2,030,700	- 5.3
Indonesia.	201,600	- 3.9	1,335,600	+60.9
Thailand..	186,000	+104.0	836,200	+60.7
China....	168,400	+243.4	775,800	+552.8
Singapore.	170,700	+169.6	543,200	+36.5
Taiwan....	6,100	-75.6	24,700	-74.5
Hong Kong.	15,500	*	15,700	*

	TV Sets			
TOTAL....	1,856,400	+40.1	11,357,200	+27.2
color....	1,693,100	+48.4	10,249,500	+34.4
TV/VCR..	146,900	**	875,000	**
b&w.....	163,200	-11.7	1,107,800	-14.9
Mexico				
color....	1,172,200	+47.2	6,866,200	+42.8
TV/VCR..	57,800	**	288,200	**
Malaysia				
total....	204,500	+81.8	1,457,100	+55.8
color....	193,600	+99.8	1,323,100	+62.7
TV/VCR..	74,900	**	426,700	**
b&w.....	10,900	-29.9	134,000	+10.0
Thailand				
total....	198,400	+70.3	1,082,200	+38.6
color....	195,500	-17.4	1,053,800	+36.8
TV/VCR..	10,850	**	72,800	**
b&w.....	2,900	+83.3	28,400	+178.2
China				
total....	163,000	+ 0.3	1,052,200	- 8.1
color....	54,500	+18.7	380,100	-12.5
b&w.....	108,500	- 6.9	672,100	- 5.4
Japan				
total....	34,000	+27.9	278,800	+23.3
color....	27,200	+54.8	225,100	+48.3
TV/VCR..	3,000	**	67,800	**
b&w.....	6,800	-24.5	53,800	-27.6
Canada				
color....	10,400	+791.9	53,500	+25.8
Singapore				
color....	14,700	- 1.1	141,900	- 9.4
TV/VCR..	200	**	17,700	**
Taiwan				
total....	15,800	-60.7	192,900	-30.2
color....	1,800	-89.1	17,000	-77.7
b&w.....	14,000	-39.8	175,900	-12.0
Hong Kong				
total....	1,500	-59.1	19,300	-73.1
color....	1,500	+584.5	11,200	-77.9
b&w.....	0	--	8,100	-64.9
Korea				
total....	37,400	- 8.0	119,500	-20.1
color....	20,500	-25.2	4,700	-98.3
TV/VCR..	0	**	700	**
b&w.....	16,900	+27.3	114,800	-20.1
Philippines				
color....	0	--	2,500	-92.6
Portugal				
b&w.....	2,500	+86.2	7,000	+418.5

* No significant shipments in 1993 period.

** TV/VCR category not broken out in 1993.

Color TV figures exclude projection.

Some totals may not add due to rounding.

Consumers' intentions to buy TV sets plunged in Oct. to 13-month low, according to preliminary results of Conference Board's monthly survey. Only 5.9% of families surveyed in Oct. planned to buy TV set in next 6 months, down from revised 7.1% in Sept., 6.3% in Oct. 1993. Confidence in economy edged downward for 4th consecutive month. Plans to buy autos and appliances also declined in Oct.

S. Korea and China have agreed to form group to research and develop HDTV. Agreement was reached at first meeting of "Korea-China HDTV subcommittee," in Seoul, China Daily said.

Consumer Electronics Personals

Jack Osborn, pres., Mitsubishi Electronics Consumer Electronics Group, promoted to pres.-COO of A/V Group of Mitsubishi Consumer Electronics America (MCEA) in conjunction with merger of Mitsubishi Electronics America (MELA) Consumer Electronics Group marketing and operations resources with MCEA's engineering and manufacturing facilities; Howard Borsa, eastern sales vp, advanced to new post of product development vp, Mitsubishi Consumer Electronics Group; Max Wasinger, western sales vp, named national retail sales vp.

Robert Borchardt, Recoton, named EIA Consumer Electronics Group (CEG) vice chmn. for 1995, succeeding Joseph Clayton, TCE, now chmn. of Exec. Committee (TVD Oct 24 p17). Other CEG elections: Gerald McCarthy, Zenith, heads Video Div., succeeding Jack Pluckhahn, Matsushita, who becomes CEG Industry vp and chmn. of Membership & Scope Committee; Kathy Gornik, Thiel, heads Audio Div., succeeding Robert Heiblum, KH America; Darrell Issa, Directed Electronics, becomes chmn., Mobile Electronics Div., replacing Robert Shaw, International Jensen.

EIA award winners: Francis (Frank) Myers, ex-Wells Gardner, 1994 Distinguished Service Award; Gordon Kelley, IBM, Engineering Award of Excellence; Lester Rice, KOA Speer Electronics, Clinton Lee Mktg. Services Award... EIA officers reelected for 1995: Clifford Tuttle, Aerovox, chmn.; Jerry Kalov vice chmn... Newly appointed to CEG board: Joyce Fleming, McCormack Audio; Laura Hendershot, Counterpoint Electronics Systems; Ronald Marsiglio, Philips Consumer Electronics; Tony Mirabelli, Uniden; Jim Oblak, Phonemate; Peter Tribeman, Atlantic Technology.

Service Merchandise Mdse. Mgr. Michael Malone drops responsibilities for audio products, will continue handling computer products; John Buehler, operating vp-electronics, resigns to pursue other interests... Fergus Wilmer, ex-Hutchison Trading (investments), named Hanny Magnetics CEO; Joseph Li appointed CFO; both are new positions... Washington consultant Paula Stern, ex-U.S. International Trade Commission, elected a dir., Duracell International, succeeding Thomas Hudson, retired.

Betsy Knapp, pres.-CEO, Wood Knapp Video, moves to chmn.-CEO; Mark Lambert, adviser, named pres.-COO; Pamela Miller promoted to vp-operations; Dan Gurlitz takes on expanded responsibilities as dir.-national sales... Changes at RKO Warner Video: Michael Dougherty leaves as pres., becomes part-time consultant; new office of pres. consists of Chmn. Michael Landes, CFO Ronald Rosen, Senior Buyer Neal Mechanic, Operations Dir. Brian Fuller.

Management team of new TerraGlyph Interactive Studios: Pres.-CEO Dennis Defensor, ex-ICOM Simulations and Viacom New Media; Mktg. & Sales Vp Rita Zimmerer, ex-Sunsoft USA; Product Development & Technology Vp Joseph Gaucher, ex-ICOM and Viacom New Media; Entertainment & Licensing Div. Vp Luana Chambers, ex-Warner Bros. Interactive; Operations Vp David Hoy, ex-ICOM and Viacom... Named at Acclaim Entertainment: John Peterson, ex-Memorex Telex, as vp-sales, replacing Barry Taylor, who left company; David Cox, western mgr., as national sales dir.; David Clark, ex-Sony Imagesoft, as central sales mgr.

Some 43% of VCR owners have more than one, according to EIA survey, which also found more than half of owners have at least 10 self-recorded tapes. Those surveyed said they bought tapes with recognizable brand names only about 50% of time. Survey indicated U.S. households own total of about 144 million blank videotapes, although EIA's own figures indicate some 390 million blank tapes will be sold in U.S. this year. Survey is free to EIA Consumer Electronics Group members, \$2,000 to others. -- EIA Mktg. Services Dept., Survey Orders, 2001 Pennsylvania Ave. NW, Washington 20006.

Franklin Electronics will launch German subsidiary in early 1995. Munich-based Franklin Electronic Publishers Deutschland will handle sales and distribution of first Franklin products designed for Germany, including electronic dictionaries, thesauri, translators. Franklin's U.K. office previously sold select products including bilingual German-English dictionaries through distributors in Germany. Munich office will be Franklin's 4th overseas operation following those in Canada and France that opened in April.

Prenatal videographers beware: "Persons who promote, sell or lease ultrasound equipment for making 'keepsake' fetal videos should know that we view this as an unapproved use of a medical device, and that we are prepared to take regulatory action against those who engage in such misuse of medical equipment," says letter from FDA's Center for Devices & Radiological Health to health professional organizations and National Electrical Mfrs. Assn. Letter asks these groups to notify FDA of such operations so that it can take action.

Mandscape, formerly Software Toolworks, acquired 2 software developers in separate deals. Company purchased privately held French developer Atreid Concept, which will become part of Mandscape's international development organization, which includes groups in U.S., U.K., China. Late in week, Mandscape said it had acquired Strategic Simulations Inc. (SSI), most noted as developer and publisher of Advanced Dungeons & Dragons line of role-playing fantasy computer games. SSI, which has 80 employees, will become Mandscape subsidiary.

Add Vietnam ventures: State-owned color TV factory will begin producing Panasonic brand color TVs in Dec. or Jan. under license from Matsushita, which will supply parts and technology. Initially, plant will make 30,000 sets annually with 13" and 20" tubes, to be expanded eventually to 100,000. All sets will be sold locally. As reported here earlier (TVD Sept 26 p13), Samsung, JVC and Hitachi also have color TV projects or plans in Vietnam.

Thomson has shipped RCA TV Family Value Pack, combining remote controls and blank videotape, at \$29. Pack consists of 3- and 1-function remotes and 2 T-130 Hi-Fi VHS tapes that separately would sell for total of \$49. Under 2nd promotion, gift box sleeve featuring RCA mascots Nipper and Chipper has been packaged with 5-function SystemLink universal remote. Both promotions run through year-end.

NAFTA's legacy: Exports of CR tubes from U.S. to Mexico increased 4,150% in first half 1994 after tariffs were eliminated under N. American Free Trade Agreement, compared with first half of 1993. Wall St. Journal, citing Commerce Dept. figures, noted that U.S. CRT exports to Mexico grew to 71,022,000 in this year's first half from 1,671,000 in 1993 period.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Audio King 1994-qtr. to Sept. 30	12,342,446	104,947	.04
1993-qtr. to Sept. 30	9,410,934	28,404	.01 ^a
Belo (A. H.) 1994-9 mo. to Sept. 30	446,566,000	45,297,000	2.24
1993-9 mo. to Sept. 30	399,183,000	37,947,000	1.89
1994-qtr. to Sept. 30	159,582,000	15,748,000	.79
1993-qtr. to Sept. 30	132,539,000	7,934,000	.39
Cambridge SoundWorks 1994-9 mo. to Sept. 30	10,673,000	4,000	--
1993-9 mo. to Sept. 30	9,045,000	346,000	.23
1994-qtr. to Sept. 30	3,154,000	(321,000)	--
1993-qtr. to Sept. 30	2,526,000	(53,000)	--
Capital Cities/ABC 1994-9 mo. to Oct. 2	4,404,973,000	439,244,000	2.86
1993-9 mo. to Sept. 26	3,918,534,000	288,520,000	1.75 ^b
1994-qtr. to Oct. 2	1,461,932,000	133,675,000	.87
1993-qtr. to Sept. 26	1,301,371,000	78,271,000	.47 ^b
Clear Channel Communications 1994-9 mo. to Sept. 30	134,554,783	13,541,849	.78
1993-9 mo. to Sept. 30	87,797,705	4,314,176	.29 ^b
1994-qtr. to Sept. 30	47,573,068	5,423,411	.31
1993-qtr. to Sept. 30	32,227,891	2,038,248	.14 ^b
Cohu 1994-9 mo. to Sept. 30	71,833,000	6,836,000	1.56
1993-9 mo. to Sept. 30	57,223,000	4,994,000	1.20
1994-qtr. to Sept. 30	31,703,000	3,032,000	.66
1993-qtr. to Sept. 30	19,604,000	1,832,000	.44
Comsat 1994-9 mo. to Sept. 30	609,100,000	63,200,000	1.34
1993-9 mo. to Sept. 30	559,800,000	64,900,000	1.38 ^c
1994-qtr. to Sept. 30	200,800,000	21,400,000	.45
1993-qtr. to Sept. 30	179,300,000	19,400,000	.41 ^c
Corning 1994-40 wk. to Oct. 9	3,497,000,000	246,300,000	1.18 ^a
1993-40 wk. to Oct. 10	2,921,800,000	105,700,000	.55 ^a
1994-16 wk. to Oct. 9	1,442,400,000	76,900,000	.36 ^a
1993-16 wk. to Oct. 10	1,198,000,000	(33,900,000)	-- ^a
Gaylord Entertainment 1994-9 mo. to Sept. 30	514,218,000	55,458,000	.63
1993-9 mo. to Sept. 30	468,193,000	12,765,000	.15 ^c
1994-qtr. to Sept. 30	192,631,000	18,559,000	.21
1993-qtr. to Sept. 30	175,690,000	7,654,000	.09 ^c
Gray Communications Systems 1994-9 mo. to Sept. 30	22,278,000	1,769,000	.56
1993-9 mo. to Sept. 30	18,218,000	1,869,000	.61
1994-qtr. to Sept. 30	9,115,000	789,000	.24
1993-qtr. to Sept. 30	6,178,000	470,000	.15
Heritage Media 1994-9 mo. to Sept. 30	210,826,000	8,468,000	--
1993-9 mo. to Sept. 30	193,330,000	(4,342,000)	--
1994-qtr. to Sept. 30	75,488,000	6,313,000	.36
1993-qtr. to Sept. 30	65,886,000	(1,483,000)	--
HTP International 1994-qtr. to Sept. 30	11,228,038	1,015,462	.11
1993-qtr. to Sept. 30	7,374,033	346,007	.09
Koss 1994-qtr. to Sept. 30	8,372,902	710,378	.19
1993-qtr. to Sept. 30	10,076,798	928,802	.24
Meredith 1994-qtr. to Sept. 30	200,147,000	10,672,000	.77 ^d
1993-qtr. to Sept. 30	182,291,000	3,444,000	.24
3M 1994-9 mo. to Sept. 30	11,224,000,000	990,000,000	2.34
1993-9 mo. to Sept. 30	10,538,000,000	977,000,000	2.24 ^b
1994-qtr. to Sept. 30	3,820,000,000	341,000,000	.81
1993-qtr. to Sept. 30	3,481,000,000	316,000,000	.73 ^b
Multimedia 1994-9 mo. to Sept. 30	458,300,000	67,246,000	1.76
1993-9 mo. to Sept. 30	444,399,000	78,038,000	2.04 ^c
1994-qtr. to Sept. 30	152,650,000	30,469,000	.80
1993-qtr. to Sept. 30	147,816,000	30,241,000	.79 ^c

Company & Period	Revenues	Net Earnings	Per Share
Outlet Communications 1994-9 mo. to Sept. 30	39,981,000	5,397,000	.82
1993-9 mo. to Sept. 30	33,531,000	1,955,000	.30 ^a
1994-qtr. to Sept. 30	13,695,000	2,998,000	.45
1993-qtr. to Sept. 30	10,674,000	(1,874,000)	-- ^a
Scientific-Atlanta 1994-13 wk. to Sept. 30	232,300,000	12,100,000	.16 ^b
1993-13 wk. to Sept. 30	170,300,000	7,200,000	.09 ^b
TRW 1994-9 mo. to Sept. 30	6,640,600,000	232,500,000	3.56
1993-9 mo. to Sept. 30	5,943,100,000	131,800,000	2.03
1994-qtr. to Sept. 30	2,164,200,000	81,800,000	1.26
1993-qtr. to Sept. 30	1,902,600,000	50,200,000	.77
United Video Satellite 1994-9 mo. to Sept. 30	140,494,000	11,414,000	.64
1993-9 mo. to Sept. 30	76,717,000	3,003,000	.18 ^e
1994-qtr. to Sept. 30	50,859,000	4,394,000	.25
1993-qtr. to Sept. 30	30,265,000	1,706,000	.10 ^e
Washington Post 1994-39 wk. to Oct. 2	1,163,094,000	117,521,000	10.11 ^d
1993-39 wk. to Oct. 3	1,102,533,000	122,939,000	10.45 ^d
1994-13 wk. to Oct. 2	399,826,000	47,452,000	4.13 ^d
1993-13 wk. to Oct. 3	364,122,000	44,843,000	3.82 ^d

Notes: ^aAfter special charge. ^bAdjusted. ^cRestated. ^dIncludes special credit. ^ePro forma.

EMC³ Chmn. Will Graven stood up audience again -- this time at \$1,200-per-head seminar in London sponsored by newsletter Screen Digest. Head of company promoting system to download 100-min. movie to home recorder in 5 min. sent company official William Furnival in his place. Furnival read Graven's notes, promising that EMC³ would work with "any type of VCR, disc or computer recording device," referring to 400 million VCRs "already in the marketplace" as home base for reception of movies. However, under questioning, Furnival acknowledged that new VCR would be needed, because it must have different recording and playback mechanism as well as decompression chips, memory buffers, D/A converter. Graven failed to show up for news conference at Summer Consumer Electronics Show last June in Chicago after company canceled plans to exhibit there (TVD July 4 p15). Later, he said several manufacturers were planning prototype demonstration by time of Winter CES next Jan. (TVD July 11 p12).

Latin American sales of Thomson Consumer Electronics (TCE) products will exceed \$100 million this year, on basis of test marketing, according to company. Sales Vp William Casamo said 19" and 20" sets made in Juarez will "soon be made available to a broad array of retailers in Mexico," where industry color sales should reach 1.8 million this year (TVD Oct 10 p13). TCE Exec. Vp Joseph Clayton said Mexico, Central and S. America "account for 10 million color TV receiver sales" annually.

Pa. trucking company has agreed to pay Panasonic \$320,000 to settle breach-of-contract suit. Falcon Transportation agreed to pay to settle charges that it lost shipment of Panasonic fax/answering machines and cordless phones in June 1992. Panasonic filed suit in U.S. Dist. Court, N.Y., in May 1993 charging that products were imported from Japan and stored at Falcon storage depot in Charleston, S.C., but were lost or stolen from facility before shipment to Panasonic Norcross, Ga., plant.

Gemstar claimed that StarSight infringed on Gemstar patents with its electronic on-screen program guide, in suit filed in U.S. Dist. Court, San Francisco.