

TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 5, 1994

SUMMARY-INDEX OF WEEK'S NEWS

VOL 34, NO. 49

Broadcast - Cable

WESTERN SHOW SURPASSES NCTA in attendance, driven by concern about going-forward rules, acceptance of rate hikes. Industry and leaders tell Anaheim conference that 'worst is behind us.' Program quality may suffer, but growth won't, Malone says. (P. 1)

MARKEY SEES FEW TELECOM POLICY CHANGES in new Congress. He expects TV violence to remain issue, sees cable regulation as subject for negotiation with new Republican majority. Democrats to pick up seats on Commerce Committee. (P. 3)

INSPECTOR GEN. QUESTIONS FCC ACCOUNTING, says books are 'unauditable.' Hundt faults govt. financial center that handles agency's accounting, plans switch to different center. (P. 5)

CAP/ABC FORMS NEW TV PRODUCTION STUDIO: 50-50 partnership with Spielberg/Katzenberg/Geffen is established. (P. 5)

NBC ASKS FCC ACTION ON FOX FOREIGN ROLE: Wants delay of Fox station applications. (P. 6)

BLOCKS TO CABLE ENTRY could lead to antitrust action, Western Cable Show told. Cable is seen likely to enter telephony more quickly than telcos can enter cable. (P. 6)

SMALL OPERATORS MUST ACT NOW to promote strengths, Western Cable Show panelists say. (P. 7)

RULES AND RATES DRIVE BIGGEST WESTERN CABLE SHOW EVER: Last week's Western Cable Show in Anaheim appeared likely to surpass last year's NCTA convention to become largest cable show ever -- at least until next NCTA convention. Attendance at end of day Thurs., with one day remaining, was 21,587, just under 22,000 for NCTA convention in New Orleans. That's up from 15,500 at last Western Show. Undoubtedly driving attendance, not only at Western Show but also at Cable TV Administration & Mktg. Society (CTAM) conference that preceded it, was widespread industry confusion about effects of going-forward rules and continued concern about rate regulation. Govt. and industry leaders each said that worst that can happen already has, although there was some skepticism of those views.

For their money, attendees got lots of soothing advice from FCC officials, and some semioptimistic advice from industry leaders. Despite cable operator and banker concerns, FCC Chief of Staff Blair Levin said that going-forward rules are simple -- new networks offered on New Product Tiers (NPT) are unregulated as long as they weren't moved from regulated tiers, are positively marketed and don't affect basic character of regulated tiers. He said worst of regulation "is behind us" and noted that rate complaints are decreasing and subscriber growth is highest in history. NPT is better than a la carte for operators and

Consumer Electronics

GOOD GUYS/TOWER RECORD STORE will open in Las Vegas in 1995, integrating consumer electronics hardware with software in single format. (P. 10)

PERSONAL DISPLAY GOGGLES planned for market in first quarter by Virtual I/O, whose backers include TCI, Logitech. First model of open-air system will be \$599. (P. 11)

LARGER SCREEN TVs show greatest growth in imports in year's first 9 months, 21"-and-up growing 51.3%, with 98% of those coming from Mexico. (P. 12)

JUSTICE DEPT. PROBE of consumer electronics and appliance retail pricing continues as Whirlpool and Raytheon report cooperation in antitrust investigation. (P. 13)

MATSUSHITA BUYS TUBE PLANT in Germany dropped by Nokia, plans to refurbish and reopen it in March to make 2 million color CRTs annually. (P. 13)

HITACHI, TOSHIBA PROFITS up on virtually unchanged sales in first half. Go-Video reports steep rise in profits. Curtis Mathes sales up, net down. (P. 14)

GENERAL MAGIC ALLIANCE enlists 5 more backers in hardware, services sector as it tries to become de facto standard for personal communications. (P. 14)

SONY IMPROVES VIDEO PICTURES on cassette and laserdisc with new digital mastering process. (P. 15)

customers because latter aren't really interested in a la carte and operators don't have to be addressable to offer them, Levin said. "This was the cleanest and simplest way to offer new program packages without regulation, he said. There are no regulatory barriers to prevent you from offering any new product at any price. Your problem will be to get the customer to buy them."

Going-forward rules could lower quality of programming options for subscribers but probably won't affect subscriber growth that industry has seen over last few months, TCI Pres.-CEO John Malone said Nov. 30 at opening general session of show. He said "higher quality channels" will end up on a la carte while cheaper networks will find carriage on basic and expanded basic tiers because operators can realize same per-channel return on channels that cost less. Despite FCC rate cuts, he said cash flow crisis "is behind us" as economy picks up and level of certainty rises marginally, but he said subscriber increases have nothing to do with cuts.

Ted Turner, chmn. of Turner Bestg. System, said going-forward has offered "some relief" and noted that most of industry is reacting only to Commission press releases, hasn't seen actual rules. Viacom's Jonathan Dolgen said rules seem irrelevant to content-driven industry because they focus on number of channels offered, not necessarily their content: "It's a strange box... It seems like an odd way to think about content." U S West Chmn. Richard McCormick said rules are only part of "rampant incrementalism" of FCC's gradual amending of rules since 1992 Cable Act marked by "little changes and lots of very big questions." He predicted "long, agonizing process" if trend continues but said U S West still plans major play for video programming market share: "You ain't seen nothing yet."

Turner said FCC cable rules are "unworkable and unfair," especially to new networks trying to gain carriage, because existing programmers will stay on packaged tiers. Quality programming will survive regardless, he said, noting of his networks: "We didn't ask for being grandfathered." He said new networks shouldn't necessarily view movement to a la carte as bad news because "there can be room for advertising in an a la carte world" that will support new programmers despite lack of basic or expanded carriage. Key, he said, is how many channels subscribers will buy on a la carte basis: "We can't ask people to pay \$50 for 150 channels when certainly they wouldn't want 100 of those channels."

Operators remained concerned that FCC might step in sometime to regulate what it considers to be abuses of NPT plan, saying bankers don't feel there's enough certainty to finance upgrades. Levin acknowledged that there are "no regulatory certainties" as to what might happen in future but said Commission has no intention of regulating such services. Best way to assure that no consumer backlash leads to regulation, he said, is to maintain good relations with subscribers. Some operators are proposing 15-25% surcharge on cable rates to pay for future system upgrades. Levin didn't dismiss proposal, but said that would transfer billions of dollars from subscribers to cable operators and raise rates higher than before reregulation. However, he said, idea raises question whether FCC is doing enough to prevent telco cross-subsidies for video services.

Some cable operators may have trouble convincing customers to accept \$1.50-per-month rate increases allowed by FCC's going-forward rules, let alone additional revenue needed to pay for system upgrades and future services, according to panelists at CTAM conference. "The fundamental issue is the value-for-dollar perception," said U S West Exec. Dir.-Mktg. Strategy Scott Ferris. "Before you try to get more money, you have to go back to basics and add more value for the money that customers are spending now on basic and expanded basic." Ferris said it will be difficult for cable operators to increase revenue faster than inflation because telco's research indicates customers "don't feel good about the \$22 per month that they are spending now." Problem, he said, is partly because of bad PR, partly because of cable's history of "tweaking" every additional cent of revenue.

Increasing rates \$1.50 allowed by FCC is more palatable if current rate is \$22 rather than \$28, Continental Senior Vp-Mktg. Frederick Livingston said. Considering previous rate rollbacks required by Commission, he said he "hopes" consumers will accept going-forward rate boosts, but he's "not sure" because of expected competition from telcos and DBS. Most cable operators will have to take advantage of going-forward rules, Cablevision Systems Sales & Mktg. Vp Patricia Falese predicted: "For competitive reasons, they would prefer not to, but to finance the future they will have to."

There might not be much resistance to increases, Cox Programming Vp Robert Redella said. He said Cox research indicates customers aren't that upset with price/value relationship so MSO will implement hikes. Key, he said, is to "put value in [new program services] so it will be well received. Most of the industry will pursue the rate increases, and sooner rather than later." Time Warner San Diego Div. Pres. Ann

Burr said there "will be price wars" between cable and new competitors. She said Cox believes subscribers will accept higher rates if valuable programming is added at same time, but "the competition has to be at similar price points."

On brighter side, industry was told to use rate increases as opportunity. Cable operators should use local rate review process to explain their business to city officials and lay groundwork for more painless franchise renewal, said Susan Littlefield, pres. of National Assn. of Telecommunications Officers & Advisers (NATOA) and St. Louis cable regulatory administrator. She told attendees at Western Show panel that "it's the best opportunity you'll ever have" to improve municipal relations: "You can use rate regulation to continue this butting heads routine or you can educate cities about the economics of your business."

Lack of cooperation during review process can mar future franchise negotiations, she said, because city officials won't trust operators' claims: "You could probably solve all your franchise renewal problems now by being open and honest during the rate regulation process." In many cases, she said, city officials are unaware that many operators didn't track certain financial information before 1992 Cable Act and simply need assurances that records will be kept in future.

Cable must "work like hell" to get new networks on systems, QVC Chmn. Barry Diller said in CTAM keynote. He said new networks are key to countering new competitors and increasing perceived value of cable. Diller criticized impact of FCC cable rules, which he said essentially froze new networks for year: "The government sure hasn't been exactly helping. To sit around for a year and freeze programming was a very destructive act." He said QVC might have scaled back launch of its Q2 network if it had known cable rules were coming, calling combined impact of rules and competition from more than 100 proposed new channels "a true mess."

Diller said he remains confident about future of cable shopping networks, even though he plans to leave QVC soon: "Leaving QVC has nothing to do with how I feel about it." He told reporters later that he's departing because of likelihood that buyout would have him working for someone else instead of running own operation. Diller said he "will complete the agenda at QVC, and when I do I will turn to a new phase of my life."

Launching new broadcast networks is tougher now than when he started Fox, Diller said, because of high expectations for short-term success. He said planned Paramount and Warner networks would face difficult times: "I don't think anyone needs a 5th or 6th alternative that is just a clone of the existing networks. If that's all they do, then it's hopeless." QVC experienced 40% growth in sales over Thanksgiving weekend, compared with year ago, Diller said, indicating strong future of home shopping. He said Q2 needs about another 6 months to "work its way through" current problems, and QVC will launch on-line version of its shopping service by mid-1995.

MARKEY LOOKS TO MAINTAIN AGENDA IN NEW ROLE: Even though he will relinquish role as chmn. of House Telecom Subcommittee in next Congress, Rep. Markey (D-Mass.) expects that spirit of bipartisanship over last few years will allow for significant Democratic participation when Republicans take over, extending to issues such as cable regulation and TV violence.

Adjusting to new role as ranking minority member on Subcommittee, Markey said in interview that there will be great deal of work in first 3-4 months to achieve goal set by incoming chmn. Rep. Fields (R-Tex.) to pass legislation by Easter. Effort probably will be successful if "we work in cooperative fashion," Markey said. He said many policy goals he pushed, such as "advancing competition and generating technological change and consumer benefits," would fit into GOP agenda, as overwhelming votes on House floor earlier this year demonstrated. Markey said he expects that any legislation produced under Republican majority "will reflect the desire to have very large votes, majorities behind them."

Markey isn't conceding defeat on what could be most controversial issue to divide him and Fields -- cable price regulation. He was stern force in favor, Fields opposed. Asked how he thought that issue would turn out, Markey said issues would be decided by negotiation, and he was "very confident we [he and Fields] could work together. Jack is a close personal friend." Markey said he and Fields have discussed next year's agenda several times: "We have always tried to negotiate in a way that would leave each issue with all perspectives having been respectfully heard and reaching agreement. That's the intent he's going to bring and which I want to bring as a ranking minority member."

Two other issues he cares about, TV violence and privacy, will remain on his and Subcommittee's agenda next year because there's bipartisan concern, Markey said. TV violence "has an interest across the ideological spectrum" because there's "a real concern that cultural changes in our society as a result of TV programming are something that can't continue to remain as an undiscussed subject." He said he expects his V-chip proposal to remain prominent because it's "about technology, not about content." EIA is close to endorsing standard for chip, he said. In contrast, Sen. Pressler (R-S.D.), likely chmn. of Senate Commerce Committee, said he wasn't interested in TV violence issue.

Still unknown is who will serve on Commerce panel. Democrats will add 4 members to Committee under proposal that Republican caucus is likely to confirm next week. That's because Republican leadership decided to keep committee at 44 members, and many Democratic vacancies were left by retirements and defeats. Current ratio is 27 Democrats to 17 Republicans, next Congress will be 24 Republicans to 20 Democrats. Republicans will add 8 seats to committee -- 7 new and one to compensate for retirement of Rep. McMillan (R-N.C.).

There are couple of twists to how story will play out. Many new Democrats will be unfamiliar with committee's issues, but not because they're junior members. With Democrats losing 10 seats on Appropriations Committee and 5 from Ways & Means, many senior Democrats will be looking for new assignments, and Commerce is inviting target. Markey said Democratic leadership is looking at precedents from last 100 years to guide committee assignments. Some factors may involve whether senior Democrats served previously on Commerce panel and, if so, whether that would count toward placing them on again. One Hill veteran said Democrats probably would put at least one freshman on panel, leaving 3 spots for veterans.

There's also possibility that Rep. Tauzin (D-La.), who's on Commerce Committee, could switch parties in next couple of weeks, which would mean another seat for Democrats, one less for Republicans. Tauzin presents some touchy issues. He has more seniority than any Republican on committee and might want subcommittee chairmanship in return for switch -- move that might not sit well with current Republicans who want to be subcommittee chmn. There's good possibility that Commerce Committee will eliminate Consumer Subcommittee now chaired by Rep. Collins (D-Ill.), leaving only 4 subcommittees and 4 chairmanships. Some Republicans see Tauzin as more valuable where he is, providing conservative influence on Democrats and cover for bipartisan initiatives. If he switches, chances are that more liberal Democrat will take his place. Details of switch would be worked out with Republican leadership, with whom Tauzin already has met.

House Commerce Committee will lose about 6 relatively minor areas of its jurisdiction under Republican reorganization, but none is related to telecommunications. Rep. Dreier (R-Cal.), who's leading GOP transition on committee structure, said Dec. 2 that Committee also will be renamed, with Energy portion of title (Energy and Commerce Committee) to be dropped. Dreier said Republicans also will end practice of referring bills to more than one committee, thus giving Commerce sole domain over telecommunications, rather than having it share authority with Judiciary Committee as in past. Transition recommendations will be approved this week.

There was no indication that new Judiciary Committee Chmn. Hyde (R-Ill.) shared telecommunications interests of current Judiciary Committee Chmn. Brooks (D-Tex.), but now situation will be more firm. That development should help RHCs, which often found Brooks supporting positions taken by interexchange carriers and hostile to RHCs' interests.

Cable customers are willing to pay \$29 per month for package of existing cable offerings, plus interactive services, according to survey of 1,264 subscribers commissioned by Hewlett-Packard. Of 28% of nonsubscribers, 47% said they would sign up for cable just to receive interactive services while 68% of existing cable subscribers said they would buy interactive services. Most respondents said they preferred to receive interactivity over TV (45%), not PC (16%), and 39% had no opinion.

Interactive Network (IN) announced that it has formed subsidiary RealTime Gaming Systems to handle "remote gambling" ventures. IN said it will license all software rights to RealTime to use in off-track betting, lotteries, "games of chance worldwide."

TV Guide On Screen and SkyConnect announced joint effort to configure all latter's servers to support On Screen Channel, TV Guide On Screen's new digital program guide. SkyConnect will develop custom hardware-software allowing it to digitize and store video at Englewood, Colo., hq and transmit to servers at cable headends while controlling playback from remote location. TV Guide On Screen is joint venture of TCI and TV Guide.

Emcee Bcst. Products said it has developed Direct Digital Synthesizer that improves wireless cable reception twentyfold "in locations previously prone to increasingly common co-channel interference." Company said device works by synchronizing interference and picture's horizontal lines, making "undesirable artifacts" less visible.

INSPECTOR RAPS FCC ACCOUNTING: Accounting practices at FCC are so poor that it's hard to tell whether agency is financially healthy, FCC Inspector Gen. said in highly critical audit issued Sept. 30. As result of problems highlighted in audit, Chmn. Hundt recently announced that FCC plans to terminate contract with govt. financial center that has been handling accounting. Commission will move from National Finance Center, operated by Agriculture Dept., to Federal Financial System, run by Dept. of Interior, on Oct. 1, 1995, start of next govt. fiscal year.

In Nov. 23 letter that accompanied release of IG's semiannual report, Hundt said: "The financial system... of which our Inspector General is critical is used by more than 40 federal agencies... The problems cited in the IG reports are due to weaknesses in the National Finance Center's accounting system and are beyond the control of the FCC." He said that during transition to new accounting system "we have the necessary procedures in place to ensure that there are proper controls over the expenditure of all FCC funds."

IG report looked at FCC accounting procedures through Sept. 1993 but auditors said situation would be same for current books. Audit by outside firm Navarro & Assoc. found agency's accounting practices aren't in compliance with General Accounting Office requirements. Among most damning comments was that auditors couldn't tell whether FCC was operating at deficit. Report said that in mid-1993 it looked as though Commission had used more money than had been appropriated. IG Audits Dir. Paul Brachfeld said that by end of fiscal year in Sept. 1993, it appeared that agency didn't operate at deficit. However, he said, report's point was that accounting practices were so loose it was hard to tell. Report said: "The FCC's general ledger was determined to be unauditible, which means that there was insufficient documentary evidence to permit an auditor to formulate an opinion."

FCC Managing Dir. Andrew Fishel emphasized in interview that agency doesn't rely solely on general ledger -- target of IG review -- for funds management, so problems cited by IG don't have any real "operational impact." He said that Commission over years has developed "rather elaborate" backup system to account for spending because it doesn't get proper documentation from National Finance Center. IG report referred to that backup system as "cuff-record system" that's equivalent to person keeping track of spending by writing check amounts on little pieces of paper to be entered later into checkbook. Report was signed by Inspector Gen. James Warwick, who recently retired. Walker Feaster, managing dir.-program analysis, now holds post on acting basis. Fishel said only 5-10% of FCC's \$185-million budget is at issue because rest is staff salaries and costs such as rent that are taken out directly by General Services Administration.

Telmex agreed to buy 49% of Cablevision unit of Televisa in Mexico City for \$211 million, subject to Mexican govt. approval. Telmex said joint venture will focus on improving cable services. Acquisition comes as Mexico faces 1997 breakup of monopoly when Telmex's hold on long distance markets ends. Cable unit of Televisa, near-monopoly in TV market, has 220,000 subscribers. Analysts said Telmex could pick up business as cable customers dial in for pay-per-view services.

Electronics, Missiles & Communications (EMC) has started trading under symbol ECIN on NASDAQ. EMC had income of \$842,000 for quarter ending Sept. 30.

SPIELBERG STUDIO JOINS WITH CAP/ABC: Cap/ABC has formed \$200-million partnership to create new TV programming studio with production entity recently established by producer Steven Spielberg, former Disney Studio Chmn. Jeffrey Katzenberg and recording executive David Geffen (SKG). Ownership and financing will be on 50-50 basis -- half from Cap/ABC, half from the others -- with first investment \$100 million from each. Agreement is for 7 years.

Cap/ABC Pres. Robert Iger said new studio will operate as "separate independent entity," with senior executive, yet to be named, overseeing day-to-day operations. ABC spokeswoman told us new studio will be exclusive TV production outlet for Spielberg partnership, which hasn't announced new name pending trademark search.

Iger said studio will create original programming for "TV networks, cable services and original product for first-run syndication, as well as other media." He said studio will develop programming for all parts of broadcast day, including made-for-TV movies and miniseries. ABC TV Network Group Pres. David Westin said: "We have committed considerable resources to developing product for our own prime-time schedule. Now we can broaden that effort to include programming for our entire schedule, as well as for our owned stations and network affiliates."

Spokeswoman said new studio will have option to sell programming to other networks, and while ABC currently doesn't have formal right of first refusal with new studio, network "realistically" will make extensive use of its programming. She said new studio will "expand our programming options" and ABC will continue other program production efforts, such as its owned ABC Productions and joint ventures.

AT&T Network Systems signed agreement with 2.5-million subscriber Cablevision Systems to provide digital technology for enhanced pay-per-view and video-on-demand services by mid-1995. Contract could be worth \$100 million. Cablevision is testing digital service, cable network and digital settop boxes in L.I. area, company said. AT&T will deliver video server software developed by Interactive Digital Solutions, joint venture with Silicon Graphics, and digital home terminals for first 20,000 customers. Companies said AT&T technology will allow Cablevision to encode video into MPEG-2 packets using compression and send packets to interactive server for later playback. Cablevision said video offerings will expand to include interactive entertainment, information, advertising and transaction services. Most of Cablevision customers are in N.Y. region.

FCC AM Branch has received 16 petitions for reconsideration from stations not included among 79 authorized for move to expanded AM band 1605-1705 kHz. Common complaint was from stations that received high rankings on Dec. 3, 1993, preliminary list but were removed from final list because of interference with other stations or conflicts with Mexican, Canadian and Region 2 agreements. Bureau provided 30-day appeal period for stations not selected.

Digital Equipment said it's working with following vendors to implement program to ensure compatibility between its media server and 3rd party set-top boxes: Apple, Compression Labs, General Instrument, GoldStar, Mitsubishi, On-Line Media, Philips, Samsung, Scientific-Atlanta, Steller One Corp., Zenith.

NBC CHALLENGES FOX FOREIGN OWNERSHIP: NBC continued challenge to Fox TV station ownership by petitioning FCC Nov. 30 to begin rulemaking on foreign ownership policies and to delay action on Fox applications while procedure is pending. NBC contended that 99% equity interest in Fox held by Australian company News Corp. violates ban on foreign ownership of more than 25% of U.S. broadcast station, charge rejected by Fox.

NBC petition said: "If the rules on foreign investment and foreign ownership change, then they should change for everyone, not just for Fox... Any change of policy should be made on the basis of a full record, open to comment by all broadcasters and the public."

Fox Network Distribution Pres. Preston Padden responded: "Fox fully disclosed its ownership structure to the FCC in 1985, the structure was approved by the FCC and the structure was implemented by Fox exactly as described in its FCC application." Fox said Chmn. Rupert Murdoch, now American citizen, holds 76% capital stock and voting control of Fox, and has "de facto control" of News Corp., owning 30%.

NBC previously filed petitions to deny Fox purchases of WTXF Philadelphia and WFXT Boston and Fox-backed SF Bestg. (SF) purchase of WLIK-TV Green Bay on ground that Fox passive investment in SF should be attributed to Fox, causing it to exceed 12-station limit (TVD Nov 28 p7, Oct 3 p3). NBC also raised alien ownership issue in petitions. [Subject to commissioners' approval, Mass Media Bureau Chief Roy Stewart is expected to write Fox this week seeking more information in answer to NBC's complaint.]

Fox filed opposition Dec. 1 to NBC's Philadelphia petition. NBC had urged FCC to first resolve its charges that Fox-backed SF Bestg. station purchases should be attributed to Fox ownership limits. Fox said: "It is well established that the Commission will process and grant applications notwithstanding the pendency of related rulemakings and other similar proceedings. Neither of the 'issues' raised by NBC provides any justification for denial of the WTXF assignment application."

Decision on NAACP complaint about Fox foreign ownership (TVD Nov 29/93 p9, June 20 p3) had been expected this fall, but FCC sources wouldn't comment on whether decision was ready for release or whether NBC petition would delay it further.

FCC staff is preparing 3 rulemaking notices (NPRMs) involving TV ownership rules for possible consideration at Dec. 15 meeting on: (1) Possible increase in station ownership limits and revision of duopoly rules. (2) Effect on attribution rules of passive investment, Limited Liability Company legal structures and same-market station Local Management Agreements and joint operating plans. (3) Expanded TV station minority ownership incentives. Agenda for meeting hasn't been set. One source said commissioners want to move forward with NPRMs and probably can't do that this month if they try to add issue of Fox alien ownership.

NBC petition complained that FCC has "tilted the regulatory playing field sharply in Fox's direction. Padden said: "NBC's real complaint is that strong competition from Fox is costing NBC an estimated \$100 million per year just to hold onto its affiliates." Fox source also said it was "ironic" that NBC wasn't complaining about fact that Murdoch's daughter, Elisabeth Murdoch, also American citizen, is 65% owner of 2 NBC affiliates -- KSBY (Ch. 6)

San Luis Obispo, Cal., and KSBW (Ch. 8) Salinas-Monterey, Cal.

NBC Gen. Counsel Richard Cotton told us network will consider appeals of any "ad hoc" individual FCC actions on Fox station applications, NAACP complaint or NBC's own petitions to deny Fox licenses if Commission doesn't deal with broader policy issues raised in rulemaking.

TELCOS WARNED ON ANTITRUST: If local exchange carriers continue to resist cable entry into local exchange business they could face antitrust action that could have as much impact on telephony as AT&T divestiture, warned Robert Atkinson, Teleport Communications Group (TCG) senior vp-regulatory affairs. As result, he said at Western Cable Show, cable should be able to enter widespread telephony within 2 years. Others said telcos wouldn't be ready for widespread video for 3-5 years.

Telcos' biggest roadblocks for cable telephony are interconnects and reseller fees, Atkinson said: "It's almost a refusal to deal." He said "the LECs that resist [cable entry] and the PUCs that help them are setting the industry up for the same kind of antitrust action that broke up AT&T."

Cable entry into telephony will be jump-started by "adequate federal legislation" by mid-1995, Alan Kurtze, Sprint senior vp-local distribution, predicted. Telcos, in contrast, won't have technical ability to deliver video to large number of customers for 3-5 years, he said. Despite that, telcos will match cable technology "over time," Kurtze said, so competition will be over which can provide best service.

Neither industry will put other out of business, Bell Atlantic Group Pres. Stuart Johnson predicted at Dec. 1 general session: "Five to 10 years from now there will still be a robust cable industry making inroads into telephony, and a robust telephone industry doing video."

Cable should be focusing more on return communications paths, rather than just adding capacity from headends to subscribers, said C.J. Brunet, First Pacific Networks chmn.: "All the [downstream] bandwidth in the world won't get the industry anything unless there is intelligence at the other end to provide equal capacity in the return direction." When upgrading to 750 MHz, he said, cable should allocate new 250 MHz for return channel, but many systems are being built with no return channels at all. Even if legislation opens up telco markets for cable, standards-setting process could delay service start for another 18-36 months, Brunet said. Only alternative, he said, would be to build cable systems from start to meet telco standards.

Scientific-Atlanta announced 1 GHz Multimedia Taps, new product family of RF cable taps that it said will better enable cablers to offer telephone service. System allows operators to: (1) Pass power, video, telephony and data over composite cable with coaxial and twisted pair cables in same sheath. (2) Transmit through fiber-to-curb architecture without Power Distribution Units (PDUs) by sending to Optical Network Units at curb that can serve up to 20 homes

A.H. Belo signed agreement for previously announced purchase of KIRO-TV (Ch. 7, CBS) Seattle from Bonneville International for \$160 million cash (TVD Sept 19 p3). Spokesman said plans are for station to be independent. CBS is switching to KSTW (Ch. 11, Ind.).

SMALL OPERATORS SEE COMPETITION NEAR: Small cable operators "should act as if we already have competitors right next door to us right now" because they may face full competition in 2-3 years and "that's today in our business," said Robert Erickson, Summit Communications senior vp-finance and administration. Speaking at Western Cable Show, he said small systems must start promoting their strengths now, not only to compete with current threat of DBS but to prepare for telco entry. Local broadcast carriage is obvious cable advantage, he said, but small operators should increase that margin by pushing franchisers to require microwave transmission of broadcast stations out of normal range. Requirement allows operator to pass through costs under FCC rules.

Upgrades are difficult for small systems, not only because of cost but also because many rural franchise contracts are "antiquated and boiler-plated documents" drafted without competition or new services, said Brad Anderson, gen. mgr.-CEO of Cable Co-op of Palo Alto, Cal. He said key is for small operators to start "looking at the information superhighway in small, incremental chunks" and trying to stay slightly ahead of competitors in service offerings. Obtaining capital for upgrades is especially hard for smaller companies, with U.S. Bank Vp David Westburg saying operators usually need about 4-5 times debt-to-cash-flow to qualify. He urged highly leveraged small systems to pay down debt now or they won't be able to compete, with result that "there's kind of nowhere to go except maybe a sale." Westburg said Small Business Administration (SBA) will guarantee 85% of loans up to \$750,000 but said that's often not enough security when requests are for millions of dollars. Another problem, he said, is that SBA requires small operators to have tangible net worth before backing them, which he said is hardly ever case. He called on Small Cable Business Assn. (SCBA) to lobby SBA to change policy.

Despite some roadblocks, panelists agreed, small cablers will remain intact in competitive environment if they change with times. Erickson said upgrading to fiber, though expensive in short term, has long-term cost benefits such as lowering maintenance costs by reducing need for some headends and microwave feeds, decreasing outages. He said price of fiber is going down, which means rebuilds "are becoming more financially viable every day."

National Cable TV Cooperative Vp Frank Hughes said DBS "scares me... I've talked to many members who are concerned about it" but said there are "still many opportunities left." Anderson said DBS threat forced his company in Palo Alto to end policy of charging \$500-\$1,000 to wire unpassed homes because that's what people would pay for DBS installation: "Now we eat the cost."

Viacom will purchase WSBK-TV (Ch. 38, Ind.) Boston from New World TV (NW) as expected (TVD Nov 7 p6) for \$100 million and will affiliate station with United Paramount Network debuting in Jan. NW is selling WSBK-TV and KNSD (Ch. 39, NBC) San Diego, to stay within ownership limits. Viacom is negotiating sale of 5 major network affiliates (TVD Nov 7 p1) and is expected to purchase additional stations to affiliate with Paramount.

Independent Telemedia Group, following up on purchase of digital video file server networking company, SkyConnect (SC), will buy Ad Systems (AS), supplier of switching components for SC system. AS provides PC-based products allowing cable systems to insert local ads in cable network programming.

Times Mirror's Dimension Cable Services (DCS) must refund \$1.2 million plus interest to 107,000 Orange County, Cal., subscribers, FCC Cable Services Bureau ruled. Bureau had received 23 rate complaints from subscribers. Average payment of \$11.25 per subscriber is to begin 30 days after approval of refund schedule, which is to be submitted to FCC and local franchising officials by Dec. 20. Schedule must involve payment within 6 months of approval. Bureau said DCS rate card unreasonably exceeded Cable Act benchmarks. Times Mirror spokeswoman said company believes its increases were permissible, is considering appeal. Meanwhile, DCS a la carte pricing for Rancho Palos Verdes, Cal., system was approved by Bureau last week.

Disney Channel received waiver of FCC notice provisions on scheduled addition of channel to cable programming service tiers (CPST) before Jan. 1. Unnamed MSO planned to add channel to CPST on Dec. 31, leaving insufficient time to notify subscribers under FCC rules. Waiver said permission to notify subscribers via newspaper ads and on-screen announcements, rather than in billing statements 30 days in advance of change, wouldn't harm subscribers because of "limited circumstances [and] transitional nature of... request." Disney Channel hopes to reconfigure itself from per-channel offering to more widely distributed CPST service.

FCC accepted 30 applications for interactive video and data service (IVDS) licenses from July 28-29 auctions (TVD Aug 22 p4, Aug 1 p1), according to notice Nov. 29., adding to initial list of 460. Commission said applications have been accepted for 83% of licenses offered at auction (490 of 594) covering 96% of available markets (285 of 297). Agency's investigation continues on possible misconduct by winning bidders who defaulted on required down payments (TVD Sept 5 p4).

FCC holds demonstration of new Emergency Alert System (EAS) digital equipment at hq 9:30-11 a.m. Dec. 13, Rm. 856. New system was adopted last month (TVD Nov 14 p6). From 1-4 p.m., there will be open meeting to discuss system with FCC EAS office, Laurel Lab staff and experts from National Weather Service and Federal Emergency Management Agency.

Turner Educational Services (TES) will create interactive educational programming based on CNN Newsroom and Adventure Learning. Material will constitute part of L.A. Project interactive educational, sports channel sponsored by ACTV, TCI's Prime Ticket Network, Western Communications's Ventura County Cablevision.

Russia is privatizing 49% of state-owned Ostankino TV network, retaining 51%. Itar-Tass news agency said President Yeltsin wants network to be "more responsive to public demand." Govt. will designate 12 shareholders representing 49% stake. Name will be changed to Russian Public TV Feb. 1.

Shaw Communications, Edmonton, Alta., announced technical trial of V-chip intended to limit access to violent programming. Experimental viewer control chip, combined with program rating system, would allow TV viewers to block reception of programs they deem inappropriate.

TNT and Cartoon Network have been banned from Belgian cable pending interpretation of European Union (EU) rule requiring TV stations to show majority of EU-made programming. TNT airs in Scandinavian countries, U.K. and Netherlands, has been barred in France.

Time Warner affiliate Oceanic Cable filed unusual complaint at FCC against GTE Hawaii Nov. 30 for what it charged was "thwarting competition" through its control of telephone poles. Case is distinctive because complaints involving pole attachment rates usually involve dry, accounting questions of whether rates conform to FCC formula. Oceanic is charging that ever since affiliated Time Warner company -- Oceanic Communications -- began competing with GTE in Hawaiian telephone market, GTE has asked for massive increases in pole attachment rates and made it harder for Oceanic to attach. Oceanic said that GTE recently raised annual pole attachment rate 60% (to \$9.32 from \$5.80 per pole) and duct rental rate 550% (to 91¢ from 14¢ per ft.). Oceanic said: "GTE appears to have inflated the component factors in the statutory pole attachment rate formula." In addition, it said, GTE policy changes have made it harder to attach. For example, GTE no longer lets Oceanic attach its equipment to GTE poles while formal written approval is pending. Oceanic said policy was changed in May, one month after it filed application with state for permission to provide intrastate digital private line service in competition with GTE. GTE for first time in 23 years also recently denied pole attachment application and ordered equipment removed. Complaint said GTE officials confirmed in discussions with Oceanic executives that "an extra amount of care" will be taken in looking at future pole attachment applications now that 2 companies are competitors.

Field Testing Task Force (TF) of Advisory Committee on Advanced TV Service will divide 1995 live video/audio transmission tests of Grand Alliance HDTV prototype system into 2 phases, about one month each. TF Chmn. Jules Cohen said lab testing is expected to be completed in early May, after which equipment will be delivered for over-air testing in Charlotte in June and July. At Washington meeting last week, TF decided first phase will involve "general performance verification" of live video and audio reception at 60 sites (40 outside, 20 inside), similar to bit-rate transmission tests TF successfully conducted in Charlotte in May and June (TVD Sept 19 p5). Second phase in July will concentrate on measurement and evaluation of "complex multipaths" (echoes and ghosting) in digital signal transmission. Task Force will prepare separate reports of each phase for Advisory Committee Systems Evaluation and Testing Committee. Advisory Committee Technical Subgroup will discuss 3 major items at meeting in Washington Dec. 7: (1) Finalization of GA system performance specifications. (2) Review of methodology prepared by Advisory Committee Spectrum Utilization Committee for selection of TV spectrum frequency allotments. (3) Review of White Paper on HDTV multiple channel transmission capabilities being prepared by Ad Hoc Advisory Committee panel (TVD Oct 10 p7).

FCC's Wireless Telecommunications Bureau went into operation Dec. 1 with 7 divisions: Auctions, Commercial Radio, Customer Services, Enforcement, Licensing, Policy, Private Radio. Chief Regina Keeney said Bureau "will work to foster efficiency and innovation in the allocation and licensing of the electromagnetic spectrum."

Bell Atlantic's video test in Toms River, N.J., will feature Prevue Channel as part of initial offering by FutureVision of America. FutureVision-Prevue operation will begin when FCC approves launch of video dial tone (VDT) test, probably in first quarter.

Paramount's WDCA Washington, KTXH Houston and KTXA Ft. Worth-Dallas have joined NAB.

United Paramount Network (UPN) said it added 11 new primary affiliates and 11 secondary, raising total to 94 markets (62 primary, 32 secondary) covering 76% of U.S. TV households, and expects to have 115 affiliates (80%) by Jan. 16 launch. At start, UPN will program 8-10 p.m. Mon. and Tues.: Star Trek spinoff series, Voyager, and 2 half-hour comedies, Platypus Man and Pig Sty, Mon.; 2 one-hour adventure series Marker and The Watcher on Tues. Additional one-hour drama has been ordered. New primary affiliates: WSBK-TV (Ch. 38) Boston; WRBW (Ch. 65) Orlando; WTVX (Ch. 34) Ft. Pierce-Vero Beach, Fla.; WNYS (Ch. 43) Syracuse; KRLR (Ch. 21) Las Vegas; WAP (Ch. 30, LPTV) Kingsport-Johnson City-Bristol, Tenn.; K62DW (LPTV) Lafayette, La.; KNKT (Ch. 6, LPTV) Junction City, Kan.; WFND (Ch. 47, LPTV) Lima, O.; new stations in New Orleans and Waco whose call signs will be announced at station sign-on. New secondary affiliates: KDNL-TV (Ch. 30) St. Louis; WLFL (Ch. 22) Raleigh-Durham; WTTE (Ch. 28) Columbus, O.; WOOD-TV (Ch. 8) Grand Rapids; KRQE (Ch. 13) Albuquerque; WDKY-TV (Ch. 56) Danville, Ky.; KPTM (Ch. 42) Omaha; WPXT (Ch. 51) Portland, Me.; WGKI (Ch. 33) Cadillac, Mich.; K68EB (LPTV) Yakima, Wash.; KMVU (Ch. 26) Medford, Ore.

Tempest on FCC's 8th floor has calmed with promise by Chmn. Hundt's office that background information on pending issues will be shared with other commissioners upon request. Comr. Quello had complained that papers prepared by bureau staff to help Hundt make decisions were specifically denied to other commissioners. In memo to Hundt last week, Quello said so-called theory-in-case memos, which present legal background and economic analyses of pending issues, were made available to bureau chiefs and other staff members but denied to commissioners. Last straw was memo by Common Carrier Bureau with cover note that said memo was "for use by the Common Carrier staff and the chairman's office" but "it would not be circulated to the eighth floor," where all commissioners have offices. Problem has been simmering for 6 months, during which Quello's office has requested several such documents from bureaus and been told that they weren't permitted to give them to Quello. He said he doesn't expect all of chairman's documents to be shared with others, but it's odd when they're made available to almost everyone at FCC except other commissioners. Staff member in another 8th floor office termed dispute "a misunderstanding."

Federal govt. policies on electronic media are "seriously flawed" and new ones need to be developed for broadcasting, cable and telcos, according to Annenberg Senior Fellow Henry Geller. He will release paper -- "1995-2005: Regulatory Reform for Principal Electronic Media" -- at Dec. 9 colloquium, 9 a.m., Annenberg Washington Program, 1455 Pa. Ave. NW, Washington. Participants include Henry (Jeff) Baumann, NAB exec. vp-gen. counsel; Washington attorney Erwin Krasnow and David Moulton, staff dir., House Telecom Subcommittee -- Lisa Spodak, 202-393-7100.

TvB Oct. sales survey for group-owned stations showed ad sales increased 24.2% from year earlier (26.7% for major network affiliates, 16.5% for Fox affiliates and independents). Local ads gained 17.7% (18.7% for majors, 14.6% Fox/independents) and spot sales 32.9% (37.6%/18.8%).

Arbitron NewMedia will conduct 4,000-sample study of consumer "attitudes and interests in potential new media offerings," including interactive TV, DBS, on-line services. Results will be available in Feb.

Personals

Mark MacCarthy, former Cap/ABC vp, joins Wexler Group lobbying firm Dec. 5 as exec. vp, replacing Joseph Waz, now at Comcast... Ellen Schmed advanced to vp-govt. affairs, Viacom Washington office... CBS News Pres. Eric Ober signs new 3-year contract... John Nuzzi promoted to dir., affiliate promotion, Fox Bestg... Gerry Farrell promoted to exec. vp-mktg. & strategic planning, Twentieth TV... Kevin Tannehill, ex-MTM TV Distribution, appointed senior vp-network distribution, United Paramount Network... FCC schedule: Meredith Jones, chief, Cable Service Bureau, attends INTV/NATPE Convention, Las Vegas, Jan. 22.

Named to NAB boards: Preston Padden, Fox Bestg. pres.-network distribution, will serve in new Fox network seat on TV board; Michael Fisher, KXTL Sacramento-Stockton, named to new TV board seat; Eric Hauenstein, Jones Satellite Network vp-gen. mgr., named to network representative seat on radio board, replacing Mike Tyler... Henrik Jones, ex-Peach State CableVision, appointed InterMedia Partners dir.-strategic planning... Named to AP Bestrs. board: Ron Becker, dir.-news operations, New Vision TV, Atlanta, and news dir., WECT Wilmington, N.C.; David Coppock, pres., Colonial Bestg., Montgomery, Ala.; Adrienne Laurent, asst. news dir., KCCN-TV Monterey, Cal.; Bill Stakelln, pres., Apollo Radio, N.Y... New management team at CBS's WGPR-TV Detroit: Richard Bonsignore, ex-WBBM-TV Chicago, dir.-planning and administration; Kevin Cuddihy, ex-WCCO-TV Minneapolis, dir.-sales; Michelle DeSouza promoted to dir.-best. operations and telecommunications... Patricia Berny, ex-KTCA-TV St. Paul-Minneapolis, appointed assoc. dir.-corporate support-Santa Clara County (Cal.), KQED Inc., parent of KQED-TV-FM San Francisco.

Arthur Bilger, ex-Apollo Advisers, appointed pres., New World Communications... Karen Elliott promoted to vp-worldwide antipiracy operations, Universal Studios... Judy Fearing ex-Nabisco Foods, named senior vp-consumer mktg., ESPN... Scott Hochgesand, ex-Times Mirror Cable, appointed dir.-interactive games, Time Warner Orlando Network... Alan McGlade, Video Jukebox Network acting CEO, named permanent pres.-CEO... Lee Whittaker, ex-KBLCOM's Paragon Business Systems, appointed gen. mgr., Bresnan Commercial Div... Discovery Chmn. John Hendricks will be honored Dec. 6 as Communicator of Year by International TV Assn.

Moves at Group W Satellite Communications's Eastern Div., Central Region: Mark Zelenz, ex-Playboy TV, named mgr.; Meg Dunn promoted to affiliate representative; Ken Mullane, ex-Vitel, named affiliate representative... Promotions at Showtime Networks: Gwen Marcus to exec. vp-gen. counsel, Andrea Simon and Michael Ward to senior vp-deputy gen. counsels, Clara Kim and Kenneth Hershman to vp-counsels... Jeffrey Dawes, ex-Showtime, named dir.-strategic planning and corporate development, Graff Pay-Per-View... Judy Fearing, ex-Nabisco, named ESPN senior vp-consumer mktg... Lewis Shapiro appointed vp-product mdsg., America's Health Network... Angela Pumo, ex-NBC Cable, named Popcorn Channel CEO... Appointments at TCI digital compression service: Richard Fickle, ex-Netlink, vp-mktg.; Dom Stasi, ex-Request TV, vp-network video services... Christine Levesque, ex-World Cup USA, named Rainbow Programming Holdings dir.-corporate communications... Tim Krass appointed to head distribution and affiliate relations for Prime Ticket networks, to be renamed Prime Sports Jan. 1... Donovan Gordon, ex-HBO, named vp-sales & affiliate mktg.,

TELEVISION DIGEST

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Newnet and
Pre-casts and also may be received through facsimile service.

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

Copyright © 1994 by Warren Publishing, Inc. Reproduction in
any form, without written permission, is prohibited.

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
Daniel Warren Sr. Ed. & Assoc. Publisher
Dawson B. Nail Executive Editor
Arthur Brodsky Managing Editor-Washington
R. Michael Feazel Senior Editor
Edith Herman Senior Editor
Steve Geimann Senior Editor
Michael French Assistant Editor
Elena Lucini Assistant Editor
Mike Grebb Assistant Editor
Marcus Tonti Editorial Asst.

Television and Cable Factbook

Michael Taliaferro Managing Editor &
Asst. Publisher—Directories
Mary Appel Editorial Director
Richard Koch Asst. Managing Editor &
Asst. Editorial Director
Susan B. Woodruff Production Manager
Susan C. Seiler Senior Ed. & Ed. Supv.
Gaye Hogue Assoc. Ed. & Ed. Supv.

Market Research & Data Sales Division

Lynn Levine Director
Brian C. Meeley Assistant Director

Business

Brig Easley Controller
Gary Madderm Marketing Director
Gene Edwards Advertising Director
Betty Alvine Circulation Mgr.
Deborah Jacobs Information Systems Mgr.

NEW YORK BUREAU

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

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

CONTRIBUTING EDITOR, EUROPE

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

JAPANESE REPRESENTATIVE

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

- ☐ I'm interested in Television Digest With Consumer Electronics and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.
- ☐ The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to Television Digest With Consumer Electronics.

Signature _____

Name _____

Company _____

Address _____

City _____

State _____

Zip _____

Showtime SET Pay Per View... Randy Freedman promoted to deputy managing dir., Turner International Network Sales... Claude Wells, ex-HBO, appointed vp-affiliate relations, central region, Court TV.

OBITUARIES

Milton Shapp, 82, founder of Jerrold Electronics Corp. and ex-Pa. gov., died Nov. 24 of complications from Alzheimer's disease at hospital in Wynnewood, Pa. Private memorial service was held near Philadelphia Nov. 25. Before launching political career that included brief run for presidency in 1976, he was cable pioneer who built some of first systems in mostly mountain-locked communities. He sold Jerrold in 1966 for \$50 million, and was elected Pa. governor in 1970 after failed bids for U.S. Senate and Pa. governor's seat. He was credited as governor with balancing budget and starting statewide lottery. He is survived by wife, 2 daughters, son.

John (Jack) Booth, 87, media pioneer, died Nov. 11 of cancer in Grosse Pointe Farms, Mich. He purchased radio stations beginning in 1930s, built cable systems in Mich. and Va. He's survived by wife, 2 sons, 2 daughters.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

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

	NOV. 12-18	1993 WEEK	% CHANGE	NOV. 5-11	46 WEEKS 1994	46 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	750,095	725,236	+ 3.4	564,774	23,791,716*	21,632,304	+10.0
DIRECT-VIEW..	731,456	711,263	+ 2.8	553,889	23,262,408*	21,250,746	+ 9.5
TV ONLY.....	679,362	686,051	- 1.0	518,891	21,482,877*	19,979,684	+ 7.5
TV/VCR COMBO	52,094*	25,212	+106.6	34,998	1,779,531**	1,271,062	+40.0
PROJECTION...	18,639*	13,973	+33.4	10,885	529,308**	381,558	+38.7
VCR DECKS.....	397,016*	297,078	+33.6	211,832	11,351,198*	10,673,349	+ 6.4
CAMCORDERS.....	95,501*	64,556	+47.9	37,217	2,765,132*	2,645,092	+ 4.5
LASERDISC PLYRS	6,144	5,227 ^r	+17.5	3,763	243,791	249,927 ^r	-2.5

Direct-view TV 5-week average: 1994--737,800*; 1993--692,265 (up 6.6%).

VCR deck 5-week average: 1994--402,033*; 1993--315,217 (up 27.5%).

Camcorder 5-week average: 1994--86,370; 1993--80,929 (up 6.7%).

* Record for period. ** Full-year record. ^r Revised by EIA.

INTEGRATED GOOD GUYS/TOWER RECORDS STORE: Good Guys and Tower Records have signed joint operating agreement to open 62,000-sq.-ft. integrated hardware-software store in Las Vegas in first half of 1995 in trial which could be extended to other locations.

Two chains have collaborated before by operating "shared locations" in Cal. for several years. But warehouse-style Las Vegas store will be first formally to merge powerful Good Guys specialty audiovideo hardware and Tower software franchises into integrated shop, possibly with common checkout area and other shared elements, including merchandising setups affording opportunity for aggressive hardware-software product tie-ins. Many important details remain to be worked out. Financial analysts told us joint agreement stipulates separate lease terms and escape clause for each partner. For example, if either party should withdraw from arrangement, surviving tenant has right to reject new occupant.

We're told that common store will feature separate Good Guys and Tower selling areas and sales staffs, but that partners' intentions are to make lines of demarcation as transparent as possible to shoppers. Good Guys Pres. Robert Gunst declined comment for this report, but Tower Pres. Russ Solomon told us he envisions store that will be "more or less" composed of "2 separate operations," although "there won't be any wall." He said partners are studying ways "to ring up each other's sales" on merged computer systems. Analysts said store tentatively has been named "Wow!" but Solomon indicated partners still are trying to come up with common name. He confirmed analysts' reports that separate Good Guys and Tower identities will be maintained on signage and other materials. Besides maintaining separate work forces, Solomon said, sales receipt accounts will be kept separate.

Venture represents "nothing more than a natural extension of what we have been doing all along," Solomon told us. "When we've been able to share real estate in very close proximity to each other we've done it. Nothing really significantly changes except for little nuances and the fact that we won't have a wall." Solomon said that "it doesn't take much imagination to believe that a good hardware company and a good software company make good neighbors because we share the same customer." Asked if plan can be expanded to other markets, he responded that "we'll just figure out if it works and the only way you know if it works is to try it."

Good Guys-Tower venture has been subject of speculation for months. Biggest surprise was choice of Las Vegas site. Not only have chains collaborated on shared locations, but Solomon holds seat on Good Guys

board. It's also known that Good Guys enlisted help of Tower store planners in designing several of its new Seattle stores. Solomon indicated last week that Tower will occupy about 25,000 sq. ft. (40%) of selling space in Las Vegas store, Good Guys holding remainder. He said Tower's space allocation is consistent with size of new Tower outlets elsewhere in country that carry average inventory of 150,000 SKUs.

Sources familiar with plans said Las Vegas store will enable partners to "fine-tune logistics" before deciding whether to expand format to other markets. One analyst cautioned that formula planned for Las Vegas isn't destined to work in every market "and there are going to be places where Tower would like a record store and not an electronics store and vice versa." Another source said partners will face prospect of long learning curve because of cultural and "taste differences" between chains. "I'm sure there is promotional stuff that Tower pulls that Good Guys will roll their eyes at," for example.

ANOTHER TRY AT VIDEO GOGGLES FOR CONSUMERS: Latest attempt to create saleable consumer-oriented video goggles is being launched by Virtual I/O, Seattle company whose backers include cable giant TCI and computer input device manufacturer Logitech. Company, formed last year, plans to launch first product -- \$599 7-oz. general-use "i-glasses" capable of accepting variety of video inputs, including 3D programming -- through major consumer electronics retailers, catalogs and specialty stores in 1995 first quarter.

Company will offer \$200 head-tracking motion sensor as accessory for use with virtual reality-style games. In 2nd quarter, it plans \$399 "Gamer" unit designed specifically to be used with videogame systems, incorporating head-tracking device, although with lower-resolution LCD. Co-founder and Senior Vp Linden Rhoads said she expects 50 pieces of software incorporating head-tracking to be on market by end of next year.

Generically referred to by company as "personal display system" (PDS), "i-glasses" utilize pair of 0.7" color LCDs to create image that appears to float directly in front of wearer at equivalent of 11' focal distance -- "default" setting for human eye. Physically, glasses are of open-air design that allows wearer to see down and to sides, although "on-screen" image dominates field of view. They fit comfortably over eyeglasses and have stereo audio with speakers in earpieces. Model demonstrated for us last week at Virtual Reality Expo in N.Y. produced exceedingly comfortable viewing experience, although picture itself was slightly grainy. Demo unit used pair of 138,000-pixel LCDs sourced from Seiko Epson, but we were told production models would use 180,000-pixel displays. Devices will be manufactured domestically, although company declined to disclose specific locations. Rhoads said company could make 50,000 units in 1995 "if we had to."

Rhoads said company sees display systems as "gating" technology for range of applications in personal electronics, industrial and military areas. Personal electronics use requires extreme simplicity and comfort. "If you can't shove it on your head and have a good time, a safe time, then you're not there yet," she said. Aside from retail markets, she said company has gotten interest from in-flight entertainment industry. She noted that PDS holds significant advantage over seat-mounted LCDs for in-flight systems -- they can be removed easily for maintenance and repair without grounding plane.

TCI and Logitech have contributed much more than financial support, Virtual/IO said. Logitech was consulted extensively on industrial design of products and manufacturing. TCI is planning 500-unit test market with i-glasses, to large extent involving Sega Channel (in which TCI is major investor).

Road to in-home consumer market with video goggles has been far from smooth. Virtual Vision, Seattle company that created splash 2 years ago with video goggles at Consumer Electronics Show (CES), withdrew from retail markets in favor of commercial applications, earlier this year filed for bankruptcy protection (TVD July 25 p9). Meanwhile, Astounding Technologies, which showed goggle system at most recent summer CES (TVD June 27 p18), delayed planned launch from last Sept. until next April, which Sales & Mktg. Vp Bill Dunmyer blamed on inability to acquire key components on timely basis.

Sega, which got as far as demonstrating prototype of Genesis VR headset at June 1993 CES, now has bypassed Genesis platform and set its sights on creating model for 32-bit Saturn system. Spokesman said "the technology has been evolving so rapidly and the price points changing so quickly" that company set its sights farther into future to develop state-of-art product for new platform. Spokesman was noncommittal about details (timing, target price, status of software development) for Saturn VR product. He said much of early hardware development work was done by Sega and various subcontractors in U.S. (including Virtual I/O), but project has been sent over to Japan for completion.

LARGER SCREEN SIZES SHOW MOST IMPORT GROWTH: Imports of 21" and larger direct-view color sets -- 98% of them from Mexico -- totaled nearly 2 million in 1994's first 9 months, up 51.3% from same period last year, and constituted fastest growing major measurable segment of color TV import market. Total color imports rose 37.4% in period (TVD Nov 29 p8).

Imports of TV/VCR combinations passed million sets in 9-month period this year, but comparison with 1993 is unavailable because of changes in Commerce Dept.'s product categories this year. Malaysia was source of 509,100, nearly half of all TV/VCR imports, followed by Mexico with 334,000. TV/VCR combos also are assembled domestically.

Other major growth areas in direct-view TV were 20" (up 47.6%) and 19" (up 28.4%), with Mexico dominant supplier of both. Except for 4.4% increase in 13" category (once again dominated by Mexico), all other significant sizes were down. Only 135,800 projection TVs were imported -- 87% of those from Mexico -- representing about 1/3 of total supply here, indicating PTV is largely domestic assembly business.

Flat-panel color, presumably referring to LCD TVs, this year has moved to Malaysia, which supplied almost 72% of 403,100 total, up from 22.1% in 1993 period. Japan fell to just 24.6% of flat-panel color in 1994 from 73% in 1994. China continued as by far most dominant source of monochrome TV, its share remaining at 57% of declining market.

Here's table of imports by screen size and category for year's first 9 months, including comparisons with same 1993 period. Table is based on Commerce Dept. figures, which are subject to errors and misclassifications (for example, Commerce reported imports of 6,800 projection TV/VCR combinations -- but we know of no such product on U.S. market). In addition, some categories have been revised for 1994, invalidating direct comparisons with last year. In accordance with federal law, Commerce lists screen sizes in centimeters, resulting in some overlapping categories when translated to inches.

COLOR TV IMPORTS BY CATEGORY, FIRST 9 MONTHS

Size or Type	Total	% Change	% of Total		Dominant Source
			1994	1993	1994
8" & under.....	71,200	-35.6	0.6	1.3	Japan
9-10".....	372,300	- 9.9	3.1	4.7	Thailand
11-12".....	607,600	- 5.4	5.0	7.3	Mexico
13".....	2,588,900	+ 4.4	21.3	28.1	Mexico
14-15".....	44,700	+450.2	0.4	0.1	Thailand
16-18".....	9,600	-30.1	0.1	0.2	Thailand
19".....	2,879,000	+28.4	23.7	25.4	Mexico
20".....	1,995,700	+47.6	16.4	15.3	Mexico
21" & over.....	1,965,000	+51.3	16.2	14.7	Mexico
TV/VCR combos....	1,050,100*	**	8.6	**	Malaysia
TV/tape/radio....	49,500*	-63.7	0.4	1.5	China
Projection.....	135,800	**	1.1	**	Mexico
Unclassified.....	372,100	+572.9	3.1	1.5	Japan
TOTAL COLOR ...	12,141,400	+37.4	100.0	100.0	Mexico
Flat-Panel Color	403,100	-16.3	100.0	100.0	Malaysia
TOTAL B&W.....	1,426,700	- 6.0	100.0	100.0	China

* VCR combos may have been included in TV/tape/radio category in 1993.

** Included in other categories for 1993.

Figures are rounded.

JVC will establish representative office in Ho Chi Minh City, Vietnam, by year-end to expand marketing there. JVC was first to make color TV sets in Vietnam and is top brand there, but Matsushita, Samsung and Hitachi have projects or plans for serving that market of 72 million population (TVD Oct 31 p19, Sept 26 p13).

China produced 11,235,000 color sets in year's first 9 months, increase of 19.9% over 1993 period, Beijing said. Total TV sets produced in period were 21,596,000, up 6.5%, with b&w sets indicated at 10,361,000, down 4.9%.

Samsung will introduce its TVs with StarSight on-screen program guide at CES next month.

JUSTICE DEPT. PUSHES PROBE: Justice Dept. probe into pricing practices in consumer electronics (CE) and major appliance industries heated up again last week with reports that Whirlpool and Raytheon were cooperating with investigation.

Disclosure came as Whirlpool reported it would stop selling major appliances through Best Buy stores. BB, which signed agreement to carry Whirlpool rival Electrolux's Frigidaire products earlier this year, confirmed report and also said that its officials were subpoenaed by Antitrust Div. in November. Justice has declined to comment on possible investigation.

Actions confirmed our reports of last May that DoJ was focusing on both CE and major appliance industries in probe of possible discriminatory pricing (TVD May 16 p15). At that time, Matsushita confirmed that it had been contacted by Dept. as part of "civil industrywide investigation" and was cooperating. Matsushita Vp-Gen. Counsel Robert Marin said Fri. there "has been absolutely no change" in status since that report. Raytheon spokeswoman told Wall St. Journal that investigators requested information about company's minimum advertised pricing policy.

Internal Matsushita memo sent to company offices in Atlanta, Baltimore, Boston, Chicago and Cypress, Cal. in April said Matsushita's Legal Div. "requested and received" lists of "all your customers for audio, video, TV and car stereo that you bill within 6 MSAs [metropolitan statistical areas].

FTC investigation in 1990 and 1991 centered on Whirlpool, GE and Raytheon and involved suspicion that they were fixing prices on such products as refrigerators, ranges and dishwashers, Wall St. Journal said.

Federal Appeals Court in D.C. has denied request by Loral for rehearing in patent infringement suit against Matsushita. Appeals Court turned down request after upholding lower court ruling that Matsushita had valid sublicense from Philips for 2 patents covering CCD technology used in camcorders, copiers, fax machines, other electronic devices. Appeals Court upheld ruling in Sept. and rejected request for rehearing in mid-Nov. Loral originally filed suit in Sept. 1991 against Matsushita and 14 other companies, including several that sourced from Matsushita. Matsushita responded with countersuit in July 1992 alleging that Loral's patent infringement suit had cost it \$50 million in business. U.S. Dist. Court Judge John Martin, N.Y., ruled in Matsushita's favor in May 1993 and Loral appealed. Matsushita has claimed that it licensed technology through affiliation with Philips, which entered agreement with former Fairchild Camera & Instrument Co. in 1969. Loral obtained patents, both granted in mid-1970s, through purchase in 1989. Neither Loral nor Matsushita officials were available immediately for comment.

Federated Dept. Stores shareholders last week approved merger with R.H. Macy by vote of 94,359,789 to 1,427,862. Merger, which would pull Macy out of Chapter 11, still must be approved by creditors and U.S. Bankruptcy Court, N.Y., which has scheduled hearing Dec. 8 on Federated/Macy reorganization plan.

Correction: Marantz Video CD player planned for introduction at Jan. Consumer Electronics Show (TVD Nov 28 p12) is home deck and does not contain 4" LCD screen. LCD TV with 4" screen, as reported last week, currently is being shipped.

MATSUSHITA BUYS NOKIA CRT PLANT: Finland's Nokia, which plans to close German picture tube operations this month after failing to find partner or buyer, will sell tube-making assets to Matsushita Electronics Corp. (MEC), which plans to refurbish and restart facility to make up to 2 million color tubes annually.

Under letter of agreement, MEC will acquire tube plant in Esslingen and yoke plant in Straubing, including equipment and real estate. Addition of Nokia plant will bring Matsushita's overseas (non-Japanese) annual capacity to 8.2 million tubes. It currently makes 2.4 million per year in U.S., 1.2 million in Malaysia, 2.6 million in China. MEC, now owned by Matsushita Electric -- originally joint venture with Philips -- had about \$4.27 billion sales in 1993, of which 32% were CRTs, rest being semiconductors and lighting products.

Price wasn't disclosed. Nokia purchased Esslingen plant in 1988 from Alcatel, which had taken it over as part of former ITT consumer electronics operations in Europe. Plant was modernized last year at cost of \$36 million before Nokia decided to seek partner or buyer. Search failed, and Nokia announced last March that it was closing plant, which employs 2,100, at end of Dec. (TVD March 7 p12). Matsushita intends to restart production by end of March. Plant has been making about 2 million midsize and large tubes annually.

Nintendo expects net income in year ending March 31 to drop 20.5% to about 52 billion yen (\$530 million), although pretax profit is projected to decline only 9.6% to 104 billion yen. Company expects full-year revenues to plummet 27.2% to 340 billion yen. Nintendo's worldwide sales in first half ended Sept. 30 dropped 36.2% to 166.1 billion yen (TVD Nov 28 p15). Slump in export markets was reflected in fact that only 39% of revenue came from overseas, compared with 59% in same period year ago. U.S. accounted for 60% of overseas revenues (about \$390 million), Europe 35%, elsewhere 5%. Overall foreign business was off by 90 billion yen, Nintendo said. Profits also slumped in first half, although not as dramatically as sales. Company reported drops of 18% in net income to \$270 million, 16.4% in pretax profit, 18.5% in operating profit. Nintendo said average yen value in most recent half was 101.8 to dollar, 7 yen less than year-earlier period, which it said accounted for 3 billion yen of profit shortfall. Company said it has been making major effort to reduce inventories overseas rather than pushing new products into pipeline.

Technical standard for violence blackout in TV sets is expected to be approved by EIA this week. Despite continued implication by Rep. Markey (D-Mass.) that EIA has endorsed concept of "V-chip" (see report in Broadcast/Cable Section), EIA spokesman says its attitude hasn't changed: It favors voluntary efforts to block violent programs; if networks and stations choose to add antiviolence signal, "concerned consumers" are entitled to be able to choose sets with antiviolence feature (TVD Feb 7 p15).

THIS WEEK'S YEN RATE

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

HITACHI, TOSHIBA PROFITS UP: Hitachi and Toshiba followed other Japanese manufacturers last week in reporting sharp increases in consolidated profits for first fiscal half on virtually unchanged sales. Meanwhile, Go-Video reported big increase in profit and Curtis Mathes said its sales were up substantially in most recent quarter.

Hitachi reported 62% increase in consolidated net income and 23% boost in pretax profit on less than 0.2% rise in sales (see financial table). Consumer products category sales increased 5%, "notwithstanding tough price competition in audiovisual equipment" and hot summer in Japan that increased demand for air conditioners.

Information Systems & Electronics operation also enjoyed 5% sales increase due to growth in semiconductor sales, despite "lackluster" computer sales. Sales of Power & Industrial Systems were off by 5%, Materials and Others up 1%. Hitachi cited continuing "bleak environment" due to "sluggish pace of private investment and the rapid appreciation of the yen." Overseas sales rose 5%, while domestic sales were down 1% but nevertheless composed 77% of total.

Toshiba sales rose less than 0.05%, but net profits were up 98% from year earlier. All of gain was in overseas sales, which were up 11%, while sales on Japanese market fell 3.9%. Sales in "consumer products and others" category rose 5% to equivalent of \$7.113 billion (at \$1 = 98 yen), representing 31.5% of Toshiba's sales in 1994 period, up from 30% year earlier. Information, communication systems and electric devices sales rose 10%, while heavy electrical apparatus plunged 23%.

"Overseas markets were... (picking up rest of story at former 3rd graph)

"Overseas markets were generally favorable," Toshiba said. "Southeast Asia and China maintained their high economic growth rates; the U.S. remained firm, and the move to recovery in the European market continued." However, Japanese economy remained "subdued," and "continuing appreciation of the yen and the delayed recovery in capital investment by the private sector had a negative influence on overall results."

For full fiscal year through March 31, Toshiba projected sales increase of 3% to \$48.469 billion, pretax income rising 16% to \$1.071 billion, net income up 147% to \$306 million.

* * * * *

Go-Video reported 194% rise in net income in first quarter on 13% gain in sales, citing revenues from new 8mm/VHS VCR. Company credited "improved" gross margins tied to "better" product mix and "more favorable terms" from Samsung, which manufactures products. Go-Video Chmn. Roger Hackett said dual decks will gain "wider acceptance" in 1995 as result of "more popularly priced" line of VHS/VHS decks (TVD Nov 21 p14).

Curtis Mathes reported drop in net income in first quarter ended Sept. 30 to \$456,025 from \$476,722 year ago. However, sales jumped to \$26.6 million from \$18.5 million as company expanded dealer network to 400 from 125 Enhanced Electronics Corp. (EEC) outlets inherited when it purchased CM in Oct. 1993 (TVD Oct 18 p11). EEC since has been renamed Curtis Mathes Holding Co. New dealer network also is larger than 220 "active" dealers company listed in Sept. (TVD Sept 19 p18). CM has said it would introduce new line of audio components in early 1995 including CD players, cassette decks, amplifiers, speakers.

5 MORE JOIN WITH GENERAL MAGIC: General Magic (GM) drive toward creating de facto standard for personal communications gained steam last week with announcement that 5 more major consumer electronics and communications firms had taken stakes in company, most saying they had also signed licenses to incorporate GM technology into products.

In well-orchestrated series of news releases Nov. 30, Cable & Wireless, Mitsubishi, Northern Telecom, Oki and Sanyo announced investments in GM and intent to market products incorporating its Magic Cap and Telescript software technologies. Companies join Apple, AT&T, France-Telecom, Fujitsu, Matsushita, Motorola, Philips, Sony and Toshiba as GM investors. With latest additions, GM is gaining foothold with critical mass of hardware and service companies around world, although size of their investments and depth of their commitment couldn't be determined at this point. "I think there is real interest [by these companies] in Telescript and Magic Cap," said Yankee Group analyst Samuel May, but "only time will tell" whether new investors are doing anything more than hedging their bets in case GM technology actually becomes industry standard.

However, Paul Saffo, analyst with Institute For the Future, Menlo Park, Cal., called latest announcements "big deal" that signals broadening acceptance of Magic Cap and Telescript as "middleware" tools that enhance product areas in which each manufacturer already participates. He also noted that GM "was built from the ground up with this [alliance] model in mind. General Magic probably knows more about how to make alliances work than any new company out there."

Sony is only company with GM-based hardware already on market -- "Magic Link" personal communicator that went on shelves at more than 1,000 consumer electronics retailers in late Sept. at \$995 list (TVD Oct 3 p15). At same time, AT&T launched "PersonaLink" bundle of communications services that operate from Magic Link via internal 2,400-band modem or optional wireless pager card. Motorola is expected to market GM-based "Envoy" communicator in first half of 1995, and Matsushita showed what one analyst called "primitive" prototype of device at Comdex last month. Sony spokesman last week said that early sales of Magic Link are "consistent with our expectations," declining to be more specific.

International Conference on Consumer Electronics (ICCE), major technology meeting, will be held next year -- for first time without Summer CES as traffic builder. It's scheduled for June 7-9 at Westin Hotel O'Hare, Rosemont, Ill. (EIA's CES Specialty Audio & Home Theater Show will be held in Chicago June 17-19.) ICCE issued call for papers, due by Jan. 11. All CE areas will be covered, ICCE specifically mentioning such subjects as advanced TV, ghost-cancellation, image compression, recording technology, receivers and displays, interactive TV, home information systems, personal communications, digital audio, digital camcorders. -- Diane Williams, conference coordinator, 716-392-3862, fax 716-392-4397.

Gran Prix Electronics will introduce its first wireless microphone at Winter CES in Jan. along with karaoke machine packed with 45-min. videotape containing lyrics for 10-12 songs. Microphone, which uses FM receiver module that plugs into standard 1/4" jack and has 50-ft. range, will ship in spring at \$20. Karaoke machines will be available with videotape (\$59) or wireless microphone (\$120).

SONY IMPROVES VIDEO PICTURE: Columbia TriStar Home Video (CTHV) last week unveiled digital mastering process developed by parent Sony Pictures Entertainment that it says substantially enhances picture quality of videocassettes and laserdiscs.

Benefits can be experienced on existing playback equipment and won't add any costs to consumers. "We think these are the best masters... in the industry," CTHV Pres. Benjamin Feingold told trade press news conference at Sony Pictures studios in Culver City.

Feingold said process will improve recorded picture quality in 3 main areas: (1) Resolution will be greatly improved by reduction of visual "noise," producing better clarity and more detail. (2) Colors will be exact replication of those on answer print rather than approximation, producing color range much truer to filmmaker's vision. (3) Stability of image will be greater, with "significant" reductions in vertical "jitter" movement or "visual noise" because new mastering process is quieter than that of traditional master.

Demonstration using clips from *Wolf* and *Dracula*, among others, appeared to substantiate Columbia's claims. There seemed to be marked improvement in clarity, brightness and color over standard mastering process with new Sony technique. Feingold said all upcoming Sony Pictures Entertainment cassette releases and laserdiscs will be mastered by Sony's High-Definition Center using new process. Video duplication will continue to be handled by Rank Video Services America.

Main difference between current standard and Sony process is in methodology. Enhancement in processing before digital mastering, including improvements to camera that shoots master, is what sets Sony technique apart from others, executives said.

Columbia hopes new process ultimately will make its home video products more desirable and better value for consumer. But Feingold stressed he also hopes it will help strengthen industry as whole by encouraging others to develop their own improvements. In move in that direction, Columbia executives plan to hold "informational meetings" with company's rivals to introduce them to new process, Feingold said.

Columbia has opted not to target consumers with news of new process, instead choosing first to expose retailers. "We first want the benefit to flow through to the retailer," CTHV Domestic Exec. Vp Paul Culberg said.

Besides obvious advantages of new process, additional, though indirect, benefit also may result, CTHV International Exec. Vp Christopher Deering suggested. He said process may help combat video piracy because higher quality of tapes may serve as deterrent to those inclined to buy inferior pirated versions, as well as help make illegal duplications easier to spot.

Sony adds LCD projector, CPJ-100, weighing 3.5 lb., being pushed as portable and sold through Personal Video Div. at \$1,100 suggested list. Single LCD has 184,000 pixels, can use screens up to 100" (but 6" to 40" size is "recommended"). Light source is 55w halogen bulb with life of "up to 400 hours continuous use." Projector has built-in stereo speakers, no tuner. Available accessories are wide-angle lens attachment for shorter throw distance and worldwide AC adaptor.

TDK DISCRIMINATION SUIT: TDK last week declined to comment on age discrimination suit filed without fanfare in late Oct. by one of its high-profile executives, who charged company's practices have cost him "substantial" losses in earnings and caused him to suffer "mental anguish and distress."

Peter Dyke, who is still TDK sales staff mgr. and company's representative on EIA Consumer Electronics Group board, filed suit Oct. 26 in U.S. Dist. Court, N.Y.C., seeking reinstatement of back pay and other expenses and reassignment to his previous post of national sales mgr. Dyke, who will turn 57 Feb. 18, also seeks unspecified money damages "for the mental distress, anguish, pain and suffering" he has experienced "as a result of TDK's employment practices and activities." In addition, he asks declaratory judgment that TDK actions violated federal and state age discrimination laws.

In court papers, Dyke said he filed similar complaint against TDK last July with Equal Employment Opportunity Commission, but documents didn't specify outcome. Complaint said Dyke joined TDK as regional sales mgr. around Jan. 1983, advancing to national sales mgr. post year later. About 3 years ago, complaint charged, he was downgraded "involuntarily" to sales staff mgr. and replaced as national sales mgr. by Chuck Roth, who then was in his late 30s.

Dyke said his demotion was consistent with austerity plan announced in 1992 by TDK's Japan-based pres., Hiroshi Sato, to have "selected managers, age 50 and over, stay at home while drawing 90% of their salary." Demotion also marked "beginning of TDK's efforts to induce" him to leave company voluntarily, according to court papers. Continuing effort by TDK "to pressure" Dyke into resigning also manifested itself on April 1 of this year, when his salary, including regular bonus, was cut to \$60,000 from \$80,000 without "explanation or warning," documents said. During entire TDK tenure, complaint said, Dyke's "work performance has always been satisfactory."

Battery Technologies Inc. (BTI) reported expanded net loss to \$1.27 million in 3rd quarter from \$951,000 year ago. For 9 months to Sept. 30, BTI, which developed rechargeable alkaline battery for Rayovac's Renewal system, reported increase in net loss to \$2.7 million from \$2.3 million. License fees, commissions and royalties for 9 months increased to \$1.6 million from \$263,000. Also during quarter, licensee Pure Energy Corp. launched line of rechargeable alkaline batteries in Canada under "Pure Energy" brand. They're being sold as AA 4-packs and as kit with charger and 4 AAs.

Intentions to buy TV sets recovered in Nov. from slump in Oct., according to Conference Board. Preliminary Nov. results of its 5,000-household survey indicated 7.1% of families planned to buy new TV in next 6 months, up from revised 6.3% in Oct. 1994 and Nov. 1993. High for year was 8.5% in Feb., low 6.2% in July. Conference Board said consumer confidence in Nov. climbed to 4-year high, with index of 101 (1985=100), up 12 points from Oct.

Emerson is expected to announce joint venture this week that will lead to line of AV accessories under new brand name.

Sales of 25" TVs to dealers were up 13% in Oct. from year earlier, month when direct-view TV shipments rose 6%, according to EIA (TVD Nov 14 p13).

SHARP TO 12 TV/VCRs: Sharp, which entered TV/VCR market year ago, will add 25" and 27" models in 1995, Product Mktg. Mgr. Jon Lezon said. Company also has further delayed planned Jan. delivery of 2nd widescreen set, he said.

Sharp, which introduced its first 13" TV/VCR at Winter CES last Jan. and later added 20", for total of 4 models, will ship 12 models next year, Lezon said.

Line will include 13" (4 models, \$379-\$399); 20" (3 models including 4-head mono, \$449-\$499); 25" (4 models including 4-head mono, \$549-\$589); 27" (one 4-head hi-fi, \$899). Models will borrow many features from TV line including "child view limiter," technology that allows person to set amount of time child watches TV up to 10 hours in 30-min. intervals, Lezon said. Feature is set using 4-digit code that can't be defeated by turning off TV. TV/VCRs automatically stamp date, time and channel on videotape.

In widescreen, Sharp delivered 34W" in Nov. at \$3,499, but won't add promised 30W" until later in 1995 because of delay in procuring parts for set, Lezon said. Sharp, which is buying widescreen tubes from Thomson's plant in Italy, originally planned to deliver 30W" in June and 34W" in Aug. at \$3,499 and \$4,000, respectively. "We're going to continue it [widescreen] because we think it's a technology piece that we've got to show," Lezon said. "It's obviously not going to do big numbers for us, but we've got it and it's a nice complement to our line."

Core TV strategy will be similar to year ago, with continued focus on 25" and 27," although company will seek to add 31" and 35," said Lezon, who conceded that tight TV tube supply might delay plans for latter categories. "We think we've got to be in that business," he said.

TV lineup will include 13" (4 models, \$179-\$189); 19" (5 models, \$189-\$199); 20" (7 models, \$219-\$239 mono, \$249-\$269 stereo); 25" (8 models, \$289-\$319 mono, \$329-\$349 stereo); 27" (7 models, \$389-\$699).

Sets will contain "child view limiter," channel labeling, favorite channel features. Three 27" models add surround sound, S-video inputs and front A/V jacks, which also have been included in 13" and 19" units to accommodate videogames, Lezon said. Some models have mute function that switches to closed-captions and can be activated with remote control, he said. As for design, sets have rounded and beveled edges to give "work station-type feel to TV controls," he said.

Laserdisc dollar sales were up 20% in 3rd quarter over same period last year, according to Laser Disc Assn (LDA), and up 18% for first 9 months. Unit sales were up 15% for quarter, 10% for 9 months on 4.25% more titles. Growth over 2nd quarter was 10% in retail sales volume and 6.5% in units on 270 fewer units. Music and nontheatrical categories were particularly strong. Total of 1,963,755 laserdiscs were sold of 7,321 titles in 3rd quarter, up from 1,705,341 units of 7,022 titles year earlier. Retail dollar volume increased to \$82.9 million from \$69.3 million. Average price was \$42.21, up 3.9% from \$40.63 year ago.

Sony ad agency contest adds one finalist and drops another: Ogilvy & Mather, N.Y., is under consideration for \$30-million combined electronics account, along with 4 others (TVD Nov 21 p18). DDB Needham chose to drop out because of conflict of interest with Sharp, client of DDB affiliate Griffin Bacal.

MTC'S 3-WAY BATTLE: Future of MTC Electronic Technologies may hinge on annual meeting next week when shareholders choose between 2 rival slates of directors or vote to sell company outright.

Shareholders will choose between 7-member slates composed of MTC-endorsed directors including Mktg. Vp Robert Farr and one proposed by Grande Group, Hong Kong telecommunications company headed by Albert Ha. As 3rd option, MTC last week proposed that 3-member special committee of independent directors be appointed to study possible sale of company. Meeting is scheduled for Dec. 15 at Richmond, B.C., hq.

Meeting caps tumultuous year at MTC that saw 2 former executives, Chmn.-CEO Miko Leung and his brother Sit Wa Leung, fired and later charged in federal lawsuit filed by company in L.A. with improperly obtaining \$30 million (TVD June 6 p15).

But meeting also may signal change. Company is asking shareholders to approve renaming it SunTel and plans focus on telecommunications through joint ventures in China, spokesman said. Among those is agreement with Omni Corp. to acquire cellular phones to sell in China and establish own brand, SunTel.

Proposed move into cellular and paging is stark contrast to grand plans MTC once had. It proposed in 1989 building plant in Richmond to assemble large-screen color sets from Chinese chassis and American tubes and cabinets with capacity of 100,000 sets per year (TVD May 29/89 p18). MTC also was supplier of remote controls, cassette decks and boomboxes under own brand and on OEM market and sold videocassettes as well as One For All remote controls, brand since taken over by Universal Electronics. In 1993 Summer Consumer Electronics Show Directory, MTC listed its products as "blank videotape, TVs, VCRs and universal remote controls."

Since then, it has scaled back operations, closing warehouses this year in L.A., Toronto and Vancouver, spokesman said. Closings stemmed from MTC's move to overhaul operation to reduce inventories and cut overhead 50%, it said. Also nearly complete is shutdown of manufacturing facilities and "transferring equipment to contract manufacturers with larger economies of scale," company said.

TV is favored over PC for receiving interactive services via cable in 1,264-consumer survey by Hewlett-Packard (H-P) Home Products Div. Interestingly, "technologically sophisticated" consumers who own computers and other advanced consumer electronics products, preferred TV set to PC by 45% to 16% (39% "no opinion"). Average of all respondents showed 35% preferred TV, 19% PC, 47% didn't know. HP, which makes set-top boxes, concluded from survey that there's "extremely viable market for interactive TV" via cable, but that average household won't pay much more for interactive services than it pays now for cable.

Korea's Daewoo plans to open "worldwide chain of 1,000 small department stores" in several countries, featuring Daewoo products, including consumer electronics, as well as other items from Korean manufacturers. First store was scheduled to open in Nov. in Vladivostok, with 3 more due in Russia by year-end, 30 there next year and 100 in 1996. Additional stores are planned by 1996 in China and Southeast Asia.

JVC, HITACHI VIEW INDUSTRY: Video hardware had "very good year" in 1994 and digital/interactive era offers "seen and unseen opportunity," JVC Consumer Video Div. Gen. Mgr. Bill Sims told ITA Update Seminar.

This year's big numbers, however, came at "steep price," he said: "A reduction of average unit price requires manufacturers to sell more in order to increase dollar sales... Commoditization is affecting nearly every category [and] off-brand manufacturers are getting better and faster at duplicating the features of branded product, loading up their machines and bringing them to market at prices that keep our eyes open wide." However, he noted trend isn't confined to off-brands -- "we do it to ourselves, every season of every year."

Other concerns for future are "saturation levels of the CTV and VCR markets," Sims said, but outlook continues to remain good. In saying that VHS-C camcorder sales overtook 8mm in units this year, at 38% to 37% (TVD Nov 28 p12), he forecast that VHS-C would rise to 40% next year, while 8mm rebounded to 38%, with full-size VHS staying at 25%.

LCD and point-and-shoot models may be among types of product to "give consumers a fresh look" at camcorders to spark business and "dramatically grow" penetration from today's 22% of households, he said.

Sims forecast new interest in S-VHS VCRs, keyed to success of satellite broadcasting's better picture, predicting that ratio of super models would slightly more than double from today's 0.7% of total. In color TV, he said PIP models should remain at 9% of total sales.

Sims described as "an exciting introduction" the planned 1995 debut of Gemstar's Index Plus system, noting that "several manufacturers" will debut feature, but stopped short of saying JVC (which has Index Plus license) will have it next year.

While remarking that digital videodisc (DVD) will have "substantial impact" on video hardware industry, Sims said last week that his comment at ITA seminar didn't justify conclusion that it would constitute "future of video industry" as we reported last week. His exact words on DVD: "Also expected to be finalized soon is the standard for digital videodisc, with initial product releases soon to follow. The DVD will accommodate a full-length movie on a 5-inch disc with picture quality equal or superior to that available on laserdisc. This could, of course, have substantial impact on the entire video hardware industry." We regret the misinterpretation.

* * * * *

Hitachi Sales Vp Gary Bennett differed sharply with Sims' size-up of camcorder format race, predicting 8mm would be clear-cut winner next year with more than half of all unit sales. Even this year, he saw 8mm with double VHS-C's sales, at 50% for 8mm, 25% VHS-C, 25% full-size. For 1995, he forecast 55% of sales would be 8mm, 20% VHS-C, 25% full-size VHS.

Hitachi's sales of compact camcorders in 1994 tripled those of 1993, while its full-size models were up 23%, according to data released by Bennett. For 1995, he forecast 6.6% increase in industry sales of compacts and 2.7% in full-size, while Hitachi will experience growth of 39% and 19%, respectively.

Other Hitachi forecasts: Industry VCR sales up 6% this year from 1993, with 1% rise in prospect for 1995. Hitachi's

VCR sales were down 4% in 1994, but company sees 37% increase next year. Industrywide, hi-fi VCR sales rose 19% this year, 4-head mono 13%, while 2-head mono sales declined 16%, with forecasts of 5% and 6% increases in hi-fi and 4-head sales in 1995 and further 15% decline in 2-head.

Hitachi says its projection-TV sales rose 65% in 1994 and sees further 42% increase in 1995, as opposed to industry's 35% and 28%. Color sales rose 27% this year, with further rise of 60% anticipated next year, according to company data, as compared with 6% and 4% for industry. In large-screen sizes, industry sales of 35" sets are seen rising 19% next year after 11% increase this year, with 31" going up another 24% after 28% rise, 27" up 15% in 1995 and 16% in 1994. Hitachi says its sales of all 3 sizes rose 192% (35"), 127% (31") and 27% (27") in 1994 over 1993, with increases of 158%, 50% and 56% in cards for 1995.

W-VHS DISTRIBUTION CHANGE: First HDTV product on home theater market -- JVC-made W-VHS analog high-definition VCR -- has undergone sudden distribution change for U.S. market. Originally scheduled to be distributed by Sonance (TVD July 4 p15) and shown by Sonance as recently as Consumer Electronics Show (CES) Mexico in Oct. (TVD Oct 10 p14), it has been taken over by Captain N.Y., headed by HDTV program producer David Niles, which is importing machine.

Parting of Captain and Sonance apparently wasn't harmonious. "Without Sonance, we've been able to reduce the price" of recorder to about \$15,000 from \$21,500, Niles told us. He said Captain is establishing marketing and distribution network that will handle recorder and other products, including 7" and 9" tube video projectors built by Barco, enhancement system and accessories, as well as considerable library of high-definition programming. He said goal was about 50 dealers.

Quoted price of W-VHS recorder has yo-yoed since last June's Chicago CES, where it was given as \$10,000. At Custom Electronics Design & Installation Assn. show in Sept. and at Mexican show Sonance was quoting \$21,500. Company representative at CES Mexico blamed \$10,000 quote on miscalculation by Captain.

Sonance Pres. Scott Struthers was mum on details involving terse announcement that it had scrapped negotiations with Captain to distribute its W-VHS recorder and HD programming, saying merely that companies "were unable to reach a final agreement." Sonance was to have distributed VCR through separate dealer base of 100-200 accounts. Struthers indicated effort to establish distribution hadn't yet gotten out of gate.



Insurance giant Aon Corp. has formed Aon Warranty Group bringing 3 divisions under single banner to administer, sell and underwrite extended service contracts. Independent Dealer Services (IDS) and ServicePlan will administer and sell contracts, while Virginia Surety underwrites them. St. Louis-based IDS, which supplies contracts for Good Guys, Damark and others, will focus on retail, while ServicePlan, which backs Emerson, GoldStar and JVC products, will handle manufacturers. Companies will retain separate offices and personnel, but will use some joint strategy, said IDS Pres. Thomas Timmerman, whose company was acquired by Aon in June (TVD June 6 p20). All contracts eventually will be sold under Aon name, he said. ServicePlan Pres. Kevin O'Brien and Virginia Surety Pres. David Cole will remain in current positions.

PIONEER ENTERING WIDESCREEN: Pioneer is understood planning to introduce its first true widescreen projection TV in April in 57W". Pro 118, which will carry \$5,500 retail tag, will be high end of revamped Elite projection line, will include automatic zoom that fills screen, retail sources said. Pioneer officials didn't return call seeking comment and further details.

Introduction will come at crossroads for widescreen. Retailers have said widescreen sales have suffered from lack of TV programming. Several manufacturers have launched promotions aimed at boosting sales or left business.

Thomson, which conducted high-profile unveiling of 34W" Proscan and RCA models in 1992 (TVD Dec 21/92 p10), launched promotion this fall offering Digital Satellite System (DSS) hardware free with purchase of set. Conn. retailer Sound Playground recently offered original RCA set at "clearance" \$2,999. (Thomson spokesman said company wasn't running any special clearance on sets and assumed retailer was acting on its own.) Philips has left consumer widescreen business; Panasonic has said it will discontinue 50" and 58" projection models; JVC, Toshiba and Sharp regard sets more as technology statement than volume producers.

New Pioneer model would contrast with strategy employed in introducing 16:10.7 Cinemawide 45," 50" and 55" projection sets in April 1993 (TVD April 19/93 p11) at \$2,499-\$3,999. Sets, using conventional 4:3 program material, virtually eliminated horizontal overscan, providing what Pioneer said was 4-6% more picture information. TVs had 2 switch positions -- one with usual bars at top and bottom, plus "full cinema" position that zooms picture and at same time expands it top to bottom.

At same time, Pioneer will add new Cinemawide 16:10.7 models including three 50" and three 55" at virtually same prices as earlier sets. Company is said to be considering eliminating 45" models from new mix. As of last week, several Elite dealers reported heavy inventory in 50" and 45" and expected current 55" to be discontinued in Jan.

Consumer Electronics Personals

James Barry, ex-Vidéo magazine, appointed media spokesman for EIA Consumer Electronics Group, succeeding Ron Goldberg, who will continue with Assn.'s promotional tour program through Feb. in unspecified transitional capacity... Jill Greenman, ex-Holiday Inns, named PR dir., Philips Consumer Electronics... Sherman Langer named vp-mktg. & administration at Projectavision, where he had served as consultant since departing as gen. mgr. at Sharp LCD Group... Promoted to vps at Nobody Beats the Wiz: James O'Neil, video; Stuart Mitchell, home office; Michael Wan, audio.

Frank Lasorsa, ex-Sharp, joins Matsushita Consumer Electronics as national mktg. mgr., Communications & Home Office Electronics Div... Promoted to dealer mktg. dir. posts, U.S. Satellite Bestg.: Jonathan Hill, northeast region; Dennis Lumley, western; Paul Malmquist, southeast; Joseph Miller, southwest... Kimberle Lynch, ex-Orion Pictures, named senior vp, Columbia TriStar Home Video... Robert Wittenberg, ex-Video Products Distributors (VPD), appointed senior vp-sales, MGM/UA Home Entertainment... Promotions at LIVE Entertainment: Mark Roche to mktg. dir., Alice Goldsobel to mktg. mgr.

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
Curtis Mathes Holding			
1994-qtr. to Sept. 30	26,676,970	456,025	.05
1993-qtr. to Sept. 30	18,521,273	476,722	.06
Go-Video			
1994-qtr. to Oct. 31	13,077,255	510,716	.05
1993-qtr. to Oct. 31	11,564,643	174,158	.02
Handleman			
1994-26 wk. to Oct. 29	559,624,000	16,381,000	.49
1993-26 wk. to Oct. 30	516,460,000	12,685,000	.38
1994-13 wk. to Oct. 29	347,160,000	15,480,000	.46
1993-13 wk. to Oct. 30	322,465,000	15,453,000	.46
Hitachi ^a			
1994-6 mo. to Sept. 30	38,158,000,000	505,000,000	1.47 ^b
1993-6 mo. to Sept. 30	38,093,000,000	313,000,000	.93 ^b
Toshiba ^a			
1994-6 mo. to Sept. 30	22,591,000,000	69,300,000	.02
1993-6 mo. to Sept. 30	22,487,000,000	35,000,000	.01
ValueVision International			
1994-9 mo. to Oct. 31	36,720,075	(6,363,246)	--
1993-9 mo. to Oct. 31	23,604,057	(2,051,924)	-- ^c
1994-qtr. to Oct. 31	13,025,009	(811,851)	--
1993-qtr. to Oct. 31	10,582,034	(198,935)	--

Notes: ^aAt rate of 98 yen = \$1. ^bPer ADS. ^cAfter special charge.

Best Buy and Audio King reported sales gains in Nov. Audio King, citing strong sales during Thanksgiving weekend, said sales rose 38% in Nov. to \$5.4 million on 24% gain in same-store sales... Best Buy, despite lower sales and higher costs in Nov. tied to new store openings, said it had 67% gain in sales in 3rd quarter to \$1.35 billion on 20% rise in same-store sales. For Nov., sales jumped 64% to \$534 million on 17% gain in same-store sales. BB conceded that Nov. sales were "below management expectations" and were "more promotional in nature." Company said that per-share earnings for quarter ended Nov. 26 were expected to be 40-43¢ vs. 47¢ analysts had predicted. Best Buy's stock plummeted 11-3/8 to 32-7/8 on Thurs., day sales were announced, recovered less than one point next day.

Prototype digital videodisc (DVD) system was demonstrated in Tokyo by Hitachi and affiliate Nippon Columbia (Denon) combining Hitachi's variable-bit-rate technology and Denon's quadruple-density CD technology. Hitachi said it holds 1991 U.S. patent on variable-bit-rate technology, which is expected to serve as basis of DVD proposal by alliance of Philips and Sony.

OBITUARIES

Peter McKean, 50, pres. of Audio Design Assoc., White Plains, N.Y., high-end custom installation products supplier, died of heart attack Nov. 15. Regarded by many as "father" of high-end custom installations industry, McKean was stricken at McCarran Airport in Las Vegas while en route home from business trip. Survivors include companion and 2 sisters.

E. MacDonald Nyhen, 81, retired Commerce Dept. electronics specialist, died of liver failure Nov. 28 at nursing home in Bethesda, Md. He was Harvard graduate, served in Air Force in Europe during World War II. Nyhen joined Commerce Dept. after war, retired in 1990. Survivors include son, daughter.

TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 12, 1994

VOL. 34, NO. 50

SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

FOX GAG ORDER SET: FCC forbids any outside disclosure in WNYW-TV case, says it needs more information on alien ownership. Lawyers question legality of action. NBC attacks other Fox buys. (P. 1)

GINGRICH WOULD 'ZERO' CPB: Incoming Speaker calls it waste of money, involuntary tax. Public broadcasters, Markey rise to defense. Stations say they would lose 'seed' money. (P. 3)

AUCTION PROCEEDS TO SCHOOLS?: Gore, others, propose using spectrum fees for schools. Billions potentially at stake. Pressler disagrees. Cable, others, bid \$700 million for PCS. (P. 4)

CABLE AND EIA PROGRESS on cable compatibility issues, but key dispute on remote passthrough remains. FCC likely to decide. Its deadlines approaching. (P. 4)

BROADCAST OWNERSHIP RULES ON FCC AGENDA: Revision of TV ownership limits, attribution rules, minority incentives proposed. Economic analysis key. (P. 5)

SETTING BUSINESS PLANS called tougher than laying fiber for cable interconnects. Control and compatibility are issues. (P. 5)

FCC ASKED TO HELP PREVENT FRAUD in sales of high-tech 'IRA Approved' investments in wireless cable, IVDS pushed by con artists. (P. 6)

FCC EXPANDS FOX OWNERSHIP INQUIRY; NBC FILES NEW PETITIONS: FCC Mass Media Bureau issued interim order in NAACP challenge to license renewal of Fox's WNYW-TV (Ch. 5) N.Y. on issue of alien ownership of Fox, saying that it will "conduct another phase" to "supplement the existing record." Commission also imposed strict gag order prohibiting all parties from publicly discussing any information involved in additional proceeding. NBC, not party to WNYW-TV case, continued to raise issue at FCC by filing petitions to deny purchase of 4 Burnham Bestg. stations by Fox-backed SF Bestg. (TVD Oct 3 p3), claiming Fox has "de facto control" of SF and claiming SF stations should be attributed to Fox ownership limits.

Before FCC action, Fox Chmn. Rupert Murdoch sent 2-page letter to FCC Chmn. Hundt expressing "personal anguish" about delays in Fox station applications and stating that Fox and News Corp. comply with alien ownership rules. Letter accompanied Fox response to NBC petition for rulemaking on foreign ownership and request that pending Fox station applications be delayed (TVD Dec 5 p6). Meanwhile, incoming Senate Commerce Committee Chmn. Pressler (R-S.D.) said he didn't want to comment on NBC's complaints. His inclination is to have companies compete in marketplace, but he finds that one means of "avoiding competition is to run to Washington." Pressler suggested that restrictions on foreign ownership of broadcast licenses could be lifted on reciprocal basis and on country-by-country actions.

Consumer Electronics

PHILIPS EMPHASIZING VIDEO CD as key to consumer acceptance of CD-I, decrying anticipation of DVD, whose timing and price are imponderable. (P. 12)

BEST BUY SUED by 2 shareholders in class action charging retailer misled investors with overly optimistic forecasts to inflate stock price. (P. 13)

NOV. SAW LETDOWN IN SALES rate, according to EIA data, paced by 37.9% TV/VCR dip from record set year earlier. Calendar shift could be responsible. (P. 14)

JUDGE UPHOLDS AWARD VS. NINTENDO of \$208.2 million to Apex Computer for patent violation. (P. 15)

MATSUSHITA U.S. SALES will be about \$7.2 billion this fiscal year, up more than 10%, says MECA Pres. Kraft, with profit at last year's level. (P. 15)

EMERSON REVIVES H.H. SCOTT, shipping first audio products to MARTA dealers in move toward 2-brand strategy in video as well as audio. (P. 16)

LIPPMAN QUILTS AS CES EXECUTIVE to join printing show producer. Resignation called 'harmonious.' EIA/CEG will begin search for successor. (P. 16)

3DO CUTS SURCHARGE on software royalties in response to publisher complaints, adds quantity rebates. Goal is 1-1.5 million sets outside Japan in 1995. (P. 17)

FCC request for additional information on WNYW-TV renewal had been expected (TVD Dec 5 p6) but requirement that parties first sign "declaration" requiring strict confidentiality was surprise. FCC order said confidentiality was required "in order to prevent public disclosure of public investigatory or other confidential material, as well as to achieve an orderly and expeditious resolution of this phase of the proceeding."

Bureau called Dec. 7 meeting at Commission hq attended by Fox Network Distribution Pres. Preston Padden, Fox lawyers and attorneys representing NAACP to issue order, signed by Deputy Chief Renee Licht. Attached to order was sample "declaration" to be signed by all parties agreeing to "be bound by its terms pertaining to the confidentiality of confidential information." None of meeting participants was willing to comment, but it's believed that all were asked to sign declaration at meeting. FCC Gen. Counsel William Kennard and staff also participated.

First Amendment Attorney Timothy Dyk said FCC action "considerably overstepped its authority and seriously overstepped Constitutional limits." He said reach of order, even limiting ability of person providing information to disseminate, is "most notable because it is so sweeping," and said gag order could be overturned easily in courts. RTNDA Pres. David Bartlett said there was "serious question" whether FCC had right to impose gag order: "Who are they to tell parties what they can't talk about and what they would do if they did talk about it?"

Kennard, asked what led up to order, said: "We've asked all parties not to comment on the proceeding, and we shouldn't either. The order speaks for itself." Most observers speculated that FCC simply didn't want to see issue played out in press. NBC and Fox in recent months have made copies of Commission filings and responses on ownership issue available to press. Former FCC official, who said he found broad confidentiality order "unusual," commented: "There has to be some particular information they're worried about being made public at this time. If not, there's no justification for requiring the parties themselves to have to be so secretive." Sources said neither Fox nor NAACP requested confidentiality.

Order said Bureau "has not reached any conclusions" on Fox alien ownership issues raised by NAACP and said it "has determined that it requires additional information to resolve the issues raised." Order defines "confidential information" as "all communications to or from the FCC" and "all documents produced to the Commission" during "this phase of the proceeding" and "any other information provided in order to supplement the record of this proceeding."

NBC's rulemaking request isn't being taken up in broadcast ownership rulemakings being discussed at Dec. 15 FCC meeting (see separate story). FCC sources told us Commission is likely to separate individual station petition-to-deny applications against Fox from broader rulemakings and handle each proceeding on its own.

In petitions to deny SF purchase of Burnham stations (WLUK-TV Green Bay, KHON-TV Honolulu, WALA-TV Mobile, WVUE New Orleans), NBC said: "If the [alien ownership and attribution] rules have not changed, enforce those rules equally against everyone. If the rules have changed, let everyone compete based on an understanding of what the new rules are." Network view is that News Corp.'s ownership of 99% equity in Fox is violation of U.S. law. NBC also has filed petition to deny Fox purchase of WTXF (Ch. 29) Philadelphia and WFXT (Ch. 25) Boston (TVD Nov 28 p7).

Fox spokesman said NBC petitions are "another attempt to use the regulatory process to prevent competition." It stressed that it previously had made full disclosure to FCC of capital and credit provided to Fox by News Corp. It repeated that Murdoch, American citizen, controls News Corp. and that Communications Act sets 25% limit on foreign voting control, not equity interest, in U.S. broadcasting stations. Fox filing hinted that it could challenge NBC licenses on ground that parent GE once was convicted of criminal fraud.

In written statement after order was released, Padden said: "We are confident that the additional material will confirm our earlier submissions and will reinforce the conclusion that our ownership structure is in complete compliance with the Communications Act."

FCC gag order took effect immediately. Fox had been planning full-page ads in Washington Post and Washington Times reprinting Murdoch letter to FCC, but wouldn't comment on whether ad plans were dropped because of Commission order.

At end of week, Cosmos Bestg. Pres. James Keeler wrote letter to FCC supporting NBC petitions and urging Commission to ensure that "all competitors are treated equally." Keeler told us: "Fox had advantages in the past when they were new. Now they're a full-fledged network and should be subject to the same FCC rules." Cosmos owns 5 NBC middle-market affiliates, one ABC, one CBS.

GINGRICH PLANS TO 'ZERO-OUT' CPB: Incoming House Speaker Rep. Gingrich (R-Ga.), speaking on his weekly TV program on National Empowerment TV (NET), said that in new session he hopes "to zero-out the Corporation for Public Broadcasting, which has been eating taxpayers' money." He said public has been "involuntarily" paying taxes to support what he called biased TV, and asked viewers to send pledges to "free" cable-based NET.

CPB Pres. Richard Carlson, in Dec. 7 statement, said many public broadcasting outlets would have to shut down without CPB, and services of many others, including programming and community outreach, would suffer. Rep. Markey (D-Mass.), current House Telecommunications Subcommittee chmn., told industry not to worry: New leaders will find public broadcasting "has much broader bipartisan support than they assume." He said "quality" programming provided by public broadcasters is hard to find anywhere else and privatizing public broadcasting "will be a very controversial proposal." FCC Chmn. Hundt and PBS Pres. Ervin Duggan weren't available for comment.

Shutting down CPB would have 2 major effects, Carlson said: (1) Many of 1,000-plus public radio and TV stations would be jeopardized. "Some would have to go off the air," he said, which would have "devastating economic impact" since information and education means difference between success and failure in workplace. (2) States and communities across U.S. would lose "valuable" services offered by public broadcasters such as teacher training, preschool readiness programs, closed-captioning and descriptive video services for deaf and blind, free access to information highway. It also would mean eliminating 120 staff positions.

Carlson pointed out that \$253 million, "about a buck per person," given to CPB by federal govt. in 1993 generated more than \$1.5 billion from other sources. He said "that's the kind of sound investment the taxpayers want," with public broadcasters "leveraging every dollar into 5 more." More than 90% of CPB's appropriation goes directly back to states or communities for programming and direct services, Carlson said. CPB budget this fiscal year is \$285.6 million, and Congress has authorized about \$300 million for 1996.

KRMA-TV Denver said it could survive without 10% of annual budget it receives from CPB, but cut would be "painful." Pres.-Gen. Mgr. James Morgese said public broadcasting funding issue "transcends partisanship" since programming and services reach everyone. Executive of another station that receives only about 8% of its budget from CPB said that though amount isn't large, it's "crucial seed money" that allows some programs to continue and others to get off ground. Other industry sources questioned whether action would be only first step in trend that could include ending public broadcasting's nonprofit status and cutting funding for other art, humanities and educational programs.

"The man who promised to reinforce American families is now eager to pull the plug on Big Bird and Barney," People for the American Way said in reaction to Gingrich plan. Organization said that although Republicans told voters there was no fine print in their Contract With America, "maybe this attack on public TV and radio was in the same secret codicil as Mr. Gingrich's plan to set up orphanages for poor children."

Incoming Commerce Committee Chmn. Sen. Pressler (R-S.D.), in recent interview for PBS's TechnoPolitics series, said he also was fed up with what he sees as tilt to left in public broadcasting. He cited "this nice baseball series" and "God, every night I'd have to listen to Mario Cuomo tell about his boyhood." Pressler, who voted against any CPB funding earlier this year, said he used to contribute "I think \$100 a year or \$25 a year or whatever" to local station, but stopped because "it just seems... that all their favorite people are from the American left."

Commercial TV is liberal, too, Pressler said, "but at least the government's not paying for it." Bias isn't present in all programming, he said, only in commentator shows and news. "They have great music on, they have great plays and so forth," he said.

CBS extended NCAA men's basketball tournament rights until 2002 for \$1.725 billion, replacing current 7-year \$1-billion contract due to expire in 1997. CBS didn't extend NCAA women's basketball tournament rights, which move to ESPN in 1996.

ABC News InterActive, Cap/ABC Multimedia Group and Glencoe/McGraw Hill announced partnership to develop curriculum-based multimedia programs for secondary schools and to distribute ABC News InterActive health and social studies programs.

AUCTION PROCEEDS TO SCHOOLS?: As biggest-yet spectrum auctions approached \$700-million plateau last week, Vice President Gore proposed that proceeds be used to wire public schools. He didn't elaborate on plan other than to say it would involve using "surplus" auction proceeds -- i.e., funds in excess of amount that Congress expects auctions to raise each year. That minimum -- or "scored" amount set by Congress in budget process -- is \$4 billion for fiscal year ending Sept. 1995; according to FCC Chmn. Hundt, about \$1 billion has been raised through earlier auctions. Broadband PCS auctions that began last week are expected to bring in close to \$10.

Auction started unexpectedly slowly as bidders obviously were feeling each other out and avoiding disclosing their strategies. Total bids rose to \$678.9 million in 4th round. N.Y.C. attracted top bid, with Craig McCaw offering \$129.4 million. American Portable Telecommunications offered \$65.2 million for one of San Francisco's 2 licenses. WirelessCo -- partnership of Comcast, Cox, Sprint and TCI -- was most active bidder in 4th round, making offers for licenses covering close to 70 million people. Total of 99 licenses are up for bid, 2 in each of 51 markets except N.Y., L.A. and Washington where only one license is available.

Hundt praised Gore plan. He said he liked idea of using proceeds from sale of public property for another public use -- "bringing modern technology to every classroom." Administration soon will be talking to Hill leadership from both sides of aisle about proposal, Gore said. Rep. Markey (D-Mass.), outgoing House Telecom Subcommittee chmn., suggested earmarking some auction money for public TV and children's programs. He said he hadn't devised specific plan yet because he wants to see what action FCC takes in Jan. on children's TV proceeding. Satellite Bst. & Communications Assn. Pres. Charles Hewitt said most efficient way to link schools is by satellite.

Sen. Pressler (R-S.D.), chmn.-designate of Senate Commerce Committee, opposed Gore plan and told reporters he would favor lifting restrictions on foreign ownership of broadcast licenses on reciprocal basis with other countries. Pressler said it was "just like the Democrats to spend it [auction receipts] before we get it in." He said neither he nor GOP leadership was consulted about suggestion before Gore made it. Backers of plan included Sen. Kerrey (D-Neb.), Ameritech Chmn. Richard Notebaert.

Pressler said he opposes minority set-asides for broadcast ownership, and for other means, preferring to "let the marketplace decide" such questions. He said such ideas may be attractive in short term, but don't work out in long run. "I'm skeptical about quotas," he said, adding that he would like to help minorities, but wasn't certain how to do it. Set-asides "have no staying power," he said.

FCC Cable Bureau is working on plan to reorganize Consumer Protection Div. to speed processing of thousands of rate complaints, only handful of which have been resolved. Bureau Chief Meredith Jones confirmed that plan is expected to be sent to full Commission this month. Under plan, 140-person Div. would be divided roughly equally between group that would focus exclusively on rate complaints, and separate group that would handle all other issues, including such things as effective competition and letters of inquiry. Jones said reorganization is attempt to "be more efficient and focused. It's difficult when people are working on a whole range of issues. We believe it's easier if they can keep their mind clear for one set of issues."

CABLE-CONSUMER ELECTRONICS PROGRESS: EIA and NCTA made "some progress" toward agreement on cable-consumer electronics compatibility, EIA spokesman said, but "there is still some distance to go." Key issue still apparently is whether cable-TV interface will be able to handle new commands passed directly through to interface from infrared remote controls. Set makers believe current command set is adequate; cable groups are adamant that passthrough is necessary to assure flexibility to add new services in future.

EIA Vp George Hanover and NCTA Vp Wendell Bailey were planning to meet with FCC officials to outline situation, after latest meeting Dec. 7. Commission gave parties until Dec. 12 to resolve dispute on remote control infrared codes, and they have asked for Dec. 31 deadline to resolve cable-TV interface and command set issues (TVD Aug 22 p8). EIA spokesman said: "There is some optimism that this can be worked out, at least from our perspective." FCC has said that if EIA and NCTA can't resolve compatibility fight, Commission will impose solution.

EIA is "unalterably opposed" to allowing infrared controls to be passed through, Bailey said, "and we are unalterably in favor" of that mode. Despite that, he held out some hope of agreement even on that issue: "Either we agree between us or we each go and try to persuade the Commission one way or the other." Bailey said passthrough is needed to allow flexibility for new services: "The surest way for there to be no mistake in the future is to make sure that nothing blocks the way to something new. This is a safety valve on the command set." If command set had been set 3 years ago, for example, Bailey said it would have made StarSight on-screen guide impossible.

Cable and consumer electronics groups did make significant progress on several less divisive issues Dec. 7, after they decided not to discuss infrared passthrough. Bailey said he was "surprised" at progress: "It was more than I expected." Most of progress was on minor technical details, he said.

Administration should communicate better with state and local officials and make benefits of National Information Infrastructure (NII) clearer to public, its private sector NII advisory group said in letter to Commerce Secy. Ronald Brown. Group also sent Brown strongly worded letter supporting tough policies to open foreign markets to U.S. programming. Letter was approved on 25-3 vote, largely as result of arguments presented by MPAA Pres. Jack Valenti, who opposed French govt.'s ability to shut out Turner's Cartoon Network because content of specific channel wasn't 50% produced in France. Letter will be considered in forming Administration policy for meeting of G-7 countries on telecommunications next year. Advisory group said that while Administration has made great strides in bringing attention to information superhighway and related issues, Administration "must place a much higher priority on finding ways to communicate effectively the benefits of the NII to the average American."

U S West completed \$1.2-billion acquisition of Wometco Cable and Ga. & Atlanta Cable TV partnership Dec. 8 for cash, debt assumption and 12.8 million shares worth \$459 million. Systems with 466,000 subscribers, 65% of Atlanta market, will be operated by Southern Multimedia Communications unit of U S West Multimedia group. Chmn.-CEO Richard McCormick said company intends to buy shares equal to those issued for acquisition, contingent on market conditions. He said acquisition is part of strategic plan to expand beyond 14-state region.

OWNERSHIP RULES ON FCC AGENDA: FCC will launch 3 related proceedings at agenda meeting Dec. 15 to consider expansion of broadcast ownership limits and minority broadcast ownership opportunities and to weigh new policies dealing with effect on ownership attribution of passive investments and new broadcast management structures. FCC staff said content of 3 documents will be in "state of flux" up until meeting.

Proposals will ask for strong "economic framework" analysis, similar to Commission focus in current rulemaking proposing changes in prime-time access rules, and question of effect of rule changes on local market competition will be key factor. FCC sources emphasized "interchangability" of 3 issues and concern that policies be "consistent." They said proceedings had to be considered as single package.

As for TV station ownership, agency is expected to issue Further Notice of Proposed Rulemaking (NPRM), expanding on pending 1992 rulemaking. Earlier notice had asked for comment on expanding individual station cap from current 12 to limits ranging from 18 to 24, raising national limit of 25% of TV households to 30% or 35% and modifying duopoly, cross-ownership and dual network rules. While some speculated that Commission may adopt small pieces of those proposals this week, sources suggested that request for additional economic analysis on those limits is more likely.

Item dealing with attribution rules is attracting considerable interest, and Commission could issue either NPRM or preliminary Notice of Inquiry. FCC is expected to ask for comments on circumstances where nonvoting equity investment should be counted toward station ownership, whether nonattribution of investment in broadcast station with single majority shareholder should be changed and whether radio rules applying attribution rules to Local Management Agreements should be applied to TV. Agency also is expected to address effect on attribution of same-market joint sales and operating agreements, and impact of Limited Liability Company (LLC) corporate structure on rules. While issue of Fox station ownership won't be topic of notices, Fox's passive investments in minority-owned Blackstar L.L.C. and SF Bestg. (see separate report in this issue) has helped intensify focus on issue.

Third FCC item will consider initiatives aimed at increasing minority and female ownership of mass media. Comrs. Quello and Barrett had called for additional steps to increase financing of minority-owned stations when Commission increased radio minority ownership limits to 25 AM and 25 FM in Oct. and Mass Media Bureau Chief Roy Stewart had commented at time that Bureau already was working on new proposals to submit. Variety of ownership incentives, from expanded limits for minority ownership to "bonus" ownership potential for group owner investing in minority companies, are expected. Relationship of minority ownership proceeding to issues involving passive investment in attribution proceeding is cited as example of "interrelationship" of agenda items.

Montgomery Ward (MW) bought 4.7% of ValueVision shopping channel for \$8 million. It also received warrants to buy more stock, potentially giving it more than 49% of ValueVision, and right to name 2 members of 7-person board. As result of capital infusion, Time Warner agreed to make channel available to more than 2 million more subscribers, to 14 million. MW is one of largest merchandisers on channel. Deal also calls for MW to increase its ads and to allow its credit cards to be used on channel.

BUSINESS TOUGH FOR INTERCONNECTS: Installing fiber is easy part of interconnecting cable systems to reduce headend cost, spur ad sales and position cable for telephony and other new services, panelists said at Western Cable Show in Anaheim. Hard part, they said, is dealing with business issues such as how interconnects will be paid for, who will control them, setting technical standards.

Interconnects are necessary to "create the critical mass for new business opportunities," said Nicholas Hamilton-Piercy, vp-technology, Rogers Cable, which operates 2 Canadian interconnects. For many new services, at least one million subscribers are needed for business success, he said, and that's generally impossible without interconnects. Rogers has more than 1,500 km of fiber (average 48 strands per fiber) and plans to add 550 km by 1997.

New England Interconnect spanning several hundred miles centered on Boston is one of largest in U.S., but Continental Senior Vp David Fellows said it's "really not one system yet" because only small portion of each system's programming comes from interconnect: "We're still crawling, trying to feel each other out on the business issues." New England Interconnect includes Continental (with Colony to be added after merger), Cablevision Systems, Greater Media, Time Warner.

Business issues involve fear of loss of control, which Hamilton-Piercy said causes "high reluctance" by some to join interconnect. Other issues, he said, include incompatible business strategies on issues such as whether to add video-on-demand, different channel lineups and compression formats, developing required technical skills and network management standards, then monitoring system.

Pa. interconnect called FiberSpan is expected to be operational soon, assuming that financing is completed by early next year as expected, Pa. Cable TV Assn. Pres. William Cologie said. He said organizers believe they will raise enough capital to launch interconnect if all those with verbal commitments sign final deals. FiberSpan is expected to connect 188 headends at full deployment, including virtually all systems outside Pittsburgh and Philadelphia "supersystems," except those with fewer than 1,000 subscribers, which Cologie said can't be connected economically. FiberSpan is expected to virtually eliminate need for multiple headends, ease sale of ads, provide interconnections needed for telephony and other services. One of interconnects' goals -- providing mass of subscribers to justify investment in such things as video servers for video-on-demand -- apparently won't happen immediately. Cologie said feasibility study indicates that video-on-demand isn't workable with existing technology.

Even though antitrust waiting period ended Dec. 6 for Comcast and TCI takeover of QVC, MSOs told FTC that they would give agency 10-day notice if they decided to complete transaction. They said they "have not yet determined when they intend to give such notice. In addition, there can be no assurance as to what action, if any, the FTC intends to take if such notice is given." Promise followed FTC acknowledgment that they were in "substantial compliance" with all of its requests for information. Comcast and TCI said they had agreed to delay closing "to allow the FTC sufficient time to complete its review and continue discussions" with MSOs. Current tender offer for QVC stock expires Dec. 16, but companies said it was "unlikely that all of the conditions to the tender offer will be satisfied" by that date.

FCC ASKED FOR HELP IN FRAUD PREVENTION: It may be necessary for FCC and broadcasters to take action to help cut back on newest wave of high-tech scam artists, state securities officials said Dec. 6. Pres. Philip Feigin of N. American Securities Administrators Assn. (NASAA) said at Washington news conference that newest wrinkle by con artists is to tell potential investors that investments they're selling are "IRA approved" by U.S. govt., or that they have been cleared by IRS. Neither claim is true, said Feigin and Gary Mendoza, Cal. Corporations Commissioner.

Two securities officials said that most of fraud schemes using IRA and IRS claims are of high-tech nature, focusing on wireless cable, interactive TV, specialized mobile radio, PCS. Fraudulent investment claims on high-tech services have been around for 10 years, officials conceded, but they're particularly incensed by IRA and IRS claims because targets often are elderly people who put their retirement funds into investments that usually are lost.

Mendoza's office announced more than 100 enforcement actions taken, including filing 7 criminal referrals and 41 subpoenas against 426 companies and individuals accused of promoting "IRA Approved" investments worth more than \$850 million. More than 20 states are conducting investigations into boiler-room operations selling investments in those technologies, Feigin said, citing "new allure" of technologies related to "information superhighway." Newest means of selling investments to public is through infomercials and radio programs that have appearance of legitimate news shows, but are sponsored by those selling bogus investments, officials said. One ingenious twist is that using those shows, it's investor who makes first call, rather than boiler-room sales person, they said. Feigin called those programs "financial pornography," said cable and broadcast stations should take more active role in keeping them off air. No station would broadcast comedian George Carlin's famous "7 dirty words," but they do broadcast programs that mislead investors, Feigin and Mendoza said. Mendoza said media could "do themselves a lot of good" by limiting proliferation of such programs, while Feigin said FCC involvement would "need to be explored." He had no specific program in mind, he said.



U.S. Dist. Court, Portland, Me., Dec. 8 approved Nynex video programming plan, saying federal law banning telephone companies from market is unconstitutional -- 5th trial court decision to support video service. Nynex hailed decision and USTA said it immediately filed decision with U.S. Dist. Court, D.C., to support pending case to overturn 1984 law on national basis. In 4-page decision, Chief Judge Gene Carter wrote that decision by 4th U.S. Appeals Court in Richmond in Bell Atlantic case "is fully persuasive to this court in providing the proper analytical underpinning for the conclusion that Section 533(b)" violates First Amendment because it's "'narrowly tailored' to serve the government's significant interest." Carter said he agreed with conclusion, and "this Court adopts fully the rationale of the Chesapeake & Potomac opinion on this issue." Judge gave Nynex lawyers 10 days to file proposed permanent injunction. Even as case was being considered, Nynex joined Bell Atlantic and Pacific Telesis in building video programming unit. RHCs also hired Creative Artists Agency of Hollywood to help develop programming.

Southern New England Telephone ordered C-Cor 750-MHz amplifiers for use in first phase of VDT system to be built in W. Hartford and Fairfield, Conn., companies said. Construction is scheduled to begin immediately, continue through 1995.

John Oxendine, pres., Best. Capital Fund (Broadcap), since its inception in 1980, will resign in June to spend full time on new company, Blackstar L.L.C. Blackstar, backed by Fox TV Stations, plans to buy up to 11 VHF stations in markets 51-100 (TVD Oct 10 p5). Broadcap, NAB offspring, is tax-exempt venture capital organization providing financing, management assistance and technical training to minority entrepreneurs wanting to own broadcasting properties. Broadcap has formed executive search committee to seek new pres. Oxendine will remain on board. Broadcap announced officers effective Jan. 1: Chmn., Lawrence Hass of Paul, Hastings, Janofsky & Walker; Vice Chmn., Erwin Krasnow of Verner, Lipfert, Bernhard, McPherson & Hand; Secy.-Treas., Henry (Jeff) Baumann, NAB exec.-vp-gen. counsel.

N.Y. Times Co. (NYT) will invest \$1-\$1.5 billion in electronic media in next 5-6 years, including in cable, TV stations and new technologies such as CD-ROM and on-line services, Pres. Lance Primis told analysts at PaineWebber conference. NYT currently gets 10% of its \$2 billion annual revenue from electronic media, largely from 5 TV stations. It already has said it would invest in cable Popcorn Channel, providing movie listings and reviews, and said investments in existing cable networks are possible. On TV side, executives said NYT is interested mainly in stations outside top-10 markets.

CBS will affiliate with WDJT-TV (Ch. 58, Ind.), Milwaukee, owned by Weigel Bcstg., filling hole left when WITI (Ch. 6, CBS) moved to Fox in New World deal. Affiliation shifts take place Dec. 11. In Sept., CBS offer to buy WVCY-TV (Ch. 30) Milwaukee for \$10 million was rejected as "unreasonably low" by owner American Communications.

Technology Notes: General Instrument said it's submitting DigiCipher II/MPEG-2 system to CableLabs for testing to verify compatibility and interoperability of encoder and decoder... Alcatel said it will cooperate with NUKO of San Jose to develop new MPEG-2 video services. Venture would combine NUKO's MPEG-2 technology with Alcatel's ATM video multiplexer and router technology.

Transactions: Galaxy Cablevision said it closed on sale of cable systems in Austin to Time Warner for \$7.3 million (TVD Aug 22 p6). Systems have 5,417 subscribers... Wireless cable operator Preferred Entertainment said it had commitment from group of banks to increase credit line to \$35 million immediately, from \$20 million, and eventually to \$40 million.

Day after it asked cable operators Dec. 8 to refile their benchmark rate justifications on diskette, FCC Cable Bureau retracted its request. Officials said Bureau did so because Commission-wide study on ways to improve diskette filings hasn't been completed and diskette filings now could overwhelm FCC computers.

FCC Nov. 30 compilation shows 1,522 TV stations on air, increase of one commercial UHF since Oct. list. Total includes: 600 commercial UHF, 559 commercial VHF, 240 educational UHF, 123 educational VHF. Low-power TVs increased by 1 to 1576. Radio totals: 4,912 AM, 6,827 FM.

Narragansett TV reportedly hired Lazard Freres to explore sale of WPRI-TV (Ch. 12) Providence and WTKR-TV (Ch. 3) Norfolk.

VDT applications don't comply with stricter economic reasonableness standards in FCC's VDT reconsideration decision (TVD Oct 24 p1), NCTA said in filing at Commission on its bid to dismiss VDT applications. Filing refers to Sec. 214 applications by Ameritech, Bell Atlantic, BellSouth, C&P Telephone, Contel, GTE, New England Telephone, N.J. Bell, Pacific Bell. "None of these applications... complies with the reconsideration order's heightened standard, which requires that telcos 'describe in full the proposed facilities and economic justification for their deployment,'" NCTA said. "This is a far more rigorous standard than the one established" in Dover, N.J., and other cases, NCTA said. Group said that even Dover approval was conditioned on telco's meeting any tougher standard set later by FCC. Since applications vary widely, Assn. said, "it is not possible that all of the applications on file have correctly identified and categorized the requisite financial information." Filing said Bell Atlantic's "will-carry" proposal for broadcast stations would violate limits on control of programming since "by selecting broadcasters for favored treatment Bell Atlantic is engaging in the editorial function of selection, and discriminating against other programmers. Under common carrier principles [cable channels] have as much right to free and guaranteed analog carriage as local broadcasters."

NTIA Deputy Dir. Thomas Sugrue announced details of federal-state-local telecommunications summit that Vice President Gore will sponsor Jan. 9 in Washington. At seminar sponsored by FCBA and Practising Law Institute, Sugrue said summit will seek to reach consensus on major issues and will include participation by FCC Chmn. Hundt; Anne Bingaman, head of Dept. of Justice Antitrust Div.; NTIA Dir. Larry Irving; members of state PUCs; key congressional leaders. Summit will tackle issues such as reform legislation and need to coordinate federal and state activities involving interconnection and other issues. "We see a lot of activity at the state level and we want to help that effort," Sugrue said. Also upcoming is ministerial conference on telecommunications, to be held by G-7 nations in Feb. in Brussels, he said, with private sector involved in talks for first time. Agenda will include effort to set regulatory framework to promote development of infrastructure, he said. Commerce Secy. Ronald Brown will lead U.S. delegation; Gore will give opening address.

FCC Cable Bureau said a la carte packages offered by 11 more cable systems don't violate "ambiguous" Commission rules. In decisions released Dec. 2 that were virtually identical to that in Adelphia case (TVD Nov 21 p4), Bureau generally said a la carte packages don't appear to be realistic service offering, but number of channels involved was small so it was difficult to determine whether rules were violated seriously enough to justify refunds. Bureau said operators don't have to return channels to regulated tiers and can offer them as New Product Tiers even though they normally wouldn't qualify. Orders involve MultiVision of Prince Georges County, Md.; Time Warner, Everett, Winthrop and Somerville, Mass.; Century of Muncie, Ind.; Comcast of Mt. Clemens, Mich.; Time Warner of Hernando County, Fla.; Comcast of Warren, Mich.; Century of Morgantown, W. Va.; Comcast of Flint, Mich.; Century of Yuma, Ariz.; Southwestern Cable of San Diego; Century of Owensboro, Ky.

New encoding technology to reduce cost of fiber-to-curb networks was announced by BroadBand Technologies and AT&T Microelectronics. Companies said technology uses frequencies below broadcast channels and above voice or digital network channels, allowing delivery of analog TV and voice over same wire as interactive services.

Internet computer network will be "the information superhighway," leaving other technologies, notably cable and TV, behind, prominent computer industry executive said. In keynote to Internet World conference in Washington, Netscape Chmn. James Clark, former head of Silicon Graphics, said he once believed that TV was core of information superhighway and that set-top box would be next great device. But he said "the computer is the core," and "the global network the computers use will be the information highway." Clark's company markets "browser" software that allows Internet users to access World Wide Web easily. Problem today is that set-top boxes are analog devices that aren't interactive while they need to be digital and interactive, he said at news conference following his speech. While computer industry is in "constant state of change," TV industry has been "static for 40 years," Clark said. Cable, while more entrepreneurial than TV, doesn't have as sophisticated network as telephone companies needed to accommodate data traffic, he said, and cable modems cost about \$300. EIA figures dispute Clark's statement that more personal computers are sold than TV sets. EIA projects that 8 million personal computers will be sold this year to consumers, worth \$8.2 billion, but 25 million TV sets will be sold, worth \$9.4 billion, EIA said.

House Telecom Subcommittee Chmn. Markey (D-Mass.) and Subcommittee member Bryant (D-Tex.) urged FCC Chmn. Hundt to strengthen Children's TV Act in 1995. In letter, they supported options presented in FCC notice of inquiry to establish provisions for minimum hours of educational programming per day, and other options, also supported idea from National PTA and others that programs should qualify under Act only if aired 7-10 p.m. when children are most likely to be in audience. Markey and Bryant said: "Clearer guidelines from the FCC would provide broadcasters with a greater measure of certainty in complying with the Act." They noted that even though broadcasters have pointed to cable TV as new source for children's programming, more than 1/3 of households don't have cable and more than half of those with incomes under \$15,000 per year don't have cable: "It is these children who most depend on programming from the broadcast networks. Increases in cable programming do not relieve broadcasters' obligations under the law to serve the public."

FCC Comr. Susan Ness offered novelty at annual FCBA Chmn.'s Dinner Dec. 5 at Washington Hilton with "explanation" of VDT cost allocation. Drawing on Chmn. Hundt's recent use of cartons of eggs at FCC meeting to explain going-forward cable rules, Ness cracked egg and said allocation came from scrambling contents. Among others targeted during dinner was NAB Pres. Edward Fritts, who made Hundt's top-10 list of "Things We Wish We Could Auction" with his "'Sweatin' To The Oldies' videocassette collection, unopened."

NAB will host radio group owners "fly-in" Feb. 6-7, ANA Hotel Washington. Assn. said it will bring in experts to "candidly discuss" such issues as ownership limits, duopoly rules and legislative agenda of Congress. Fly-in is open only to NAB members, and groups participating must own or operate minimum of 3 radio stations in separate markets -- Lori Long, 202-429-5402.

FCC gave P.R. Telephone Co. permission to conduct VDT test of fiber-to-curb and asymmetric digital subscriber line facilities for one year. Approval was subject to several conditions, including that company account for all costs associated with test, alert participants that it's only trial and commercial service won't necessarily follow.

Current system of broadcast regulation, including licensing and content rules, should be scrapped in favor of system that requires broadcasters to pay percentage of their gross revenues for children's programming and similar purposes, Annenberg fellow Henry Geller suggested last week. Broadcast representatives, listening to Geller's presentation at Annenberg Washington Program seminar, rejected idea. He said Title 3 regulation hasn't worked, from rules on children's TV to license renewal to antitrafficking. Geller said broadcasters would have to support his plan for it to succeed. NAB Policy Dir. Jack Goodman and attorney Erwin Krasnow, ex-NAB gen. counsel, rejected it out of hand. They said there are no advantages for broadcasters because other restraints, such as lowest unit rate and EEO requirements, would remain, and because it wouldn't help broadcasters if they had to give up children's programming. Krasnow noted that relicensing is no more than post card today, that fairness doctrine no longer exists and that most antitrafficking rules have been lifted. House Telecom Subcommittee Staff Dir. David Moulton said that putting broadcasters' funds into one program for children's TV would be too centralized.

Must-carry is "no more constitutional than the grant of direct government aid to religious broadcasters would be" since religious broadcasters are one of main beneficiaries, Atlanta Interfaith Bcstrs. (AIB) said in brief to U.S. Dist. Court, D.C. Group said court should overturn must-carry because it "coerces secular and sectarian cable operators to carry religious programming, even though they and their subscribers may have religious objections." At least 25% of beneficiaries of must-carry are TV stations whose primary programming is religious, AIB said. It said must-carry gives financial aid to religious broadcasters in 2 ways: (1) Required cable carriage helps them reach more potential contributors, "helping them prosper and continue programming... The added contributions resulting from must-carry will be a godsend for religious broadcasters." (2) Must-carry in effect forces all cable subscribers to subsidize carriage of religious stations, even if they would prefer not to.

Comcast plans market trial of cable-based service to connect PCs to on-line services beginning next year, Pres. Brian Roberts said. Service also will include MSO's own computer servers at cable headends, allowing launch of its own service, Comcast Online, which will provide local on-line services including shopping, real estate listings, classified ads, news, sports. Comcast will use cable modem designed by Intel, providing on-line speeds 50 times faster than telephone lines at first, increasing to several hundred times as fast by national commercial deployment in late 1995. MSO already is conducting limited technical trial in suburban Philadelphia and will begin market test in 300 homes early next year. Roberts said system is designed for "asymmetric" use, with more bandwidth generally available downstream, paralleling expected data flow patterns. He said service "can have a significant favorable revenue impact."

CAI Wireless said it agreed to invest up to \$500,000 in ACTV in studying application of ACTV's interactive TV program technology. Company said ACTV "personalizes and enhances" conventional TV. CAI said it's seeking alliance with RHC and local telephone companies to test products next year.

NBC signed affiliation extensions with KRON-TV (Ch. 4) San Francisco and WOWT (Ch. 6) Omaha. Network official said contracts are for 7-10 years, but wouldn't be specific.

Technical Subgroup of Advisory Committee on Advanced TV Service (ACATS) approved specifications for system description and target performance values for Grand Alliance HDTV system. Lab testing of full system begins in Jan. in Alexandria, Va., followed by over-air live field testing in Charlotte, N.C., in June and July (TVD Dec 5 p8). Subgroup heard progress report Dec. 7 on computer model to generate national TV channel allotment and assignment plan that will be submitted to FCC next year. Ad hoc committee preparing White Paper on HDTV multiple channel transmission capabilities (TVD Oct 10 p7) said draft would be submitted to members this week for discussion at subgroup meeting in Jan. Members working on alternative transmission system prototype based on coded orthogonal frequency division multiplexing (COFDM) said they expect to announce in near future name of contractor that will build system. Subgroup also discussed procedures to ensure that Alliance system includes proper closed captioning capabilities.

TCI said it will be partner in Japanese cable MSO, Sumitomo, with joint venture to be called Jupiter Telecommunications, providing cable TV first, then entering telephony when regulations allow. Sumitomo will own 60%, will contribute to partnership 6 cable systems passing 775,000 homes, mostly in Tokyo suburbs. Jupiter is expected to have more than 125,000 subscribers by 1997, companies said. Venture will be headed by Yasushige Nishimura, deputy gen. mgr.-Sumitomo Media Business Div. TCI also said it's buying 80% of Cablevision S.A. de Argentina, which has 450,000 subscribers, mainly in Buenos Aires area. Deal, expected to close by June 30, is described as one of largest for private business in Argentine history, but terms weren't disclosed.

GTE Hawaiian defended pole attachment rates Dec. 5 in response to complaint by American Cable TV Investors that GTE raised pole rates to disadvantage competitors of its planned VDT service. Time Warner affiliate Oceanic Cable filed similar complaint Nov. 30 at FCC. GTE said Sept. 20 rate changes "were computed in accordance with all Commission rules and policies relative to the assessment of pole attachment charges to cable operators." It said increase for American Cable affiliate Sun Cable Vision amounted to about \$18,750 per year -- \$3.52 more for each of 5,322 poles -- that "will in no way give GTE Hawaiian Tel a competitive advantage over entrenched cable operators which enjoy monopoly control over local video distribution markets in Hawaii."

Liberty Cable's proposal to give competitors easier access to cable home wiring is inconsistent with congressional intent and unfair to operators who installed wiring, Time Warner said in filing at FCC. Liberty proposed moving demarcation point between cable and consumer ownership for multiple dwelling units to point outside building where it's first "readily accessible" to competitors. TW said that would give competitors undue access to cable facilities and, since wiring schemes vary, would "create a situation in which there is no means to definitively measure the exact point of demarcation." Excessive access to home wiring is unfair, TW said, because newcomers wouldn't have to match incumbent cable operators' investment in wiring.

KTVK (Ch. 3, ABC) Phoenix signed marketing agreement with new Phoenix station KASW (Ch. 61) to provide programming, marketing and technical services. KASW will be independent but will air Fox Kids Network when it begins next summer. Fox is switching affiliation to New World's KSAZ-TV (Ch. 10) but station isn't using Fox children's programming.

Financials: N.Y. Times reported 1994 earnings estimates of \$23-\$25 million for Bestg./Information Services Group, up from \$19 million in 1993... Loews Corp., owner of 19% of CBS, is subject of Moody's review of long-term debt ratings and "possible downgrade" because of announcement that subsidiary, CNA Financial Corp., is purchasing Continental Corp. Fitch is placing Loews' \$1.2 billion AA senior debt on FitchAlert with negative implications for same reason... Spanish Bcstg. closed exchange offer of registered 12.5% senior notes of \$107 million for same number of unregistered notes issued in 1994 private placement... QVC profit dropped to \$14.5 million in 3rd quarter ended Oct. 31, from \$21.5 million year ago, although revenue grew to \$364.5 million from \$313.9 million. QVC said profit fell because of startup costs of Q2 and on Q... Andrew Corp. reported net income of \$44.4 million (\$1.70 per share) on sales of \$558.3 million for fiscal year ending Sept. 30, up from \$27.9 million (\$1.09) on sales of \$430.8 million year earlier. Fourth-quarter income was \$17.8 million (68¢) on sales of \$158.8 million, vs. \$12.1 million (47¢) and \$119.4 million... HBO Asia gave MCA and Sony equity stakes in channel in exchange for exclusive film distribution rights for films made by Columbia Pictures, MCA/Universal, TriStar. Terms weren't disclosed... Standard & Poor's lowered SpectraVision credit rating to CCC- from B+, citing lower-than-expected earnings... Cosmos Bcstg. reported 3rd-quarter operating earnings of \$2.5 million, up from \$2 million year ago, on broadcasting revenues of \$23.2 million, up from \$21 million. Company said revenue increase was due to gains of 15% in national revenues led by auto ads and \$800,000 in political ads.

Program Notes: TCI of Pa. said it will be first operator to launch Sega Channel commercially Dec. 12. Channel has been available on test basis... Comedy Channel won't again air 15-sec. promo that makes fun of former President Reagan's Alzheimer's disease, according to Michael Fuchs, chmn. of co-owner HBO. Vice President Gore sent letter to Fuchs denouncing promo as "awful mistake"... ValueVision said Time Warner agreed in principle to carry its programming on cable systems with up to 2 million subscribers, as part of 7-year deal... Crown Media signed carriage agreement to carry Prime Sports-Midwest on St. Louis-area systems with 160,000 subscribers... United Video/WGN said it had signed carriage deals adding nearly 500,000 cable households. Deals were with Continental, Lenfest, Toledo Blade.

FCC Common Carrier Bureau rejected NCTA request that it dismiss VDT authorization of Southern New England Telephone (SNET). Bureau said request is moot because it was filed after SNET plan had been approved but before it was released.

It's Against the Law...

... to copy or fax this newsletter without our permission. Federal copyright law (17 USC 101 et seq.) makes it illegal, punishable with fines up to \$100,000 per violation plus attorney's fees.

Warren Publishing, Inc. frequently has taken action against firms and individuals that violated our copyright, and we will continue to do so. We request that subscribers advise their staffs of the law and financial penalties that will result from the copying of this publication, which subsists solely on subscription revenue. Permission for copying or faxing is granted, however, for a fee of \$2.75 per page per copy (thus 10 copies of one page would be \$27.50). Send payments to Copyright Clearance Center, 222 Rosewood Drive, Danvers, Mass. 01923 508-750-8400.

Md. PSC said "more than 10 months may pass" before it can reschedule hearings for SBC Media Ventures, formerly Southwestern Bell, which asked approval Nov. 15 to postpone procedural schedule in its bid to offer telephony over cable system in Montgomery County it bought from Hauser last year (TVD Nov 21 p2). PSC approved request Nov. 21. SBC had said it couldn't form business plan because Bell Atlantic hadn't set final interconnection rates. PSC said it expects to issue order setting interconnection rates for MFS Communications in late summer or early fall, after which it will reschedule SBC hearings. PSC said it would be premature to hold SBC hearings before MFS decision.

FCC shouldn't unduly deemphasize entertainment in programming designed to meet its requirement that shows be "specifically designed" for education, Children's TV Workshop (CTW) said in ex parte filing on notice of inquiry. Commission proposed that programming be primarily educational, only secondarily entertaining, but CTW said shows "must reach [audience] before they can teach." CTW proposed "objective test" for determining whether programming is designed specifically for education, including that it be: (1) Developed with assistance of educators. (2) Designed to fulfill explicit written educational goals. (3) Tested for effectiveness.

FCC issued full text of proposed rulemaking to allow unattended operation of broadcast stations, adopted Nov. 10 (TVD Nov 14 p6), repeating view that new technology and satellite operations can permit station control from location other than station. Commission warned that policy would be "significant change" and said: "We want to explore the potential ramifications thoroughly," including whether change "might encourage negligence or irresponsibility on the part of certain broadcast licensees." Notice asked for comment on "permitting unattended operation only at stations equipped with Automatic Transmission System monitoring, control and alarm circuitry."

State-owned China Central TV will broadcast nationwide pay channel via satellite beginning in June. Home Cinema's movies, cultural programs and sports will air 16 hours daily, eventually expanding to 24 hours.

OBITUARIES

Robert Rich, 75, TV pioneer, died of heart attack Dec. 4 at home in Vero Beach, Fla. After becoming mgr. of KDAL-TV-AM Duluth, he was named gen. mgr. of KBJR-TV there in 1958, buying station in 1974 and owning it until 1988 sale to Granite Bestg. Rich had been vice chmn., NBC Board of Affiliates; chmn., NAB TV Code Board; chmn., Treasure Coast Communications, which owns WIRB Melbourne, Fla. He's survived by wife, 4 sons.

Elliott Henry, 79, former broadcasting PR executive, died Dec. 4 in Vancouver, Wash., after long illness. He started career at Howard Mayer Public Relations in Chicago before moving to Blue Network as publicity dir. In 1960, Henry became vp-PR, west coast, for ABC TV in L.A., remaining until he retired in 1975. He's survived by wife, daughter, son.

Richard Brown, 79, broadcast executive, was found dead Dec. 5 in garage of Ft. Lauderdale home along with wife, Helen, 76. Officials ruled deaths as suicides from carbon monoxide poisoning. Brown owned several Minn. radio stations before founding American Institute of the Air in 1946. TV-radio school, renamed Brown Institute, opened branch in Ft. Lauderdale. CBS bought schools in 1972, sold them to National Education Centers in 1979.

FCC's going-forward cable rules are "serious mistake" for small cable operators, Small Cable Business Assn. (SCBA) charged in letter to FCC Chmn. Hundt. Letter said rules "continue the pattern of not just disagreeing with analyses of small systems, but ignoring them. This pattern has apparently become a policy of conscious disregard of the impact of your rules on small system operators." SCBA, like CATA, is contending that provisions for additional cost of headend equipment for small operators should be in addition to, rather than in place of, going-forward incentives. Even though small system rules were intended to help systems with up to 1,000 subscribers, SCBA said those with more than 350 subscribers "would be foolish to choose the small system option." It also said small system relief should be available for operators with more than 1,000 subscribers.

FCC granted 2-month extension of prime-time access rule (PTAR) rulemaking comment deadline requested by INTV, Viacom and King World to March 7, with reply comments due April 6. Commission started rulemaking in Oct., with Jan. 6 filing deadline (TVD Oct 24 p3). INTV request, supported by ABC, CBS and NBC, said it would be "impossible to tabulate and analyze data in the time allotted," with proceeding requiring analysis "of almost every aspect of the TV programming industry, including off-network, first-run and network marketplaces."

TV Guide On Screen (TGOS) signed deal with SkyConnect to develop system to configure latter's Media Servers in 1,500 cable headends to support TGOS digital on-screen program guide. Companies said they hope to upgrade all headends by end of 1995. In other developments, TGOS: (1) Signed distribution agreement with StarNet. (2) Said it will develop on-screen guide for use on General Instrument's CFT2200 set-top converter. (3) Added "search by title" feature for program guide.

Fla. Supreme Court upheld lower court ruling that law prohibiting broadcast or publication of name of rape victim is unconstitutional. Case arose out of William Smith trial when newspaper printed name of Smith's accuser. State appeals court had said state can't punish media "for publishing the truth" if they learn victim's name. Supreme Court said Fla. law is too broad in not distinguishing between different circumstances and too narrow in applying only to media.

United Paramount Network (UPN) signed former CBS affiliate KIRO-TV (Ch. 7) Seattle as primary affiliate, raising national total to 95 markets (63 primary, 32 secondary) covering 78% of U.S. TV households. A.H. Belo recently signed agreement to purchase station from Bonneville for \$160 million cash (TVD Dec 5 p6). KIRO-TV became independent when CBS moved affiliation to KSTW (Ch. 11) Tacoma-Seattle.

Wireless Cable Notes: Conifer Corp. will supply wireless cable equipment to Australis Media Ltd. under 2-year deal. Australis is building systems in Melbourne and Sydney... People's Choice TV has begun transmitting audio and video of greyhound races to 5 off-site betting locations in Tucson area. Races are at Tucson Greyhound Park.

Fox Bcstg. and Hallmark Entertainment agreed to multipicture original movie production deal. Under Hallmark Entertainment Presents name, first will appear next fall. Productions will be in addition to Hallmark Hall of Fame and other made-for-TV Hallmark movies.

Average of 70% of subscribers used enhanced pay-per-view and/or video-on-demand each month during Viewer Controlled TV (VCTV) test conducted by AT&T, TCI and U S West in Denver suburbs. In final report on test, which ended in June, VCTV officials said percentage of households using services remained relatively constant throughout, even when those that were offered only one of 2 services were given option of using both. Option of both did increase buy rate slightly, report said, to 2.8 movies per month when both services were available, from 2.5 per month when only one was. Prices were 99¢-\$3.99 per movie.

NCTA request that FCC dismiss VDT applications drew strong rebuttals from RHCs. Ameritech called Nov. 21 filing "a delaying tactic that's a waste of time and FCC resources." Bell South said "barrage" of NCTA motions is association's "latest attempt to block competition." GTE said motions continue NCTA's "pursuit of an obstructionist agenda." Southern New England Telephone called filing "procedurally infirm" while Pacific Telesis said association's campaign was "a baseless, meritless and inappropriate attempt."

ODS Technologies of Tulsa will test cable delivery of off-track betting in Md., subject to approval of Md. Racing Commission, company said. In first technical trials, wagering system will be tested in 25 Baltimore-area homes Jan. 15-Feb. 15. Later, broader test will include several hundred homes. ODS will provide program content, software and hardware for tests, as well as arrange cable distribution. ODS was spun off from United Video, which holds minority interest.

FCC issued rulemaking notice to allot UHF Ch. 24 to Albion, Neb., to permit Citadel Communications to apply for channel to operate KCAN as satellite ABC affiliate of KCAU-TV (Ch. 9) Sioux City. FCC earlier had proposed switching KCAN from Ch. 8 to Ch. 18, Albion, when it reallocated Ch. 8 to Lincoln, but Fant Bestg. filed competing application for Ch. 18. New allotment allows both to operate in Albion.

Southern New England Telephone named 5 equipment and software vendors to build VDT platform in W. Hartford, Conn., for interactive TV trial. ADC Telecommunications unit, AT&T Network System, Hewlett-Packard, Scientific-Atlanta and Sybase will build components for video-on-demand, billing services, set-top boxes and other equipment. SNET has FCC approval to expand test to 150,000 homes next year.

Time Warner Telecommunications Pres. Dennis Patrick predicted \$1 billion in annual revenues for unit, although he didn't set time for achieving goal. He said service will complement cable TV operation that has 7.4 million subscribers. Patrick told PaineWebber N.Y. conference that strategy is to buy time from existing wireless providers rather than to build independent system.

America OnLine (AOL) will cooperate with SkyConnect to develop system to deliver AOL content to video servers for distribution via cable modems, companies said. SkyConnect already has technology to deliver other video content via servers at cable headends, will adapt technology for on-line services.

State courts in Del. and Cal. approved settlement of shareholder litigation resulting from Times Mirror merger into Cox (TVD June 13 p4), Times Mirror said. Del. Chancery Court okayed settlement Nov. 30 and Cal. Superior Court Dec. 2.

Personals

Named to United Paramount Network board: **Ed Aiken**, WTOG St. Petersburg gen. mgr.; **Dave Smith**, Sinclair Bestg. pres.; **Dan Sullivan**, Clear Channel TV pres.; **Susan Jaramillo**, WRBW Orlando station mgr.; **Barry Baker**, River City Bestg. pres.; **Michael Lambert**, Lambert TV pres.; **Perry Sook**, KOCB Oklahoma City gen. mgr.; **Mike Thompson**, MT Communications chmn.; **Al Devaney**, Newsweb Bestg. pres. and WPWR-TV Gary, Ind., gen. mgr., will be chmn... **Michael Wheeler** advanced to pres., NBC Desktop Video... New dirs., Radio-TV News Dirs. Foundation: **Mark Thalheimer**, ex-Freedom Forum Media Studies Center; **Cy Porter**, ex-WTZA Kingston, N.Y... **Trevor Walton**, ex-CBS Entertainment, named senior vp, long-form programming, Fox Bestg.

Mason Granger returns to WMC-TV Memphis as exec. vp-gen. mgr... **Mike Cutler**, ex-KVBC Las Vegas, appointed news dir., KXAN-TV Austin... **Charles Kolmann**, ex-WCIX Miami, named dir.-communications, WGPR-TV Detroit... Appointed to WB TV Network promotions and mktg. staff: **Kris Coontz**, ex-DMB&B, to supervise network paid media planning, buying, co-op ads; **Tracy Credit**, ex-DMB&B, to assist Coontz; **Robert Nachman**, ex-Movieline magazine, to oversee print material and creative services; **Carmella Scoggins** promoted to lead affiliate services.

Jedd Palmer advanced to senior vp-programming and pres.-satellite services, TCI... **Barry Rona**, ex-Bienstock Sports, appointed asst. gen. counsel, ESPN... **Jack McGill** named vp-educational services and student affairs, Mind Extension U... **Pete Wronski** promoted to vp-N. American cable sales, General Instrument Communications... **Robert Thomas**, ex-Realty World Corp., appointed exec. vp-operations, Real Estate TV Network... **Lee Chaffin** promoted to vp-affiliate sales, Eastern region, BET Network... **Housh Farhadi**, ex-John Portman & Assoc. architectural firm, named dir.-global planning and development, Turner Bestg... **Mark Ringwald** promoted to dir.-programming and production, Nostalgia TV.

Mike Schoenfeld advanced to CPB senior vp-corporate communications, succeeding **Philip Smith**, who joins Washington public affairs firm **Powell Tate** as senior vp and head of new high-tech and telecommunications practice... **Sharon Rockefeller**, WETA-TV Washington first vice chmn., returns to pres.-CEO post that she gave up this year due to poor health. First vice chmn. post, created for Rockefeller, won't be filled... **Brady Lewis**, ex-Hamot Medical Center, Erie, Pa., appointed pres.-gen. mgr., WQLN Erie, succeeding **Paul Stankavich**, resigned... **Angela Lifsey** promoted to dir.-media relations, WGBH-TV Boston... **Joseph Campbell**, ex-WGTE-TV Toledo, named program mgr., KAET Phoenix, succeeding **John Wilson**, appointed PBS dir.-scheduling & planning.

Robert Lloyd, ex-Reg Grundy Productions, named vp-west coast sales, Cannell Distribution... **Cathy Cruse**, ex-Buena Vista TV, named dir.-publicity, Warner Bros. Domestic TV Distribution... **Matthew Maler** advanced to dir.-operations, Columbia TriStar TV Distribution... **Amy Reiber**, ex-Wiltel, appointed dir.-finance, United Video... Changes at USSB: **Mary Ryan** promoted to senior vp-mktg.; **Carl Wegener** promoted to vp-dealer mktg.; **Rolinda Day** promoted to dir., subscriber mktg... **Lloyd Werner** promoted to e.ec. vp-sales & mktg., Group W Satellite Communications; **Peter Weisbard** named senior vp-sales; **Stephen Soule** advanced to senior vp-affiliate relations... **Walter Bodkin** advanced to vp-ad sales, Group W Satellite... **Neil Rosenstein**, ex-Jackpot Enterprises, named chmn.,

TELEVISION DIGEST

Published Weekly Since 1966
With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

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

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

Copyright © 1994 by Warren Publishing, Inc. Reproduction in
any form, without written permission, is prohibited.

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
Daniel Warren Sr. Ed. & Assoc. Publisher
Dawson B. Nail Executive Editor
Arthur Brodsky Managing Editor-Washington
R. Michael Feazel Senior Editor
Edith Herman Senior Editor
Steve Geimann Senior Editor
Michael French Assistant Editor
Elena Lucini Assistant Editor
Mike Grebb Assistant Editor
Marcus Tonti Editorial Asst.

Business

Brig Easley Controller
Gary Madderom Marketing Director
Gene Edwards Advertising Director
Betty Alvine Circulation Mgr.
Deborah Jacobs Information Systems Mgr.

NEW YORK BUREAU

276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001

Phone: 212-686-5410

Facsimile: 212-889-5097

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

CONTRIBUTING EDITOR, EUROPE

Barry Fox

5 Denning Rd.

Hampstead, London NW3 1ST

Phone: (071) 435-6244

JAPANESE REPRESENTATIVE

Editorial and Circulation

CES International Corp.

1-18-2 Nishi Shinbashi, Minato-ku

Tokyo 105, Japan

Phone: (03) 3592-1531

Television and Cable Factbook

Michael Taliaferro Managing Editor &
Asst. Publisher—Directorics
Mary Appel Editorial Director
Richard Koch Asst. Managing Editor &
Asst. Editorial Director
Susan B. Woodruff Production Manager
Susan C. Seiler Senior Ed. & Ed. Supv.
Gaye Hogue Assoc. Ed. & Ed. Supv.

Market Research & Data Sales Division

Lynn Levine Director
Brian C. Mealey Assistant Director

- ☐ I'm interested in Television Digest With Consumer Electronics and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.
- ☐ The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to Television Digest With Consumer Electronics.

Signature _____
Name _____
Company _____
Address _____
City _____ State _____ Zip _____

RealTime Gaming Systems, new Interactive Network subsidiary... **David Koch**, ex-Walt Disney Co., named vp-development, Saban Interactive.

Peter Tannenwald, ex-Arent, Fox, Kintner, Plotkin & Kahn Washington law firm, Jan. 1 joins **Irwin, Campbell & Tannenwald**, 1320 18th St. NW, Suite 400, Washington, D.C. 20036, phone 202-728-0423... **Paulette Laden** named chief, EEO Branch, FCC Mass Media Bureau Enforcement Div., succeeding **Glenn Wolfe**, retired... FCC schedule: Chmn. **Hundt** participates in news conference to introduce Emergency Alert System, FCC Rm. 856, Washington, 9:30 a.m., Dec. 13; speaks Jan. 6 at opening session of Winter Consumer Electronics Show in Las Vegas; **Comr. Chong** addresses FCBA luncheon, Washington Marriott, 12:30 p.m., Jan. 19. She participates on panel at NATPE/INTV Convention, Las Vegas, 2 p.m., Jan. 23, and on Town Meeting panel, Communications Network '95, Washington Convention Center, 3:30-5:30 p.m., Jan. 25.

International FiberCom said it will install fiber and other cable equipment and provide technical assistance to **Telecab S.A.**, 3rd-largest cable operator in Mexico, under new \$8-million contract.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th and final week of Nov. and year to date:

	NOV. 19-25	1993 WEEK	% CHANGE	NOV. 12-18	11 MONTHS 1994	11 MONTHS 1993	% CHANGE
TOTAL COLOR TV.	929,060	1,007,569*	- 7.8	750,095	24,720,776*	22,639,873	+ 9.3
DIRECT-VIEW..	900,320	990,328*	- 9.1	731,456	24,162,728*	22,241,074	+ 8.8
TV ONLY.....	844,450*	783,957	+ 7.7	679,362	22,327,327*	20,763,641	+ 7.5
TV/VCR COMBO	55,870	206,371#	-72.9	52,094*	1,835,401**	1,477,433	+24.2
PROJECTION...	28,740*	17,241	+66.7	18,639*	558,048**	398,799	+39.9
VCR DECKS.....	429,576	546,087*	-21.3	397,016*	11,780,774*	11,219,436	+ 5.0
CAMCORDERS.....	112,091	177,972	-37.0	95,501*	2,877,223*	2,823,064	+ 1.9
LASERDISC PLYRS	5,827	8,112 ^r	-28.2	6,144	249,618	258,039 ^r	-3.3

Direct-view TV 5-week average: 1994--769,027*; 1993--759,685 (up 1.7%).

VCR deck 5-week average: 1994--399,924*; 1993--364,147 (up 9.8%).

Camcorder 5-week average: 1994--94,317; 1993--104,413* (down 9.7%).

* Record for period. # All-time record. ** Full-year record. ^r Revised by EIA.

PHILIPS SWITCHES CD-I EMPHASIS TO VIDEO CD: Linear movies on Video CD -- its least interactive feature -- will be pushed as key to broad consumer acceptance of CD-I, Philips made clear last week in Düsseldorf at renamed "5th World Conference on CD-I and Video CD" (Video CD being added to title). Obviously concerned by widespread anticipation of high-density Digital Videodisc (DVD), Philips executives sought to position Video CD as practically priced here-and-now product vs. imponderable time and price frames of DVD.

While Philips remained steadfast in belief that CD-I is plug-and-play system offering best mix of interactive family entertainment, information and education, during 3 days of workshops and presentations interactive aspects of system -- including games -- took back seat to emphasis on Video CD. In fact, speeches by executives of Sony, Matsushita and JVC (conference co-sponsors though none has introduced consumer CD-I hardware) mentioned CD-I only as one type of hardware capable of playing Video CD discs. Philips Interactive Media Systems Dir.-Gen. Mgr. John Hawkins positioned full-fledged CD-I as stepup from Video CD player, at \$50-\$100 retail premium.

Keynoting conference, Philips Consumer Electronics Chmn. Henk Bodt said installed base of CD-I players would reach one million "some time in the spring." Hawkins later said Philips would fall just short of reaching oft-mentioned goal of million machines by end of this year. Both downplayed shortfall, saying that recent sales momentum -- described at more twice last year's rate -- is more important.

Developers and Hollywood community were urged not to bypass Video CD while waiting for next-generation DVD in speeches and news briefings by Philips executives. "People talk like it is just around the corner, and that absolutely freezes the market from doing anything," said Hawkins of new technologies in general, and DVD in particular. "Let's capitalize on the publishing format that's here today that actually gives you an excellent product." He said break-even point for publishing Video CD disc is mere 3,000-5,000 copies and estimated that there would be installed base of 10 million machines capable of playing of Video CDs in about 2 years, including dedicated players, CD-I players and White Book-capable personal computers.

Recent announcement of CD-I card for PCs represents first phase of effort to bridge gap into computer world, Hawkins said. PC card will be sold in \$700 bundle with CD-ROM drive, since there's only one drive -- manufactured by Sony -- that fits White Book specs. Second phase, he said, will be convincing other CD-ROM makers to make their drives compatible with CD-I card, then ultimately to have drives and chips built into PCs on OEM basis. "Why are we doing this? To sell more software."

Hawkins said Philips is "not necessarily going out to try to negotiate a big deal with another major movie studio. Why? Because we've always believed that when the market was ready in hardware terms that they'd want to encode their own product, and they'd want to bring their own product to the marketplace [to] make incremental profit on this format called Video CD." He said studios will "sit on top of their assets and lay an egg when they're good and ready. We can't forecast when they'll lay the egg."

Bodt said it's "clear" that pricing of Video CD hardware combined with quality of movie reproduction "with proper encoding" is "very acceptable for consumers." Some within Philips camp questioned whether studio executives have become so enamored of idea of waiting for MPEG-2-based DVD that they're looking at well-encoded MPEG-1 conversions with jaundiced eye. Hawkins said Philips is trying to organize Video CD publishers to create some sort of industry quality control standard for encoding, trying to "nip in the bud" problem of substandard quality discs he says have begun to appear on market.

Philips itself has developed encoding process at its research lab in Redhill, England, that yields high-quality MPEG-1 conversion, used in its recently released Video CD versions of Ghost and StarTrek VI. Simon Turner, head of lab's Interactive Systems Group, said company has made effort to gain Hollywood studios' confidence that quality of their films won't be compromised. "We have to prove to Hollywood that we do protect their assets, show them we know what we're doing," he said. "It's not an issue of business, but an issue of protecting the format, protecting the quality."

Bodt shed little light on progress of DVD standardization effort, saying that "technical discussion is now more or less a matter of details, of acceptability of quality, of division of the space, sound channels, titling, whatever. But then comes the real world -- what will be the price of the player, what will be the price of the disc, what will the rollout [schedule] be, how much time does the industry need to position the product? That is not yet clear. It can only be clear at the moment we have a reasonable agreement... about the format." But he said it's "still in the discussion phase, and these things always take longer than you think." Only specific "detail" he mentioned is that "it now looks like" DVD will be backward compatible with current CD. That's not absolutely certain, he said, because "then I would be saying there is already a final agreement on specs. But that is certainly what the larger hardware companies want to achieve. That is a very important issue."

At conference, Matsushita demonstrated portable Video CD player with same profile as audio CD-only version, designed to be plugged into TV set. Using new C-CUBE MPEG decoding chip, it will be available in Japan in first half of 1995, according to spokesman, who said he had no knowledge of prices or export plans.

SHAREHOLDERS SUE BEST BUY AFTER STOCK DROP: Two Best Buy (BB) shareholders, citing "inadequate controls over inventories" and overly optimistic sales projections, filed class action suit charging retailer inflated stock price to mislead investors. BB said action was "wholly without merit and the company will vigorously defend the lawsuit."

W.H. Mayer and Indradat Jagnandan, who purchased combined 1,550 shares this fall, filed suit in U.S. Dist. Court, St. Paul, Dec. 5, soon after stock fell to \$33 per share from \$45 (TVD Dec 5 p18). Decline came after Whirlpool reported it would stop selling appliances through BB and at time of concern over rising inventory. Suit also named BB Chmn.-CEO Richard Schulze and Exec. Vp-CFO Allen Lenzmeier as defendants; it said their annual salaries were \$861,587 and \$494,049, respectively.

BB "misled" investors by maintaining that "increasingly bloated inventories" were contributing to growth and that "increased inventories meant increased sales," 33-page suit said. Projected sales could either "not be achieved" or were promotional and thus not accurate gauge of BB's future earnings, suit said. "Defendants maintained inadequate controls over inventories, which led to excessive purchasing and overstated inventories and understated costs of goods sold in their financial reporting," suit said.

BB inventories at end of fiscal 3rd quarter Nov. 30 are projected at \$1.3 billion, with additional \$100 million expected by year-end, analyst said. Company said it boosted inventories to meet goal of having 90% of items in stock. "The inventories are too high, but a lot can change in a day or a week this time of year," analyst said. "There's absolutely nothing for them to gain by misstating inventory. People would have been unhappy if there was too little inventory and they're unhappy that there's too much."

Source close to company said that inventory problems may be tied to startup of new Stanton, Va., warehouse in Aug., and that cost of opening stores in D.C. and L.A. had been drag on earnings.

* * * * *

Whirlpool's decision to stop supplying BB shouldn't be "serious blow" to retailer, Wall St. firm said. Whirlpool represented 2% of BB's total sales -- about \$100 million, but 20-25% of major appliances, according to report compiled by Sanford C. Bernstein & Co. Major appliances account for 6% of BB total sales and while addition of Frigidaire should partly offset loss of Whirlpool, "departure weakens Best Buy's already tenuous status as a retailer of appliances," Bernstein wrote. Investment house rated BB's chances of dropping major appliances in next 12-18 months at 20-30%, which it said could "reduce" competition with Circuit City and Incredible Universe.

NOV. SAW LETDOWN IN TV-VIDEO SALES: Color TV sales squeaked out record, and projection TV continued to soar -- but Nov. sales to dealers, as compiled by EIA, were letdown from recent rip-roaring pace. All major products, however, still were in record column for 1994's first 11 months.

Figure that stands out most starkly is 37.9% decline in TV/VCR sales for month -- first year-to-year drop in 31 months, since March 1992. Taken in context, however, month wasn't as bad as it seems -- Nov. 1993 was best month in history for combo sales, when one manufacturer reportedly dumped 140,000 sets on market, or almost 50% of month's total.

Camcorder sales dipped 11.9% from last year, but VCR decks, while not setting record, were up 6.1%. Projection TV continued its merry way, setting another record, up 57.4% from Nov. 1993.

Sales in final statistical week of Nov. were big disappointment, combos crashing by 72.9%, VCRs down 21.3%, camcorders off 37%. Sales usually jump in final week of month, and fact that statistical month of Nov. 1994 ended on Nov. 25 -- with 3 business days to go -- presumably had some effect, giving EIA's final week one less business day this year than in 1993, when statistical month ended Nov. 26. Figures for first week of Dec. will tell.

Nov. was something of letdown from recent trends in seasonally adjusted annual rate as well. Direct-view TV (including TV/VCR) dropped from Oct.'s 27.9 million to 26.5 million in Nov. Nevertheless, that's still record pace, well above 1993's record 24.6 million. Annual rate for year's first 11 months was record 26.95 million. Annual rate of TV/VCR sales dipped to lowest point of year in Nov., at 1,282,000 -- but combo sales already are in all-time record column for full year. Eleven-month sales rate was just over 2.05 million, vs. 1,628,847 actual sales last year.

Projection TV, also already in record column for year, showed annualized rate of 686,700 in Nov. (vs. 465,359 sold last year), and about 651,000 for 11 months. VCR sales dropped from Oct.'s lofty perch of 14.6 million to 12.4 million in Nov., and were at 13.3 million for 11 months (record, set in 1993, is 12.45 million). Camcorders took bath in Nov., coming in at rate of 2.64 million, dropping from Oct.'s 3.47 million; for 11 months, rate was 3.24 million, just enough to beat out full-year record of 3.088 million, established last year. Here are EIA's figures for Nov., with 1993 and 1992 comparisons:

Product	Nov. 1994	Nov. 1993	% Change	Nov. 1992
Total color.....	2,785,792*	2,713,898	+ 2.7	2,421,482
Direct-view....	2,710,528*	2,665,970	+ 1.7	2,380,950
TV only.....	2,528,184*	2,372,512	+ 6.6	2,267,205
TV/VCR combo.	182,344	293,458**	-37.9	113,745
Projection....	75,264*	47,827	+57.4	40,532
VCR decks.....	1,281,447	1,207,673	+ 6.1	1,305,320*
Camcorders.....	283,375	320,468	-11.9	307,808
Laserdisc players	21,349	21,770 ^r	- 1.9	18,149

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

Joint flat-panel venture of CopyTele, Huntington Station, N.Y., and Shanghai Electronics Components Corp. has received initial approval from Chinese govt. Venture will develop, manufacture and market telecommunications products worldwide using CopyTele's technology, including its charged particle electrophoretic flat panels.

EIA and NCTA have made "some progress" toward agreement on cable-CE compatibility, according to both organizations, but major point remains: How commands from TV or other device are sent to decoder interface module at back of set (TVD Aug 22 p8). Details are in Best./Cable Section, this issue.

JUDGE UPHOLDS NINTENDO VERDICT: Federal judge has upheld \$208.2-million jury award against Nintendo for violating Alpex Computer's videogame patent.

In 128-page decision, U.S. Dist. Court Judge Kimba Wood, N.Y., ordered Nintendo to pay at least \$55 million in interest as well as additional damages that remain to be calculated. Money would go to creditors of now-defunct Alpex, which filed for Chapter 11 bankruptcy in 1983.

Decision was major blow for Nintendo, which in wake of jury verdict in June called damages award "preposterous and flat wrong" (TVD June 6 p18). Company said that jury "misunderstood" case and complained that panel returned verdict in "a mere 5 hours following a complex 4-week trial." Wood rejected Nintendo's request that jury verdict be thrown out, ruling that jurors "took their responsibility seriously." Wood granted Alpex's request for interest on damages, but rejected motion for 50% (\$104.1 million) increase in original verdict for willful infringement.

Wood said in decision that she found "sufficient evidence of equivalence" in basic structure of Alpex's bit-map system and Nintendo's "Picture Processing Unit" (PPU) for "a reasonable jury to find literal infringement." Jury had held that Nintendo copied technology in 8-bit Nintendo Entertainment System (NES) and 118 game cartridges used in device between introduction in 1985 and 1992. Jury "could conclude" that distinction between bit-mapping and PPU is "insignificant and insufficient to defeat a claim of equivalence," Wood wrote.

Alpex's 1977 patent described "bit-mapping structure" that generates video signals for displaying images. Nintendo countered that it developed PPU for NES that allowed information for entire display to be stored in integrated RAM chip. Thus images were displayed directly on screen through PPU.

Nintendo attorney Thomas Gallatin said company would file appeal to U.S. Appeals Court, D.C., by early 1995 based largely of issue of equivalence. "We're obviously disappointed in the decision and we think the court should have overturned this decision," he said. "The Alpex patent relates to a very different kind of video display technology [than Nintendo's]. This is just another example of a plaintiff dusting off an old patent and trying to stretch it to cover something that really is quite different from what is claimed in the patent."

Federal appeals courts have ruled that "equivalency analysis" is "narrow doctrine" that should be "carefully applied," Gallatin said. "In complex cases like this, juries sometimes have difficulty in applying that analysis," he said.

John Strauch, attorney for Alpex, said that while he was "disappointed" in not receiving 50% boost for willful infringement, "both jury and judge have vindicated the position of Alpex and its creditors and shareholders." He said company was confident appeals court would uphold verdict.

Earlier, in another case, Nintendo said U.S. Dist. Court, N.Y., had ruled its security system for videogame consoles didn't infringe on patent held by Michael Rackman for "public key/private key" security system. Ruling in suit brought by Rackman was handed down by Judge Peter Leisure, who held that Nintendo's system didn't use public key/private key technology at all. News release by Nintendo's law firm Mudge, Rose noted that this was 3rd time this year a court has issued summary judgment upholding Nintendo in patent infringement suits.

MECA SALES SEEN AT \$7.2 BILLION: Sales of Matsushita Electric Corp. of America (MECA) and its affiliates are up more than 10% in fiscal year to date, Pres. Richard Kraft told company's annual "Matsushita Meets the Press" event in N.Y. last week. For year ending in March, sales will be about \$7.2 billion, he said.

"Despite continued yen-dollar exchange rate pressure and a variety of adverse circumstances in the U.S. consumer electronics industry," he said, "we have successfully defended profitability, roughly maintaining it at last year's levels." Company's performance has been especially strong in industrial products, particularly CD-ROMs, he said, as well as "healthy growth in systems sales, and, on the consumer side in color TV, portable audio and video products in general."

Kraft said Matsushita's plan to increase production until half of its U.S. sales come from locally manufactured products was "temporarily slowed" by Japanese recession, but company now is ready to "pick up the task where we left off." He noted that MECA last year "exported more than \$280 million worth of locally made Panasonic products to Latin America, Europe and Asia, including Japan."

Matsushita has doubled to \$20 million the endowment of Panasonic Foundation, which supports education reform at local level in U.S. cities, Kraft said.

Jasco Products has signed licensing agreement with Southern New England Telephone (SNET) to design, manufacture and sell Bell-branded phone accessories starting in Feb. or March. Line will include about 175 accessory items priced up to \$80 such as phone cords, antennas, caller ID devices, surge protectors, cellular phone batteries, chargers. Launch of cellular accessories will represent first such entry for Jasco and SNET and will be expanded quickly from 70-piece assortment planned at start, Jasco Mktg. Dir. Kent Shiplet said. He said deal with SNET also may signal Jasco's move away from marketing phone accessories through major retailers such as Best Buy, Target and Wal-Mart. "We're repositioning to become marketer of name brand accessories," he said. Agreement would be first such deal for New Haven-based SNET, which already has sold accessories through 22 company-owned phone centers in Conn.

R.H. Macy emerged from bankruptcy last week when federal judge approved retailer's plan to merge with Federated Dept. Stores. U.S. Bankruptcy Court Judge Burton Lifland, N.Y., signed order at hearing Dec. 8, effectively ending Macy's 3-year struggle in bankruptcy. Macy-Federated merger creates nation's largest department store company with more than 335 outlets and annual sales exceeding \$13 billion. Federated's purchase of \$449.3 million bankruptcy claim against Macy earlier this year gave it leverage to negotiate merger. Creditors will receive \$4.12 billion as Federated pays off Macy's debt after merger.

Hitachi names Universal Electronics America to market its consumer electronic products to U.S. military installations, exchanges, commissaries.

THIS WEEK'S YEN RATE

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

EMERSON REVIVES H.H. SCOTT: In first tentative step toward reviving H.H. Scott brand and redeploying 2-brand strategy, Emerson has started shipping Scott audio products to MARTA dealers, company said.

Eight-item line including portable CD players and minicomponent systems is precursor to gradual expansion of H.H. Scott to include video by late 1995 or 1996, Emerson Mktg. Vp Gerald Calabrese said last week.

"Long term, it will be a multiple brand strategy where Scott will be positioned through specific retail distribution and Emerson will stay where it is," Calabrese said. Scott brand "would be step-up with additional features that Emerson product doesn't have."

Entry of Scott into video will be through home theater "packages" that target retailers with commissioned sales, while Emerson remains province of mass merchants, Calabrese said. Packages will include either 19," 25," 27" or 30" TVs sold in cabinet containing amplifier, preamp, VCR or Dolby Pro Logic receiver, he said. First models will be sold through MARTA dealers starting in late 1995, with separate Scott 30," 31" or 32" TVs expected by 1996. "We're not going to target a full line of video [for Scott], but go through home theater," he said.

Emerson has no plans to reintroduce camcorders and will stick with 2- and 4-head mono VCRs until debut of 4-head hi-fi in 2nd half of 1995, Calabrese said. In TV/VCRs, Emerson will continue with 9", 13", 19" and 25" in 1995 with no plans for 27" set shown at MARTA dealer meeting earlier this year (TVD June 6 p15).

Despite plans, retailers said Emerson remains low-priced brand with narrow margins. "They're broadening into other areas, but we don't need another promotionally priced brand," said one retail executive. "Let's face it, they're one step above the no-name brands but below Panasonic, RCA, Sony and others so they need to be more profitable to the retailer." Emerson Pres. Eugene Davis conceded there are "some things that need to be done to overcome that image" and said audio may be "one way to bring that image back up to where it belongs."

Emerson's future expansion will rely heavily on licensing name and adding limited products, company indicated. To that end, Jasco Products signed licensing agreement to design, manufacture and sell Emerson brand audiovideo (A/V) accessories starting in Jan. and Emerson introduced 12 SKUs of ready-to-assemble (RTA) furniture. At least one more licensing agreement is expected by year-end along with additional product category, Davis said.

Jasco at outset will sell 250 accessories ranging from plugs, jacks and interconnecting cables at \$1.99 to multimedia speakers and cable boxes at \$149, Pres. Steven Trice said. Jasco will handle manufacture of products in Far East, and joint strategy involving companies' sales forces is possible, Calabrese said. Jasco will supply graphics for Emerson brand packaging, company said.

Venture may signal gradual phaseout of 19-year-old Jasco brand, Trice said. "We're going to let the customer tell us what to do," he said, "but we're going to give him the options and he'll probably opt for the name brand [Emerson]."

In RTA, Emerson will sell 12 items, including TV and microwave oven stands, A/V cabinets and utility carts that will be manufactured in Far East and carry prices of \$29-\$200. Furniture won't be "inventory product" and will

target limited number of retailers and private label deals, Sales Vp Merle Eakins said, with delivery in first half.

Emerson will ship 5 new microwave oven models in first half, including first 900w 1 cu. ft. model at \$179. Oven, slightly smaller than last year's top-of-line 1.2 cu. ft. model, contains 20-key pad and 5 one-touch settings. Other microwaves are 0.6-0.9 cu. ft. at \$119-\$159. Company has no plans to add 1,000w model, Emerson Mktg. Dir. Barry Light said.

* * * * *

Emerson is expanding international distribution through joint ventures in Thailand and Mexico, Davis said. Although agreements limit initial distribution to those countries, plan is to expand to Latin America, S. America and Far East, he said. Subsidiary Emerson-Spain also is serving as test for move into Europe as company weighs either subsidiaries or joint ventures, Davis said. In U.S., Emerson recently added Circuit City and Tandy's Incredible Universe for TV/VCR combos.

Financially, Emerson has reduced costs \$42 million since April 1993 in cutting work force to 205 from 1,200, Davis said. Recent stock repurchase plan that offered shares in new company to former holders resulted in sale of 6 million of 15 million shares available, Davis said, and company is studying new offering "within 12 months."

LIPPMAN QUILTS CES POST: Sam Lippman has resigned as EIA Consumer Electronics Group (CEG) vp for Consumer Electronics Shows (CES), effective after Winter CES in Las Vegas Jan. 6-9. EIA said Lippman will become vp at Graphics Arts Show Co., Reston, Va., producer of trade shows for printing industry.

Lippman's decision to resign was "100% harmonious," CEG Vp Gary Shapiro told us. He praised Lippman as "one of my closest friends" and strong EIA ally with whom "I saw eye to eye" on virtually every issue confronting CES events. Shapiro said Assn. soon will launch search for successor, but said Lippman will leave behind strong CES staff to which he delegated much authority.

Shapiro gave Lippman much of credit for success of EIA-sponsored events such as Winter CES and recent CES Mexico. In statement, Shapiro hailed Lippman as having "had a tremendous impact on the success of CES in his 10 years with the organization... Sam has built breadth and depth to the CES staff, so he leaves a strong operation in place."

Lippman advanced to CES vp from operations dir. 3-1/2 years ago, succeeding Dennis Corcoran, who had been ousted because of apparent management differences with Shapiro and because of Shapiro's desire to put his own CES team in place. Corcoran had occupied CES post for year after Shapiro replaced Tom Friel as EIA's CEG vp.

Buster busted: U.S. Dist. Court in Detroit issued restraining order prohibiting 3 Mich. video retail stores from using name "Video Busters." Judge Nancy Edmunds ruled that plaintiff Blockbuster "has demonstrated a likelihood of success on the merits" in suit against retailers seeking damages. Defendants were "enjoined from using the mark 'Video Busters' or any confusingly similar designations thereof, including any mark with suffix 'busters'" to prevent public confusion, judge ordered. She said Blockbuster (which has 110 stores in Mich.) would suffer "irreparable harm... if the court did not issue an injunction."

3DO CUTS PRESSING SURCHARGE: Fighting back from ill will generated by clumsy attempt to effectively double royalty rate it charges software publishers (TVD Oct 24 p14 et seq), 3DO has reduced Market Development Fund (MDF) surcharge (referred to throughout as "pressing fee") to \$1 per package through rest of this year and \$3 per package (not per disc, as originally planned) thereafter.

In addition, Nov. 21 confidential letter from CEO William (Trip) Hawkins to licensees proposed creation of "Strategic Agreement for Marketing" (SAM) -- program designed to "rapidly accelerate consumer confidence in the 3DO format," incorporating such measures as rebates for licensees for pressing large number of discs (with booster for "exclusive" titles). Proposal includes extra benefits for those signing up by end of this week (Dec. 16). 3DO spokeswoman acknowledged existence of letter, but declined comment on its contents.

As he has publicly, Hawkins stressed in letter that only way for 3DO and licensees to succeed is to quickly grow installed base of 3DO machines. He expressed frustration that uproar in press over MDF has masked progress in 3DO sales rate, recently boosted by national ad campaign funded by MDF. He said bad publicity "has made concerned consumers call 3DO to wonder if this means that they should avoid buying a 3DO system. We will all be injured if that happens. The adverse publicity now hangs over the 3DO format like a storm cloud, and we would like to get rid of it and show consumers sunny skies as soon as possible."

Creation of MDF program has helped "to convince our hardware partners to lose an additional \$20 million on incremental hardware production," letter said, estimating that losses on 3DO hardware manufacturing in 1995 "could exceed \$100 million and possibly be as high as \$200 million." Without MDF, he writes, installed base of 80,000 machines outside Japan might reach 400,000 by end of next year. With MDF, "I am confident that it will easily exceed 1,000,000 and possibly exceed 1,500,000."

Letter outlined list of other changes in MDF program including: (1) Creation of Software Licensee Advisory Boards for N. America and Europe that will "consult with 3DO on marketing programs, receive status updates on the business and oversee an audit function to ensure that the marketing fund is spent according to guidelines and that Studio 3DO has contributed its full share." Letter specified that Studio 3DO -- in-house software publishing operation whose very existence has rankled some licensees -- will "fully contribute" to hardware incentive fund and marketing fund. (2) Commitment to spend all pressing fee funds (less direct expenses and reserves) on format marketing and incentive fund for hardware companies, and to spend them geographically in proportion to their origin. (3) Elimination of any surcharge for promotional titles, bundles, linear programs.

Companies that sign by Dec. 16 would have any numbers pressed this year under MDF program applied toward 1995 rebate quotas. They also would be briefed under nondisclosure agreements on details of "how we have incentivized the 3DO hardware companies to aggressively expand the installed base."

Hawkins closed letter with doomsday scenario of entertainment software publishing arena should 3DO fail, with industry "left with Nintendo, Sega and perhaps Sony. They all have the same agenda: Control over everything. And all 3 intend to capture the biggest share of the software market with their own publishing efforts. What would

happen to license fees? Licensing controls? How much software market share would be left for the 3rd parties? Would there ever be a hardware format standard?"

GENERAL MAGIC GOING PUBLIC: General Magic (GM), developer of widely accepted standard for communication between personal digital assistants, valued itself at \$292 million in SEC filing for public stock issue, which disclosed that Apple will be largest stockholder with 12%. AT&T, Motorola and Sony will hold 7.4% each.

GM in recent weeks has announced that some major companies have taken equity positions (TVD Dec 5 p14). In SEC filing, it said it plans initial offering of 4 million shares at expected \$13 each, resulting in 22,440,000 outstanding shares.

SEC filing said GM had net loss of \$14.2 million for 9 months to Sept. 30 on revenue of \$2.5 million derived entirely from licensing, compared with net loss of \$11.9 million on no revenue in 1993 period. Company has had cumulative loss of \$45.8 million since start in 1990, said it doesn't expect "significant" revenue in 1994 or 1995, with "substantial losses" at least through 1996.

Filing indicates 2nd largest shareholder will be GM CEO Marc Porat with 9.6%, followed by Chmn. Andrew Hertzfeld and family with 7.8% and Senior Vp William Atkinson and family with 7.4%. Proceeds of issue will be used for general corporate purposes, including working capital. Goldman, Sachs will be lead underwriter.

Ovonic Battery Co. (OBC) has settled International Trade Commission (ITC) complaint against Sanyo, which it had charged with infringing on patent on nickel-metal hydride battery (NimH) technology. But action still is pending against Toshiba and its partners, Duracell and Varta, as well as Yuasa, OBC spokeswoman said. Settlement with Sanyo involves licensing agreement that "paves the way" for "future cooperation" between companies in development of NimH for consumer applications, OBC said. It filed ITC complaint in Aug. charging companies with infringing on patent for anode that absorbs hydrogen from electrolyte during charging. OBC supplies NimH batteries for personal computers, while Sanyo has supplied products for Apple, Compaq and Dell PCs and Motorola cellular phones and pagers. Toshiba formed alliance with Duracell and Varta in 1992 and has sold NimH batteries for PCs and cellular phones to Canon, Compaq, Fujitsu, others. Yuasa has focused on car batteries.

Rex Stores reported net income rise to \$1.599 million in 3rd quarter ended Oct. 31 from \$977,000 year earlier on 30% sales increase to \$80.16 million from \$61.63 million. For 9 months, net income climbed to \$4.7 million from \$2.745 million on 30.6% sales increase to \$230,416 from \$176,471. Chain reported 28% rise in Nov. sales to \$42.4 million from \$33.2 million. Year-to-date sales climbed 31% to \$266.1 million from \$203.5 million. Same-store sales increased 4% for Nov., 7% for year.

Whirlpool will become one of world's largest microwave oven manufacturers with acquisition of majority stake in SMC Microwave Products, China's largest producer. Terms weren't disclosed. SMC reportedly has about 50% of Chinese microwave market which totals about 500,000 ovens annually and exports more than 500,000 from its Guangdong province plant. Whirlpool said SMC should produce some 1.5 million annually by 1997.

ABC, DISNEY UPGRADE MULTIMEDIA: Media giants Cap/ABC and Walt Disney Co. made moves last week to strengthen their positions in interactive multimedia content, for near term oriented toward packaged media, but undoubtedly aiming toward developing stronger franchise for future on-line environments.

Cap/ABC and Electronic Arts (EA) unveiled joint venture to develop and publish software for computers and game machines with EA transferring its EA*kids children's software operations and selections from its EA World line into newly created ABC/EA Home Software, 50/50 joint venture. Transfer includes EA*Kids 20-member staff.

Financial arrangements weren't officially disclosed, but "executives familiar with the deal" were quoted as saying total contribution would be about \$30 million, with Cap/ABC contributing greater amount to offset EA's contribution of existing product and staff. Cap/ABC Multimedia Group Pres. Stephen Weiswasser said partners were making "sizeable investment... sufficient to make it successful." Greg Bestick, former EA vp, is pres. of ABC/EA, with hq in San Mateo, Cal.

New company promised first software based on ABC children's shows by Christmas 1995, and said ABC News and ABC/Kane also will provide "product support." EA Chmn. Larry Probst forecast new company would rapidly join "narrow list" of world's largest interactive software providers, headed by Microsoft and Broderbund. Cap/ABC's Weiswasser said group should be profitable by 1996 and staff would grow to 35 within 6 months.

Officials of 2 companies said they planned eventually to offer CD-ROM products that could interact with on-line offerings. As for videogames, they said software would be offered in "all formats," including 16-bit Sega Genesis, but main concentration would be on 32- and 64-bit formats, with 3DO and Sega specifically mentioned.

Disney's formation of new Disney Interactive (DI) signals company's strongest move yet into averaging its tremendous consumer franchise and creative assets into interactive entertainment and services market. Company for several years has published limited amount of computer software on its own, licensed characters and movie properties to outside publishers and, most recently, participated in joint ventures with Virgin Interactive and Sony Electronic Publishing.

DI is product of partnership of Walt Disney TV & Telecommunications and Disney Consumer Products, link-up that Disney Chmn.-CEO Michael Eisner said offers "marketing and creative clout around the world that I think is unprecedented." DI Pres. Steve McBeth said division plans to become broad-based publisher, starting with Disney-branded titles, expanding outside that realm over time. Company has set aggressive expansion track, planning to swell from current 100 employees to more than 300 by end of next year. Expanded staff will be needed to support plan to "approximately double the number of titles that we're bringing to market each year for several years."

Next summer, company for first time will release internally developed videogame that will be marketed using "the tremendous capability" of Disney's Buena Vista Home Video, McBeth said.

WORLD TAPE GROWTH SLOW: Worldwide blank videocassette sales will grow 1% in 1995, same rate they rose in 1994, according to annual forecast by Japan Recording Media Industries Assn. Increase in compact camcorder tapes will decline from this year's 9% to 7%; digital audio media, still in their infancy, will soar 71% to 26.9 million, according to forecast.

W. Europeans (12 European Community countries) consume more camcorder and audio tape than N. Americans, Japan has everyone beat on digital audio tapes and MiniDiscs, but N. America leads in consumption of standard 1/2" videocassettes and floppy discs.

In table below, numbers represent sales in millions of units; percentages are vs. preceding year; audio and videotape and digital audio media are blank tape only; floppy discs include applications software.

1/2" VIDEOCASSETTES

	1994 Estimate Units	% Chg.	1995 Forecast Units	% Chg.
North America.	352	+ 1	351	0
Japan.....	234	- 1	232	- 1
EC nations....	339	+ 1	341	+ 1
Others.....	173	+ 4	182	+ 5
TOTAL.....	1,098	+ 1	1,106	+ 1

CAMCORDER VIDEOCASSETTES (8mm and VHS-C)

North America.	42	+14	45	+ 7
Japan.....	41	+ 5	43	+ 5
EC nations....	48	+ 9	51	+ 6
Others.....	10	+11	12	+20
TOTAL.....	141	+ 9	151	+ 7

AUDIO TAPE

North America.	404	- 1	402	0
Japan.....	340	- 6	324	- 5
EC nations....	441	- 1	437	- 1
Others.....	682	+ 3	709	+ 3
TOTAL.....	1,874	- 1	1,872	0

DIGITAL AUDIO MEDIA (DAT, DCC, MD)

North America.	3.7	+28	5.6	+51
Japan.....	7.1	+78	13.4	+89
EC nations....	4.4	+38	7.0	+59
Others.....	0.5	+67	0.9	+80
TOTAL.....	15.7	+51	26.9	+71

FLOPPY DISCS

North America.	1,420	+ 7	1,484	+ 8
Japan.....	455	+12	491	+ 8
EC nations....	1,104	+13	1,225	+11
Others.....	337	+ 5	400	+ 6
TOTAL.....	3,356	+ 9	3,600	+ 7

Japanese media maker Toray announced development of 3-1/2" rewritable phase-change optical discs capable of holding 1.3 gigabytes of data or 40 min. of MPEG-2 "HDTV-quality" video and compatible with prototype drive system revealed 3 weeks ago by Toshiba. Toray echoed Toshiba in saying that commercialization of large-capacity rewritable phase-change multimedia systems based on technology will start in late 1995.

GRANDE, MTC SIGN TRUCE: After mounting hostile bid to take over MTC Electronic Technologies, Grande Corp. has agreed to inject \$9.9 million into former adversary in return for representation on company's board.

Hong Kong-based Grande capped 3-day negotiating sessions in L.A. by agreeing to purchase 3.3 million new MTC common shares at \$3 and increase stake in company to 19% from 3%. Deal is contingent on 5 Grande and 2 MTC nominees' being elected at MTC's annual meeting Dec. 15 in Richmond, B.C.

Grande shares will be placed in escrow for year and many won't be released unless MTC meets "performance targets," including turning profit in 1995, MTC spokesman said. Pact staves off potential fireworks at annual meeting. MTC and Grande had proposed rival slates of directors with MTC also asking shareholders to consider selling company (TVD Dec 5 p16).

Key to settlement was Grande pledge to continue pursuing federal lawsuit against former MTC Chmn.-CEO Miko Leung and his brother Sit Wa Leung, who are accused of improperly obtaining \$30 million, MTC spokesman said. Independent committee of MTC board will prosecute case, he said. Grande also agreed to cease contact with Leungs, whom it met when they were MTC executives concerning possible sale of MTC, spokesman said.

As part of agreement, MTC CEO-Managing Dir. Edilberto Pozen will resign following annual meeting and be replaced by Grande designate.

MTC will continue focus on telecommunications including cellular and paging joint ventures in Far East, and Grande has agreed to give company access to cellular venture covering 20 cities in China, MTC spokesman said. However, MTC has dropped request to rename company SunTel, although new name will be chosen, spokesman said. "I don't think there are going to be any major changes as far as their focus and we are going to try and enhance their ability," said John Evans, attorney for Grande and nominee for MTC board.

Evans said that whether MTC will return to consumer electronics remains an "open question" that would focus solely on Chinese market, but "there is no reason not to if we can make money." Grande is OEM supplier for Pioneer and manufactures computer monitors, magnetic heads, electronic toys in China.

RETAIL GAINS IN NOV.: Circuit City, Tandy and Ultimate Electronics reported sales gains in Nov.

Circuit City, citing opening of 28 stores in Nov., posted 39% gain in revenues in month to \$568.6 million on 18% rise in same-store sales. For quarter ended Nov. 30, sales rose 38% to \$1.4 billion on 19% jump in same-store sales. Overall, CC opened 36 outlets in quarter, including new markets of Cleveland, Kansas City, Portland, Ore.

Tandy reported first double-digit same-store sales gain at Radio Shack in 6 years and 29% rise in sales in Nov. to \$511.4 million. Overall, Tandy same store sales jumped 8%.

Ultimate Electronics said sales for month rose 82% to \$18.2 million on 38% increase in same-store sales. UE said it will open first store in Tulsa in 1995 3rd quarter and is studying potential markets in Kan., Mo., Neb.

ON-LINE GUIDE DELAYED: Key Prestige (KP), wracked by resignation of pres. and by development delays, has postponed launch of upgraded on-line product guide system (TVD Oct 17 p14) until April.

Pres. Fay Wood, who helped negotiate merger of KP with rival Information Network Systems in May, resigned in Nov. Last week, KP officials conceded planned Jan. introduction of upgraded Oasis service was being delayed. Wood wasn't available for comment.

On-line system, introduced in 1987, is designed to provide servicers, manufacturers and retailers with claims status, parts availability and pricing, technical bulletins, schematic drawings, product manuals.

"Based on where we were, we stepped back and we rethought what we were doing and decided to delay launch to April," said KP Sales & Mktg. Vp James Rushton. "We want to be sure that when we do go forward there is enough substance to create a network."

Chief features of upgraded network will be faster data processing and more features, company said. And while previous system was funded primarily through subscriber fee charged manufacturers, servicers will pay for access to new system's advanced features.

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.

At least 29 consumer electronics and major appliance manufacturers have joined Oasis, which is expected to have \$30 monthly access fee plus charge for downloading data. Service will be sold in 2 packages, one allowing access only to system's database and other a stepup adding E-mail and other interactive features.

New 32-bit videogame machines by Sega and Sony were first-day sellouts in Japan, companies said. Sega said its 170,000 Saturn consoles were sold first day, Nov. 22, at about \$450 list, with 2nd wave of 80,000 sold by end of Nov. Sega said it has received orders for 1.4 million and is considering increasing production capacity (including OEM supply to Hitachi). Sega had planned to supply 600,000 by year-end. Sony said it sold 100,000 consoles on first day, plans to ship 300,000 by year-end. Company is producing about 10,000 consoles daily. NEC, meanwhile, delayed introduction of 32-bit game machine PC-FX in Japan to Dec. 23 from Dec. 9 because of errors in instruction sheet for plug-in board to adapt personal computers to game system. Errors reportedly were in list of computers that can be adapted.

First radio-cassette recorder with Video CD was introduced last week in Japan by Sharp for connection to TV set. Player has menu function and is capable of quadruple resolution on still pictures. It also has karaoke function, remote control 5w-per-channel output to speakers, weighs 14 lb. List-priced at \$585, it will be produced at rate of 5,000 monthly.

Matsushita will build \$25-million lithium battery plant in Columbus, Ga., near its storage battery facility and alkaline battery venture with Eastman Kodak. New plant, which will make batteries for film cameras, will employ about 100 by 1997.

Consumer Electronics Personals

FCC Chmn. **Reed Hundt** will speak Jan. 6 at opening session of Winter Consumer Electronics Show in Las Vegas... **Dave Edmondson**, ex-Advo direct mail ad firm, joins Radio Shack as vp-mktg., reporting to Exec. Vp **Dave Christopher**... **Jim Kalasky** departs as vp-mktg. for audio at Best Buy to become mdsg. dir. for electronics at Damark direct marketer; **Mark Galchutt** resigns as Best Buy mdsg. mgr. for video, replaced by **Lee Simonson**, promoted from senior buyer... **Shari Haber**, ex-Sony, joins Connors Communications, N.Y. PR agency, as vp... **Sam Lippman** resigns as EIA Consumer Electronics Group staff vp for Consumer Electronics Shows (see separate report).

Sueyuki Hirooka, Sharp Electronics (U.S.) chmn., now also is officially exec. dir. and group gen. mgr. of Sharp's International Business Group. Other recent Sharp corporate promotions in Japan: **Isamu Washizuka** to senior exec. dir. and group gen. mgr., LCD Group; **Seiji Shiotsu** to senior exec. dir. and group gen. mgr., TV & Video Systems Group; **Shigeo Misaka** to exec. dir. and Group M gen. mgr., Printing & Reprographic Systems Group... Changes at Key Prestige, on-line consumer electronics product information service: **Fay Wood** resigns as pres., plans unknown; **Vp Janet Salzman** promoted to pres.; **David Runge**, exec. vp., named COO; **James Rushton**, ex-Nintendo, joins as sales & mktg. vp.

Promoted at Fuji Consumer Markets Div.: **Ronald Dubner**, dir.-sales to vp-sales; **Rod King**, mktg. dir. to vp-mktg... **David Gabrielsen**, ex-Mr. Coffee, joins Universal Electronics as exec. vp-COO, new post... **Mary Ryan** promoted to senior vp-mktg., U.S. Satellite Bestg. (USSB); **Carl Wegener** advanced to vp, dealer mktg., from dir. of consumer electronics mktg... **Mitchell Rubin** promoted to new Voice Powered Technology post of vp-finance & operations and CFO... **Jodi Hurwitz** promoted to Sony Music dir., programming... **Scott Hochgesand**, ex-Times Mirror Cable, joins Time Warner Cable's Full-Service Network as dir.-interactive games.

Grant Ireland promoted to vp-gen. mgr., Allied Film & Video... **Patti Bodner**, ex-New Line Home Video, named vp-mktg., BMG Video... **Timothy Barkas**, ex-Antelope Valley Press, joins VSDA as publications editor... **Steve McBeth** of Disney Consumer Products to head new Disney Interactive unit... **Greg Bestick**, former Electronic Arts vp, named pres. of ABC/EA, new company formed by Cap/ABC and Electronic Arts.

After 6-month delay, Sony High-Definition (HD) Theater in N.Y. was unveiled to news media last week, featuring 2 HD projectors, Dolby Surround Sound, 10x18-ft. screen. Centerpiece of new 4-floor Sony Wonder Technology Lab at Sony Plaza, Theater was to open in May but was delayed as Sony staff replaced outside contractor hired to install computer system. HD theater has 73 seats, each with joystick and 4 buttons for interactive programs. Projectors are side by side at back of theater, converging beams into single picture, supported by HD VCRs and laserdisc players. Focus of theater will be education, Sony officials said. Lab also includes professional, environmental research, medical imaging and videogame production studios.

Year-end bonuses to Japanese company managers, traditionally based on years of service, this year are being geared to performance at Matsushita, one of biggest companies to make change. Measure is part of company's 3-year restructuring to improve profitability.

After more than 60 years as Home Furnishings Daily (HFD), trade publication will be renamed Home Furnishings Network (HFN). Redesignated publication is scheduled to debut with Jan. 2 issue. Consumer electronics section will remain as before, but Computer Merchandising supplement will be folded into magazine and divided into 3 sections -- hardware, software, telecommunications/fax. **Ken Ryan** and **Thomas Veilleux** will remain co-editors of magazine's Electronics Report. HFD has been misnomer since late 1970s when daily publication converted to weekly magazine format. Magazine is operated by Cap/ABC's Fairchild Publications. Neither HFD Vp-Exec. Publisher **Geri Brin** nor Publisher **Mark Hertenstein** returned phone calls seeking comment.

Panasonic temporarily has closed Park Ave. Office & Automation showroom in N.Y., is converting it into 4,000-sq.-ft. multimedia exhibit to open in March. Company, which has leased space at 300 Park Ave. since 1989 to showcase home office products, will use display to highlight technology, but not necessarily products being readied for introduction, Matsushita spokesman said. "We'll have anything there that we have within our technological capability," spokesman said. "We just decided we needed to use [the showroom] for a better purpose." There are no immediate plans to add similar exhibits in other cities, spokesman said.

Russo-Korean venture is developing color plasma display technology with eventual goal of development of color panels "over 100 inches in width," with manufacture of first products scheduled before year-end. One of company's aims is development of home TV plasma display. The \$4 million project, Orion-Plasma Research & Production Co. in Ryazan, near Moscow, is 50-50 joint venture of Korea's Orion Electric (tubes) and Russia's Plasma Research Institute of Gas Discharge Devices. Orion is member of Daewoo group.

Vidikron of America 1994 sales were up 90% from last year, Sales & Mktg. Vp **James Wellnitz** said. High-end projection-TV marketer now features 5 basic models, including 3 LCD projector at \$7,995 suggested list, 3-tube projectors at \$5,995 and \$7,695, microprocessor-controlled models at \$7,295 and \$8,695, top-end projector with computer storage of input picture parameters, exterior cabinet by Pininfarina (available in "Ferrari red finish") at \$15,995 and \$18,995.

Sunpak has signed agreement to distribute **Zero Halliburton** aluminum camera, camcorder and computer cases. N. Salt Lake City company will continue manufacturing cases, but Sunpak will sell 18 SKU line, \$185-\$560. At same time, Sunpak will unveil new tripods at Winter CES in Jan. under Slik brand it began distributing earlier this year (TVD June 20 p17) as well as 650-ma batteries for Motorola cellular phones.

Matsushita and **IBM** last week announced agreement to work on development and manufacture of products based on Power PC. Agreement covers multimedia products. Among consumer products to be explored are "personal digital assistants, 3DO products and products using Matsushita's advanced optical disc technology such as PD (phase change rewritable optical disc)."

Tandy's Computer City opened first stores in Chicago and San Jose last week. In Chicago area, 25,000 sq. ft. stores opened in Deerfield, Oak Brook and Schaumburg, while San Jose-area sites include Milpitas and Santa Clara. New outlets represent chain's final expansion for 1994 and raise total to 69, with another 24 planned in 1995.

TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 19, 1994

SUMMARY-INDEX OF WEEK'S NEWS

VOL. 34, NO. 51

Broadcast - Cable

OWNERSHIP RULES CONSIDERED: FCC may loosen station limits, expand minority and female incentives, change attribution rules. (P. 1)

VDT DATA DEMANDED: FCC requires more financial information from 4 telcos. Cable declares minor victory. Fast track seen. (P. 2)

FOX GAG ORDER CRITICIZED: ASNE, NAACP, Rainbow Bestg. seek revocation. Quello opposes confidentiality. Fox research blocked. (P. 4)

EMERGENCY ALERT SYSTEM demonstrated as FCC releases text of order. Fewer tests required. (P. 4)

CONGRESS TAKES SHAPE: House GOP names Commerce subcommittee chmn.; Democrats set membership. Senate Republicans work on legislative principles. (P. 5)

FCC OKAYS RATE HIKE in first decision on cable hardship case. Horizon needed increase to refinance loans. Future cases subject to cost-of-service. (P. 5)

ORLANDO 'TURNING POINT': Time Warner unveils FSN testbed with limited services, big plans. Project called uneconomical but needed for research. (P. 6)

CABLE WANTS EASED RULES to define effective competition. Telecommunications bill proposal would end rate regulation. Must-carry called safe. (P. 6)

FCC STARTS RULEMAKING ON TV STATION OWNERSHIP: FCC launched 3 "interrelated" broadcast ownership rulemakings, soliciting comments on: (1) Loosening local and national TV station ownership limits. (2) Expanding incentives for investment in minority and female-owned stations. (3) Changing rules for attribution of passive investments in stations. Chmn. Hundt said Commission needs "facts, not conjecture" and "hard-nosed economic analysis." Mass Media Bureau Chief Roy Stewart said comments on all 3 are due in 90 days, replies 30 days later.

FCC is proposing: (1) Increasing national ownership cap of 25% of TV households by 5% every 3 years, to upper limit of 50%. (2) Reducing prohibition on common ownership of stations overlapping in 50-70-mile Grade B radius to apply only to overlaps in 30-45-mile Grade A contour. (3) Allowing ownership of 2 UHF's in "large" markets that have "substantial number of other competing voices." (4) Allowing same-market TV-radio ownership. Commissioners and staff members emphasized that rulemaking options are "wide open" and encouraged commenters to propose additional changes, such as possible common ownership of VHF and UHF stations in market, as long as comments meet chairman's "economic framework" and "market competition" standards.

Consumer Electronics

SONY-PHILIPS DVD SYSTEM announced, sparking clash with Toshiba as pleas by Hollywood to avoid format war go unheeded. Matsushita still pondering. (P. 11)

SONY PLANS ALL-DIGITAL EXHIBIT at CES, focusing on products of future, particularly digital video, sparked by planned DSS entry in 3rd quarter 1995. (P. 13)

TOTAL COLOR TV SALES and total direct view sales in year's first 48 weeks broke record for any full year, led by TV/VCR, projection, EIA reports. (P. 14)

PROSCAN FLAGSHIP IS 80" projection TV, slated to go on sale in May at \$8,499. New line, at cost of \$50 million, features new on-screen systems. (P. 14)

ZENITH PLANS \$150 MILLION tube expansion, to automate Ill. direct-view plant and to build projection tubes in Juarez, Mexico factory. (P. 15)

RETAILERS' MIXED RESULTS in financial reports: Harvey Electronics and Fretter cut losses. (P. 16)

APPLE MULTIMEDIA PLAYER derived from Macintosh to be sold by Bandai, maybe others, late next year at \$500 in effort to create larger base for software. (P. 16)

LIEBERMAN HITS VIDEOGAME ADS for not showing ratings prominently enough, but commends it on overall effort. He calls SPA system 'hollow shell.' (P. 17)

Notice doesn't address specifically increasing 12-station limit, but Stewart said that 1992 rulemaking proceeding suggesting increases to 18, 20 or 24 was "still on the table" and that station limit increases should be addressed in comments on national cap increases. Notice suggests tightening policies dealing with local management agreements (LMAs) between 2 stations in same market by adopting radio LMA rules that require applying attribution rules to each station. Thus, LMAs involving 2 UHF stations would be improper unless duopoly rules were changed to permit full ownership of 2 UHFs.

In attribution rulemaking, Commission suggested raising voting stock attribution trigger to 10% from 5% (10-20% for certain passive investors). At same time, it questioned whether current policies exempting from attribution (1) nonvoting stock and (2) voting stock held where there's another single majority voting stockholder "are being used to evade the purpose of the multiple ownership limits... and should be restricted, at least in certain circumstances." Notice asks whether general "cross-interest policy with respect to key employees, nonattributable equity interests and joint venture arrangements" should be codified or eliminated and whether Commission should "scrutinize cross-interests or other significant business relationships," such as joint sales agreements and time brokerage agreements.

Attribution item also seeks comments on: (1) Whether Limited Liability Company (LLC) legal structures should fall under attribution rules and be treated like limited partnerships, which require "insulation criteria for nonattribution." (2) Impact of LLCs on minority and female ownership. (3) Elimination of "equity benchmark" for noninsulated limited partners. (4) Relaxation of insulation standards for business development companies.

Comr. Quello said he's interested in "grandfathering existing financial relationships to ensure stability." Stewart, asked after meeting about effect of rulemakings on Fox's passive investment in minority-owned Blackstar L.L.C. (TVD Oct 10 p5) and Tribune Co.'s passive investment in minority-owned Qwest Bestg. L.L.C. (TVD Nov 21 p3), said: "We will not stop processing applications during this rulemaking and will consider each one on a case-by-case basis." Mass Media Bureau Deputy Chief Renee Licht said she couldn't comment on Fox passive investment in SF Bestg. (TVD Oct 17 p6) because Commission is involved in restricted petition-to-deny proceedings.

Third rulemaking will "examine and evaluate [FCC] minority ownership policies and explore the need for incentives to increase female ownership." Licht said FCC particularly needs "record" to sustain any future female preference rules. Comments are sought on adopting "incubator" program to allow nonminority owner to exceed ownership limits if it provides "substantial financial assistance, operational assistance and training programs" to minority owner. Comr. Barrett expressed concern that raising overall ownership limits would eliminate incentives for nonminority owners to participate in incubator program.

Minority ownership rulemaking also asks for comments on: (1) Allowing minority and female owners to have 3 AM and FM stations in markets with 15 stations where total audience share doesn't exceed 30%. (2) Eliminating attribution for investor if minority or female holds more than 50% of voting stock and "minimum level" of equity. (3) Modifying tax certificate policies to "encourage entities to sell their mass media holding to minorities and women" and "make it easier for minority and female owners to sell their existing properties in order to purchase more valuable facilities." (4) Proposing Congress pass investment tax credit for investors in minority/female entities. (5) Revising broadcast ownership forms to collect data on race, ethnicity and gender of owners.

First reactions to notices were positive. NAB Exec.-Vp Henry (Jeff) Baumann said new policies can "allow over-the-air television to remain a vibrant and competitive service" and said NAB supported "other options to promote additional minority ownership." Media Access Project Exec. Dir. Andrew Schwartzman said attribution and ownership proceedings were "breath of fresh air. This enables the FCC to make meaningful ownership rules, and then set the numbers, instead of the other way around." CBS Pres. Howard Stringer said new policies can "heighten our chances to compete" and NBC Gen. Counsel Richard Cotton said proposed changes would help broadcasting "keep pace in the marketplace."

FCC DEMANDS DETAILED VDT FINANCIAL DATA: FCC gave 4 telcos until Dec. 16 to provide detailed financial information about their VDT plans, including assumptions used to derive financial projections, according to letters from Common Carrier Bureau Chief Kathleen Wallman. Cable officials called letters at least minor victory because industry had been asking for such data since beginning of VDT process. FCC spokeswoman wouldn't comment on why Commission sought additional information from only 4 telephone companies, instead of all that filed VDT applications. She said request is "part of a continuing effort to review applications expeditiously" and determine whether any "conditions" should be added.

Telcos received letters that went out near midnight Dec. 9 -- Bell Atlantic, GTE, Nynex, Pacific Telesis -- and had until noon Dec. 16 to provide detailed written responses to Common Carrier Bureau, as well as to all other participants in VDT proceedings. Others will have until Dec. 23 to dispute any facts or assumptions in telco filings, according to letters.

Nynex personnel already were working to provide data sought by FCC, and spokeswoman said it didn't expect information request to cause delay and it would meet deadline. Although request is "highly detailed," for most part it seeks additional information about data submitted earlier by Nynex, she said. FCC ordered telephone companies to share copies of information response with all parties to their VDT applications.

Pacific Telesis spokesman said company is "very happy" about data request because it "indicates the Commission is getting geared up to write some Section 214 decisions." He said "barring any unforeseen circumstances" company would meet deadline.

CATA Pres. Stephen Effros predicted that data would show that VDT systems competing with cable weren't viable: "Any assumptions that they make will be blown out of the water. To make VDT viable, they have got to show numbers that are impossible, like taking a 50% market share in the 2nd year. If the numbers are honest, it's not viable." NCTA spokesman said group was pleased that "FCC is finally asking the detailed questions that cable, the Consumer Federation of America and others have been asking all along. The proof will be in the answers." One observer, noting that telcos complained that cable pressure for business plan details was attempt to obstruct FCC processes (TVD Dec 12 p10), joked that "it will be interesting to see if [telcos now] file for sanctions against the FCC."

Most parts of all 4 letters are virtually identical, although some questions are specific to individual companies. Common elements include: (1) Specific revenue projections for each year for each type of service to be offered, including cable-like, on-demand, residential interactive, commercial interactive, others. (2) Detailed estimates for each year on homes passed, subscribers, estimated revenue from customer-programmers, estimated revenue from VDT transport, any other revenues. (3) Methodology used to make estimates and any assumptions, including market penetration and market share. FCC also asked for any market studies used to support assumptions.

(4) Cost breakdowns similar to those for revenue, with addition of details on planned marketing expense. (5) Investment between VDT-only and VDT common investments and facilities included in each category and assumptions used to calculate amount of investment allotted to each. (6) Projected cash flow from each investment category, including video hub and transport, interoffice facilities, video servers, feeder, distribution, drop facilities. (7) Estimated useful or economic life of proposed facilities. (8) VDT's share of cash flow from 6 specific cost categories, as well as discounted present value for total VDT revenue, direct costs, common costs. (9) Operators that don't use FCC's standard 11.25% rate of return must explain why they don't. (10) Detailed information on status of competition, including regulation of intrastate telephone and VDT services in each state. Companies also must show how open local markets are to competitive local exchange services.

FCC also asked extra questions of GTE and Nynex. For example, it asked Nynex why building VDT system would cost estimated \$204 per home in Mass., \$353 in R.I. Bureau also asked Nynex to explain how it could say in different parts of its applications that (1) annual costs are amortized, and (2) it hasn't amortized capital expenditures in cash flow model. Nynex, like GTE, was asked to provide more details on how analog channels would be allocated.

Wallman asked GTE to explain why it projected VDT operating expenses at 18-20% of revenue, vs. 50% for telephony. She also asked why GTE's projected construction cost for advanced, interactive VDT network was \$291-\$458 per home passed, vs. \$528-\$765 per home passed for traditional one-way cable network. Other questions include: (1) What percentage of VDT facilities will be used for telephony. (2) What analog channel allocation scheme GTE will use since FCC rejected anchor programmer concept. (3) What demand GTE projects for analog channels, and how it will meet demand. (4) Detailed map of VDT system, including identifying components of GTE's proposed hybrid fiber-coaxial network.

RAB said combined national spot and local radio ad revenue increased 15% in Oct. from year ago -- 21% national, 14% local. Western markets' national revenues showed 33% increase, East 23%, Southeast 13%, Midwest and Southwest 12%. Western markets' local revenues increased 15%, East 14%, Southeast and Southwest 13%, Midwest 12%.

FCC Cable Bureau, acting on TCI appeal, ordered Mount Washington, Ky., to approve operator's proposed rates for converter boxes and remote controls. Bureau said cities can't order rates lower than those allowed by FCC Form 393 filed by operator unless it can dispute bases for figures or mathematical calculations.

FOX CONFIDENTIALITY CRITICIZED: Fox attempts to comply with Mass Media Bureau request for more information on alien ownership issue in WNYW-TV N.Y. license renewal proceeding (TVD Dec 12 p1) is being stymied by FCC confidentiality rules that govern behavior of former Commission officials. Meanwhile, Comr. Quello told us he doesn't support controversial gag order in proceeding, didn't vote on it, would vote to rescind it if request is made.

FCC blanket confidentiality requirement in case was criticized as "unprecedented and unacceptable" by American Society of Newspaper Editors Pres. Gregory Favre in letter to Chmn. Hundt. Two challengers to Fox FCC licenses, NAACP (WNYW-TV N.Y.) and Rainbow Bestg. (KTTV L.A.), petitioned FCC to rescind it. NAACP also filed petition to deny Fox-backed SF Bestg. purchase of WVUE New Orleans. Fox challenger, NBC, received cool reception on issue on Capitol Hill.

Last week, Preston Padden, pres. of Fox Network Distribution, contacted several former Commission officials, including ex-chairmen Mark Fowler and Dennis Patrick, and former staffers, in attempt to find out more details about 1985 Commission approval of Fox Chmn. Rupert Murdoch's purchases and have them sign affidavit to be included with Fox filing.

Sources said that some ex-FCC employees asked Commission whether they should respond to Fox and were told that attorney-client privilege is still in force. Current and former FCC officials say that gag order in proceeding can extend back to 1985 as result of this interpretation of Commission rules, some of which go back to 1983, when agency determined as part of legal dispute between AT&T and MCI that obligation to protect confidentiality extends after employee moves on.

NAACP filed petition urging FCC to designate WNYW-TV case for public hearing. Petition said gag order "is an unprecedented prior restraint on free speech and the press" and said open hearing is required by FCC rules. L.A. station petitioner, Rainbow, said confidentiality inquiry in N.Y. case precludes it "from knowing the precise procedural or substantive contours of the quasi hearing from which Rainbow is currently excluded."

NAACP also filed petition to deny SF Bestg. purchase of WVUE (Ch. 8) New Orleans on ground SF is "controlled" by Fox TV Stations, and said that "validating" SF/Fox structure "would inadvertently remove any incentive for nonminority investors to do legitimate joint ventures, particularly minority controlled joint ventures." SF Bestg. Pres. Thomas Herwitz said NAACP's contentions are "not true. The simple truth is that Fox does not control SF Bestg."

One of Fox's adversaries, NBC, has been trying to make its case on Capitol Hill, but without success. Sources said Sen. Pressler (R-S.D.), who will be chmn. of Commerce Committee next year, told NBC Gen. Counsel Richard Cotton, who conducted meeting in place of ailing NBC Pres. Robert Wright, to meet competition in market. NBC is believed to have received similar responses from other lawmakers.

Fox officials have bristled at confidentiality order and fact that Commission precluded company from running newspaper ad that contained letter from Murdoch to Hundt -- which is public document. Fox is planning little guerrilla campaign, based on bumper stickers that will be displayed soon, at least on employee cars. One will say: "Fox. We're here. Deal with it." Other will be: "Fox. It's the competition, stupid."

NEW EMERGENCY ALERT SYSTEM: FCC released text of order replacing Emergency Broadcast System (EBS) with new digital Emergency Alert System (EAS) announced last month (TVD Nov 14 p6). At news conference and demonstration, Chmn. Hundt said new system will allow simultaneous warning notifications by broadcasters, cable and "new media," automatic turn-on of consumer receiving equipment to air warnings and more pinpointed regional alerts, which he said are "all made possible by broadcasters and other media converting to digitalization."

Weekly on-air broadcast test of system is being replaced by system in which participants air only one test per month, with 3 other monthly tests being transmitted in "unobtrusive" manner. As previously announced, broadcasters must modify existing equipment by July 1 to be able to decode shortened 8-sec. 2-tone signal and must add EAS equipment by July 1, 1996. During 1996-1997 "debugging" period, broadcasters must keep both sets of equipment operational.

FCC declined to adopt rules requiring specific equipment but approved performance protocols that will "permit manufacturers to decide how to configure equipment." In radio area, however, Commission cited "increased use of [FM] subcarrier technologies and the Radio Broadcast Data Standard (RBDS)" for data delivery services and said: "Given the significant potential of RBDS, we encourage FM broadcast stations to provide emergency warnings via subcarrier using RBDS."

Commission said automatic operation of system will reduce station costs and provide "median annual operating savings of \$5,280 per station," which it said "may pay for all or most of a broadcaster's cost to install and operate" new EAS. Commission said low-end encoding/decoding unit will cost \$600-\$1,000, medium-priced unit \$1,500-\$2,500.

Cable systems are viewed as "equal partner in EBS" but have until July 1, 1997, to install EAS equipment because they "will likely require a longer time to integrate the equipment into facilities." Cable EAS compliance costs will be higher than broadcasters', with projected equipment expense of \$10,000-\$15,000.

Order encouraged "voluntary participation" in EAS of digital audio radio, high-definition TV and digital/interactive systems, which can use protocol "as they come on line," and said EAS alert capability "can be incorporated in pagers and cellular telephones."

New rulemaking seeks comment on including MDS, SMATV and video dial tone in EAS system and on adopting small cable system waiver policy.

Pacific Telesis (PT) won't directly own its VDT network, and cost estimates have grown 10% since Dec. 1993, Cal. Cable TV Assn. (CCTA) said in letter to FCC. CCTA Pres. Spencer Kaitz said PT "casually" disclosed information in letter to FCC Dec. 7. Letter said PT's VDT system will be owned and leased to PT by "special purpose trust." Kaitz said disclosure means that PT "radically reshaped its proposal" and 10% cost increase "cannot be considered immaterial." Mention of trust "fundamentally alters" application, CCTA said, and means that PT has "blatantly failed to comply with the FCC's basic requirements for accuracy and completeness." CCTA said PT is required to give Commission details on lease arrangements, and lease deal would violate state laws requiring owner of network to be certified by PUC.

HOUSE COMMERCE PANEL TAKES SHAPE: Veteran House Republicans Oxley (R-O.), Schaefer (R-Colo.) and Barton (R-Tex.), members of Telecom Subcommittee in last session of Congress, were named Dec. 16 to chair Commerce Committee subcommittees in congressional session starting in Jan. Meanwhile, Democrats named their 7 new members to full Commerce panel while 2 veteran legislators, Reps. Collins (D-Ill.) and Richardson (D-N.M.), left for other assignments.

Senate Republicans continued to work on bringing together common themes for telecommunications legislation. One source was optimistic that task could be accomplished soon. Source said that Sen. Packwood (R-Ore.) wouldn't offer his legislation to set deadline for deregulation, as he did last session. Instead, Senate Republicans are looking at hybrid approach based on having some sort of entry requirements for RHCs to enter long distance based on local conditions. Some Republicans in past haven't endorsed that approach, but now are coming to see merits, particularly if applied to individual states and combined with some sort of deadlines for proceedings, sources said. Republican committee staff and Democratic staff are to get together this week for first time to talk about bill.

Senate Democrats have yet to make their committee assignments. Final Commerce panel ratio is 10 Republicans to 9 Democrats, and it's still uncertain which 9 Democrats will remain. Sen. Dorgan (D-N.D.) is lowest on seniority list, but is very involved in Commerce issues and wants to stay.

As expected, Rep. Fields (R-Tex.) will chair Telecom subcommittee. Oxley will chair new Commerce, Trade & Hazardous Materials. Schaefer will chair Energy & Power Subcommittee, while Barton will be in charge of Oversight & Investigations. Oxley and Schaefer have said they expect to stay active in telecommunications regardless of their other duties. Schaefer has specific assignment of leading legislative effort relating to cable. Full Committee Chmn. Bliley (R-Va.) named his legislative dir., James Derderian, to be committee chief of staff, to be replaced on personal office staff by Brent Del Monte, who had been legislative asst. for health.

New Democrats on Commerce panel: Reps. Deutsch (Fla.), Eshoo (Cal.), Furse (Ore.), Gordon (Tenn.), Klink (Pa.), Rush (Ill.), Stupak (Mich.). Collins, who had chaired Commerce subcommittee, will be senior Democrat on Govt. Reform & Oversight Subcommittee (formerly Govt. Operations), while Richardson will be senior Democrat on Public Lands Subcommittee. Gordon has long been interested in telecommunications as sponsor of legislation to curb telemarketing abuses. Eshoo represents big chunk of Silicon Valley. In naming Klink to panel, Democratic leadership replaced one former TV reporter from Pa., Rep. Margolies-Mezvinsky (D-Pa.), with another. Margolies-Mezvinsky lost bid for reelection. Klink had been broadcaster for 24 years, last 14 as reporter and anchor at KDKA-TV Pittsburgh. He said he was in line for Commerce Committee seat 2 years ago, but stepped aside in favor of Margolies-Mezvinsky in hope that key committee assignment would help her reelection chances. As that didn't happen, Klink said he reminded leadership of his continued interest. He said hospitals are leading employer in his district, so he has strong interest in health issues. He also is interested in telecommunications, said he has talked with Fields and senior Democrat Markey (D-Mass.) about possibility of joining subcommittee. He said his background didn't mean he would favor or oppose NAB positions. As "fairly equitable judge of what everybody brings to the table," Klink said he

knows that broadcasters accept their public responsibilities and "understand the public trust given them by having jurisdiction over the nation's airwaves." He said he would like to see how broadcast industry has fared since deregulation.

FCC OKAYS CABLE HARDSHIP RAISE: In first decision on cable rate hardship case, FCC Cable Bureau granted full \$6.50-per-month increase that Horizon Cable said it needed to be able to refinance bank loans due Dec. 15. Bureau said that it has authority even over cable systems that don't offer expanded basic, but said it won't grant relief under hardship rules if increase could have been justified under normal cost-of-service proceeding.

Cable operators are "very encouraged that they did act quickly and that relief was granted," said David Kinley, Small Cable Business Assn. (SCBA) pres. who also represents Horizon. He said, however, that "from an SCBA perspective, I have a lot of trouble with this." Main problem, Kinley said, is that Bureau "did set up an additional hurdle" by saying that operators must show that higher rates couldn't be justified by cost-of-service before they could make hardship filing. He also said Cable Bureau's "requests for additional information were a very sizeable burden on this company."

Cable Bureau was sending message that it won't be "rigid" about information needed for hardship case, Chief Meredith Jones said: "This was all information that they had on hand, such as copies of their loan agreements and financial statements. We are not rigidly requiring specific information, just enough to justify the rate requested."

Horizon wouldn't have been able to refinance its \$1.4-million loan if FCC didn't allow it to raise rates by average of \$6.50 (to \$20.50-\$26.92, depending on locality), it had claimed in Oct. 18 filing. It already was in default on loan covenants, including cash flow and profitability.

Cable operators don't have to go to local franchise authority first with hardship case, FCC said in order released Dec. 13. It said Cable Act directed it to reduce administrative burden on small systems and Commission filing allows operator to avoid expense and delay of going to franchise authority first. However, Bureau said "we do not plan to grant hardship relief in the future when the rates required could have been justified under a cost-of-service showing."

Horizon rates could be justified under cost-of-service, FCC said. Bureau used financial information provided by company to fill out forms needed for streamlined cost-of-service proceeding. It said Horizon should have submitted Form 1225 to local franchise authority, rather than going to Commission, although company had claimed it couldn't afford to hire professional to fill out cost-of-service forms for its cable systems with total of 2,269 subscribers. Marin County, Cal., franchise authority strongly supported Horizon's rate increase in FCC proceeding.

FCC Chmn. Hundt will address Washington Cable Club lunch Dec. 20 at J.W. Marriott Hotel in Washington. He's expected to speak on cable regulation and his vision for information highway -- 301-294-7610.

S. American Cisneros Group, part owner of U.S. Spanish TV network Univision, is new investor in Caribbean Communications Network, based in Trinidad and Tobago.

ORLANDO CALLED 'TURNING POINT': Time Warner (TW) Full-Service Network (FSN) testbed in Orlando is "a turning point for the communications industry," Chmn. Gerald Levin said Dec. 14, unveiling project, which has been operating on test basis since Oct. and began rolling out to customers this month. He said testbed is important as way to tell what consumers want -- and are willing to pay for: "This knowledge, and having it before anyone else, will give us a competitive advantage."

FSN services are relatively limited at rollout, but TW officials said they will expand rapidly, and media event included demonstrations by about 20 potential providers. At start, FSN includes limited video-on-demand, interactive shopping involving 7 retailers, some interactive videogames, interactive program guide. TW plans to add more home shopping, including groceries and drugs, more games, more video-on-demand, news- and sports-on-demand, HBO-on-demand, interactive music, education, eventually voice recognition. Exhibitors included AT&T, BBN Hark Voice Recognition, Carl/FSN Education, Hewlett-Packard, Hitachi, OSI, Prevue Networks, Todd Rundgren, Scientific-Atlanta, Silicon Graphics, Sports Illustrated, Toshiba, U S West Go TV, Windom Health.

Current range of choices is small. TW offers only 50 movie titles, for example, although it says 25% of FSN's expected 4,000 subscribers could watch movies at any one time as long as demand is spread over all films. About 300 items are available for purchase from Catalog 1, Chrysler, CUC International, ShopperVision, U.S. Postal Service, Warner Bros. stores. Interactive games are provided by Silicon Graphics, which designed set-top boxes, and Atari Jaguar provided 13 games.

TW refused to provide revenue projections, calling it proprietary. Industry officials have pointed to recent tests by GTE and TCI that indicate that viewers aren't likely to spend more than \$10 per month on video-on-demand. One of big potential revenue sources is competitive telephone access, which TW officials said will be available to commercial customers by mid-1995. They acknowledged that cost of current equipment is too high to make FSN economically viable -- set-top box is said to be technically similar to Silicon Graphics' \$5,000 computer work station -- but predicted that costs would decline and revenues would grow rapidly.

TW plans to have 4,000 subscribers hooked up by mid-1995. Service will be available in Orlando suburbs of Lake Brantley, Spring Lake Hills, Sweetwater, Wekiva. Since TW has about 5,200 subscribers in area, that would be penetration rate of about 77%.

Information from Orlando will be used to revise plans for FSNs throughout its nationwide service area, TW said, including refining technology, which caused FSN to be delayed from original April start date, and services. It said it plans to make FSNs available to 85% of its cable subscribers by 1998.

Ronald Tapp, managing partner of Andersen Consulting, which worked on TW project, said it "represents not just a revolution in programming, but a whole new way for businesses to reach their customers." He estimated that industries representing 76% of U.S. economy eventually would be able to use such networks to reach customers. U.S. Postal Service Vp-Technology Robert Reisner said FSN is "first of many connections we are going to the information highway that will improve mail service."

Competitors downplayed importance of Orlando as "first." Oracle, for example, reissued news release saying it had provided technology for similar system in Cochester and Ipswich, England, which began technical trials last spring and is in commercial operation.

CABLE WANTS RULES EASED: Cable industry will seek new definition of effective competition in bill expected to be introduced in next Congress, NCTA Pres. Decker Anstrom told reporters Dec. 16. He called measure "major priority" of cable industry. Noting improved relationship between cable and broadcasters, he also said cable won't seek repeal of must-carry/retransmission consent or program access rules.

Cable doesn't have specific proposals for new definition of effective competition, Anstrom said. When cable system is found to have effective competition (usually because competing multichannel provider is available to 50% of homes and subscribed to by 15%), rate regulation ends for that system. Virtually no cable systems meet current definition, even though DBS, for example, clearly meets 50% test. Anstrom said 15% test is "pretty arbitrary" and has no economic justification, since businesses usually react to competition long before competitor reaches 15% penetration.

Penetration figure for competitor should be "a lot less than 15%," Anstrom said, although he wouldn't set specific figure. He also suggested that figure might need to be measured nationally, instead of for each locality. Arrival of telcos in video market should automatically trigger effective-competition definition and end rate regulation, he said. Anstrom also said telcos, DBS and other multichannel providers probably should be subject to same program access rules as cable. Asked his thoughts on new face of Congress, he said he was "extremely encouraged" that lawmakers seemed willing to revisit aspects of 1992 Cable Act. He said that regardless of legislative mood this session or resistance from telcos, competitive measures will come: "This tide is very strong and it's going to wash people away."

Cable isn't likely to raise rates much anyway, even if rate rules are lifted, Anstrom said: "We've got to be very careful about price increases with DBS around." He said that if DBS is viable, it's a competitor by antitrust standards because it restrains rates. Instead of increases, Anstrom said, cable probably would use end of price regulation to introduce more pricing flexibilities and more packaging options.

Cable's other priorities for bill aren't new, Anstrom said. He said they include: (1) Removing state barriers to entry into local telephony. (2) Eliminating role of cities in regulating telephony. (3) Providing more flexibility for mergers and joint ventures between cable and telcos within service area. (4) Allowing FCC to set conditions for teleo-cable competition, including such things as interconnects and number portability. (5) Barring rules that discriminate against rural cable systems.

Cable industry said it plans "Voices Against Violence Week" March 19-26. At least 40 cable networks are expected to participate, providing programming attacking violence, said Joshua Sapan of Rainbow Program Holdings, chmn. of committee. Programming will be "anchored" by CNBC, which will provide scheduling information for antiviolence programming on other networks, nightly prime-time program and host on-air dialog about issues, CNBC Vp Andrew Friendly said.

FSN AND VDT QUESTIONED: Full-Service Networks (FSNs) could become "bottleneck in the marketplace of ideas" if "corporate cultures" overrun cable and telcos' self-created roles as First Amendment speakers, Mich. State U. Prof. Thomas Baldwin said. He told Institute of Public Utilities conference in Williamsburg, Va., that cable and telcos are using First Amendment as "legal technicality to achieve a business goal." For telcos, free speech means greater freedom to offer video dial tone (VDT), he said, while cable has used it to escape must-carry provisions of 1992 Cable Act that Supreme Court vacated and remanded. He said FSNs' dynamics will lend "enormous editorial discretion" to company that owns infrastructure and companies inevitably would use power to "focus subscribers' attention of more profitable services" rather than on news and information usually associated with First Amendment freedoms.

Local govt. role will meet even higher scrutiny as regional news channels -- often poised to investigate local officials -- expand, Baldwin said. Situation makes degree of oversight now enjoyed by franchise authorities "almost unthinkable" because "there is such a high probability of intimidation" as local officials seek positive coverage and there will be no way to gauge abuse because any arrangements would be discussed in private. Baldwin said operator facing renewal wouldn't hesitate to drop programming to gain favor with regulators. He said problem would be less for state regulators but predicted "this will eventually come up as a means of opposing state regulation."

FCC takes seriously VDT's role as "one more speaker... promoting diversity in the United States," said John Morabito of Common Carrier Bureau. Morabito defended much-criticized "ad hoc process" of approving VDT trials and deployments, saying it allows cable and others "to comment along the way."

Although VDT is "an interesting concept invented by the government" in mid-1980s to spur cable competition, it's "not an efficient way" to offer video programming, Washington lawyer Philip Verveer said. He said telcos have pushed for anchor programming because "something that looks like cable service... appears to be an efficient way to do it." Answer for regulators may be to hold "convergence proceeding" that sets more uniform rules for all video providers, ending regulatory conflicts, he said.

Telcos and cable are so different that issues of programming and rates are "just the tip of the iceberg," said Thomas Rowland, NCTA dir.-state regulatory affairs. NCTA will continue push to open state telco barriers, he said, and may soon add Mo., Nev. and Utah to 6 states on which it has focused. Cable once again will push for federal preemption of state barriers in upcoming Congress, Rowland said, but will "strongly support" universal service provisions if "interference" from franchisers doesn't derail its plans to compete in telephony.

National Cable TV Center & Museum will move to Denver from State College, Pa., "shortly," with "very sizeable" contribution pledge by Bill Daniels, chmn. of brokerage Daniels & Assoc., Center Chmn. William Bresnan said. Daniels also will lead effort to raise additional funds, he said. U. of Denver has offered site and staff support and proposed educational entity for industry research and training to be administered jointly with museum, Bresnan said. Plan calls for locating special center activities in other cities, including Washington, N.Y.C., Atlanta, Philadelphia, State College, Pa.

FCC REJECTS DBS ACCESS: FCC voted 4-0 (Chmn. Hundt recused himself) to let stand rule that exclusive programming arrangements in DBS don't violate of Cable Act. Cable Bureau said program access and unfair practices disputes will be dealt with on case-by-case basis. National Rural Telecommunications Cooperative (NRTC), which sells DirecTv in rural areas, asked FCC to prohibit exclusive program distribution deals between DBS operators and vertically integrated programmers in areas not served by cable. DirecTv rival U.S. Satellite Bestg. (USSB) has exclusive deals with Time Warner and Viacom. Cable Act says cable operators can't have exclusive deals, but Cable Bureau said law is "ambiguous" and Congress didn't address noncabled areas in Act.

Bureau recommended that FCC retain its narrow interpretation that rule limits prohibition on exclusive deals to cable operators. Exclusive contracts in DBS area "may benefit the development of DBS as a competitor to cable," it said. FCC said wider interpretation of Act "could defeat one of the purposes [of Act], which was to foster competition from other technologies."

Spokesman said NRTC hasn't decided next step, is waiting to see text of order, although it was "good news that the FCC supported the concept of program access." DBS operators have expressed concern that cable-controlled Primestar could make exclusive deals with cable programmers, causing harm to existing DBS businesses. NRTC wasn't particularly attempting to invalidate USSB's agreements, he said, but rather was "concerned with the law." He said ruling wouldn't have any immediate impact on organization's DirecTv marketing program.

PBS Pres. Ervin Duggan, in speech at Woman's National Democratic Club, said he believes public broadcasters not only would survive latest threat by Rep. Gingrich (R-Ga.) to cut CPB funding (TVD Dec 12 p3) but would prosper from collective strength of local institutions "that will sustain us in the future." He said "truth" about "bipartisan" public broadcasters is that they "make frugal use of public funds" to produce quality programming about which they "care deeply." Former CPB Chmn. Sheila Tate said public broadcasting is "biggest bargain in the whole federal budget." Republican Tate said role for industry will be to put every moment into educating congressional newcomers about public broadcasting. She said effort relies on viewers -- every mother whose children have learned alphabet watching Sesame Street -- and that threat from Gingrich most likely would create "an enormous grass-roots response."

Senate Republicans formed new Working Group on Regulatory Reform, co-chaired by Sen. Hutchison (Tex.), member of Commerce Committee, and Sen. Bond (Mo.). Action follows letter sent to White House by Republican congressional leadership asking Administration to ban new regulations for first 100 days of session that starts in Jan. Letter asked that all agencies, including FCC, identify proposed rules with costs that outweigh benefits, recommend actions to eliminate unnecessary regulations and give state and local authorities more flexibility. Exemption would be made for regulations that would relax regulatory burdens or were subject to law or court order.

Cap/ABC Multimedia Group is "strategic investor" in SportsLab, new company that plans to develop traveling interactive, multimedia sports entertainment centers that will tour U.S. next fall. ABC Sports and ESPN will provide production expertise and resources.

Financials: **BET Holdings** had \$4.6-million profit in quarter ended Oct. 31, up from \$3.8 million year ago. Revenue grew to \$14 million from \$12.3 million and operating profit was up 27% to \$8.7 million... **Tribune Co.** reported consolidated broadcasting and entertainment revenues of \$61.4 million in Nov., up 28.4% from year ago, citing strong ad market for TV-radio. Board authorized repurchase of 5 million shares, adding to 20 million held by company out of 66.7 million outstanding. Tribune told media analysts it expects increased 4th-quarter 1994 and full-year 1995 earnings, in part due to projected greater broadcasting market share and improved ad sales... Comcast and TCI extended tender offer for QVC until Jan. 13, saying they didn't expect conditions of bid to be met by Dec. 16 as result of current FTC investigation... **NTN Canada** had \$75,694 profit in year ended Aug. 31, up from \$55,811 year ago. Revenue grew to \$3.1 million from \$2.8 million... **GE Aaa** senior debt and Prime-1 short-term debt ratings were confirmed by Moody's following announcement of GE authorization of up to \$5 billion stock repurchase program next 2 years... Investor **Warren Buffett** has purchased 4.9% of Gannett. He has stake in Cap/ABC and Washington Post... Citicasters acquired 185,055 shares of common stock from unaffiliated institution for \$20.75 per share... Overseas Private Investment Corp. approved \$30-million loan guaranty for 5 Eastern European wireless cable projects to be operated by **Metromedia International Telecommunications**, latter said... Canadian cable operator **CF Cable TV** filed SEC registration for C\$150 million of new senior debt. Merrill Lynch is lead underwriter... Moody's assigned A2 rating to new debt of **New TMC Inc.**, which was created as result of proposed merger of Cox Cable and Times Mirror. Rating reflects Times Mirror's A2 rating, which Moody's is reviewing for upgrade.

CATA is taking on DBS. Assn. is distributing leaflet saying DBS might be good value for those without access to cable, but "if you have a choice, we think you'll find that cable is a much better value." Leaflet provides what it calls "straight answers" to 10 questions about DBS, including: (1) DBS expense skyrockets for households that want to receive satellite programming on more than one TV set and for allowing VCR to record one programming while viewing another. (2) DBS installation in apartments depends on side of building apartment is on. (3) DBS doesn't give access to local stations. (4) DBS repair may be more difficult. (5) Viewer could be responsible for upgrades. (6) DBS may be subject to weather interference and isn't interactive.

Cap/ABC named William Pitts, chief of staff to retiring House Republican Leader Michel (R-Ill.), to head Washington office as vp-govt. affairs. He succeeds Mark MacCarthy, who resigned to join Wexler Group lobbying firm. Pitts has been Capitol Hill aide for 25 years, including positions with House Democratic and Republican leaderships. He was reported to have been offered post of House Parliamentarian by incoming Speaker Gingrich (R-Ga.).

QED Communications, WQED Pittsburgh parent, will be new base for National Black Programming Consortium (NBPC), and will offer organization access to technical expertise and personnel and provide on-air outlet for its programming, station said.

France launched 5th national educational TV outlet Dec. 13. Channel 5, which will broadcast to 80% of French homes early a.m.-7 p.m., said it will provide violence-free programs. Founders said format is based on models including PBS, TV Ontario, Britain's Channel 4. Annual budget is \$140 million.

There shouldn't be universal service requirement for information highway, NCTA said in comments on NTIA universal service/open access inquiry. NCTA said cable "understands and accepts" responsibility to provide universal switched telephony service, including likely need to subsidize low income and rural subscribers. But it said similar universal service obligation for broadband networks "is simply not practical or affordable" and "would discourage competition in the telecommunications marketplace by imposing substantial economic burdens on potential new entrants." Time Warner, in separate filing, said higher prices to subsidize universal service could be sustained in noncompetitive environment, but in "open" market "dictated pricing and subsidy policies will be both more difficult to sustain in practice, and, perhaps more important, will be inimical to... efficiency and innovation." Since competition is coming, TW said, "it becomes critical to fine-tune existing programs and in other cases to fundamentally overhaul programs." After all, it said, true competition will drive down prices, making subsidies less necessary.

FCC Chmn. Hundt sent letter to Wall St. Journal Dec. 15 responding to editorial that day questioning Commission incentives to help minorities and women bid on PCS licenses. Editorial said: "An argument that liberals no longer can refuse to join in a serious way is whether government is the best instrument to effect change in the ownership structure of telecommunications..." Editorial said 2 of biggest winners in IVDS auctions were women-owned businesses that defaulted. It added that winner of biggest portion of spectrum in regional narrowband auction was Maceo Sloan, who runs "biggest independent business in North Carolina" and still got special treatment including discount because he's black. Paper agreed that women and minorities should get more licenses, Hundt pointed out: "Without an opportunity to attract capital, these entrepreneurs would not have a chance if we forced them to bid against the global communications giants."

FCC Cable Bureau extended waiver of customer notice rules, which it originally had granted only to Disney, to all cable systems and programmers as result of request by E! Entertainment. Waiver allows cable operators to make changes in channel lineups allowed by going-forward rules effective Jan. 1, even without normally required 30-day written notice to customers and franchise authorities. Bureau Chief Meredith Jones said FCC decision on rules Nov. 18 didn't give enough time for systems to decide on changes and mail notices by Dec. 1. Waiver allows systems to use ads in newspapers and on cable systems to inform subscribers of program changes, as long as they notify franchise authorities and subscribers in writing as soon as possible. Waiver also requires that subscribers who drop service as result of program change be reimbursed for all fee increases after Dec. 31.

FTC inquiries into TCI takeovers of QVC and TeleCable are "driving us nuts," TCI CEO John Malone told Rocky Mountain News. FTC officials continue to refuse to comment about long-running investigations, but TCI executives told PaineWebber conference in N.Y. that MSO expects agency to approve TeleCable deal if TCI sells some cable holdings in Columbus, Ga.

Thomas Farrell, pres., Gannett New Media Group, and chmn., USA Today Sky Radio, was placed on administrative leave, AP reported, following SEC charges of insider trading scheme involving Rochester Community Savings Bank he served as director. SEC civil complaint alleged that Farrell illegally gave friends and business associates inside information about pending bank merger.

Nine more cable systems don't have to refund excess cable rates or restructure a la carte packages, FCC said in latest batch of decisions on rate complaints (TVD Dec 12 p7). In all 9 cases, Cable Bureau said ambiguities in a la carte made it impossible to determine whether systems' packages violated rules. As in past, Bureau said it would be inequitable to require refunds and would cause subscriber disruption to require restructuring packages, so they can continue to be offered as New Product Tiers. Systems involved are Time Warner in Hillsborough, N.C.; U S Cable in Lake Forest and Lake Bluff, Ill.; Comcast of Sterling Heights, Mich., and Howard County, Md.; Cablevision Industries of Morrisville, Hillsborough and Smithfield, N.C. and Long Beach, Cal.; Century of Brunswick, Ga.; Century-MultiVision system in San Juan, P.R.

TCI's Liberty Media and Home Shopping Network (HSN) said they agreed to settle shareholder litigation against Liberty purchase of majority of HSN stock from Chmn. Roy Speer in Feb. 1993. Terms of settlement weren't disclosed, but companies said they agreed to deal to avoid expense of litigation. Suit had claimed that HSN board had failed to give adequate notice of stock sale agreement. Meanwhile, Liberty said it signed letter of intent with Americana TV Network to form new company to produce and distribute programming. Americana recently said it had abandoned plans to launch cable network, will focus on program production.

Michael Rau, NAB senior vp-science and technology for 13 years, leaves Feb. 3 to become vp-new technology of new data broadcasting subsidiary of EZ Communications. Rau said he will be responsible for "developing a variety of new data distribution businesses." Subsidiary will expand on joint project of EZ, its Seattle FM stations KMPS and KZOK and computer software giant Microsoft to use FM signal for data distribution to receivers in PCs. Rau said first work will involve FM subcarriers.

FCC upheld policy of requiring paid public service announcements (PSAs) to be included in calculation of lowest unit charges (LUC) required for political ads. Opinion rejected argument that policy would discourage commercial support for local nonprofit organizations and issue-responsive programming. Commission said policy doesn't involve "PSAs that are not connected to a commercial transaction." Action came on Cox Enterprises' request for reconsideration of 1992 policy decision.

International Cable: MTV Europe agreed to buy digital compression system from Philips to be used to distribute programming, beginning in 1995. Terms weren't disclosed... Mastec said it received \$7.5-million contract to design and build upgrade to cable system operated by Video Cable Comunicacion in Buenos Aires. Upgrade will expand system to 100 channels from 30.

United Paramount Network (UPN) signed KSCH (Ch. 58, Ind.) Sacramento as primary affiliate, raising national total to 96 markets (64 primary, 32 secondary) covering 79% of U.S. TV households, it said. UPN said it has affiliates in 24 of top 25 markets, lacking Atlanta (10th). Jan. 16 is start-up date.

Partnership of Meredith Cable and New Heritage said it sold cable system with 24,000 subscribers in Bismarck-Mandan, N.D., to Sioux Falls Cable for undisclosed price. Buyer operates cable system in Sioux Falls. Partnership had said earlier that it plans to sell or restructure its cable holdings because of federal regulation.

Improving economy boosted mass media companies to "nearly complete recovery" in operating margins and return on assets in 1993, Veronis, Suhler said in annual report. Operating income margin grew 0.6 point in 1993, to 13.9%, and cash flow 0.6 point to 20.8%, report said. Figures compare with 11.9% operating income margin and 18.9% cash flow in 1991. Industrywide revenue grew 5% in 1993, somewhat slower than 7.3% in 1992, which was boosted by Olympics and elections, investment banking firm said. Broadcast revenue rose 4.4% in 1993, vs. 5% in 1992, and cable revenue 7.4%, vs. 10%. Cable system operators had highest operating profit margin, 20%, followed by cable programmers (19%), broadcasters (16.2%), TV networks (14.5%).

Tee-Comm Electronics bought 33.3% of Expressvu, Canadian direct-to-home (DTH) satellite TV service owned by Bell Canada (33.3%) and Cancom and Western International Communications (33.3%). Tee-Comm's involvement in consortium means there will be single Canadian high-power DTH provider rather than 2, as was case year ago when consortium (which then contained cable partners) and Tee-Comm planned separate services. Expressvu will use Canadian Anik E1 and E2 satellites. Tee-Comm spokesman said it hasn't been decided whether company's 44,000 subscribers will be brought into Expressvu service.

FCC granted pioneer's preference licenses for broadband PCS to 3 companies that have been waiting for them for year: American Personal Communications (APC) for Washington-Baltimore, Cox Cable for L.A., Omnipoint for N.Y.C. Licenses reflect recently passed GATT legislation, including requirement that winners pay 85% of adjusted value of their licenses rather than get them free.

Eutelsat board decided to buy Hot Bird 3, high-power direct-to-home satellite, from Matra Marconi. It will be positioned with other Eutelsat satellites at 13° E. Organization said broadcasters will be able to choose between 2 coverage zones: Widebeam, which covers Europe, Central Asia and Gulf states, or Superbeam, which focuses on Central and Western Europe for reception by small dishes.

GE and Turner Bcstg. declined to comment on Turner proposal to acquire NBC. Latest plan reportedly would leave GE with 35% in \$5-billion purchase plan that includes Turner stock. Reaction to plan from Turner shareholders TCI (23%) and Time Warner (20%), both of which must sign off on a deal, is unclear, as is percentage each would hold in combined NBC/TBS company.

Cox will conduct trial of coupon printer connected to cable system in 1,000 San Diego-area homes beginning in Jan. in joint venture with Acu-Trac Services. In venture, customers watching televised ad can push remote control button to print out coupon relating to ad.

TCI, Comcast and Microsoft said they will invest \$35 million in Lightspan Partnership, creators of educational interactive TV service. MSOs and Cox also said they will be among first to begin carrying Lightspan when cable systems become interactive. Lightspan is to be launched formally in Feb.

NTIA said it will award \$25.3 million in planning and construction grants for FY 1995 to public facilities. Grants will be used to improve public broadcasting and distance learning programs. Application deadline is Feb. 15, and grants will be awarded by end of Sept. -- 202-482-5802.

Personals

John Sawhill resigns as gen. mgr., WJLA-TV Washington; Ray Grimes of parent Allbritton Communications will replace him on interim basis... Martha Grantham, ex-Fox Bestg., named vp-affiliate mktg., United Paramount Network... James Sirmons advanced to exec. vp-industrial relations, CBS... Linda DesMarais, ex-WWSB Sarasota, appointed news dir., WPBF Tequesta, Fla... Bill Carey, WBBM-TV Chicago, named asst. news dir., co-owned WCBS-TV N.Y... Lee Rowand promoted to dir., programming & creative services, WBFS-TV Miami... Richard (Mick) Schaffbuch, retired exec. vp, KOIN Portland, Ore., appointed project dir., CBS affiliates business task force... Michael McKinley, ex-Pa. State U., named dir., NAB Employment Clearinghouse... Walter Cronkite and CNN Pres. Tom Johnson will be honored at Radio & TV News Dirs. Foundation First Amendment banquet March 8, Mayflower Hotel, Washington... Carina Sayles advanced to mgr.-entertainment publicity-media relations, CBS/Best. Group... Maria Khalil-Pagani promoted to mgr.-community relations, WTVJ Miami; Ramon Escobar, ex-WNJU N.Y.-Newark, named exec. producer-special projects.

Elected to Independent TV Service board: Nolan Bowie, Temple U. assoc. prof.; Natatcha Estebanez, Blackside Productions, Boston; Tammy Robinson, WETA-TV Washington; Christine Vachon, N.Y.-based independent producer... Francis Van Kirk, audit assurance partner, Coopers & Lybrand, elected to board, WHY-TV Wilmington, Del.; Julius Rosenwald, board member for more than 20 years, elected dir. emeritus... Dale Cox, ex-WEVV Evansville, Ind., appointed news dir., WFXL Albany, Ga... Carole Cartwright, ex-Chicago Mayor's Office of Employment & Training, named gen. mgr., WYCC Chicago.

Curt Viebranz, ex-Time Inc. Multimedia, appointed HBO International pres. and exec. vp, HBO Enterprises, succeeding Lee deBoer... Thomas Porter advanced to publisher-gen. mgr., Discovery Multimedia unit... John McCloskey, ex-GTE Spacenet, named senior vp-technology, Discovery Communications... Michael Shapiro promoted to vp-business affairs, Turner Sports; Allen Sells advanced to dir., finance; Michael Jackson, ex-U.S. Olympic Committee, named asst. to pres... Sheila Mahony promoted to senior vp-communications & public affairs, Cablevision... David Wogahn advanced to vp, Times Mirror Multimedia; Chris Thorman, ex-Macromedia, named exec. producer... Robert Thatcher, ex-Limited Inc., appointed senior vp-fulfillment operations, Home Shopping Network... Peter Kellner promoted to vp-PR operations and photographic services, Showtime Networks... Kenneth Schwab, ex-Vermont ETV network, appointed dir.-programming, Turner Classic Movies... David Hazan, ex-Warner Custom Music, named dir., national promotions, VH-1; Bo Overlock promoted to dir., consumer mktg... TBS Productions appointments: Pat Mitchell advanced to exec. vp; Jacoba Atlas, ex-VU Productions, and Tom McMahon, ex-ABC's Home Show, named vps and supervising producers; Vivian Schiller promoted to senior vp... Lisa Prestwich promoted to deputy vp-Asia-Pacific, Turner Bestg... John Karstrand promoted to Communications Assoc. sales mgr... Ed Borgderding advanced to head Walt Disney TV & Telecommunications new Asia Pacific regional office in Hong Kong... Paul Iacono, ex-Weather Channel, named managing producer, Travel Channel.

Peter Jacoby, legislative dir. for ex-Rep. Synar (D-Okla), joins Akin, Gump, Hauer & Feld law firm as associate in Jan... Michael Ruger, deputy chief, Consumer Protections Div., FCC Cable Services Bureau, joins Baker &

TELEVISION DIGEST

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

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

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

Copyright © 1994 by Warren Publishing, Inc. Reproduction in
any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

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

WASHINGTON HEADQUARTERS

Albert Warren Editor & Publisher
Paul L. Warren Sr. Ed. & Exec. Publisher
Daniel Warren Sr. Ed. & Assoc. Publisher
Dawson B. Nail Executive Editor
Arthur Brodsky Managing Editor-Washington
R. Michael Feazel Senior Editor
Edith Herman Senior Editor
Steve Geimann Senior Editor
Michael French Assistant Editor
Elena Lucini Assistant Editor
Mike Grebb Assistant Editor
Marcus Tonti Editorial Asst.

Business

Brig Easley Controller
Gary Madderon Marketing Director
Gene Edwards Advertising Director
Betty Alvine Circulation Mgr.
Deborah Jacobs Information Systems Mgr.

NEW YORK BUREAU

276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001
Phone: 212-686-5410
Facsimile: 212-889-5097
David Lachenbruch Editorial Dir.
Paul Gluckman Senior Editor
Martin Brochstein Senior Editor
Mark Seavy Associate Editor
Cindy Spielvogel Associate Editor

Television and Cable Factbook

Michael Taliaferro Managing Editor &
Asst. Publisher-Directories
Mary Appel Editorial Director
Richard Koch Asst. Managing Editor &
Asst. Editorial Director
Susan B. Woodruff Production Manager
Susan C. Seiler Senior Ed. & Ed. Supv.
Gaye Hogue Assoc. Ed. & Ed. Supv.

Market Research & Data Sales Division

Lynn Levine Director
Brian C. Mealey Assistant Director

CONTRIBUTING EDITOR, EUROPE

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

JAPANESE REPRESENTATIVE

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

- ☐ I'm interested in Television Digest With Consumer Electronics and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.
- ☐ The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to Television Digest With Consumer Electronics.

Signature _____
Name _____
Company _____
Address _____
City _____ State _____ Zip _____

Hostetler, Washington... Adrian Moore named dir., corp. & govt. affairs, Cable & Wireless... Stephen Novak, ex-gen. counsel, L.A. Rams, appointed senior counsel, legal affairs, Fox Bestg... NTIA schedule: Larry Irving, asst. secretary for communications & information, addresses Assn. of American Law Schools, New Orleans, Jan. 7; Pacific Telecommunications Council annual meeting, Honolulu, Jan. 22; NATPE, Las Vegas, Jan. 23; Schomburg Center for Research in Black Culture, N.Y., Jan. 27... NTIA Chief of Staff Michelle Farquhar speaks at Commnet '95, Washington, Jan. 25.

Diana Rathbun promoted to Warner Bros. senior vp-production... Nadia Bronson advanced to senior vp-international, Universal Pictures Mktg... Deane Marcus, ex-CBS, named vp-strategic planning & business development, Warner Music Group... Gary Delfiner steps down Jan. 4 as Republic Entertainment head of acquisitions and development to form Gemini Entertainment... Leonard Kornberg, Carr D'Angelo and Anne Milder promoted to vps-production, Universal Pictures.

Carlos del Castillo, ex-Kblcom, appointed dir.-special markets, United Video... Bonnie Lewis, ex-Disney Consumer Products, appointed vp-licensing, Turner Interactive.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for first week of 5-week Dec. and year to date:

	NOV.26- DEC.2	1993 WEEK	% CHANGE	NOV. 19-25	48 WEEKS 1994	48 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	612,226	511,249	+19.8	929,060	25,333,002**	23,151,122	+ 9.4
DIRECT-VIEW..	591,961	495,924	+19.4	900,320	24,754,689**	22,736,998	+ 8.9
TV ONLY.....	537,245	463,947	+15.8	844,450*	22,864,572*	21,227,588	+ 7.7
TV/VCR COMBO	54,716*	31,977	+71.1	55,870	1,890,117**	1,509,410	+25.2
PROJECTION...	20,265*	15,325	+32.2	28,740*	578,313**	414,124	+39.6
VCR DECKS.....	330,947	251,748	+31.5	429,576	12,111,721*	11,471,184	+ 5.6
CAMCORDERS.....	87,707	31,433	+179.0	112,091	2,964,930*	2,854,497	+ 3.9
LASERDISC PLYRS	9,831	10,257 ^r	- 4.2	5,827	259,449	268,296 ^r	-3.3

Direct-view TV 5-week average: 1994--660,498*; 1993--632,379 (up 6%).

VCR deck 5-week average: 1994--323,079; 1993--291,887 (up 10.7%).

Camcorder 5-week average: 1994--74,016; 1993--70,380 (up 5.2%).

* Record for period. ** Full-year record. ^r Revised by EIA.

SONY-PHILIPS CLASH WITH TOSHIBA ON DVD: Recently stated desire by "ad hoc advisory group" of major Hollywood studios to draft voluntary industry standards on Digital Videodisc (DVD) without rancor of Beta-VHS-type format war (TVD Sept 26 p9) appeared to go unheeded last week.

Philips and Sony jointly released long-awaited statement proposing specifications on single-sided 5" high-density CD (HDCD), first implementation of which would be DVD capable of storing 135 min. of MPEG-2 video "together with multitracks of compressed digital audio and subtitling." Use of so-called "variable transfer rate" for video of up to 10 mbps "means that picture quality will be superior to that of current consumer video systems," announcement said.

Philips and Sony said they had started talks with hardware and software companies "with the aim of preparing an acceptable application specification," with "basic development concept" allowing new DVD players to accommodate existing audio and video CDs. Missing from equation was support of Matsushita, which released terse statement saying it "considers it desirable that a unified standard eventually be selected... [to] meet the needs of the software industry, avoid confusion among consumers and increase the availability of software. With this in mind, Matsushita is currently conducting its own study of the matter." Statement gave no hint that Matsushita tacitly has thrown its support behind Philips-Sony system, despite quotes in wire service reports Fri. attributed to Sony sources in Tokyo.

Companies said HDCD platform will be capable of storing 3.7 Gb of data -- more than 5 times data capacity of existing music CD. Increased capacity has been achieved using technical components on which we have speculated for months, including 635-nanometer red laser and "highly sophisticated error correction and improved modulation techniques." Besides single-layer configuration, Philips and Sony revealed specs for dual-layer version (using 2 reflective layers within disc), developed in collaboration with 3M, that doubles disc capacity to about 7.4 Gb. Both single- and dual-layer versions will be 1.2mm thick. Draft of proposed standards on HDCD will be ready by next month and finalized by mid-1995, proponents said. Besides DVD implementation, Sony and Philips said they are discussing CD-ROM applications with Apple, Compaq, IBM and Microsoft, with proposed standards to be submitted later to International Standards Organization. "Philips and Sony also imagine further applications based on these specifications in other areas of the multimedia industry," including interactive entertainment, videogames or "ultra-high sound quality audio." Statement didn't elaborate on what was meant by last point.

In prepared announcement, Sony and Philips took pains to state that new HDCD specifications "would allow discs to be produced at conventional manufacturing facilities with only minor modifications." As result, they said, "production costs of the proposed new discs will be similar to that of conventional CD, a major advantage for consumers, media manufacturers as well as for the hardware and software industry."

Responding to Philips-Sony initiative, Toshiba released statement by Exec. Vp Masaichi Koga taking issue with claim that dual-layer HDCDs can be produced at existing CD replication plants with few modifications. Koga said: "The theory for forming double layers on a single side of disc and then recording data on the doubled layer is well known. However, there has been no practical example so far and the idea offers scant possibility of realization." He didn't comment directly on single-layer Philips-Sony discs.

To seize spotlight from Philips-Sony, Koga's statement was first known public acknowledgment that company was working on its own DVD proposal in alliance with Time Warner. Statement said Toshiba already has developed prototype DVD player and is "completing mass production technology" for double-sided discs. System has storage capacity of 4.8 Gb per side, and has met with "positive responses" from studios on picture and sound quality, he said. "Moreover, we believe the number of subchannels for dubbing soundtracks in different languages and the long recording time offered by our system also satisfy the needs and expectations" of ad hoc advisory group.

Koga said picture and sound quality of any new DVD system "should remain viable into the new 21st century and use the most advanced technologies now available." He said that "technically, a storage capacity of 4.5 gigabytes is the minimum required to realize high-quality pictures and sound. In addition, any proposed technology should be one that has demonstrated that it can actually be realized to satisfy the needs and expectations of the motion picture industry and users."

Speaking for record for first time on merits of Toshiba-Time Warner DVD plan, Warner Home Video Pres. Warren Lieberfarb echoed Koga's remarks: "The successful introduction of a new digital videodisc format will depend on hardware manufacturers to help Hollywood producers meet and surpass consumer expectations. Warner believes consumers want radically improved pictures and audio quality at affordable prices on equipment that can sustain software upgrades. Toshiba has developed with us a DVD system which exceeds the feature requirements of the digital advisory group. We believe our manufacturing costs of discs should be comparable to those claimed by Sony and we have proven its manufacturability using existing CD equipment."

Lieberfarb said testbed on which he bases those claims is WEA Mfg. CD plant in Olyphant, Pa., which he described as world's largest. He said: "We do not believe Sony has proven the manufacturability or costing of its discs. We believe that both the yield and cycle time of the double-sided disc for these high-density formats is vastly superior to the 1.2mm proposal of Sony. We also do not think there is a material cost factor associated with our player achieving backward compatibility with CD."

Sources close to Toshiba-Time Warner alliance have speculated privately that 2-sided discs might be conducive to marketing unusual strains of product -- boxed edition of Clint Eastwood movies, for example, or disc containing full-length movie on one side, derivative videogame on other. Studios also reportedly have warmed to implications possible from system's large data capacity, such as ability to accommodate as many as 5 languages on single title. Lieberfarb said demonstration of Time Warner-Toshiba system for reporters will be held in 2nd week of Jan. in L.A., possibly also in N.Y. -- presumably to counter publicity generated by Philips-Sony demonstrations expected at Las Vegas Consumer Electronics Show.

Matsushita and Thomson Consumer Electronics (TCE) generally are considered key among manufacturers to which competing proposal will emerge as winning standard. Exec. Vp Joseph Clayton told us in Oct. that he was "available for courting by either camp". TCE hq in Paris, responding to numerous press inquiries on company's stance, issued statement that it hadn't made decision.

Politically charged DVD environment Fri. when developments broke was highlighted by hastily arranged news briefing in Tokyo by senior Philips and Sony officials. They said briefing was called partly to give collaborators opportunity to dispute negative tone of stories in Japanese press purporting to give higher marks to Toshiba-Time Warner proposal on picture quality, ease of replication and other key points.

Sony Exec. Deputy Pres. Minoru Morio drove points home further when he wrote major studio executives Fri. asking their support in "joining with you in building this business." For more than decade, he said, Sony and Philips "have accumulated tremendous know-how in optical disc development and replication. We have

every confidence that our new high-density disc proposal will allow both the motion picture industry and the consumer electronics industry to introduce products that will create a viable business."

Morio said Sony-Philips proposal is "based on proven CD production technology and can utilize existing disc manufacturing facilities with some minor modifications." Without mentioning 2-sided laminated Toshiba-Time Warner disc by name, Morio said: "We are convinced that the manufacturing of a laminated substrate disc would require a more elaborate process. This will lead to higher labor costs and increase expenses for new investment in replication equipment," and questioned quality and yield rates as well. He argued that "laminated discs will make backward compatibility to current audio and Video CDs more difficult to achieve given the complexity of the optical pick-ups which laminated discs require, leading to higher player costs."

SONY TO MOUNT ALL-DIGITAL DISPLAY AT CES: Using its impending entry into Digital Satellite Receiver (DSS) market as springboard -- and building on last week's announcement of Sony-Philips proposed Digital Videodisc (DVD) specs (see separate report) -- Sony will depart from tradition and devote its entire main floor display at next month's Consumer Electronics Show to products unavailable today but on horizon as industry goes all-digital.

Las Vegas exhibit's mission will be to "define the digital future," Sony Consumer Products Group Pres. John Briesch said at briefing for media last week. Emphasis of display will be on video, which Sony believes is on verge of paralleling audio's move to digital technology. As 2nd company authorized to make and sell DSS receivers, Sony said exhibit will position DSS technology as first true mass market digital video product available to consumers. Also to be demonstrated are Sony-Philips DVD system as well as industry standard digital videocassette recorder (DVR) using cassettes with 1/4" tape.

Display actually will be broader than those basic video categories, Briesch indicated. "We'll also be showing some advancements in digital audio" as well as "what we're doing on the data automation side." At exhibit, Sony will be "discussing how we are going to work with the consumer in networking," distributing digital signal throughout home -- "it's very important for consumers to have a home LAN [local area network] so they don't have to duplicate equipment throughout the home."

Calling digital technology "a great opportunity for the industry for the next few years," Briesch pointed to success of DSS launch by Thomson Consumer Electronics (TCE), asserting that its "biggest appeal seems to be not only programming but also picture quality." He said quality is so good that retailers are starting to use DSS signal instead of laserdisc for on-floor home theater and TV demonstrations. "We are very bullish" about digital video, he said, "because we think the consumer is ready."

Sony is ready to supply digital satellite receivers as soon as it's entitled to do so under contract that specifies it can enter market when TCE has shipped million receivers or 18 months after last June's launch, whichever comes first. Calling DCC debut "an incredible launch," Briesch said "we tip our hats to the people at Thomson" and expressed confidence that million figure would be reached in time for Sony to start shipments "by July or August, definitely by September." Asked how soon Sony could be in market after millionth TCE receiver, Briesch replied, "we'll be there within one week."

Briesch's estimate on timing of magic million figure was verified earlier last week by TCE Exec. Vp Joseph Clayton, who said company will have sold about 600,000 by year-end and should reach million around midyear. Meanwhile, Sony is banned by terms of contract from giving any details, advertising or demonstrating its DSS models or prototypes. Therefore, DCC display at CES will be billed as "technology statement" and won't give clue to form of actual Sony product.

Sony's DSS receivers will be produced exclusively at San Diego plant, Briesch revealed. He said marketing would "differentiate" it from RCA brand. Sony, he said, will use systems approach, with satellite receiver as centerpiece of home theater -- "we will encourage consumers to combine [DSS] with audio/video entertainment, not selling antennas but selling the solution." Sony plans to work individually with dealers to maximize displays that also promote hi-fi VCRs, big-screen TVs, digital audio gear.

"We won't promote DSS as a standalone format," Briesch said, but as "the launch of the digital video revolution, and we will [start] educating the public as we did with digital audio 15 years ago." He was optimistic that quality of digital satellite video also would create demand for digital VCR as well as DVD; consumers, he said, will want something "a little better" than analog videotape. Transmission of 20-30 audio channels on satellite, he said, will increase demand for digital recording and playback systems.

* * * * *

Timed to coincide with Sony's DSS introduction, TCE plans to debut "2nd-generation" version of its RCA brand receiver when it has sold million of current model, Clayton told ProScan product preview for news media in Fla. (other details elsewhere in this issue). TCE believes it "will be able to run rings around Sony" when competition begins in 2nd half, he said. "They will not be able to build enough to satisfy demand," he said, referring to fact that Thomson affiliate SGS-Thomson is supplying ICs -- "I know how many they can build."

Clayton revealed TCE will have ProScan brand DSS receiver on market in late 1995 or early 1996 and at some point plans to follow with GE model. TCE officials said they're working with broadcasters Hughes and Hubbard on upgrading their facilities for MPEG-2, which they said should happen by first quarter of next year. They said C-Cube, main MPEG-2 chip supplier, will be "very close" to delivering chips by end of this year. Third satellite, scheduled for launch in late Jan., will provide extra capacity that could be "used in a variety of ways," such as doubling power of existing channels to eliminate rain-related dropout, or strengthening signal for particular geographic areas, they said.

TOTAL COLOR SALES BREAK FULL-YEAR RECORD: With 4 weeks yet to go in 1994, total color TV sales and total direct-view color sales broke through to all-time record for any year in first statistical week of Dec., EIA figures show.

Zooming sales of TV/VCR combos and projection TV -- which themselves set record for any full year in first 10 months of 1994 (TVD Nov 14 p13) -- pushed sales to dealers in total color category to 25,333,002 in 48 weeks (see State of the Industry), besting full-year record of 25,098,808, set last year. Total direct-view sales (including TV/VCR) came to 24,754,689 in 48 weeks, pushing ahead of full-year 1993's 14,633,449.

Direct-view color category in year's first 48 weeks was more than 2 million sets ahead of same 1993 period in sales to dealers. Direct-view TV-only (EIA's misnamed "color TV" category) was just 0.06% behind full-year 1993 in sales after 48 weeks and could move to full-year record in 2nd week of Dec.

Remaining significant video categories that haven't hit all-time highs for any year -- VCR decks and camcorders -- still are in year-to-date record column and seem virtually certain to stay that way for full year. VCR decks, 5.6% ahead of last year for 48 weeks, are only 2.7% shy of year's sales record, while camcorders, up 3.9% for year, are 4% below all-time year's high.

As we suggested last week after Nov. letdown in sales pace, first Dec. week resumed major gains, showing that at least some of month's disparity was due to parallax in EIA's statistical calendar (TVD Dec 12 p14). Camcorders, which dropped 11.9% in sales in Oct., were up 179% in first Dec. week, pulling 5-week sales to 4.5% gain from 9.7% decline one week earlier. Aside from triple-digit gain in camcorders, all other major products enjoyed double-digit increases in first Dec. week. Laserdisc players continued to lag last year.

NEW PROSCAN FLAGSHIP IS 80" PROJECTION TV: Thomson Consumer Electronics (TCE) says redesigned ProScan line showcased for media last week is aimed at gaining increased share of high-end business, "particularly [from] Sony." Line, some models of which hit market earlier this fall, is topped by industry's largest rear-projection set -- 80"-- which is among several models with dual-tuner PIP and built-in Dolby Pro Logic surround that requires addition of only 2 rear speakers for complete system.

Company will introduce its first 32" sets next year, first in ProScan, later under RCA brand, replacing current 31" models. New cosmetics and technology, said TCE Senior Vp-Product Management James Meyer, represent "more than a \$50-million investment by Thomson in 2nd-generation ProScan design."

Two new chassis (TVD Sept 19 p17) are at heart of latest ProScan collection. Top end of projection TV Line (including 80" set) and of 35" direct-view models use CTC189 chassis, with feature package that includes 2-tuner PIP that allows for split screen, 3-channel picture-outside-picture (POP), 12-screen Channel Guide, 55w Dolby ProLogic system. PIP system is used in unique ways, such as automatically establishing window for current program when commercial-skip feature is used. Also, program being viewed appears in window when viewer is using enhanced on-screen bit-mapped graphics system for help and other setup functions. Top end direct-view sets will use new FDT (Flatter Darker) tube with Invar mask.

The 80" projection set (\$8,499 suggested retail, available in May) uses 9" tube (sourced from Toshiba) with optics system that TCE says boosts light output more than 50%. TCE executives said that by driving

picture at lower level, "phosphor aging becomes a nonissue." Company says picture in top-end 35" sets are rated at 70w. Set itself is 75" tall, weighs 375 lbs., can be adapted for wall installation. Massiveness of picture is put into context by fact that PIP window can be as large as 38" diagonal.

Other additions to ProScan projection TV line include 60" (\$4,799) and 52" (\$4,299) sets with same feature package as 80" model; 52" with dual tuner, matrix surround sound with built-in 20w amplifier, advanced on-screen menu, Turbo Channel Guide, front A/V inputs (\$3,299); 52" with below-screen storage (\$3,299) and slim 52" set (\$3,099) -- both with single-tuner advanced PIP, channel guide and labeling, commercial skip.

New sets use newly designed on-screen navigator -- text-based version based on 5-button "point-and-select" system developed first for DSS system -- and more elaborate graphics-based version that Meyer said "will set the standard... for consumer convenience and ease-of-use."

ProScan collection includes carryover 34" widescreen TV (\$4,499) -- size that Joseph Clayton, exec. vp-sales & mktg., conceded is "too small" for acceptance in U.S., where "bigger is better." He said TCE doesn't plan any more analog widescreen sets. Even though HDTV has taken low public profile in recent months, he said it's "coming quite rapidly." First Thomson HDTV set will be projection model, he said, probably "about 18 months" after FCC authorizes system standard. With characteristic bravado, Clayton said he was unconcerned about moves computer marketers are making toward ultracompetitive mainstream consumer electronics business: "Welcome to the consumer electronics market. We live in the gutter, we know how to do it. I look forward to competing with Compaq or whoever."

Meyer said Thomson's business in Americas this year will pass \$800 million with "very strong overall profit performance." Clayton said TCE is "making money in every single product category" in Americas. Company claims "market share leadership" in projection and large-screen direct-view business, saying it controls "more than half" of 35" category. Meanwhile, it offered little additional detail on plans for 32" sets. Tubes will be sourced from Thomson's Marion, Ind., facility, with TCE taking all its output for foreseeable future, officials said.

ZENITH PLANS \$150-MILLION TUBE EXPANSION: Seeking money to expand direct-view picture tube production and build first projection tubes, Zenith filed with SEC for 6.5-million-share offering following board approval last week. New funding would be part of proposed 3-year \$150-million plan to expand production at direct-view CRT plant in Melrose Park, Ill., and add projection tubes to TV assembly plant in Juarez, Mexico.

Stock offering is "one of a range of options that we're looking at" to provide added financing, Zenith spokesman said. Company is "actively pursuing a number of other avenues as well," said spokesman, who declined to comment on whether other routes included possible joint venture or increase in GoldStar's stake in Zenith. Proposed shelf offering would raise \$78 million, based on current \$12 share price, and would follow 5-million-share offering approved by board in Feb.

Move to build own projection tubes in Juarez could result in major cost saving and assure steady supply, Zenith indicated, because it currently buys product from Japanese suppliers. New production line would be built in existing 880,000-sq.-ft. projection TV plant that opened in 1984 and was expanded in late 1980s. New line would add 100 jobs to 2,800 employees currently at factory assembling 46," 52" and 60" TVs. Zenith official declined to disclose plant's capacity.

In Melrose Park, 820,000-sq.-ft. tube plant may be expanded to accommodate automated equipment that would boost production of 19-27" color tubes by 10%, Zenith spokesman said. Earlier this year, Zenith increased production at Melrose to 4 million tubes from 3.6 million. Employment at 28-year-old plant is expected to remain at 3,200, Zenith spokesman said.

Ambitious strategy follows Zenith's first profitable quarter in 3 years. Company reported \$9.4 million profit for 3rd quarter, as opposed to \$14.5 million loss one year earlier (TVD Oct. 24 p10). Zenith Chmn. Jerry Pearlman said at time that company planned to increase production at Melrose Park plant.

China's color TV production totaled 13,015,000 sets in 1994's first 10 months, up 23.3% from same 1993 period, according to govt. figures quoted in China Daily. Total TV output (color plus b&w) totaled 24,705,000, up 8.65%. Indicated b&w output was 11,690,000 sets, down 4.1%.

TDK Electronics, better known for audio/video tape, has shipped first CD cassette adapter at \$30. Model, using technology licensed from Recoton, connects personal CD, MiniDisc and Digital Compact Cassette (DCC) players to car head units and boomboxes for playback.

RETAIL EARNINGS MIXED: Harvey Electronics and Fretter reported lower net losses while Circuit City and Best Buy registered gains in earnings reports released last week (see financial table).

Best Buy reported 59% gain in net earnings in 3rd quarter on 67% jump in sales to \$1.35 billion. For 9 months ended Nov. 26, net income rose 46% on 73% increase in sales. In 3rd quarter, company opened 34 stores, including first Concept III outlets in Washington, D.C., and L.A. New openings, combined with larger 58,000-sq.-ft. stores, sent inventories soaring to \$1.4 billion at end of quarter from \$823.8 million year ago. Gross margins declined to 13.6% from 15%, attributed to promotional costs of opening new and remodeled stores.

Circuit City posted 45.9% net income rise in 3rd quarter ended Nov. 30 on 38.1% sales increase to \$1.4 billion from \$1 billion. For 9 months, net income climbed 30.2% on 34.8% sales increase. Chmn.-CEO Richard Sharp said sales and earnings growth "have exceeded our expectations throughout the fiscal year." He credited results to "a healthy hard goods sales climate and the success of our marketing programs despite highly competitive conditions."

Fretter cut its net loss in 3rd quarter ended Oct. 31 to \$1.7 million from \$8.8 million year earlier on 120% increase in net sales. For 9 months, loss grew to \$7.4 million from \$4.5 million despite 128% sales increase. Revenues include sales of Silo, which Fretter acquired year ago from Dixons. Same-store sales declined 16.7% in quarter and were hurt by "consolidation efforts required to combine" Fretter and Silo operations, company said. Pres. John Hurley said it "has successfully completed the integration of the Silo stores" into Fretter operations and has "dramatically reduced" expenses. He said net income was particularly hard hit by absorption of Silo extended service contracts.

Harvey Electronics reported lower net loss of \$339,000 in 3rd quarter ended Nov. 30 from \$438,000 year earlier, while sales rose 4.4%. For 9 months, net loss fell to \$975,000 from \$1.2 million on 8.6% sales increase. Pres. Arthur Shulman said financial improvement continued because of increased sales and reduced expenses, despite "horrific weather" in first quarter. He hailed "extraordinary" location of new Harvey store on W. 57th St. in N.Y.C. at site of former Rabson's outlet.

Sharp introduced "Zaurus" personal digital assistant (PDA) as first product of new Personal Information & Communication System (PICS) Div. Zaurus is pocket-sized device with integrated keyboard and pen-and-screen system that accepts and stores handwritten notes and graphics. Device has PCMCIA slot for attaching accessory cards (modem, memory, pager, etc.), has 1 Mb of RAM, of which about 750K is user-accessible. Sharp said Zaurus will run about 60 hours on 2 AA batteries. Optional fax/modem will permit connection to E-mail, on-line services. Device will be available in Feb. with basic unit at suggested \$749 (street price expected to be about \$500), packaged with fax/modem at \$849.

Philips Electronics NV will open new TV tube factory in Taiwan this week. Located in Hsinchu Science Park, it will be fully operational by 1997 with production capacity of 3.6 million tubes annually. Philips said it decided to build \$341.5-million plant in Taiwan because of concentration of computer monitor production there. Company already has plant in Taiwan as well as 7 others worldwide that produce 20 million tubes annually.

APPLE MULTIMEDIA PLAYER: Apple became latest to throw hat in TV-based multimedia ring, announcing development of platform for system that's minor variation on Macintosh computer. Company, which recently began trying to license its Macintosh operating system to other PC makers in effort to create larger machine base to attract software developers, is adopting that strategy from start when it comes to TV-based players. Apple said it will license other hardware makers -- beginning with Japanese toy company Bandai, best known here for Mighty Morphin Power Rangers characters -- to make machines based on "Pippin" offshoot of Macintosh platform. System will use Motorola PowerPC 603 microprocessor.

Bandai said it will introduce "Power Player" worldwide late next year "in the range of \$500," price that by then is expected to be well above that of such major competitors as Sega Saturn, Sony PSX (both already launched in Japan at under \$500), Nintendo Ultra CD. Existing Macintosh CD-ROM software would require "minor" modification -- mostly related to conversion for NTSC or PAL display -- to run on Pippin player; Pippin programs would run without changes on Macintosh computers.

Steve Franzese, business development dir. of Apple's New Media Group, said company expects to license others to launch hardware at about same time as Bandai. He said Bandai product would be fairly basic player and acknowledged that \$500 price would be on high end of market, but "versatility and power of the base-case system" based on high-powered RISC processor "will justify some premium." He said Apple is "actively in negotiations" with other companies, which would be free to market players in variety of other configurations.

Planned add-ons include MPEG cartridge, modem for networked games, keyboard. Although Apple brand has strong image for consumer-friendly computing, Franzese said company won't market Pippin machine on its own. It opted for licensing route, he said, since Pippin machines will go mainly through consumer electronics outlets, and cost of building new sales and distribution infrastructure for single product "with fairly small margin" didn't make sense.

"Program concept advisory codes" that can respond to transmitted advisories on violence, nudity and adult language have been approved in principle by EIA Consumer Electronics Group (CEG) Video Systems Engineering Committee. However, CEG Vp Gary Shapiro cautioned that "final adoption of the complex proposal may be at least a year away." Code system will be approved as part of existing extended data system (EDS) and closed-captioning standard, on line 21 of vertical blanking interval. Although vote wasn't revealed, Shapiro said next step is "to attempt to harmonize concerns members may have raised about the content proposal during the balloting." Shapiro called action step toward "industry consensus that will define the voluntary standards." Although there's sentiment in Congress to make system compulsory, CEG's position is that inclusion in TV sets should be voluntary. Known in Congress by catchy name "V-Chip," system doesn't involve special chip at all.

THIS WEEK'S YEN RATE

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

LIEBERMAN HITS VIDEOGAME ADS: Sen. Lieberman (D-Conn.), whose actions led to creation of rating system for interactive entertainment software, criticized videogame makers for ads that don't display those ratings prominently enough. Chmn. of Senate Regulation Subcommittee that's likely to be abolished next year, Lieberman nonetheless commended industry for rating 270 new games in little more than 3 months, 70% of new offerings for shopping season this year.

Meanwhile, he blasted computer software game makers, represented by Software Publishers Assn. (SPA), which he said "has failed to make good on its commitment" to introduce rating system. He said existing SPA system was "hollow shell" because it wasn't set up independently from trade association and because raters don't actually see games -- they work from affidavits submitted by publishers. In response, Stephen Balkan, managing dir. of Recreational Software Advisory Council, which he described as "independent nonprofit" review board set up by SPA, rejected "hollow shell" description, saying that, given time group has had to operate, "we feel we have been very successful." Balkan said his panel has rated 40 games, with requests for more than 200 others pending.

Lieberman said at Washington news briefing he hoped to have all games rated by 1995 Christmas season. However, while commending industry on one hand, he criticized it on other for obscuring ratings in TV ads. Showing tapes of some ads, he said game manufacturers had failed to show ratings clearly or didn't show them at all. In contrast, he said ads for movies clearly displayed ratings and often used announcers to tell viewers how movie was rated.

Lieberman and Sen. Kohl (D-Wis.) said they wanted videogame manufacturers to: (1) Display rating prominently by itself at end of ad. (2) Use typeface and color combination making rating easy to read. (3) Use announcer to divulge rating at same time it's shown on screen. Interactive Digital Software Assn. (IDSA), which represents Sega, Nintendo and others, said it has succeeded in setting up "credible, reliable and understandable" rating system, establishing independent rating authority, working with retailers and establishing toll-free number for consumers that has received more than 16,000 calls.

IDSA Pres. Douglas Lowenstein said group has advised game publishers to use ratings in print and TV ads, adding: "As Senator Lieberman knows, we are currently drafting an advertising code to ensure that ratings are clearly displayed in all advertising media." Lowenstein said Lieberman is missing larger point of ratings. Agreeing that they should be "adequately displayed" in TV ads, Lowenstein said "paramount objective of all those who support an effective ratings system should be to increase public awareness of, and demand for, rated products."

In Nov. 14 letter to Lieberman, Lowenstein said issue of ratings placement in TV ads "requires carefully balancing the need for viewers to find them with the need to maintain maximum creative freedom for the advertiser." He said industry couldn't come to agreement on interim code and would consider issue in permanent code. Lieberman and Kohl replied to IDSA Chmn. Jack Heistand of Electronic Arts Dec. 5, telling him they were concerned that ratings on TV ads "are too easy for parents to miss," which "undermines the effectiveness of the ratings, and it squanders an opportunity to use the advertisements during the holiday season to build consumer awareness and understanding of the new ratings."

GOLDSTAR TV/VCRS, STARSIGHT VCRS: GoldStar will introduce industry's first 13" 4-head TV/VCR and its first StarSight-equipped VCRs at Winter CES, TV Mktg. Dir. Philip Petescia said.

New VCRs featuring StarSight on-screen guide will include 4-head mono, \$349, and 4-head hi-fi, \$399. Introduction will pit GoldStar against Korean rival Samsung, which also is expected to unveil models at CES. Samsung officials declined comment last week but said earlier this year that line would include 4-head hi-fi model by 2nd quarter of 1995, pricing not set (TVD May 2 p14). Zenith also has StarSight license for VCRs.

Other features in 10-model line will be high-speed rewind (2 min. vs. standard 3.5 min.) and "soft load" that allows tape insertion with power off, Petescia said. Filling out line will be two 2-head units, \$159-\$169; two 4-head mono, \$189-\$199; 4-head mono with VCR Plus, \$229; two 4-head hi-fi, \$249-\$269; 4-head hi-fi with VCR Plus, \$299. Nine VCRs will ship in May, StarSight mono in July.

In combos, new 13" 4-head TV/VCR, available in first half at \$369, will lead 6-model line that also includes 19" four-head model at \$429. High-end 13" and 19" models will feature front A/V jacks. Other sets include 13" two-heads at \$329 and \$339 with front jacks and 19" two-heads at \$379 and \$389. Most combos will ship in May, 4-head 19" in July.

GoldStar, which builds combos for many of its competitors, will have short lead in 4-head 13". Zenith also is expected to introduce model in 1995. GoldStar is studying possible addition of 25" TV/VCR in 1995, Petescia said. "The problem increasingly with TV/VCRs is there is less profit and we feel 13-in. 4-head will add a little margin," he said.

STEREO TV SALES DIP: For first time since Sept. 1991, sales of TV sets with stereo sound showed year-to-year decline in Oct., falling 1% to 1,041,494 from 1,052,421 in month when direct-view TV sales (excluding TV/VCR combos) rose 6% to 2,617,763 from 2,468,550.

For Oct., 39.8% of color sets sold to dealers had stereo feature, according to EIA figures released last week, down from 42.6% one year earlier and lowest percentage in 18 months, since April 1993.

For year's first 10 months, stereo TV sales were still comfortably ahead of last year in unit sales and percentage of total. The 8,512,457 sets with stereo were 11.9% above the 7,604,770 of 1993's comparable period at time when direct-view color sales were up 7.7%. In 10-month period, 43% of color sets sold had stereo, up from 41.3% in same 1994 period.

Sony and Celebrity Cruises are working to create "one of the most technologically advanced communications and entertainment systems in the cruise industry," they said last week. Three new ships will be equipped with display systems in theaters and bars as well as interactive videogame kiosks and conference centers, with interactive entertainment and communications systems in passenger cabins.

Gemini will continue expansion of year-old cellular accessories line with introduction of 80 items at Winter CES in Jan. New products, which range from \$9.95 cellular phone holder to \$89 for charger, ship in Jan.-Feb. Among items is "micropulse" charger containing microprocessor that detects power level of cellular phone and recharges it.

OCT. AUDIO SALES UP 9.9%: Paced by soaring autosound, factory sales of audio equipment were up 9.9% in dollars from same 1993 month, according to EIA. But Oct. broke string of 5 consecutive months of double-digit increases as result of minor setback in Oct. sales of audio components.

Overall Oct. factory shipments rose to \$935.7 million from \$851.3 million in same 1993 month. Components were only blemish on Oct. screen, declining 2.8% in Oct. following 8.3% rise in Sept. components shipments (TVD Nov 21 p16) and virtually unprecedented 14% increase in Aug. (TVD Oct 17 p13). Aftermarket autosound anchored Oct. results, rising 26.6%, while systems broke \$200-million mark in Oct. factory shipments, climbing 14.3%. Portable audio category fared well with 8.4% increase.

For 10 months, overall audio shipments advanced 12.6% to \$6.64 billion from \$5.9 billion year earlier, spurred by 21.2% rise in aftermarket autosound sales. Systems rose 17%, while portable audio was up 10.6%. Components managed 3.3% gain despite Oct. decline. Here's EIA breakdown of audio factory shipments for Oct. and year's first 10 months:

FACTORY SALES OF AUDIO EQUIPMENT
(add 000)

Product	Oct. 1994	Oct. 1993	% Chg.
Portable audio*	\$354,909	\$327,446	+ 8.4
Components	193,598	199,136	- 2.8
Systems	220,870	193,294	+14.3
Autosound (aftermarket)	166,353	131,443	+26.6
TOTAL	\$935,730	\$851,320	+ 9.9

Product	10 Mo. '94	10 Mo. '93	% Chg.
Portable audio*	\$2,245,606	\$2,030,813	+10.6
Components	1,387,181	1,342,665	+ 3.3
Systems	1,378,189	1,177,992	+17.0
Autosound (aftermarket)	1,633,309	1,349,012	+21.1
TOTAL	\$6,644,285	\$5,900,483	+12.6

* Includes home radio.

MTC shareholders last week elected new 7-member board, clearing way for Grande Corp. to inject \$9.9 million into company. Shareholders also approved Grande's purchase of 4.5 million shares at \$4.25, increasing stake in MTC to 19.2% from 3.2%. About 1.2 million shares will remain in escrow account for year and won't be released unless MTC meets "performance targets," MTC spokesman said. Agreement, reached earlier this month (TVD Dec 12 p19), ended battle that pitted current MTC management against Grande. Former Grande executive and new MTC Pres. Albert Ha, who replaces departing interim Pres. Edilberto Pozen, said company has "chance to reverse its difficulties and capitalize on its opportunities." MTC, once major consumer electronics supplier, is expected to focus on telecommunications; Grande investment will give it access to cellular venture covering 20 cities in China.

S. Korean food group Haitai has purchased management control of Sherwood parent Inkel as part of strategy of diversifying into electronics, Financial Times reported. Paper said Haitai bought 17.2% of Inkel from founder Cho Donsik for estimated \$25.3 million. It said Inkel controls about 25% of Korean audio market, but has come under financial pressure recently because of rapid expansion of production and diversification into telecommunications products.

COBRA COURTS POLICE SALES: Radar detector maker Cobra Electronics is courting police departments with transmitter that triggers detectors to signal approaching emergency vehicle.

Safety Alert transmitter, expected in production quantities by Jan. with launch in Feb., will be available in top 20 metropolitan markets at \$400-\$500, Cobra Sales & Mktg. Vp Douglas Marrison said. Transmitters will be installed in police, fire or other emergency vehicles and when activated will trigger radar or laser detectors in cars within 3/4 mile.

System has been tested with Chicago police as well as state highway patrols in Ariz. and Colo., Marrison said. Cobra also sees transmitter as vehicle for coaxing states to ease restrictions on radar detectors, which are illegal in some form in 20-25 states. Cobra will sell transmitters to municipal and state agencies through independent reps or in joint venture with radar gun manufacturer, Marrison said. While he said company has received 1,000 inquiries from police, Jack Grant, project mgr. at International Assn. of Police Chiefs, said he "would hesitate to endorse" product. "We have advocated the exploration of it, but I would hesitate to have officers strictly use this as opposed to lights and sirens to alert people," he said.

In connection with system, Cobra is shipping laser/radar detector with spectrum analyzer that identifies type of radar on 32-digit LCD. Detector, at \$199 retail, also displays "emergency" when Safety Alert transmitter is turned on and flashes "road hazard" as user nears vehicle or accident scene.

Still active in CB Radios, Cobra unveiled 2 base units that carry 7 Weather Service frequencies and emit 4-sec. high-pitched tone signaling emergency bulletin. Models will be available in spring in 40- and 120-channel versions at \$179 and \$695, respectively.

Moving from receiving messages to sending them, Motorola will introduce telephone/keyboard device in first quarter that transmits messages to pagers. WordSender, which combines phone and keyboard and will ship at \$249, will allow consumers to transmit alphanumeric messages over phone lines. Unit, which contains 2-line 48-character LCD display and has 10-number directory, is compatible with all pagers and carriers, Motorola Mktg. Dir. Robert Pollack said. Also unveiled at N.Y. news conference last week were pen-shaped Gold series pager with 12-digit LCD display at \$229, Ultra Express unit replacing 3-year-old Bravo with expanded 16-message memory at \$199 and Renegade model containing one-touch activation, 10-message memory, \$159 retail. Company also will expand Flex technology introduced with numeric Pro Encore pager and add alphanumeric model. Flex technology doubles transmission speed to 6,400 bps, also can transmit at 1,600 and 3,200 bps and is compatible with existing Post Office Code Standardization Advisory Group (POCSAG) 2,400 bps system (TVD Sept 19 p15).

Projectavision has licensed Alternate Realities Corp., Raleigh-Durham, to use its high-brightness and depixelization systems in "new generation of 3D virtual environment systems" for industrial and commercial markets, also claimed to have entertainment and consumer applications. First products will be in \$100,000-\$250,000 range and include digital theater system in portable or permanent 16-24-ft. dome or sphere. Availability is expected in 3rd quarter 1995.

'FALL OF U.S. CE INDUSTRY': New book by retired Zenith Vp-Gen. Counsel Philip Curtis reveals that Supreme Court's 1986 decision that in effect ended Zenith's \$3-billion antitrust suit against Japanese consumer electronics industry was decided by unexplained last-min. change in vote of late Justice Thurgood Marshall.

"The Fall of the U.S. Consumer Electronics Industry: An American Trade Tragedy" traces history of TV-radio "cartels" from formation of RCA patent pool to what it terms RCA-inspired move by Japanese manufacturers to take over U.S. consumer electronics industry. Referring to 5-4 Supreme Court decision overturning Appeals Court order for trial in suit by Zenith and NUE (TVD March 31/86 p9), Curtis says posthumous release of Marshall's files "confirmed my belief that there is a mystery surrounding Marshall's swing vote in favor of the Japanese cartel's legal position." Curtis says documents concluding 16-year case show "Marshall changed his vote 3 times with no recorded explanation." Curtis attributes adverse decision of court to "scam" traceable to Reagan Administration officials.

If there's master villain in book it's former RCA head David Sarnoff, described as young man as "a bright, shrewd opportunist who was intent on promoting himself out of poverty and feeding an enormous ego" and later as unprincipled conspirator and liar.

After Zenith forced RCA to settle patent pool suit in 1957 on day before it was scheduled to go to trial, book says: "Sarnoff's bitterness was driven to new depths by this turn of events... [His] consuming hunger for retribution and a desire to replace his now-lost huge royalty income from U.S. licensees was partially sated by his profitable collaboration with the Japanese cartel in its campaign to destroy and replace the ungrateful American industry he had allowed to exist..."

Matsushita is described as "leader of the Japanese cartel," and book uses "EIAJ" and "the cartel" interchangeably.

Even in case of color TV, Curtis accuses RCA of "falsely claiming to be the inventor of color TV" and of producing defective sets in 1956. It wasn't until Zenith had "improved and simplified" color TV sets in 1961 that "sales took off like a rocket," book says. As last U.S.-owned TV manufacturer, Zenith's 1992 move of assembly to Mexico is directly attributed to what Curtis calls "the cartel's lawless, predatory assault... now sanctioned by the Supreme Court."

"The Fall of the U.S. Consumer Electronics Industry" (360pp.), annotated with excerpts from legal documents, correspondence, etc., is available from publisher Quorum Books, 1-800-225-5800.

Fla. licensed VAC Service Corp. to resume selling service contracts there after company signed consent order and agreed to post \$100,000 deposit. Agreement with Fla. Dept. of Insurance, reached after year of negotiations, allows Middletown, N.Y., company, which has Tampa office, to return to Fla. market after 4-year absence. It entered market in 1983, but Dept. issued notice of nonrenewal in 1990. VAC didn't answer notice and license expired. VAC started new entity in Fla. in 1993, but state denied application for license, which triggered negotiations resulting in settlement, said Alan Leifer, attorney for Insurance Dept. Agreement requires VAC, among other things, to file quarterly financial reports with dept. for year and provide audited annual statement starting March 1.

Ark. satellite pirate -- dealer who eluded federal agents for 5 years -- was sentenced to 46 months in prison last week for selling modified integrated receiver decoders (IRDs). U.S. Dist. Judge Jimm Larry Hendren also ordered Jan Gregory Manzer to pay \$2.7 million in restitution to HBO and other programmers. Federal jury convicted him in Aug. on mail and wire fraud and criminal copyright conspiracy. Manzer, 44, operated Hot Springs dealership that sold \$400,000-\$600,000 worth of IRDs and computer software designed to modify descramblers in 1987-1988, Asst. U.S. Attorney Claude Hawkins said. Manzer fled U.S. in 1988 shortly after federal agents raided his store and was arrested in Netherlands in Sept. 1993, Hawkins said. He was indicted and returned to U.S. in June.

Daewoo will build its largest overseas factory in Poland at Pruszkow, 15 miles from Warsaw, to make consumer electronics, components, appliances. Korean company already makes color TVs at site, but plans to increase production to 600,000 annually from current 400,000. New complex also is scheduled to make 200,000 car audio systems, 100,000 washing machines and 200,000 refrigerators per year, with total production valued at \$200 million annually, 60% to be exported to rest of Europe. Daewoo already makes VCRs in Northern Ireland, color TVs and picture tubes in France, aims at 10% of European consumer electronics market by 2000.

"AudioVision," hybrid multimedia-music CD series, will be distributed by Philips and PolyGram under multititle deal with Ardent Records, Memphis-based independent label. Philips Media spokeswoman said discs will feature CD-ROM information on first track, with music data on remaining tracks. She said CD-ROM content will be transparent to users who play discs on regular CD players. Explanation seems similar to discs envisioned under "CD Plus" software standards now being drafted by music industry. Discs will be distributed jointly by PolyGram Group Distribution and Philips Media Distribution, which said they plan to introduce AudioVision program at Jan. CES.

Norwest Bank of Hong Kong has granted Emerson Radio-H.K. \$20-million credit, half of which will be in letter of credit to finance U.S. sales operation. Remaining \$10 million will be used to finance Emerson expansion in international markets. Emerson sells products in Thailand and Mexico through joint ventures in those countries and is considering expansion into Europe through subsidiary or joint agreement (TVD Dec 12 p16).

Voice It Technologies will expand line of Personal Note recorders with introduction of 90-sec. and 20-sec. models at Winter CES in Jan. Units record memos on digital chip. New 90-sec. unit has space for 20 messages and \$80 retail price, while 20-sec. has room for 10 at \$45. Both, which ship in March, feature "erase any" technology that allows user to cancel messages selectively. Recorders join line that includes 40-, 75- and 120-sec. storage.

JVC plans higher profile in China by doubling number of storefronts selling its products to 2,000 within 3 years, Nikkei reported. Paper said company also will increase its base of warranty stations to 20 from 14 by mid-1995 and to 30 within 3 years. Report said sales in Asian markets now account for 20% of JVC's overseas sales, but it plans to increase ratio to 40% by 1997.

Packard Bell, major force in mass market computer business, said 1994 revenues will exceed \$3 billion, and sales of Pentium computers in 4th quarter will be more than double total of first 3 quarters combined.

Consumer Electronics Personals

Roger Heuberger, ex-International Jensen, becomes exec. dir., PRO Buying Group, Jan. 2, succeeding Art Westburg, who died of cancer Nov. 17... Rob Gerhardt resigns as CEDIA pres. for "personal reasons," replaced by Vp Jeff Zemanek; Ferdinand Steyer advanced to vp post vacated by Zemanek... Kevin Woznicki, ex-SL Waber (surge protectors), appointed Franklin Electronics national sales mgr., new position... Mary Pat Ryan, U.S. Satellite Bestg. mktg. vp., promoted to senior mktg. vp; Rolinda Day, subscriber mktg. mgr., appointed subscriber mktg. dir.

Allen Swink retires Dec. 31 as Lowe's consumer electronics merchandiser... Stephen Yanklowitz, ex-Western Publishing (children's books), named Cobra Electronics COO... Joseph Morici, ex-Capcom USA, joins GameTek, interactive entertainment software publisher, as senior vp-sales & mktg... Anthony Russo named gen. mgr., Sharp's new Personal Information & Communication System (PICS) Div.

Changes at MTC: Albert Ha, ex-Grande Corp., appointed MTC Electronics pres., replacing Edilberto Pozen, resigned; Christopher Ho, Grande CEO, named MTC Chmn.; John Evans, Osler, Hoskin & Harcourt (law firm), becomes vice chmn.-secy... Newly elected ITA officers: Donald Rushin, 3M, becomes chmn., succeeding Donald Winquist, Magnavox, succeeded as pres. by James Ringwood, Maxell; Philip Clement, Rank Film Labs, William Kopatich, Verbatim Corp., and Phil Pictaggl, MCA Home Entertainment, elected vps; Vic Beretta, EMI Mfg. (USA), Lang Lowery, Anacom Magnetics, Thomas Parkinson, Shape Inc., Orlando Raimondo, Technicolor Video Services, Michael Salem, Polaroid Corp., and Thomas Walnerdi, Dow Plastics, named ITA dirs.

Ralph Palala, ex-Philips Consumer Electronics, and Jay Bauer, chmn.-CEO, Pulsar Entertainment, elected to Go-Video board... Deane Marcus, ex-Alpine Capital Group in N.Y., joins Warner Music Group as vp-strategic planning & business development... Steve Renne named Epic Records senior vp-West Coast... Jay Boberg, ex-I.R.S. Records, appointed pres., MCA Music Publishing, replacing John McKellen, who retires in March but will remain MCA consultant... Steven L'Heureux, ex-Eastman Kodak, joins Minerva Systems as business development mgr... Allen Gillespie retires as vp-CFO, Amerigon Inc., car navigation systems designer.

Changes at Republic Entertainment: Gary Delfiner leaves as head of acquisitions & development -- remaining as consultant -- to form new production company Gemini Entertainment, which will have first-look deal with Republic; Glenn Ross resigns as senior vp-mktg. to explore other industry opportunities... Curt Viebranz, ex-Time Inc. Multimedia and HBO Video, named pres.-HBO International and exec. vp-HBO, responsible for HBO Enterprises, replacing Lee deBoer, who leaves to pursue other interests.

Tandy board approved 20% increase in quarterly dividend to 18¢ per share, payable to stockholders as of Jan. 1. Chmn.-CEO John Roach said increase reflects Tandy's "strong financial position" and fact that last increase came in 1987.

Independent Dealer Services has renewed agreements to administer extended service contract programs for American Express and Damark International.

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
Best Buy			
1994-39 wk. to Nov. 26	3,132,446,000	29,543,000	.68
1993-39 wk. to Nov. 27	1,813,375,000	19,846,000	.49 ^a
1994-13 wk. to Nov. 26	1,349,871,000	17,702,000	.41
1993-13 wk. to Nov. 27	808,476,000	11,161,000	.26 ^a
BET Holdings			
1994-qtr. to Oct. 31	27,322,000	4,617,716	.23
1993-qtr. to Oct. 31	23,655,000	3,803,000	.18
Circuit City Stores			
1994-9 mo. to Nov. 30	3,672,712,000	84,185,000	.86
1993-9 mo. to Nov. 30	2,723,679,000	64,657,000	.66
1994-qtr. to Nov. 30	1,405,445,000	28,442,000	.29
1993-qtr. to Nov. 30	1,018,051,000	19,460,000	.20
Fretter			
1994-9 mo. to Oct. 31	591,574,000	(5,601,000)	--
1993-9 mo. to Oct. 31	259,818,000	(4,549,000)	--
1994-qtr. to Oct. 31	204,024,000	(1,131,000)	--
1993-qtr. to Oct. 31	92,738,000	(8,881,000)	--
Harvey Electronics			
1994-39 wk. to Oct. 29	15,367,000	(975,000)	--
1993-39 wk. to Oct. 29	14,426,000	(1,274,000)	--
1994-13 wk. to Oct. 29	5,163,000	(339,000)	--
1993-13 wk. to Oct. 29	5,016,000	(438,000)	--
J2 Communications			
1994-qtr. to Oct. 31	319,000	70,000	.02
1993-qtr. to Oct. 31	464,000	67,000	.02
National Semiconductor			
1994-26 wk. to Nov. 27	1,138,200,000	126,000,000	.96
1993-26 wk. to Nov. 28	1,141,300,000	117,800,000	.90
1994-13 wk. to Nov. 27	584,400,000	67,000,000	.51
1993-13 wk. to Nov. 28	582,400,000	60,700,000	.46
QVC			
1994-9 mo. to Oct. 31	964,185,000	38,256,000	.78
1993-9 mo. to Oct. 31	849,615,000	56,455,000	1.12
1994-qtr. to Oct. 31	364,467,000	14,466,000	.29
1993-qtr. to Oct. 31	313,945,000	21,517,000	.42
Rex Stores			
1994-9 mo. to Oct. 31	230,416,000	4,700,000	.53
1993-9 mo. to Oct. 31	176,471,000	2,745,000	.35
1994-qtr. to Oct. 31	80,160,000	1,599,000	.17
1993-qtr. to Oct. 31	61,633,000	977,000	.12
Tektronix			
1994-26 wk. to Nov. 26	661,139,000	34,362,000	1.13
1993-26 wk. to Nov. 27	607,235,000	21,186,000	.69
1994-13 wk. to Nov. 26	348,411,000	18,372,000	.60
1993-13 wk. to Nov. 27	317,165,000	11,455,000	.37

Note: ^aAdjusted.

In cost-saving move, Curtis Mathes (CM) has acquired assets of freight company and moved shipping in-house with 25-vehicle fleet, company said, terms not disclosed. Operation is based at CM's new 80,000-sq.-ft. leased hq/warehouse in Dallas and will supply 400 CM dealers nationwide. CM recently moved hq to Dallas from Garland, Tex., but retains service and parts operation in Athens. CM also has slowed plans for audio products scheduled to be introduced in early 1995. Company recently met with distributors and is "continuing in that [audio] direction," but hasn't set firm delivery date, spokeswoman said. Line is expected to include CD players, amplifiers, cassette players, speakers (TVD Sept 19 p18). CM is continuing to study plan for joint TV production venture with non-consumer electronics company, but hasn't completed deal. CM Chmn. Patrick Custer said in Sept. that company was aiming to sign agreement within "6-month time frame."

Mitsubishi Consumer Electronics America is advertising for personnel and administration vp for Braselton, Ga., facility.

TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 26, 1994

SUMMARY-INDEX OF WEEK'S NEWS

VOL. 34, NO. 52

Broadcast - Cable

VDT REJECTED, APPROVED: FCC okays Ameritech commercial plan for 5 states, says U S West didn't provide justification. U S West plans to refile. Sprint gets okay for trial. (P. 1)

GAG ORDER NARROWED by FCC, while issue escalates on Hill. Fox claims 'extraordinary political pressure' may make fair decision difficult. White House, Bonior accused of false statements. (P. 2)

CABLE RATE HIKE WARNING: Appeals Court rejection of rate rules could mean 15% hike, FCC official says. Court asks for more evidence, justification of across-board rate rollback. (P. 4)

DIGITAL VDT ATTACKED by commenters, even as GTE withdraws it. Telco penetration estimates range 32%-50%. Market share to equal cable. (P. 5)

NEW TV GROUP FORMED: Assn. of Black-Owned TV Stations to focus on minority issues. Lobbying planned, partnerships to be encouraged. (P. 6)

SPECTRUM SOUGHT: Broadcasters want same block as wireless cable. NAB says spectrum is needed for digital broadcasts. Others also seek space. (P. 6)

CABLE FLEXIBILITY HINTED by Hundt if VDT or DBS competition emerges. Chmn. says FCC may deregulate local rates without formal effective competition. (P. 7)

ONE VDT PLAN REJECTED, ANOTHER APPROVED: FCC approved 2nd commercial VDT project, but turned down another outright for first time. It okayed 5 VDT applications by Ameritech, opening door to 1.3 million households, but rejected 4 U S West commercial applications, saying they "did not satisfy the minimum requirements" of rules. Commission did approve modification of U S West's trial VDT system in Omaha and allowed Sprint-owned Carolina Telephone & Telegraph (CTT) to begin VDT test in Wake Forest, N.C. First commercial VDT deployment, by Bell Atlantic in N.J., had been approved in July (TVD July 11 p1).

Commission rejected 4 U S West applications because RHC didn't provide adequate economic justification, Common Carrier Bureau attorney Donna Lampert said. Applications, filed Nov. 16, were dismissed "without prejudice" so company can refile. FCC recently asked 4 other telcos for additional economic information (TVD Dec 19 p2), but Lampert said U S West response was too limited to justify similar demand for information: "Given that the Commission has made it clear the kind of detailed information that it expects, we thought it was best if they just refile." Lampert said action indicates that if telcos want quick action on VDT applications they should provide information that Commission requests in first place. U S West officials said they expect to "make the necessary revisions" and refile. U S West applications were for VDT systems in Albuquerque, Cedar Rapids, Colorado Springs, Des Moines.

Consumer Electronics

TOSHIBA DEFENDS MANUFACTURABILITY of laminated digital videodisc. MCA official says he urged Matsushita not to take sides pending more information. (P. 9)

JAPANESE CAMCORDER PRICES held down, Oct. shipments to U.S. hitting all-time low in yen, off more than \$40 from year earlier. Record laserdisc exports. (P. 10)

EMERGENCY ALERT SYSTEM rules envision sets that turn on automatically. FCC strongly recommends using RBDS. (P. 11)

JAPANESE CONSUMER ELECTRONICS production declined 9.7% in 1994, EIAJ says, forecasting 6.3% drop in 1995. VCR output leads drop in value. (P. 12)

3DO REORGANIZES, STREAMLINES in transition from 'growth' to 'operating' company, with several layoffs. Installed base reaching 500,000, company says. (P. 12)

TV-RADIO-ELECTRONICS STORE sales rose 30.4% from 1987 to 1992, but employees declined 1.2%, Census data show. Warehouse club sales grew 221%. (P. 13)

SANYO EXPANDING TV output in U.S. and Mexico in \$10-million program, raising annual capacity to 2.3 million sets, worldwide output to 5.5 million. (P. 13)

CHINA WILL LIMIT TV manufacturing joint ventures unless foreign partner offers 'advanced technology.' (P. 14)

It's "interesting" that FCC turned down VDT application for first time, CATA Pres. Stephen Effros said, but it "will be hard to determine what the implications are" until full order is available. On Ameritech approval, he repeated cable charges that approving VDT systems is "fundamentally unfair" because Commission hasn't set full cost allocation rules, potentially allowing telcos to use existing revenue to subsidize new technology, while specifically prohibiting cable from doing same.

FCC imposed several conditions on Ameritech authorization, including submission of quarterly detailed accounting records and requirement that RHC file any necessary revisions to its cost allocation manuals. Grant also is conditioned on Ameritech's getting agency approval of any channel-sharing mechanism. Commission said Ameritech proposal didn't explain adequately how analog channels would be shared. Ameritech had proposed designating 13 analog channels as "common channels" that would be available to all program packagers on nondiscriminatory basis.

FCC also rejected Ameritech proposal to allow programmer-customers to lease additional unused channels after one year, regardless of how many customers leased in first place. Order said proposal could allow one programmer-customer to limit access to channels, and reiterated policy that one customer can't have more than half of analog channels. Ameritech must notify Common Carrier Bureau within 30 days of anticipated shortage of analog channels, or within 5 days of when it denies customer access to channel. Conditions generally followed pattern established in most recent FCC decision (TVD Oct 24 p1). Ameritech said first of VDT systems, including Chicago and Detroit areas, will begin in late 1995, each with about 470 channels. It said it plans to spend \$4.4 billion over next 15 years for VDT networks in Ill., Ind., Mich., Ohio, Wis. Networks will be hybrid fiber-coaxial.

Common Carrier Bureau said CTT proposal for trial VDT system does meet FCC requirement that analog basic common carrier platform provide enough capacity for multiple programmers. Sprint, in application filed in Sept., said it would begin work on test network reaching about 1,000 customers in early 1995. It said it plans to spend \$5 million on system with "hundreds" of channels. Commission imposed standard VDT reporting requirements on CTT. For U S West's already approved VDT trial in Omaha, Commission approved company's proposed revised channel allocation plan, saying it would provide sufficient analog channel capacity and wouldn't involve U S West improperly in video programmer functions such as bundling or tiering.

HEATED FOX INQUIRY ROLLS ON: FCC has reduced amount of information subject to controversial confidentiality restrictions in investigation of Fox alien ownership in WNYW-TV N.Y. license renewal case (TVD Dec 12 p1), but still faces likely court challenge over not designating WNYW-TV case for hearing.

Meanwhile, issue escalated on Capitol Hill as NBC and Fox sent letters asking for support, and Democrats criticized \$4-million book deal between Fox affiliate HarperCollins Publishers and incoming House Speaker Gingrich (R-Ga.), questioning whether it was tied to Fox inquiry. Fox fired back Dec. 23, accusing Majority Whip Bonior (D-Ga.) and White House Press Secy. Dee Dee Myers of making "false and slanderous" statements, and asking Bonior whether FCC officials or staff had contacted him about restricted inquiry.

Mass Media Bureau Second Interim Procedural Order "redefines" information subject to confidentiality restriction in WNYW case to cover only 2 categories: (1) "transcripts of witness interviews or depositions" and (2) information, including documents, "that a party requests to be kept confidential."

Rainbow Bestg., challenger to Fox's L.A. station, and NAACP, party to WNYW case, have called for public hearing, and Rainbow counsel Robert Thompson told us revised order "may pacify the press" but FCC "is [still] conducting an unlawful secret proceeding in a license adjudication case." He said Rainbow and "our allies" will make decision soon on challenging order in court.

Media representatives applauded modified order. First Amendment lawyer Timothy Dyk called it "a significant revision" but said questions remain about person requesting confidentiality for "nonfinancial" information. RTNDA Pres. David Bartlett was "real pleased" but said he would like to know "why they issued such a ridiculously overbroad order in the first place." American Society of Newspaper Editors Exec. Dir. Lee Stinnett said he welcomed FCC action.

In letter to Bonior, Fox Pres.-Network Distribution Preston Padden said he was "shocked yesterday when you issued a statement that was part of an orchestrated political campaign of slander and scurrilous attack against Fox Television" and said Fox was "not involved with the HarperCollins deal."

Padden's letter also raised implications of improper contact between Bonior and FCC in confidential inquiry in Fox WNYW renewal proceeding. He asked Bonior to "advise us of any conversations or communications with FCC officials or staff by you, by anyone in your office or by others who were in contact with you or your staff." Padden said: "We are very concerned regarding our ability to receive a fair adjudication of the Fox ownership matter," and he asked for Bonior's "help in sorting through the false accusations and extraordinary political pressure being brought to bear on us."

Padden told us he didn't have direct knowledge of improper contact between Bonior and FCC but said question he raised "was driven by the fact that in a short period of time after the Gingrich book deal was first revealed Thursday, [Bonior] seemed to amass an awful lot of information on the Fox inquiry... We'd like to know how he produced so much information so quickly." Bonior wasn't available for comment.

New order in WNYW case says that modification in confidentiality restriction was made "to ensure that the nonpublic phase of the case is no broader than necessary," and said first order "was not intended to prevent or prohibit any person from speaking publicly about this case." However, critics had objected to first order's broad prohibition of any party in case providing "any" information "to any other person." New order says one purpose of confidentiality order is to "ensure" that information from "nonparties" isn't "influenced in any way by the evidence provided by other witnesses." Unaffected by new order is confidentiality required of former FCC officials (TVD Dec 19 p4) because of interpretation that their attorney-privilege rules remain in force after they leave Commission.

Fox sent 2-1/2 page letter Dec. 20 to members of Senate and House Commerce and Judiciary Committees summarizing position and urging them to "join us in opposing NBC's efforts to regain in Washington what it fears it may be losing in the marketplace." Letter responded to Dec. 2 one-page letter by NBC Gen. Counsel Richard Cotton to same committees stating that NBC seeks "equal regulatory treatment" with Fox.

In filing, SF Bestg. told FCC that "Fox is no more in control of SF Green Bay than NBC is in control of its Cleveland affiliate, WKYC-TV, in which it holds a 49% stock interest." Comment came in opposition to NBC petition to deny SF purchase of WLUK-TV Green Bay (TVD Dec 12 p1). SF criticized NBC contention that combination of 23.8% foreign ownership of Savoy and 24.7% foreign ownership of Fox results in 48.5% foreign ownership of SF, and SF Pres. Thomas Herwitz told us: "Even the Pentium chip couldn't come to that conclusion." SF said NBC petitions were "designed solely to delay" SF purchases.

Va. Gov. George Allen (R) announced plan that would eliminate millions in state funding for public radio stations and reduce money for TV stations 50%. Cuts would eliminate state-issued Community Service Grants, but wouldn't affect money given for instructional TV use. Reductions would have major impact on many of state's public outlets, some of which receive more than 20% of annual funding from govt. Hardest hit would be radio stations, which traditionally rely less on public support and more on govt. funds. If adopted early next year, new budget would go into effect July 1. Spokesman for Va. Dept. of Planning & Budget said Allen's decision to cut all funding for public radio, but only half of amount for PTV, was based on rationale that measured importance of support of certain programs against importance of tax cut for middle class. Spokesman said Allen also probably took into account fact that radio in past has received more funding from govt., and move is effort to "try to realign" allocation so that radio is less reliant on nonprivate money. He said Allen also believes it would be easier for radio stations to obtain community support.

CableLabs will add 11 staffers as result of board's approval of \$13.1-million 1995 annual budget, up from \$12.6 million in 1994. CableLabs has about 50 staffers. New positions include vp-network architecture, dir.-operations engineering projects, RF and digital engineer, video and telephony engineer, 2 MPEG software engineers, senior adviser, membership services representative, 3 administrative assts. Current board officers were reelected. New members of expanded executive committee include Cox CEO James Robbins and Rogers CEO Colin Watson.

Plan to "zero out" CPB (TVD Dec 12 p3) suggested by incoming House Speaker Gingrich (R-Ga.) generated some reaction last week. Leonard Garment, former counsel to President Nixon, praised Gingrich in N.Y. Times op-ed piece, but said eliminating CPB funding of \$285.6 million wasn't way to go because it would hurt only smaller stations in rural areas that often offer local programming "no commercial station would consider." Meanwhile, he said, cutting off federal funding wouldn't eliminate allegedly biased programming, but would facilitate it, since stations no longer would be accountable to public authorities for program content. L.A.-based Center for the Study of Popular Culture applauded Gingrich plan. Spokesman charged that what he called PBS's politically oriented documentaries "overwhelmingly have supported President Clinton and his agenda." People for the American Way launched direct mail campaign to save public broadcasting. Also jumping on anti-Gingrich bandwagon is Independent TV Service (ITVS), which predicted that new Congress would do its utmost to reduce federal funding by weeding out public broadcasting entities.

Viacom said it will spend \$300 million on Canadian "cultural industries" over 6 years as part of bid to obtain Ottawa govt. approval of its takeover of Paramount and Blockbuster businesses in Canada. Viacom said commitment will create "thousands" of TV and movie production jobs in Canada.

Arianespace Chmn. Charles Bigot offered free relaunch of any satellite on new Ariane 5 vehicle that doesn't make it successfully into orbit. Bigot said Ariane 5's expected success rate is 98.5%.

15% RATE HIKE POSSIBLE: If court overturns latest batch of FCC rate rules, rates could climb estimated 15% from current levels, senior Commission official said just before oral argument Dec. 20 at U.S. Appeals Court, D.C. During argument, Judge Douglas Ginsburg said repeatedly that cable industry needs to provide more factual evidence that rate rules infringe on First Amendment speech rights. Lawyers attending argument said later that court is likely, at best, to remand decision to FCC for further justification, effectively continuing rate regulation for years. Decision isn't likely until spring.

Top-ranking FCC official, speaking on background, said court also could decide that Commission must set separate rates for large and small cable systems and could approve cities' proposal to allow cities to force cable operators into cost-of-service, rather than benchmark, proceedings. Rate increase would be necessary if FCC were forced to give full weight to low-penetration cable systems in its calculation of benchmarks, official said. FCC significantly reduced importance of low-penetration systems in its calculation of competitive differential because such systems usually don't face multichannel competition (TVD Feb 28 p1). Since FCC in same order incorporated adjustments in its database, giving low penetration systems full weight in calculations would eliminate 7% rate rollback ordered in Feb. and would allow cable systems to boost rates another 8% above Feb. levels, official said.

Cable industry brief on appeal included "little-noticed" argument that competitive differential is very different for large and small cable systems, official said. Practical result of argument, he said, would be little or no rate reduction for large cable systems and "huge" reduction for small systems, if FCC's calculation of industrywide competitive differential is correct. Cable industry disputes data that Commission used to calculate that differential. Franchise authority brief said FCC erred in giving only cable operators option to choose cost-of-service to justify rates. Brief said franchise authorities should have same option, allowing them to force cable operators into cost-of-service proceedings.

"You are asking a lot to ask us in the abstract to say that this is a substantial risk," Ginsburg said during oral argument. "We need specifics about what amount of programming has been restricted." He asked whether FCC had "cobbled together safeguards" against rate rules, hurting cable too much, including going-forward rules and cost-of-service proceedings. He said it's "true" that FCC rate rules "have intruded in an unprecedented way. The question is determining the effect -- whether they have done it so cleverly that there's not an impact on speech."

Three-judge panel hit FCC hard on issue of cable systems whose rates were so high that even 17% rollback kept them well above benchmarks, which would be considered reasonable level. Ginsburg and Judge Judith Rogers questioned Commission lawyers repeatedly as to how rules could be reasonable if both low-rate and high-rate systems faced same rollbacks. Ginsburg also asked how FCC could justify giving only cable operators, not cities, right to opt for cost-of-service: "Why is there no cap if their rates are 2 or 3 times the benchmark?"

Rollback would have been "much less than 10%" if FCC had done accurate and complete analysis of data on difference in rates between competitive and noncompetitive cable systems, cable lawyer Bartow Farr said. He said agency's own data don't show conclusive difference between rates charged by large competitive and noncompetitive systems. He also said that Commission's sample of only 48

competitive cable systems was too small to be statistically valid, and that agency hadn't made any effort to determine that rates charged by competitive systems were viable over long term instead of being short-term loss leaders aimed at gaining market share: "It's not beyond the capacity of the FCC to determine that overbuilds are charging equilibrium rates."

There's "a heavy burden on the FCC" to prove that rate rules are justified since they affect First Amendment, Farr told judges. He said Commission must "either regulate with precision or allow substantial margin for error to assure that speech is not diminished." Agency "doesn't even come close to meeting either standard," he said. Cable lawyers agreed that 17% rate rollback itself isn't directly content-related, but said reduced money available to operators would reduce amount of speech, in form of cable program networks, that would be available to subscribers.

FCC lawyer Christopher Wright said rate rules have no direct impact on free speech that would trigger strict scrutiny under First Amendment. He said that FCC's rate data had been "analyzed to death" and that claims that large systems were charging competitive rates couldn't be supported by data. He said comparing noncompetitive to competitive system rates is "reasonable" and Congress encouraged using "formulas" such as benchmarks.

However, Ginsburg said First Amendment requires FCC to justify fully claim that rules are narrowly tailored to meet govt. interest. For example, he said, FCC "must rebut" claim that systems with more than 5,000 subscribers should be subject to rollback even though data could indicate that their rates are competitive on average. Judge Raymond Randolph questioned using industrywide averages and asked whether rate rules must be "more particular than the broad-brush approach that the Commission took." He also asked whether cost of service is adequate safety valve to avoid lowering rates too much, particularly if it could take years to resolve rate cases.

Comcast said it completed purchase of Maclean Hunter's U.S. cable operations, following Canadian approval of Rogers-Maclean Hunter deal. At same time, Comcast said it closed deal for Cal. Public Employees' Retirement System to invest \$555.6 million for 45% of joint venture to buy Maclean Hunter systems. Comcast will have 55% and will manage venture, buying Maclean systems with 550,000 subscribers in Fla., Mich., N.J. CRTC okayed Rogers takeover of Maclean Hunter for \$2.2 billion. It gives Rogers access to 36% of Canadian cable homes, up from 25%. CRTC said Rogers must sell 2 Alberta TV stations within year, as well as Maclean Hunter's stake in CTV TV Network.

DBS's 150-channel service "is a hoot," Washington Post TV critic Tom Shales said in ecstatic Dec. 21 report. Shales, who said he subscribes to both \$29.95-per-month DirecTV and \$34.95 USSB, called DBS "greatest new toy since the VCR, with pictures so sharp and rich that it's as if a veil were lifted from in front of the screen. Cable cannot compare." He praised on-screen program guide, but noted that service can be subject to rain fade and doesn't include local channels.

CNN agreed to tell viewers that it made mistake in airing tapes of jailhouse conversations of Gen. Manuel Noriega with his lawyer. Network made decision when U.S. Dist. Judge William Hoeveler, Miami, gave it alternative of airing statement or paying \$100,000 fine plus cost of prosecution. Network still must pay court costs.

DIGITAL VDT ATTACKED: GTE proposal to require all-digital VDT networks was attacked by most of those filing on latest FCC rulemaking (TVD Oct 24 p1). Ironically, in separate reply to Commission's latest round of inquiries on specific VDT proposals (TVD Dec 19 p2), GTE acknowledged that all-digital systems probably aren't economically feasible in short term. Cities generally supported preferential access for public, educational and govt. channels (PEG) channels, telcos and cable operators opposed all-digital proposal, most telcos and OPASTCO asked to increase exemption allowing telcos to buy cable systems to 10,000-population areas from 2,500, and many operators said any telco control over programming, even through channel allocation scheme, is unconstitutional.

All-digital proposal received almost unanimous opposition. Although it didn't mention plan in comments on telco-cable cross-ownership rules, in filing required by FCC's data request, GTE said that "based on recent vendor input on relative costs and delivery schedules, a set-top box on every TV set... is not expected to be economically feasible." In its comments, EIA, as did virtually every other opponent, said all-digital would be more expensive and would place significant cost burden on VDT systems "that would not apply to cable" systems.

Bell Atlantic (BA), BellSouth and Southwestern Bell said FCC shouldn't mandate any architecture yet. AT&T said all-digital would add at least \$100,000 per channel cost to VDT system, plus \$300 per subscriber for set-top boxes. Compression Labs endorsed all-digital, saying that it provides better video quality and that set-top costs would drop to \$250-\$350 per home by 1997. Pacific Telesis said consumers wouldn't be willing to pay additional cost and would prefer network flexibility. U S West said all-digital idea may be good eventually, but not in near term, and FCC has no legal authority to mandate it.

Comments on preferred access to VDT networks by individual programmers were divided. U S West said preferential access "is a bad idea of dubious legality." NAB and APTS said some preference is justified by public interest role of broadcasters, but cable operators said preference for programmers would mean that VDT operators would be selecting programming in violation of law and First Amendment. Cities and National Assn. of Telecommunications Officers & Advisers (NATOA) said preference for PEG channels is justified. Overbuilder Liberty Cable said it will ask FCC to reconsider its decision barring anchor programmers on ground that ban "will actually stifle competition rather than promote it."

On pole attachment issues, joint filing by 7 MSOs and 3 state cable associations said each has "experienced, first hand, abuses inflicted upon them by utilities" and are "extremely concerned that utilities will only increase such anticompetitive conduct as they seek to compete directly with cable operators." With arrival of VDT, they said, "the pattern of historical abuse has reemerged with a vengeance." Other comments on rulemaking: (1) Viacom said that FCC should require all technical specifications for VDT networks to be available publicly and should assure that owners of programming have right to determine what program packages they're in. (2) NARUC asked for 60-day extension of comment deadline, saying it didn't have enough time to consider issues. (3) NAB said broadcasters should control whether their programming moves to tier if VDT systems offer digital tiers.

In their replies to FCC data requests on VDT proposals, BA, GTE, Nynex and Pacific Telesis used variety of

subscriber penetration estimates to justify their projections that VDT networks would be economically viable. BA said arrival of competition for cable would boost total penetration of broadband services to 85% for cable and VDT from 65% for cable-only. BA assumed that by 2000 its share of broadband market would be "roughly equal to cable." Other penetration rates by year 2000 ranged to 50% for Nynex and PacTel from about 32% for GTE. Nynex said that within 5 years its figures would range from 40% penetration in Eastern Mass., where it said it faces more competition, to about 50% elsewhere. Figure also assumed 20% churn rate, Nynex said. PacTel said its market share would grow to 26% in 1997 and 50% by 2000 from 9% in 1995. GTE's most conservative estimates assumed 9% penetration in 1995, 19% in 1996, 32% by 2000.

GTE also was most conservative on introduction of telephony via VDT network, saying it wasn't assuming any telephony revenue because of concerns about independently powering VDT network, network reliability and expected high maintenance costs for telephony. Nynex, in contrast, said it assumed that it would convert all VDT customers rapidly to receiving telephony via VDT network. However, Nynex said it anticipated only "minimal" telecommunications revenue from commercial customers.

European Commission said it will circumvent European Union (EU) Council of Ministers to liberalize EU cable regulation. Commission will use procedure that allows it to implement change with only consultation with Council of Ministers, where plan was expected to face opposition, and European Parliament, rather than requiring full Council approval. New rules, to take effect Jan. 1, 1996, would allow cable systems to carry wide variety of cable-only programming. Many national laws currently limit cable to retransmitting broadcast programming. Rules also would allow systems to provide telephony beginning in 1998, although individual countries already can liberalize telephony rules, as U.K. has. European Cable Communications Assn. said decision "marks a breakthrough for cable and multimedia in Europe."

Lenfest's Philadelphia-area NewsChannel can sign exclusive distribution deals with cable systems, despite program access rules, FCC Cable Bureau Chief Meredith Jones said in order. She said NewsChannel meets Commission requirement that such exclusivity be in public interest, since exclusivity would make it easier to finance launch of channel and it would increase programming diversity. Order also noted that exclusivity is local in nature and wouldn't affect efforts at wider distribution. No oppositions to Lenfest petition were filed.

AT&T, Cable TV Assn. of N.Y., Empire/Altel, MCI and Time Warner asked N.Y. PSC to reopen proceeding into Nynex request for incentive regulation that would freeze rates in return for lifting of price cap on earnings. Coalition said request is prompted by recent charges that Nynex is trying to slow stock sale of Bellcore research unit to avoid upsetting PSC. MCI State Regulatory Affairs Dir. Donna Sorgi said reported Nynex effort "demonstrates a cavalier disregard for the Commission."

French water utility, Lyonnaise des Eaux, will buy most cable systems operated by govt.-owned Caisse des Depots & Consignations for about \$166 million, companies said. Deal involves about 15 regional cable operations and makes Lyonnaise largest cable operator in nation. Caisse is expected to sell rest of its cable holdings to France Telecom, officials said.

NEW TV ASSN.: New Assn. of Black-Owned TV Stations (ABOTS) was formed Dec. 17 at conference at Howard U. Hotel, Washington, with 11 full-power and low-power TV station minority owners joining as charter members. ABOTS Vp Glenn Plummer, pres. of 2 low-power stations in Detroit, told us purpose of group is "to provide an additional voice focused exclusively on issues of importance to the nearly 40 African-American owners of TV stations," and said he expects "nearly all" to join new group.

Organizational meeting was sponsored by Dorothy Brunson, pres.-gen.mgr., WGTW (Ch. 48, Ind.) Philadelphia, who was named ABOTS pres., and Joseph Stroud, gen. mgr., WJYS (Ch. 62, Ind.) Hammond, Ind., appointed treas. Gwendolyn Moore, owner of LPTV station W11CB, Akron, was named secy. David Honig, exec. dir., Minority Media & Telecommunications Council and counsel to NAACP on broadcast issues, was chosen as exec. dir. and counsel.

ABOTS organizers agreed to 5-point agenda, to: (1) "Advocate, promote and encourage" minority TV station ownership. (2) "Create awareness" of minority-owned station community service. (3) "Lobby regulatory and legislative bodies." (4) "Create a spirit of communications" between black TV station owners and "African American entrepreneurs." (5) "Encourage partnerships with other telecommunications entities and agencies."

Honig said group at start will be based in his Washington office and expects to reconvene in Jan. to elect board, adopt bylaws, discuss plans for regular member newsletter, complete "other organizational matters." He said that it will participate in FCC broadcast ownership rulemakings and that LPTV members are interested in must-carry issues. Stroud, TV representative on National Assn. of Black Owned Bestrs. (NABOB) board, told us: "We will work in concert with NABOB and complement their efforts." He emphasized importance of combining LPTV and full-power TV owners in single group: "LPTV provides a great opportunity for black owners to enter television broadcasting and gain experience and background."

John Oxendine, pres., Best. Capital Fund, NAB-backed minority ownership development group, applauded new Assn.: "Any organization that can encourage African American ownership of TV stations and assist these new TV owners is an affirmative step that can only help the process."

FCC Cable Bureau granted waiver of antitrafficking rules to allow Crown Media to sell cable systems with 437,710 subscribers to Charter Communications, which is managed by former executives of Cencom Cable, and to Marcus Cable. Crown needed waiver because it had owned 22 of systems with 92,654 subscribers for less than 3 years required by antitrafficking rule. Bureau said transaction meets FCC requirement that waiver be granted only if systems are part of larger deal in which at least 2/3 of systems have been owned for at least 3 years. In Crown deal, systems with 79% of subscribers will have been owned for 3 years by closing date. Bureau also said public would benefit because deal would increase clustering and efficiencies in St. Louis area and in Wis. It said it's "immaterial" that Crown hadn't owned systems with 2/3 of subscribers for 3 years at time deal was signed, since it will meet requirement when deal is closed, expected Jan. 4. Waiver request was unopposed.

Bell Atlantic-N.J. will build \$7-million distribution center in Newark to process video programs from information providers and distribute signals on VDT.

SPECTRUM SOUGHT: Only agreement in comments on spectrum use filed with FCC Dec. 19 was that Commission should set aside for specific activities all of new spectrum moving to private sector from govt. Disagreement came on what those uses should be. Broadcasters asked for spectrum for broadband digital video, telcos wanted exclusive spectrum to develop wireless local loop services, wireless cable said it needed spectrum to provide interactivity, public safety officials said they just need more capacity. Total of 50 MHz is available immediately, more coming later.

Wireless cable operator American Telecasting said industry suffers "major technological handicap" in not having enough capacity to offer interactive services: "It is essential that we obtain access to ample spectrum available and useable to allow... wireless cable providers to establish return links with inexpensive equipment and without the need to license each return path separately." Company said it prefers 4660-4685 MHz because other available spectrum in 2-GHz band has amateur operations incompatible with "high-density uses."

Broadcasters have eyes on same block, urging FCC to allocate it to wideband advanced digital video and auxiliary broadcast operations. Joint filing said that "crowding problem" would "soon become crippling" when broadcasters begin conducting digital ATV auxiliary operations. Filing cited congressional directive that privatized spectrum be used for "emerging telecommunications technologies." Maximum Service Telecasters filed on behalf of itself, NAB, 4 networks, PBS, Assn. of America's Public TV Stations, RTNDA.

Country Music TV (CMT) said it will ask U.S. Trade Representative to consider retaliatory action as result of CRTC action blocking it from Canadian cable systems. CMT charged that CRTC action violates NAFTA: "This is an issue of trade, not Canadian culture." CRTC action effectively replaces CMT with Canadian-owned country music network; CMT said it believes there's room for both. Canadian Federal Court of Appeal rejected CMT appeal of decision rejecting CMT as Canadian cable programmer. CRTC included new Canadian-controlled country music channel, rather than CMT, among 10 new cable channels licensed June 6, effectively prohibiting Canadian cable systems from carrying CMT Jan. 1. Court said CRTC didn't act unfairly by denying CMT hearing. CMT officials said they will continue to appeal, since court didn't rule on basic fairness of channel selection.

PCS auctions went on holiday last week with current bids totaling \$1.661 billion. Activity resumes Jan. 4. Coalition of Sprint and cable companies, Wireless Co., had high bids totaling \$429.5 million in 18 markets, mostly from \$221.1-million bid for N.Y.C., followed by AT&T Wireless PCS -- AT&T-McCaw Cellular combination -- at \$260.3 million in 18 markets and PCS PrimeCo alliance of AirTouch, Bell Atlantic, Nynex and U S West \$214.2 million in 11 markets. Bidding is likely to accelerate when auction resumes as alliances, partnerships and large companies jockey for better market positions, analysts said. Industry observers said that in rounds that ended last week, most bidders were cautious, eager to disguise strategies. CTIA Pres. Thomas Wheeler suggested sluggish bidding stemmed from "narrowband auction aftershock."

Assn. of National Advertisers holds TV Advertising Forum Jan. 31-Feb. 1, Waldorf-Astoria Hotel, N.Y. Agenda includes sessions on Nielsen Passive Meter, interactive and satellite TV, infomercials -- 212-697-5950.

CABLE FLEXIBILITY HINTED: Competition may eliminate need for expanded basic rate regulation in some markets "if we see evidence of real choice," FCC Chmn. Hundt told Washington Cable Club. He said wireless cable, VDT or DBS could offer enough consumer choice so economic evidence would assure Commission that cable won't charge customers "unreasonable" prices for enhanced basic: "Then we can cease rate regulation of all CPS [cable programming service] tiers in those markets." Ability of operators to offer New Product Tiers already increases flexibility, he said, and should be sufficient incentive to carry new networks.

Suggestion by some in cable industry that FCC allow higher than benchmark rates now and earmark extra revenues for upgrades is flawed, Hundt said, because "we should admit that government cannot know better than an industry how that industry should invest its money." He said he had "great admiration" for cablers that take risk of uncertain new services but said FCC shouldn't become "Federal Investment Adviser in Communications Commission." Hundt said FCC will "move quickly" to revise going-forward rules for small operators and called for "open and candid" discussion of competition that recognizes overbuilds will be "small part" of picture dominated by wireless, DBS, telco entry. Commission also will continue to pressure states to open local exchange markets to competition, he said.

NCTA Pres. Decker Anstrom said Hundt's "bright economic scenario... bears no resemblance to the reality that many cable companies face today," citing reduced revenues and cash flow, depressed stock values, stunted growth of new programmers. He again said rules jeopardized medium and small-sized operators.

Draft White Paper on HDTV multiple channel transmission capabilities (TVD Oct 10 p7) was completed by ad hoc subgroup of Advisory Committee on Advanced TV Service (ACATS) and submitted to members of ACATS Technical Subgroup for comment before next subgroup meeting in Jan. Draft noted that though most attention had been on HDTV, TV industry "recognizes other potential benefits inherent in a flexible digital broadcast television system." In addition to widescreen capabilities, report said, MPEG-2 video compression system "provides the ability to dynamically allocate the number of bits per service which is essential for multiple service transmission. Utilization of the Grand Alliance System for multiple service transmission can be supported by a variety of consumer products including digital HDTV, widescreen and standard definition receivers."

TCI said it will invest \$125 million in Microsoft Online Services partnership, giving it 20% of planned Microsoft Network on-line service. Microsoft will retain 80%. TCI Technology Ventures Senior Vp Bruce Ravenel said company made investment because "on-line services are a key element for our customers." Microsoft Online Gen. Mgr. Russell Siegelman said TCI investment is particularly important because of likely impact of high-speed cable modems: "This partnership will allow us to move the Microsoft Network into that area."

Warner Bros. TV Network (WB) expects national coverage of 80% at Jan. 11 launch, spokesman said, including 47-48 affiliates and cable coverage in areas without WB affiliates reached by Tribune Co.'s WGN-TV Chicago superstation. WGN-TV carriage of WB will be blacked out in markets with WB affiliates. WB will air 2 hours weekly on Wed. nights.

FCC ordered 5 cable systems to fold New Product Tiers back into expanded basic because they moved 90-100% of existing programming to unregulated tier. Commission cited restructuring of Century Communications in Beverly Hills and L.A.; Vision Cable Communications, Charlotte and Mecklenburg, N.C.; NewChannels Corp., Binghamton, N.Y.; Cablevision Systems, Boston. It said retiering "does not constitute a realistic service offering" because most subscribers didn't opt to buy channels separately and large percentage was pulled from expanded tier. Falcon, Southern Shores, N.C., was cited for putting 90% of its expanded offerings on a la carte tier. In several earlier rulings, FCC had allowed operators to continue New Product Tiers because only small amount of programming had been on expanded. In new rulings, Commission didn't set refunds but did specify that a la carte packages are "subject to rate regulation as of September 1, 1993, and the channels composing them must be counted... as rate regulated channels for purposes of rate justification." FCC gave cablers 90 days from order to put channels back on expanded tier or offer them as new programming package subject to regulation.

Bell Canada (BC) purchase of 30% of Jones Intercable was approved by Jones shareholders and deal closed after BC invested \$204 million in Jones, in addition to \$55 million it already had provided. Action followed favorable IRS ruling. BC also agreed to buy 30% of any new Jones stock, up to maximum of \$400 million. Patrick Lombardi, pres. of Jones financial affiliate, said deal will allow company to increase capital base by \$1.45 billion through debt and equity offerings.

NBC agreed to 7-10-year affiliation agreement with KSL-TV (Ch. 5, CBS) Salt Lake City. NBC had announced KSL-TV affiliation plans when network sold its Salt Lake City station KUTV (Ch. 2) to CBS/Group W joint venture for \$124 million as part of multistation swap. Deal included NBC purchase of CBS's WCAU-TV (Ch. 10) Philadelphia, CBS/Group W acquisition of NBC's KCNC-TV (Ch. 4) Denver, and swap of towers and channel position in Miami of CBS's WCIX (Ch. 6) for NBC's WTVJ (Ch. 4).

Cap/ABC agreed to buy \$5 million of Young Bestg. nonvoting common stock "in connection with" Young offer to buy unidentified TV station. Cap/ABC invested \$25 million in Young nonvoting shares after Young purchased 3 ABC affiliates from Nationwide Communications. Cap/ABC signed 10-year affiliation agreement this fall with those and 2 additional Young stations (TVD Oct 3 p3). Young also owns 3 CBS affiliates, one NBC.

FCC consideration of rulemaking on children's TV has slipped from Jan. agenda, Commission sources say. New rulemaking expanding on Children's TV Act of 1990 mandate for stations to air educational and informational programming for children on regular basis has been in process for some time. Commission issued Notice of Inquiry year-and-a-half ago (TVD March 8 p3) and held en banc hearing last summer (TVD July 4 p5).

United Paramount Network (UPN) said it sold out first-quarter network spot inventory. UPN launches Jan. 16 with 2 hours of programming 2 nights weekly (8-10 p.m., Mon. and Tues.), in 96 markets, (64 primary, 32 secondary) covering 79% of U.S. homes.

DirecTv signed pay-per-view (PPV) distribution agreement with 20th Century Fox. DirecTv Direct Ticket service offers 50 channels of PPV movies direct to homes via satellite.

Personals

Phil Beuth, pres.-early morning & late night entertainment, Cap/ABC, announced plans to retire in 1995... **Joanna Lei** promoted to vp-dir., CapCities Capital... New Fox Bestg. Network Distribution regional vps: **Stephen Carrol** and **Dan Kendall**, East; **Sue Kiel**, West; **Diana Wilkin** named exec. dir... Promotions at A.H. Belo Best. Div.: **James Moroney** to exec. vp, TV station group; **Cathy Creany** to pres., WFAA-TV Dallas; **Michael Grant** to pres., Belo Productions; **Paul Fry** to controller & dir., finance; **Dunia Shive** to vp-controller; **Marian Spitzberg** to vp-asst. gen. counsel... **Robert Harper** resumes position as pres., mktg., 20th Century Fox.

Promotions at NAB: **DeDe Ferrell** to vp-Senate govt. relations, replacing **Dan Phythyon**, now with FCC; **Kathleen Ramsey** to vp-best. govt. relations... **Michael Chiarulli**, Cap/ABC mgr.-telecommunications engineering, elected chmn., N. American National Bestrs. Assn.; **Richard Streeter**, CBS vp-systems engineering, elected vice chmn... Reorganization at ASCAP: Pres. **Marilyn Bergman** becomes chmn. with elimination of pres. title; **Cy Coleman** and **Jay Morgenstern** advanced to vice chmn.; **John Lo Frumento** promoted to managing dir.-COO; CEO **Daniel Gold** resigns for personal reasons... **Ken Costa**, RAB vp-mktg. information, retires at year-end to become mktg. consultant.

Stacie Colbeth advanced to senior vp, Cable Networks Inc... **Scott Higel** advanced to vp-COO, Jupiter Telecommunications, TCI subsidiary... **Mark Hotz** promoted to vp-consumer and affiliate mktg., CNBC; **Josh Grotstein** to vp-new business and strategic planning... **Julle Nunnari**, ex-WPIX N.Y., named vp-program scheduling, Showtime Networks... **Sandy Shapiro**, ex-American Movie Classics, appointed vp-original programming and development, VH-1; **Jack Sussman** advanced to vp-news and studio production... **Matthew Aden** promoted to vp-international sales, GI Communications Div., General Instrument... **Lesley Workman** advanced to vp, Turner Learning... **Lisa Anne Gaston**, ex-Junior League of Atlanta, appointed PR dir., Turner Entertainment Networks... Appointments at Jones Educational Networks: **Nancy Perales**, Jones Intercable, as dir.-print media; **Kelly Oberbillig** as dir.-direct mktg.

Consultant **Jonathan Levin** named pres., Spelling TV... Promotions at Rysher Entertainment: **Tim Helfet** to pres., Jim Burke to exec. vp, Rick Merrill to senior vp-gen. sales mgr., **Ira Bernstein** to pres.-domestic syndication... **Arthur Smith**, ex-Dick Clark Productions, named senior vp, MCA TV Group... **Catherine Malatesta**, ex-Westinghouse Bestg., appointed vp-international TV sales, Warner Bros. International TV Distribution; **Malcolm Dudley-Smith**, ex-United International Pictures Pay-TV, named vp-pay-TV & new technology licensing, Europe... **Steve Mosko** promoted to senior vp-syndications, Columbia TriStar TV Distribution... Additions at Saban Entertainment: **Rand Brenner**, ex-Futurevision, licensing dir.; **Gregory Economos**, ex-Fulwider, Patton, Lee & Utrecht law firm, dir., legal affairs, licensing & merchandising; **Lou Bortone**, ex-Promax International, mktg. dir... **Caroline Thomson**, ex-Channel 4 (U.K.), appointed dir.-strategy and corporate affairs, BBC World Service... **Robert Knight** advanced to chmn., Digital Sound; **Mark Ozur** promoted to succeed him as pres.

Jeff Wald, vp-news KCOP L.A., leaves early next year... **John O'Laughlin** promoted to programming & promotion mgr., KDVR Denver; **Brillie McKinney** advanced to research dir... **Bill Ritchie**, gen. mgr., WXXV-TV Gulfport, Miss., retires Jan. 9... Changes at WTVS Detroit: **Robert Larson** resigns as pres.-gen mgr. to form own

TELEVISION DIGEST

With Consumer Electronics

(ISSN 0497-1515)

PUBLISHED BY WARREN PUBLISHING, INC.

This Newsletter is available electronically via Newnet and
 Predicts and also may be received through facsimile service.

Warren Publishing, Inc. is publisher of Communications Daily, Satellite Week,
 Television Digest With Consumer Electronics, Video Week, Common Carrier Week,
 Audio Week, Public Broadcasting Report, Mobile Satellite Reports,
 Consumer Multimedia Report, Television and Cable Factbook,

Warren's Cable Regulation Monitor, Cable & Station Coverage Atlas, and other special publications.

Copyright © 1994 by Warren Publishing, Inc. Reproduction in
 any form, without written permission, is prohibited.

EDITORIAL & BUSINESS HEADQUARTERS

2115 Ward Court, N.W., Washington, D.C. 20037

Phone: 202-872-9200 Telex: 6502173616 (Via WUT)

MCJ Mail: TELEFACTS Facsimile: 202-293-3435

WASHINGTON HEADQUARTERS

Albert Warren Editor & Publisher
 Paul L. Warren Sr. Ed. & Exec. Publisher
 Daniel Warren Sr. Ed. & Assoc. Publisher
 Dawson B. Nail Executive Editor
 Arthur Brodsky Managing Editor-Washington
 R. Michael Feazel Senior Editor
 Edith Herman Senior Editor
 Steve Germain Senior Editor
 Michael French Assistant Editor
 Elena Lucini Assistant Editor
 Mike Grebb Assistant Editor
 Marcus Tonti Editorial Asst.

Business

Brig Easley Controller
 Gary Madderm Marketing Director
 Gene Edwards Advertising Director
 Betty Alvine Circulation Mgr.
 Deborah Jacobs Information Systems Mgr.

NEW YORK BUREAU

276 Fifth Ave., Suite 1111, N.Y., N.Y. 10001

Phone: 212-686-5410

Facsimile: 212-889-5097

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

CONTRIBUTING EDITOR, EUROPE

Barry Fox

5 Denning Rd.

Hampstead, London NW3 1ST

Phone: (071) 435-6244

JAPANESE REPRESENTATIVE

Editorial and Circulation

CES International Corp.

1-18-2 Nishi Shinbashi, Minato-ku

Tokyo 105, Japan

Phone: (03) 3592-1531

Market Research & Data Sales Division

Lynn Levine Director
 Brian C. Meeley Assistant Director

- ☐ I'm interested in Television Digest With Consumer Electronics and would appreciate your sending me a FREE four-week (4 issues) trial subscription. I understand I have no obligation to subscribe.
- ☐ The person below would be interested in receiving a FREE four-week (4 issues) trial subscription to Television Digest With Consumer Electronics.

Signature _____

Name _____

Company _____

Address _____

City _____ State _____ Zip _____

company to produce community development and humanities programming in association with WTVS; **Ronald Goldsberry**, Ford Motor, reelected Detroit Educational TV Foundation chmn... **Robert Rawls** promoted to pres., Alaska Public Radio Network.

House Telecom Subcommittee Staff Dir. **David Moulton** and staffers **Jeffrey Duncan** and **Collin Crowell** join staff of Rep. **Markey** (D-Mass.), who leaves chairmanship next month... **Alan Coffey**, minority chief counsel, House Judiciary Committee, will be gen. counsel & staff dir. for new Chmn. Rep. **Hyde** (R-Ill.).

Promotions at Hughes Communications: **Gary Myer**, ex-DirecTV, appointed vp and will head new International DBS Systems (IDBSS) unit; **Ray Lekowski** named vp, IDBSS; **Joseph Del Riego** to vp-Galaxy Latin America; **Vern Smith** to dir., Europe & Asia Pacific DBS; **Jacob Arback** to dir., Middle East & S. Asia DBS; **Ann Mountain**, **Chris Vargas** and **Bernard Vecerek** to dirs., Galaxy Satellite Service; **Lisa Whitcomb** to dir., corporate communications.

CAI Wireless said it was winning bidder in U.S. Bankruptcy Court, N.Y.C., auction of N.Y.C. wireless cable system owned by Microband.

Consumer Electronics

A Section of Television Digest with Consumer Electronics

STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 2nd week of 5-week Dec. and year to date:

	DEC. 3-9	1993 WEEK	% CHANGE	NOV. 26- DEC. 2	49 WEEKS 1994	49 WEEKS 1993	% CHANGE
TOTAL COLOR TV.	493,144	516,895*	- 4.6	612,226	25,826,146**	23,668,017	+ 9.1
DIRECT-VIEW..	483,629	504,573*	- 4.2	591,961	25,238,318**	23,241,571	+ 8.6
TV ONLY.....	457,346	475,608*	- 3.8	537,245	23,321,918**	21,703,196	+ 7.5
TV/VCR COMBO	26,283	28,965*	- 9.3	54,716*	1,916,400**	1,538,375	+24.6
PROJECTION...	9,515	12,322	-22.8	20,265*	587,828**	426,446	+37.8
VCR DECKS.....	169,277	216,720	-21.9	330,947	12,280,998*	11,687,904	+ 5.1
CAMCORDERS.....	34,079	49,501	-31.2	87,707	2,999,009*	2,903,998	+ 3.3
LASERDISC PLYRS	2,818	5,459 ^r	-48.4	9,831	262,267	273,755 ^r	-4.2

Direct-view TV 5-week average: 1994--652,251; 1993--652,907 (down 0.1%).

VCR deck 5-week average: 1994--307,730; 1993--307,591 (up 0.05%).

Camcorder 5-week average: 1994--73,319; 1993--73,830 (down 0.7%).

* Record for period. ** Full-year record. ^r Revised by EIA.

TOSHIBA DEFENDS MANUFACTURABILITY OF ITS DVD: Responding to claims by opposing camp week earlier, Toshiba of Japan last week defended viability of its double-sided 5" Digital Videodisc (DVD) by saying it could be produced in "very acceptable" yields and without "higher manufacturing costs."

Week earlier, rival Sony-Philips DVD camp had written major studio executives soliciting their support and criticizing features of competing proposal (TVD Dec 19 p11). Without mentioning Toshiba-Time Warner by name, for example, Sony Exec. Deputy Pres. Minoru Morio charged that laminated substrate would require "more elaborate" manufacturing process than that of Sony-Philips system (which he said could be made at existing CD factories with only minor modifications), lead to higher production costs and be more difficult to make compatible with existing audio CDs, "leading to higher player costs."

Toshiba spokesman in Tokyo responded that 0.6mm-thick Toshiba DVD requires "shorter injection cycle time" than 1.2mm-thick Sony-Philips disc. Toshiba's process for bonding together 2 such 0.6mm discs to make single 1.2mm DVD "offers very acceptable production yields," he said, and "we are confident that the double-sided discs will not result in higher manufacturing cost." He said they will be "less susceptible" than Sony-Philips discs to distortion caused by temperature changes, making it unnecessary for DVD players to contain dedicated servo controllers to correct errors caused by heat distortion.

Spokesman denied U.S. reports that placed Pioneer solidly in Toshiba-Time Warner DVD camp. Japanese news accounts also indicated Pioneer now was leaning toward double-sided disc approach, presumably because laminated substrate DVD borrows from technology used in production of laserdiscs. Toshiba spokesman told us that "while we have had exchanges of opinion with Pioneer on technology and the unification of standards, we are not yet at a stage where we can talk about collaboration."

Pioneer demonstrated own DVD player at last fall's Japan Electronics Show using conventional CD laser developed for company's AlphaVision high-density multimedia CD project and capable of storing 135-min. movie on 5" disc at data rate of 3.4 Mbps (TVD Oct 10 p14). Future "2nd harmonic generator" blue laser will be capable of raising system's data rate to 6 Mbps, Pioneer said there, but commercialization of blue lasers generally is thought to be at least 5 years away. Pioneer executives here and abroad couldn't be reached for comment last week.

Most mainstream newspapers in Japan covered DVD story by speculating why Sony-Philips announcement was devoid of expected formal Matsushita endorsement. Most intriguing was Nikkei account that said Matsushita "backed off" from earlier pledge to support Sony-Philips because of "growing complaints" from its engineers that American movie producers "would not be satisfied with the image quality projected by Sony's technology." Report quoted unnamed Matsushita officials as saying company had received letters from U.S. producers requesting that it "not join hands with Sony" because of picture quality issue. (Sony officials in Japan said privately they stand by picture quality of their system and proof will come in demonstrations at Las Vegas Consumer Electronics Show.)

MCA Home Video Pres. Louis Feola told us he had asked his company's Matsushita parent to refrain from announcing support for Sony-Philips or other competing system because such backing would have been "premature," given abundance of "key questions" that major proponents haven't answered yet. For example, he said, specifics on time frame for launch, price points and costs for manufacturing software haven't been nailed down. He said he would have preferred that both DVD camps continue their long-standing silence until conflicting claims about costs, picture quality and other issues could be addressed more fully.

Feola said he remains hopeful that single unified standard will emerge. Recalling divisive days of Beta-VHS war, he said "having more than one system would be a tremendous error. Two competing formats could be a disaster -- consumers won't react. Competing formats could cause the consumer not to buy either one."

JAPAN HOLDS CAMCORDER EXPORT PRICES DOWN: Despite all-time low in value of dollar vs. yen, average camcorder exported from Japan to U.S. in Oct. 1994 was more than \$40 cheaper than in Oct. 1993, according to Japanese Finance Ministry figures.

Average camcorder export price hit new low in yen -- 49,405, down 14% from year earlier. Because dollar's value was average of 98.5 yen in Oct. 1994, compared with 106 yen year earlier, theoretical dollar value of average camcorder was down only 7.4%, to \$501.57. Oct. marked only 2nd month in history when average camcorder was valued at less than 50,000 yen. Dollar value was 3rd lowest ever -- on 2 previous occasions (March and Aug. 1994) value fell below \$500 because of stronger dollar in those months.

Camcorder's decline is significant, since Japan still is source of more than 90% of those imported into U.S. It's less significant player in VCRs -- as source of only 23.4% of U.S. imports in year's first 9 months and just 19.7% in Sept. (TVD Nov 28 p9). Although Japan generally manufactures higher featured VCRs, leaving lower end product to factories in other Asian countries, prices generally are down this year -- 8.2% in yen and 3.7% in dollars in Oct. compared with year earlier. Average dollar price was \$256.77, some \$10 less than in Oct. 1993.

Finance Ministry's figures on Japanese exports to U.S. show VCR deck, camcorder and CD player shipments down in Oct. and in 1994's first 10 months, but videodisc player exports hitting new high of 69,356 in Oct., up 46.7%, while 10-month shipments were up 35.4%. Although color TV shipments are up sharply in percentage, number of sets shipped is minuscule, equal to less than 1% of U.S. TV sales in year's first 10 months.

Japanese exports to Canada in Oct. (first 10 months in parentheses): Color TV 2,396 vs. none in Oct. 1993 (3,806 for 10 months, up 177%); VCRs 18,303, down 0.4% (157,234, down 23.3%); camcorders 26,096, up 9.8% (147,203, up 9.9%); videodisc players 2,221, down 41.8% (24,227, up 29.3%); CD players 21,929, down 58% (230,838, down 42.7%). Here are Finance Ministry figures on selected Japanese exports to U.S. for Oct. and 10 months:

Product	Oct. '94	Oct. '93	% Chg.	10 Mo. '94	10 Mo. '93	% Chg.
Color TV.....	32,102	20,924	+53.4	184,224	97,460	+89.0
VCR decks.....	315,136	353,157	-10.8	3,140,478	3,480,426	- 9.8
Camcorders.....	318,873	317,200	- 0.7	2,559,599	2,662,253	- 3.9
Videodisc players	69,356	47,278	+46.7	386,482	285,431	+35.4
CD players.....	471,078	486,924	- 3.3	3,621,889	5,186,801	-30.2

EMERGENCY ALERT -- USE OF RBDS, AUTOMATIC TURN-ON: TVs, radios and other electronic products that turn themselves on automatically in response to emergency signal are envisioned by FCC in its recent order establishing new digital Emergency Alert System (EAS) to replace existing Emergency Best. System (TVD Dec 19 p4).

Order delighted EIA Consumer Electronics Group by specifically encouraging FM stations "to provide emergency warnings via subcarrier using RBDS" (Radio Best. Data System). CEG has been pushing RBDS, and just 2 weeks ago its Exec. Committee voted to authorize spending up to \$500,000 next year in matching funds to promote data system to consumers. CEG Vp Gary Shapiro said FCC action "should increase the likelihood" of breaking chicken-and-egg stalemate that has hampered acceptance of RBDS.

"We created the RBDS standard and have been working with the FCC staff a long time to show the broad merits of this technology, its capabilities and the potential uses for broadcasters and listeners," Shapiro said. "The FCC recommendation is not only clear evidence this technology is viable today, but clear direction that broadcasters should consider RBDS an integral part of our nation's radio broadcasting infrastructure for the foreseeable future."

At news conference and demonstration, FCC Chmn. Hundt said new system will allow simultaneous warning notifications by broadcasters, cable and "new media," automatic turn-on of consumer receiving equipment to air warnings and more pinpointed regional alerts, which he said are "all made possible by broadcasters and other media converting to digitalization." On last point, FCC cited "increased use of [FM] subcarrier technologies and the Radio Broadcast Data Standard" for data delivery services and said: "Given the significant potential of RBDS, we encourage FM broadcast stations to provide emergency warnings via subcarrier using RBDS." However, Commission made clear it wouldn't mandate use of RBDS.

Automatic turn-on feature -- recommended by FCC for receivers whether or not they have RBDS -- has significant implications for consumer electronics industry. While EIA would have been delighted had broadcasters' use of RBDS been made compulsory for EAS, position obviously was different with regard to automatic turn-on -- which is type of feature FCC normally might be expected to make obligatory. However, subject of auto turn-on got short shrift at news conference (and in FCC rulemaking) and currently it's clear that rules make feature optional.

FCC order states that "during meetings and field tests... representatives from the consumer electronics industry demonstrated equipment that could receive emergency alerts. The products included TV sets and radios, car radios, pagers, smoke detectors, CD players, cassette players, strobe lights and other devices capable of immediately notifying the public of emergencies. An important quality that these consumer products shared was the ability to be turned on and off automatically.

"The public will clearly benefit from devices that can turn on for alert purposes when danger threatens," order said. "A wide range of enhanced emergency alerting equipment is in use now, and industry is working on future prototypes. We encourage the development of these consumer products which enhance the access of Americans to instantaneous public safety messages. We will work to provide industry incentives by reducing unnecessary regulatory burdens."

Footnote cautions that concern has been expressed that EAS alert not be exercised too often "or it would be ineffective and the feature would be deactivated by the consumer." Broadcasters must add EAS by July 1, 1996, cable systems one year later. Major move to auto turn-on by consumer manufacturers is expected in next 2 years. EIA/CEG regards issue as noncontroversial since its implementation will be simple in digital age, spokesman said. In tests, Denon and Delco demonstrated such equipment. Among consumer electronics companies providing equipment or working on prototype models, in addition to prime advocates Denon and Delco, were Dynatech and Ford.

EIA/CEG has declined to announce any special activity for next week's Consumer Electronics Show in connection with RBDS. However, dozen or so Las Vegas FM stations are equipped for that service and their text messages are expected to be received in exhibits by Denon and others. In addition to Denon, RBDS products already are being made by Delco, GoldStar, Grundig, International Jensen, Panasonic, Philips.

Imports' market share is increasing in Japan with strength of yen, Nihon Keizai Shimbun survey showing imports captured 55% of Japan's domestic color TV sales in 1994, up from 36% in 1993, along with 25% of VCRs, up from 13% and 53% of videocassettes, from 36%.

Worldwide CD-ROM drive shipments should reach 9.6 million by end of 1994, soar to 12.8 million in 1995, according to estimates by BIS. U.K. company predicted sales would maintain 21% annual compound growth through end of century, reaching 31 million in 2000.

JAPAN CE OUTPUT DROPS: Despite turnaround in Japan's electronics production as a whole, consumer electronics (CE) output declined estimated 9.7% in 1994 on top of 14.2% drop in 1993, said EIAJ, which forecast another 6.3% decline in 1995. Drops are attributed principally to increase in offshore production.

CE production is expected to fall below 3 trillion yen this year (\$30 billion at current exchange rate) for first time since 1980, dropping 9.7% to equivalent of \$27.62 billion. Decline is greater than 3.3% that EIAJ forecast year ago (TVD Jan 3 p10). Further 5.3% fall to \$26.16 billion is forecast for 1995.

Biggest CE dollar declines for 1994 and 1995 are projected in VCRs, although unit decreases will be smaller due to dropping prices. Total video equipment is expected to drop 9.5% to \$18.14 billion in 1994, another 6% in 1995 to \$17.1 billion. Audio is seen falling 10% to \$9.48 billion in 1994 from above \$10 billion in 1993, dipping another 4% to \$9.1 billion in 1995.

In units, Japanese VCR production declined 2.9% to 19.4 million in 1994 from 19.97 million in 1993, with 1995 output seen down 8.2% to 18.2 million. However, decline in value was 16.5% (to \$4.99 billion) in 1994, with 12.4% dip (to \$4.37 billion) seen in 1995.

Color TV production dropped 12.3% in 1994 to 9.4 million sets, with 11.2% decline to 8.35 million projected in 1995. In color, unlike VCRs, average prices shot upward, value dropping only 6% in 1994 to \$7.11 billion and 6.8% in 1995 to \$6.63 billion, according to EIAJ projections.

In audio, magnetic recording and playback systems are forecast to fall off 17.3% in value in 1994 and 7.3% in 1995 after 11% dip in 1993. Stereos of all types are seen in 0.9% decline for 1994 and 1% drop in 1995, with all of fall in "stereo sets" while components, both with and without tape decks, are predicted to rise in both periods.

Electronics production in general is seen climbing 2% in 1994 to \$212.45 billion and another 2.2% in 1995 to \$217.2 billion, with industrial equipment up 2.1% and 2.4% for those years, while components and devices are projected to rise 6.4% and 4.5%.

EIAJ backed up figures with notation that total electronics increases result from "slight recovery in domestic demand as well as strong overseas demand for electronic devices." Consumer electronics demand is expected to top out in 1995, EIAJ said, but further increase in imports and decrease in exports will result in production shrinkage. Recovery in industrial equipment is attributed to growing demand for information systems and mobile communications, while increase in components is tied to semiconductors and LCDs.

In 1994, EIAJ said, overseas "economic picture was generally bright" as "U.S. economy continued to grow" and economic growth in Asia "remained particularly strong." In CE segment, EIAJ cited widescreen TVs, MiniDisc players and consumer navigation equipment markets as strong.

For 1995, economic recovery will continue, according to forecast, but value of yen will remain high. "Overseas, the pace of economic expansion is seen slowing in [U.S. and China], but overall growth is still anticipated." New services in Japan, such as start of EDTV-II broadcasting, and new digital products should invigorate market, EIAJ predicted, but increasing offshore production should result in continued

decline on domestic market, while "exports should decline markedly, particularly to Europe and the U.S., the result of reinforced production offshore."

3DO RESTRUCTURES IN TRANSITION: At same time that it said it was "closing in" on selling its 500,000th interactive multiplayer, 3DO last week announced organizational changes and laid off undisclosed number of employees.

Calling changes result of transition from "development stage company" to "operating company" that will concentrate on core business of CD-based systems, 3DO said new structure will "reduce expenses through the elimination of redundant positions and the reduction of its use of outside contractors." Company said it will back off of several "niche" projects to "reduce and postpone expenses," although it reaffirmed commitment to U S West's interactive TV trial in Omaha.

3DO brought in at least 2 top managers, one of them Robert Lindsey, who led recent launch of 32X for Sega. He becomes 3DO's senior vp-mktg. and gen. mgr. of Studio 3DO software publishing. He partly fills position left vacant when Bob Faber, senior vp-sales & mktg., moved to London to head European operations. Sega officials were surprised by Lindsey's departure, reportedly finding out about it only after it was announced by 3DO. (See Consumer Electronics Personals).

Spokeswoman said less than 10% of work force was laid off, estimated total employees at 350.

Pres. William (Trip) Hawkins said attaining installed base of half-million is "key milestone for every successful format," claiming 3DO had reached point faster than all except "a handful" of other formats. He said base in N. America is "approaching 200,000" consoles, and sales rate here is comparable with that in Japan. He said sales in Japan "have continued to be strong" since launch of Sega Saturn and Sony Playstation month ago.

Electronic Entertainment Expo (E3) organizers will establish dedicated on-line service for exhibitors and media, from late Jan. through end of show, which will be held May 11-13 in L.A. Companies will be able to store news releases in files that can be accessed by journalists but not by competitors, or leave messages for contacts. Organizers also disclosed that major exhibitors will include Thomson, which will be showing interactive capabilities of DSS. Presence of Thomson is noteworthy, given fact that TCE Exec. Vp-Sales & Mktg. Joe Clayton is new chmn. of EIA Consumer Electronics Group board.

Wristwatch FM receiver is being developed by Data Bestg. and Timex to display sports results, financial information and news headlines transmitted over DB's wireless data network. Timex already makes Data Link watch that communicates with PC. DB will provide Timex with receiver module and antenna system; Timex will manufacture and market watch.

THIS WEEK'S YEN RATE

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

CENSUS DATA ON RETAILERS: "Radio, TV and electronics stores" increased sales by 30.4% 1987-1992, according to Census Bureau, but number of employees declined 1.2%. Census tabulation released last week showed there were 17,324 such stores in 1992 with sales totaling \$19.8 billion, with 121,115 employees.

Computer and software store sales grew 147.1% in same period to \$6.55 billion in 5,438 outlets with 29,852 employees, up 36.3%. Record and prerecorded tape stores registered 49.1% growth to \$5.86 billion, with 7,924 establishments in 1992, employing 60,438, up 36.1%. Household appliance stores' sales shrank 2.1% to \$8.16 billion, number of employees declining 17.8% to 53,782 in 9,743 establishments in 1992.

Census noted that warehouse clubs, with sales up 221%, grew faster than any other kind of retailer. In 1992, there were 616 warehouse club outlets, with sales of \$30.7 billion and 90,457 employees, up 179%. Catalog showrooms' sales declined 2.4% to \$6.34 billion, with number of employees down 11.1% to 43,100 in 917 stores.

Vivitar has entered home security market with systems featuring 5," 10" and 12" monitors at \$300-\$450 street price. Monitors, which shipped earlier this month, are packaged with camera containing 1/3" CCD. Variation is "Video Door Phone" featuring 4" monitor linked to camera with wide-angle lens and containing "call button" wired to doorbell. New line will be handled by existing sales force with plan to expand distribution to home centers. Vivitar purchased monitors and CCDs in Far East. Products come as company struggles to right itself in aftermath of attempted purchase by another company in 1993 and layoff of 20 employees earlier this month that cut staff to 90.

Thomson and Sun Microsystems will offer first public "demonstration of new technologies that will transform the viewer from a passive spectator into an active participant" at Las Vegas news conference Jan. 5. When companies announced alliance (TVD July 18 p13), they talked of creating "end-to-end solutions to deploy interactive TV, home shopping, distance learning and other on-line business and personal services." They have set up joint operation in Northern Cal., but have remained silent about nature of their work.

Zenith expects to gain \$3 million from sale of 98 acres next to its Glenview, Ill., hq. It sold tract, which had been on market for 10 years, to Town & Country Homes, residential builder, even though land is zoned commercial. Zenith real estate divestitures in 1994 included 800,000 sq. ft. warehouse/office in Chicago, 1.7-million sq. ft. facility in Springfield, Mo., 500,000 sq. ft. warehouse in Northlake, Ill.

Latest videophone introduction will be joint Casio-Phonemate project, to be unveiled at CES. In Japan, meanwhile, Casio introduced its least expensive LCD color TV -- 1.8" model using thin film transistor (TFT), to ship in Jan. at \$175. Spokesman said set would be introduced in U.S. by midyear. TV has 61,380-pixel resolution, automatic tuning, weighs 6.3 oz. Production will start in Japan at 30,000 monthly.

Phillip Dodds, exec. dir. of Interactive Multimedia Assn., will be lunch speaker Feb. 10 at Advanced TV & Electronic Imaging Conference held by SMPTE Feb. 10-11 in San Francisco. Conference will be preceded Feb. 9 by day of seminars on storage and networking.

SANYO EXPANDS TV OUTPUT: Sanyo is expanding TV assembly 30% in U.S. and Mexico in \$10-million program, bringing annual capacity of 2 plants to 2.3 million color TVs.

Capacity will be expanded at Forrest City, Ark., and Tijuana plants from current 1.7-1.8 million. Forrest City plant assembles 25-29" sets, Tijuana 19-20". Sanyo also makes TV components in Tijuana. No further details were available at our deadline.

Increase in capacity of plants, to be completed by end of 1995, will bring Sanyo's total worldwide TV production to 5.5 million. In addition to U.S. and Mexico, Sanyo has TV plants in 15 countries outside Japan, including Canada, China, Indonesia, Malaysia, Singapore, Spain, Taiwan, Thailand.

Recoton will introduce range of 900-MHz wireless speakers next week at Consumer Electronics Show (CES), including 50w subwoofer and two 25w surround channel speakers. Subwoofer contains amplifier and 10" driver and will be sold without transmitter at \$299. Surround channel speakers are packaged with transmitter at \$399 and feature 5" woofer and 1" tweeter. New wireless products are extension of line introduced as 5-speaker home theater system at CES in June (TVD June 27 p20). Variation of 25w wireless speakers will be version with black oak veneer finish that will be packed with transmitter at \$449. Speakers have 6-1/2" low-range driver and 1/2" tweeter. Rounding out wireless offerings are 10w indoor/outdoor speaker at \$249, 2-way computer speakers \$249, microphone and receiver \$349, 20w public address system \$449.

International Jensen posted net income of \$2.01 million (35¢ per share) in 3rd quarter ended Nov. 30 compared with year-earlier net loss of \$3.99 million on 22.9% net sales increase to \$69.49 million from \$56.56 million in same 1993 quarter. For 9 months, net income climbed to \$5.97 million (\$1.04) from \$2.25 million (39¢) on 17.7% sales increase to \$195.589 million from \$166.114 million. Chmn.-Pres. Robert Shaw credited improved results to "success of our strategies and programs to further penetrate our markets, reduce costs and improve profitability." He said all business groups achieved higher sales in quarter, with European operations contributing 46% of sales growth, and OEM sales, spurred by "continued strength of the automotive industry" accounting for 34%.

Nam Tai Electronics, Nasdaq-listed company that makes OEM consumer electronic products in China, has closed Denver corporate communications office, transferring functions to its N. American hq in Burnaby, B.C. (800-661-8831). Mark Waslen is financial controller and Wendy Wiseman PR secy. at Canadian hq. Company makes calculators, organizers, LCD modules for phones and IC card readers for such companies as Canon, Casio, Matsushita, Nintendo, Sanyo, Seiko, Sharp, TI, Toshiba, TI.

Sanyo has invested undisclosed amount in HealthTech Services Corp., Northbrook, Ill., developer of robot system for monitoring patients in their homes and dispensing medication via phone lines. System uses voice-driven interface and video monitor connecting homes to central nursing station.

Correction: In our report last week on Sony's all-digital display at Consumer Electronics Show, initials "DSS" somehow were morphed to "DCC" in couple of references. References should have been to DSS throughout, of course. We regret the error.

CHINA'S COLOR TV ULTIMATUM: China soon will issue regulation designed to ban foreign manufacturers from participating in joint color TV production ventures there without introducing "advanced technology," govt.'s China Daily reported. "Some foreign companies," Dec. 19 Daily said, "are eager to set up joint ventures in China with the sole aim of seizing a larger slice of China's huge market for home appliances."

Article quotes Vice Minister Zhang Jinquiang of Electronics Industry Ministry as saying: "No advanced technology, no market -- that is the Ministry's policy."

China already has astounding total of 51 color TV manufacturers -- all established since 1980 -- 5 of which produce more than million sets annually. Color TV and "related components" constitute 40% of electronics industry's total output, Daily said. Top 10 companies produce 61% of country's total sets.

Govt. has invested some \$2.35 billion to build color industry, whose capacity Daily claims ranked 3rd in world, after Korea and U.S. Country produced 13 million color sets last year, now has capacity to make 20 million sets and 15 million tubes annually, although it's expected to produce only 14 million sets this year.

China exported 4.6 million color TVs last year, and Zhang said Ministry's export goal is 8 million annually by 2000 -- year when production will be 18-20 million sets.

Attractiveness of Chinese market is underscored by statistic that only 10% of rural families have color TVs, while color sets are in some 80% of urban households. Most popular screen size is 20" (U.S. measurement), which accounted for 43.4% of industry output last year, according to Ministry, which said demand for 25" and 27" sets has grown rapidly in recent years.

China still is importing as well as exporting TVs. Latest figures show country imported 50,000 sets in Oct., down 16.7% from same 1993 month, and 960,000 TV tubes, up 37.1%.

U.K. Office of Fair Trading has called for "immediate action to expose the cost of extended warranties" on consumer electronics gear and major appliances. Dir. Gen. Bryan Carsberg called on retailers to display warranty terms and pricing voluntarily, said his office will pursue "code of practice" on all aspects of selling service contracts. He cited "striking" variations in prices on similar equipment, noting 4-year contract on type of color TV may be free at one store but cost up to \$275 at another. "Differences in warranty conditions and levels of service do not account for these variations," Carsberg said. "Commissions obtained by retailers do." He said "consumers are placed at a considerable disadvantage when buying extended warranties" because they often are pressured at point of sale "to make snap, ill-informed decisions." He recommended that consumers be given "more guidance about the likely frequency of claims and probable repair costs" of products, suggesting that some service contracts "can cost up to 6 times as much as estimated repair costs of given product."

Fox Electronics is leaving low-end universal remote control business and "redirecting" focus to high-end models and OEM, Sales & Mktg. Vp John Ehrisman said. Fox also markets radar/laser detectors, won't formally introduce new remotes at Winter CES, but is concentrating on step-up product such as 8-function unit that starts at \$79.

PHONE-PROGRAMMED REMOTES: In move to simplify upgrading remote controls, Universal Electronics (UE) will ship models that use phone line to add new product codes. Three- and 4-function One for All OneCall remotes, which will carry \$19 and \$24 retail prices, respectively, will receive new product codes through electromagnetic signal sent via phone lines from UE service center in Kent, O. User must place remote near receiver of Touch-Tone phone and dial toll-free number to contact computer operator with codes.

"Basically, it's going to help solve the problems consumers have with setting up their remotes, because if they call us we'll be able download their specific codes over the phone," UE Mktg. Dir. Michael Reilly said.

New units will carry \$5-\$10 premium over existing 3-function remotes routinely advertised at \$10. Line will be expanded to include UE's current 5-, 6- and 8-function remotes that must be upgraded manually at UE or other service centers, Reilly said.

UE also is unveiling its first backlit remote, which will compete for shelf space with Philips' Magnavox and Sony models. Unit has "defuser" circuit that lights remote with 6 LEDs, but also turns it off after 5 sec. unless key is pressed. Model also has on/off switch for light. Remote will ship in first half at \$29.

Lonestar Technologies will unveil first 3 Nickelodeon children's consumer electronics products and redesigned Key guitar at Winter CES next week, company said. Nickelodeon products will include personal stereo player, \$24; AM/FM clock radio, \$34; cassette boombox, \$59 -- all shipping in 2nd quarter, Lonestar Sales Dir. Alan Czeizler said. Items are first since Lonestar signed licensing agreement with Nickelodeon in Aug. (TVD Aug 29 p11) and are designed by M.H. Segan & Co. Key guitar was redesigned to shift emphasis from video to audio, with introduction postponed from earlier this fall until Feb., company said. Key was scheduled to debut at Wiz and Lechmere in Oct. First model used "Key Code" digital information encoded on videotapes to allow user to play with band. New version is packed with mixer, connects with CD player and uses "CD Sync" technology that includes 130 synthesized sounds. Separate sales force of 15 rep organizations has been set up to sell product retailing at \$599. Other introductions include 900 MHz Western Union phone at \$249 and low-end Singalodeon karaoke player featuring double cassette, AM/FM radio and equalizer at \$49-\$59.

Video "home entertainment" is \$67 billion market annually, dominated by software, according to Sony estimates quoted by Consumer Products Group Pres. John Briesch in recent briefing (TVD Dec 19 p13). In "broad scope," he said, breakdown includes: Cable industry sales, \$20 billion; broadcasting, \$22 billion; video rental \$10 billion, videotape sales \$4.5-\$5.5 billion, plus laserdisc and other software sales. Hardware is about \$10 billion business, with TV sets at \$7-\$7.5 billion, VCRs \$2.5 billion.

Batteries Plus says it will open 50 company-owned and franchised stores in 1995, including first on West Coast in San Jose area. Hartland, Wis., chain missed goal of 66 stores this year, had 42 by year-end -- 11 company-owned, 31 franchised. Another 80 franchises have been purchased, but haven't opened, it said. Retailer also added first PC batteries under Fedco brand, plans to introduce Batteries Plus version by 1996.

FLASH MEMORY RECORDER SHIPPED: After 6-month delay, Norris Communications has started shipping limited quantities of its \$249-list Flashback flash-memory digital voice recorder (TVD March 14 p13), Pres. Elwood (Woody) Norris told us.

Available Flashback allocations are being funneled to Sharper Image and other upscale catalog houses at rate of 2,500-3,000 monthly for immediate future, Norris said. Flashback deliveries to retail accounts are expected to start in Jan. when company can increase production to about 10,000 per month, he said. Company originally introduced Flashback recorder last spring at \$199 for retail distribution through Casio reps starting in July.

Norris told us he was confident that publicly held company would suffer little PR damage as result of Flashback delays. He said that to his knowledge, retailers and reps weren't upset either because limited production capacity would have precluded company from satisfying all expected orders. Norris said: "We are delighted to have Flashback in production after experiencing delays in receiving our \$2-million automated chip-on-board assembly equipment. We have overcome significant technical and production hurdles by bringing Flashback to market in less than a year."

Company still is "hot on the tail" of Flashback version capable of recording CD-quality digital music, Norris told us. He said company "may or may not" demonstrate "lab prototype" of digital music recorder at Consumer Electronics Show. It previously was pledged for showcasing by year-end. He indicated company is devoting all its resources to increasing output of existing Flashback product. But he noted that Intel, which is supplying "SoundClip" modules for first-generation Flashback voice recorder, is working on developments that will have "significant impact" on commercial viability of flash-memory products capable of record and playback of CD-quality music. While Norris said that under agreement with Intel he was barred from discussing specifics, he said "full-bandwidth" flash-memory device capable of recording 20 min. of music on module priced as low as \$100 is possible within 18 months.

Toshiba signed agreement with Ovonic Battery Co. settling International Trade Commission (ITC) complaint that Toshiba had infringed patent on nickel-metal hydride (NimH) battery technology. Sanyo reached similar settlement earlier this month (TVD Dec 12 p17), although action against Yuasa remains pending. Toshiba is partner with Duracell and Varta in NimH technology. Ovonic filed complaint in Aug. charging companies with infringing on patent for anode that absorbs hydrogen from electrolyte during charging. Duracell, Sanyo, Toshiba and Varta have developed NimH technology for PCs, cellular phones and camcorders, while Yuasa has focused on car batteries.

One week after annual records were broken for sales to dealers of all direct-view color TVs (including TV/VCRs) and in total color TVs (including projection TV), record set last year was broken in "TV-only" category (see State of the Industry). With 3 weeks remaining in statistical year, it's also likely that new unit records will be set for camcorders and VCRs. Through 2nd week in Dec., year-to-date sales of camcorders were only 89,418 behind 1993 total, and VCRs were 166,849 short of full-year 1993 figures.

Emerson Radio common stock began trading on American Exchange Dec. 22. Symbol has changed to MSN from EMER.

THOMSON/MONSTER LINE: Monster Cable and Thomson Consumer Electronics (TCE) will launch new RCA accessories line in March targeting home theater. Monster will build jointly designed products and TCE will sell them. Line will consist of £2 items -- 2/3 of which will be cables -- and packaging will carry RCA brand with "Monster Cable Technology" caption, RCA Accessories Mgr. Len Coakley said.

Accessories will be stepup from RCA core line that competes for shelf space with Recoton and Gemini at mass merchants. Coakley conceded RCA and Monster will compete in some cases, but said brands target different consumers. "I think there's going to be some areas where we compete, but I think overall Monster is in the high end and we're in the mid to lower end," he said.

Products will include cables of 3-25' at \$19-\$39, 5-function universal remote \$29, video sender \$69. "This product is going to be moderately priced... It's not going to be \$4.99 cable and it's not going to be \$49 cable," Coakley said.

Key to merchandising product will be free-standing display that will contain 22-25 items. Display will carry examples of F-pin connectors, RCA plugs and 3 gauges of cable as well as booklet describing hook-up process and products, Coakley said.

"With Monster, it gives them [TCE] the ability to sell the higher end," said vp of east coast retailer. "The only problem I have is I carry both brands, and which one am I going to handle?"

Thomson also will continue expansion of Digital Satellite System (DSS) accessories with addition of stepup self-installation kit that includes longer cable at \$99, video sender and kit packaged with universal remote, 100' of cable, splitter and 3' of coaxial cable at \$99. Introduction will bring DSS accessories line to 35 items.

Media Vision said it will emerge from Chapter 11 Dec. 30 under plan approved last week by U.S. Bankruptcy Court, San Francisco. Court also approved Media Vision agreement with SEC, which had been investigating alleged accounting irregularities. Agreement stipulates that SEC will recommend no enforcement action against Media Vision, but that company will supply all requested documents and information. Media Vision, which has been major supplier of multimedia upgrade kits, will issue 20 million shares of new stock to creditors and bondholders, cancelling all current stock. Company also said it had settled shareholder suits.

Vidikron will introduce 2 video projectors at Winter CES next week, including its first with hybrid glass/acrylic lenses. VPF-40SEL contains many of same features as VPF-40GL that it replaces, but offers graphics grade 6-element lenses at \$8,895 retail. Lower priced VPF-40SE replaces VP-40S by adding new circuit that decreases rise/fall time of color-signal transients to provide sharper detail and redesigned comb filter for NTSC and PAL signals. VPF-40SE has \$7,495 price.

Zenith has filed request for rehearing before U.S. Appeals Court, D.C., in patent infringement suit against Universal Electronics (UE). Court, which in Nov. upheld lower court ruling that UE remotes don't infringe on Zenith infrared patent (TVD Nov. 21 p15), is expected to rule on request by Feb. If denied rehearing, Zenith has vowed to appeal to U.S. Supreme Court.

Consumer Electronics Personals

Robert Lindsey leaves Sega of America to become 3DO senior vp-mktg. and gen. mgr. of Studio 3DO in reorganization; **John Orcutt**, ex-Nomadic Systems, named senior vp-business operations. Company announced promotions of **Don Jaworski** to senior vp-software, **Janet Strauss** vp-mktg., **Dean Drako** vp-product engineering, **Paul Milley** vp-finance, **Greg Richardson** dir.-software business development, **David Maynard** dir.-software engineering. Among those leaving company is former Vp-Technology **Rick Tompane**... **Crystal Dynamics** co-founder and board member **David Morse** named pres.-CEO, replacing **Strauss Zelnick**, who becomes pres.-CEO, BMG Entertainment N. America, Jan. 2.

Willard Boyer Corning Asahi Video, moves from business mgr. to planning & new business development dir.; **Gerald Fine** named business mgr., succeeded as product line mgr.-components by **James Houghton**, advanced display mktg. mgr.... **Jerry Gutterman** resigns as Voice Powered Technology CFO, continues as consultant; **Vp-Gen. Mgr. Mitchell Rubin** assumes CFO duties... **Stephen Curran**, ex-GameTek creative dir., named vp-creative development, Alternative Reality Technologies, GameTek development unit.

Richard Glikes resigns as Bryn Mawr Stereo vp-gen. mgr., plans unknown... Seattle-area rep **Harold Jaffe** elected pres., International Auto Sound Challenge Assn., succeeding **Jeff Scoon**, resigned... **John Tweedy**, ex-Microprose and Virtuality Group, named to manage new U.K.-based European office for QSound Labs.

Jack Kanne, senior vp-sales, promoted to exec. vp-sales & mktg., Paramount Home Video... **Doug Dohmen**, ex-Republic, named vp-sales. new Hallmark Home Entertainment unit headed by former Republic executive **Steven Beeks**, exec. vp, Hallmark Entertainment Distribution... Appointments at Video Products Distributors (VPD): **Marty Jorgensen**, ex-Ingram, senior vp-mktg. & purchasing; **Russ Frazier** senior vp-distribution; **Tom Kieley** dir.-sales; **Denny Curley** dir.-sales, specialty accounts; **Jim Roberts** dir.-MIS and operations... **Corie Hazen**, ex-FoxVideo, named product mgr.-sellthrough, MGM/UA Home Entertainment... **Steven Kramer**, ex-Tamarelle's International Films, Canterbury Distribution and Facets Multimedia, sets up Picture Palace, Internet video sales business.

Acclaim Entertainment, which has become major force in videogame software using only outside developers, agreed to acquire Austin, Tex., developer Iguana Entertainment, no financial details disclosed. Iguana, which has about 100 employees in Tex. and U.K., has created NFI Quarterback Club, NBA Jam and upcoming NBA Jam Tournament Edition for Acclaim, and Aero Bat for Sunsoft. It will become Acclaim subsidiary. Acclaim Pres. **Robert Holmes** said he expects in-house developers to account for 30% of company's products in future.

Sony will move speaker and audio rack production from Delano, Pa., to larger facilities in Frackville, Pa., in spring "to accommodate production expansion needs brought about by steady growth" in hi-fi component and audiovideo systems. Company said it expects all current full-time employees to transfer to new site 9 miles away. Vp Shigeru Murata said Sony plans to invest \$2 million to purchase and retrofit new plant.

One of most successful Chinese TV manufacturers got that way by flouting govt. regulations, govt.-owned China Daily reports admiringly. **Changhong Electronics** in Mianyang, Sichuan, is called "most successful ex-military factory in China." Company officials are quoted as saying it "shook off the yoke of the planned economy earlier than other companies," producing 800,000 color TV sets annually in late 1980s when "government production plan called for 200,000" and was "always the first to raise or cut prices according to market fluctuation, even though prices were still under government control at that time." Company reportedly produced 1.4 million color TV sets last year, with 17.4% domestic market share. It plans to make 1.8 million color TVs this year and 2.5 million in 1995, rising to 3.5-4 million by 2000 and enter color tube manufacturing before end of century.

Funco, retailer of new and used videogames, said accelerated pre-Christmas promotional spending and discounting would bring "significantly lower margins and lower net income" than expected for quarter ending Jan. 1. It said it expected inventories to be "balanced coming out of the quarter." Minneapolis-based company has 180 stores in 11 major markets, plans to open 60 more in each of next 2 years.

In expansion of Scotch brand PC accessories, 3M will ship 35 items in first quarter, with 30 more expected by midyear, Mktg. & International Dir. **Lee Kennedy** said. New products replace current 20-item line by focusing on cables, but also include amplified twin speakers (\$37) and antiglare monitor screen (\$47). In audiovideo, company will deliver 15 items ranging from CD laser lens cleaner at \$19 to audiocassette head cleaner at \$1.99.

Sega will move all production of 32-bit Saturn game machines for overseas markets to unspecified Southeast Asian country. Saturns for domestic consumption will continue to be made in Japan. Spokesman said Sega expects about 3 million pieces of Saturn hardware to be manufactured in 1995. Units went on sale in Japan in late Nov., are scheduled to be introduced elsewhere in world late next year.

Hi-Vision TV set sales in Japan will triple to 100,000 in fiscal year ending in March 1996, according to Matsushita forecast quoted in Japanese press. As result of introduction of lower priced receivers at about \$5,000, company said Jan.-March 1995 sales should total about 20,000, twice as many as in first 8 months of fiscal year. In year through March 1997, Matsushita expects Japanese industry to sell at least 200,000 Hi-Vision sets.

It's Against the Law...

... to copy or fax this newsletter without our permission. Federal copyright law (17 USC 101 et seq.) makes it illegal, punishable with fines up to \$100,000 per violation plus attorney's fees.

Warren Publishing, Inc. frequently has taken action against firms and individuals that violated our copyright, and we will continue to do so. We request that subscribers advise their staffs of the law and financial penalties that will result from the copying of this publication, which subsists solely on subscription revenue. Permission for copying or faxing is granted, however, for a fee of \$2.75 per page per copy (thus 10 copies of one page would be \$27.50). Send payments to Copyright Clearance Center, 222 Rosewood Drive, Danvers, Mass. 01923 508-750-8400.

517 OC B XL

2/24/95

198524

969