

TELEVISION DIGEST®

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

With Consumer Electronics

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Broadcast - Cable

TURNER, TIME WARNER TALKING DEAL: Negotiations continue through weekend. TCI role called key to closure. Antitrust concerns raised. TW also buys out Japanese partners, but U S West is tougher. (P. 1)

INFINITY SETTLES CHARGES of indecency, agrees to pay \$1.7 million without admitting 'wrongdoing or liability.' Fines resulted from Howard Stern program. FCC dismisses other complaints. (P. 2)

COX FREES OMAHA: Free 21-channel basic cable service offered as U S West gets VDT clearance from FCC. Cox hopes higher penetration will boost telephony, other services, denies impact of telco competitor. U S West trial plans 77 analog channels, up to 800 digital. (P. 3)

DTH APPLICATIONS RECEIVED by Canadian govt. Services plan to use U.S. and Canadian satellites plus microwave distribution. Four applications filed. Award mechanism yet to be determined. (P. 3)

FOCUS ON NEWS, RADIO, engineering expected in New Orleans as trade groups converge at largest-ever World Media Expo. NAB Radio Show, broadcast news directors, broadcast and motion picture engineers expected to draw record attendance. Media stars highlight program. (P. 4)

NETWORK AD ROLE OPPOSED: Big 3 alone support proposal to end 25-year ban on networks' representing stations in ad sales. (P. 5)

TURNER, TIME WARNER COMPLETING BUYOUT DEAL: Lawyers for Time Warner, Turner Bcstg. and TCI were expected to work through Labor Day weekend in effort to finalize agreement for TW to buy TBS for estimated \$8.5 billion. TCI, which owns 21% of TBS and could veto buyout, reportedly agreed to general terms for exchange of its TBS stock for mix of voting and nonvoting TW shares in order to keep its voting control below 5% maximum, but officials warned that deal was far from final.

Justice Dept. and FTC officials refused to comment on reports that some antitrust executives are concerned that TW-TBS deal would give those companies too much control over program production and distribution. Antitrust concerns also include creation of direct link between 2 largest cable MSOs -- TCI and TW, but TW is trying to structure deal to spin off its cable systems, which probably would eliminate that problem.

TW completed deal to buy out Japanese holdings in Time Warner Entertainment (TWE), companies said. If TW also can buy out U S West it could clear way to spin off debt-loaded cable systems. Itochu and Toshiba each will get option of choosing either 7 million convertible preferred shares of parent TW plus \$10 million cash or 8 million preferred shares, in return for their 5.6% holdings in TWE. Preferred stock could be

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'WE FORESEE NO PROBLEM in reaching amicable agreement' with Sony and Philips on single DVD system, Toshiba official says in Berlin. Specific proposal from MMCD group believed to be on table. (Pp. 7 & 12)

FIRST-HALF IMPORTS UP for all major products, led by 78% increase in TV/VCR combinations and raising inventory questions. (P. 8) Imports by country. (P. 12)

TCE AMERICAN SALES \$4.2 BILLION in finished products last year, up 27% from 1993, Prestat says. (P. 9)

NEW TV SCREENS -- big, flat, thin, wide -- spark IFA show in Berlin. Nokia surprises with compact rear-projection adaptation of TI micromirror system. (P. 10)

SONY EXPANDS MEXICAN operations, adding to 8-year-old Tijuana TV and parts plant and building new facility in Mexicali to make TV components. (P. 11)

CONSUMER FINANCING BINGE will hit CE in fall, leaving industry wondering whether long-term interest is being sacrificed for short-term gain. (P. 13)

EMERSON REVISES SUIT charging Memcorp used confidential information to set up new Memorex brand to sell through Wal-Mart. (P. 13)

AUG. RETAIL SALES INCREASE on strength of air conditioners and Windows 95. (P. 14)

converted to TW common after 4 years. Deal will give TW 75% of TWE, with U S West still holding rest. TWE owns TW cable systems plus HBO, Warner Bros. studios, other interests. Three companies also own stakes in separate venture, TWE Japan.

TW-TBS deal is far from final. Companies' joint statement emphasized that "significant issues remain to be negotiated and there can be no assurance that agreement will be reached." TW reportedly is offering stock valued at about \$8.5 billion for TBS and would make Ted Turner vice chmn. of TW. Deal would make Turner TW's largest stockholder with about 11%, with Seagram and TCI each holding about 8%.

TCI probably remains key to deal. TCI spokeswoman said CEO John Malone wouldn't comment on whether he would support deal. TW already owns about 18% of TBS and has veto right. Ted Turner owns less than majority of TBS stock but, through special voting rights, retains majority voting control. TBS shareholders reportedly would get 2 seats on TW board.

TW's offer would be significant premium over recent market price of TBS, valuing TBS at about \$35 per share, well above \$24 price before news of deal broke. Merrill Lynch analyst Jessica Reif put private market value of TBS at \$35 per share: "This is a very reasonable price." Analysts have said that TBS cable networks, if sold individually, could bring about \$10 billion. Issuing additional stock to buy TBS could strengthen TW's debt/equity ratio by increasing amount of equity. Although TBS's estimated \$50 million cash on hand will have little impact, company is expected to generate nearly \$575 million in cash flow this year that could help service TW's debt. Moody's said TW-TBS deal shouldn't affect TW's long-term debt rating and could help TBS's.

Deal makes good business sense for both companies because of synergy, Reif said. She said, for example, that combining TBS's Cartoon Network with TW's animation capabilities "would create a global powerhouse," and TW could put TBS programming, including its vast film library, on fledgling WB Network and do cross-promotions. Combining TBS and TW also would create major Hollywood powerhouse, combining Warner Bros. studio with TBS's Castle Rock Entertainment and New Line Cinema.

Deal also would vault TW back to top among world media companies, with combined revenue of \$18.7 billion per year. Various earlier mergers moved TW to top last year at \$15.9 billion, but Disney-Cap/ABC deal would put that combination in first place at \$16.5 billion.

Most of talk in industry circles about deal involved whether personalities of TW Chmn. Gerald Levin and Ted Turner would mesh. Turner is known as free-wheeling, independent thinker who's proud of his individual achievements and uncomfortable dealing with bureaucracies, while TW is major corporate bureaucracy. "The personal fit is a bit tougher," Reif said.

INFINITY SETTLES FCC INDECENCY CHARGES FOR \$1,715,000: Without admitting "wrongdoing or liability, Infinity Bestg. agreed Sept. 1 to make "voluntary contribution" of \$1,715,000 to U.S. Treasury to settle FCC indecency proceedings against licensee. Commission also agreed to dismiss other complaints against Infinity being considered within agency that hadn't reached public notice stage. Fines for indecency were levied as result of comments made at various times on Howard Stern program, which originates on Infinity's WXRK(FM) N.Y.

Infinity couldn't be reached for comment by our deadline but Commission said settlement was reached to "end the time-consuming litigation that would be required to resolve the outstanding enforcement actions." Licensee hadn't agreed to pay any fines and it would have been responsibility of Justice Dept. to seek court order against Infinity. Fines go back several years, but no action had been started in court to collect.

As part of settlement, FCC agreed to dismiss: (1) Notice of liability for \$600,000 against WXRK and Infinity stations WYSP(FM) Philadelphia and WJFK(FM) Manassas, Va. (Washington, D.C., suburb). (2) Fines of \$500,000, \$400,000 and \$200,000 against same stations for other Stern broadcasts. (3) Separate \$6,000 forfeiture against Stern broadcast. Commission said no indecency complaints have been filed against Infinity since Jan. 19, 1994, "which the FCC considers to be actionably indecent."

In addition to "voluntary" payment, Infinity agreed to issue policy statement "to all on-air personnel directing them to be cognizant of the prohibition against the broadcast of indecent speech... and will establish a program designed to educate and update on-air personnel regarding FCC indecency actions."

In statement reminiscent of his campaign against televised violence (TVD Aug 21 p2), FCC Chmn. Hundt said: "A core mission of this agency is to give parents the tools to shield their children from indecent and violent broadcast programming." He said Infinity deal is "a major step in fulfilling one aspect of this mission... It brings to a conclusion several protracted enforcement proceedings which otherwise would have necessitated prolonged federal district court litigation." Way was cleared for settlement, he said, by U.S. Appeals Court, D.C., decision upholding Commission's right to enforce indecency standards (TVD July 3 p1).

Comr. Quello, who has been most outspoken among commissioners against Stern programming, said settlement "vindicates the Commission's rules, recognizes the responsibilities of broadcasters, and benefits the American public... I am further encouraged that... Infinity itself has taken positive and concrete steps..." Comr. Chong: "I supported the settlement to avoid contentious litigation. It was also important to me that Infinity has taken steps to ensure that its broadcasts comply" with indecency law and rules. Comr. Ness: "The Commission is no paper tiger. FCC rules must be obeyed and noncompliance will draw meaningful sanctions."

COX FREES OMAHA: Two days before FCC Common Carrier Bureau approved U S West tariff for latest video dial tone (VDT) test in Omaha, Cox Cable said it will offer free 21-channel "lifeline service" in attempt to increase its 64.3% penetration. VDT approval was expected by FCC's Aug. 31 deadline, but Cox said its decision was unrelated. FCC's Aug. 30 approval gives U S West permission to test VDT in 50,000 homes, but doesn't open door for full deployment because RHC withdrew earlier "commercial" application (TVD June 5 p5).

Subscribers will pay only \$19.95 one-time installation charge to obtain free service, Cox spokesman said, and existing subscribers can downgrade for \$8.03 switching fee. Cox has 100,662 subscribers in Omaha and passes 156,647 homes, he said. Cox Vp-Public Policy Alexander Netchvolodoff said company had offered similar service before 1992 Cable Act: "We gave it up because of the ways the rules were implemented." He said Cox hasn't decided whether to deploy similar programs in other markets; Omaha is unique because Cox has PCS interests there that it wants to combine in one-stop-shopping approach.

Cox offer probably won't alter U S West business plan in Omaha, spokesman for latter said. Jeff Morgan, pres. of U S West-affiliated program packager Interface Communications, responded with "a definite no" when asked whether Cox's new offering would influence that package. He said "larger question" is whether Cox's expanded basic customers will subsidize new tier. FCC spokeswoman said VDT threat has pressured Cox to alter its service to consumers' benefit: "This is what competition has done." Omaha city spokesman said officials hadn't reviewed Cox proposal. Cox's 21-channel tier will include local stations, and public, educational and govt. (PEG) access channels, Mind Extension U., Learning Channel, Faith and Values Channel.

U S West trial will include 77 analog and up to 800 digital channels, FCC said. Bureau also granted special waiver of Sec. 61.49 of Commission's cost support rules for digital portion of tariff, which it said was in public interest because any VDT networks U S West deploys in future would use newer technology. U S West also must notify subscribers that trial ends Aug. 30, 1996, FCC said, "to guard against potential unfair competitive impact on incumbent cable operators and to protect consumers."

Annual "Women In Technology Award" has been established by Women In Cable & Telecommunications, Society of Cable Telecommunications Engineers and Communications Technology. Award will be presented at Western Cable Show.

CANADIAN DTH APPLICATIONS: Canadian Radio/TV & Telecommunications Commission (CRTC) received 4 applications to provide multichannel direct-to-home (DTH) satellite TV service via Canadian Anik and U.S. satellites. Three others filed to provide microwave distribution and 3 to offer satellite pay-per-view. DTH applicants are Expressvu, Power DirecTv, Shaw Communications, Telephone Plus. CRTC hasn't determined whether applications are mutually exclusive. CRTC will conduct public hearing in about 2 months to investigate that and other issues, spokeswoman said. If fewer than 4 licenses can be awarded, it's not likely that auctions will be used, she said, because Parliament would have to provide that authority.

Expressvu is joint venture of Bell Canada, Tee-Comm and Western International Communications. Telephone Plus is connected to U.S. DBS operator U.S. Satellite Bestg. (USSB) and is seeking permission to offer service in Canada as it does in U.S., including same consumer equipment. Shaw is consortium of Canadian cable MSOs planning to offer services with potential U.S. partner Primestar, which also is backed by cable operators. Company will provide 70-80 channels of MPEG-2 digitally compressed medium-power Ku-band signals to 24" dishes. Power DirecTv could provide up to 100-110 channels by middle of 1996.

Most telephony issues in House-Senate conference on telecom bills shouldn't be "particularly contentious," Ameritech Vp Gary Lytle said last week. Issues aren't new, and veteran lawmakers are anxious to settle matters and move on to other things, he said. Newer issues, such as terms for resale and facilities-based competition, haven't been "fully vetted" and don't fall into noncontentious category, Lytle said, while cable rates and V-chip are more likely to cause controversy. He said he hopes only minor changes, if any, will be made in legislation (HR-1555 and S-652) in conference. Lytle said he hoped conference would have few members and would take place quickly, but recognized that other items on congressional agenda, such as budget reconciliation, might push solution back. Ameritech is staking out several positions different from other RHCs, advocating grandfather clause to allow it to purchase alarm company while others would be kept out of business for near term. Ameritech also favors role for either Justice Dept. or FCC in determining whether RHCs should enter long distance. Lytle said he hoped President Clinton wouldn't veto bill, noting that issues such as facilities-based competition aren't campaign issues.

Deadline is Sept. 11 for applications for Betsy Magness Leadership Institute, year-long program to develop female cable managers. Applications are due to Women In Cable & Telecommunications -- 312-634-2330.

RTNDA, SBE, SMPTE, NAB CONVENTIONS: Four industry trade groups will be holding concurrent conventions in New Orleans this week before record crowds and largest-ever World Media Expo of more than 400 exhibitors and special sessions. Participants are RTNDA, NAB Radio Show, Society of Best. Engineers and Society of Motion Picture & TV Engineers in 2nd year of collaboration under aegis of NAB. More than dozen radio talk shows will originate there this week.

Conventions have scheduled several "crossover" sessions designed to interest delegates to all 4. Full registrants for any show will receive coupons admitted them to crossover sessions. Extra interest was added to NAB show when Infinity Bestg. settled several pending indecency charges brought by FCC, agreeing to pay \$1.75 million (see separate story, this issue). Infinity Pres. Mel Karmazin will participate in session on "Today's Trends, Tomorrow's Opportunities," with Clear Channel Communications Chmn. Lowry Mays. And, while subject doesn't appear on RTNDA's formal agenda, ABC's apology to tobacco industry in \$10-billion libel case is sure to be major subject of corridor conversation (TVD Aug 28 p1).

RTNDA will rely on big-name network TV correspondents to attract audiences, while NAB will feature dozen radio talk-show hosts, entertainers Gary Owens, Harry Connick and The Temptations, along with FCC members and staffers. CBS will sponsor Sept. 7 RTNDA lunch when correspondent Bob Schieffer speaks, ABC sponsors Paul White Award reception with evening anchor Peter Jennings receiving award, while NBC News Pres. Andrew Lack speaks at Sept. 6 Murrow Awards ceremony. Ex-CBS News exec. Edward Fouhy, exec. dir. of New Center for Civic Journalism, moderates panel on news partnerships on local level. Among TV news personalities participating: Mary Matalin and DeeDee Myers of CNBC, Lisa Myers and Bob Dotson of NBC, Cokie Roberts of ABC, Judy Woodruff of CNN.

Mario Cuomo, ex-N.Y. gov., now radio talk show host, will keynote NAB radio sessions Sept. 6, followed by FCC Chmn. Hundt at Sept. 8 breakfast. In between, Comrs. Quello and Ness will appear Sept. 7 -- Quello on digital audio broadcasting forum, Ness on regulatory update, along with FCC Mass Media Bureau Chief Roy Stewart, Gen. Counsel William Kennard and Beverly Baker, chief of Compliance & Information Bureau. RAB Pres. Gary Fries speaks same day. Other major radio sessions are scheduled on EEO, duopoly and local marketing agreements, digital radio.

Pixar Pres. Edwin Catmull will keynote SMPTE sessions Wed., while John Abel, who resigned 3 weeks ago as NAB exec. vp-operations, speaks same day on future. SMPTE will present 2 sessions on "in-depth, interactive" use of Internet and 2 seminars on video compression and concatenation. SBE sessions include digital developments and conversations with FCC staffers.

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In works at FCC staff level is notice of inquiry proposing to require that all network TV programs be closed-captioned for hearing-impaired. Chmn. Hundt reportedly requested Mass Media Bureau to come up with proposal. Item is expected to be ready for consideration late this month.

Cole, Raywid & Braverman won Communications Softball League title for 2nd year in row, defeating FCC Common Carrier Bureau 10-9.

"New rules requiring all broadcasters to generate a certain amount of children's education TV or else risk losing their licenses" should be adopted by FCC, Chmn. Hundt said. He told Women in Govt. Relations that Commission also needs to develop plan "guaranteeing that the communications revolution reaches every child and every teacher in every classroom in the country." Both goals, he said, can be accomplished with "sane, simple, sensible" FCC rules. And, Hundt said, "it's time to abandon the fiction that asking broadcasters to do better on a volunteer basis has any chance of producing the desired results" because of intense competition. As he has before (TVD July 28 p2), Chmn. said there's no First Amendment bar to requiring licensees to provide educational programming for children: "I have studied the legal issues and consulted with expert counsel... The First Amendment was not intended to limit the capability of parents, adults or government to protect and raise children." Hundt's speech was titled "Long Live Frieda Hennock" in reference to FCC's first female commissioner (1948-1955) who was early advocate of children's TV and fought successfully to reserve channels for noncommercial TV stations.

First fall lunch of IRTS will examine new media landscape "from a telco perspective," Exec. Dir. Joyce Tudry said. Sept. 21 panelists, Waldorf-Astoria Hotel, N.Y., include John Cooke, Disney Co.; Howard Stringer, Tele-TV; Raymond Smith, Bell Atlantic; Richard Notebaert, Ameritech. IRTS Foundation dinner will be Oct. 23, change from Oct. 16. Subject: "Are the People Who Create [TV] Program Content Changing the Fundamental Structure of Society?" IRTS will hold series of one-on-one "Newpreneur" seminars (limited to Foundation members). Speakers include Jerry Nachman, vp-news, WCBS-TV N.Y., Sept. 14; Thomas Rogers, NBC exec. vp; Richards Parson, Time Warner pres., Nov. 8; Betsy Frank, exec. vp, Zenith Media Services, Jan. 11; Thomas Murphy, Cap/ABC chmn., Feb. 28; Jessica Reiff, vp-media and entertainment, Merrill Lynch, May 16; on dates to be announced, Viacom Chmn. Frank Biondi and CBS correspondent Mike Wallace.

Pacific Bell filed for waiver Aug. 25 so it can introduce rate structure for video dial tone (VDT) programmers. Telco plans rate structure consisting of recurring and nonrecurring charges for basic connection to network, programmer access to network for transmission of programming, channel charges, signaling transactions, optional features. Company said its analog broadcast service is "core offering" on VDT network with 70 channels including: (1) A Block of 28 nonshared broadcast channels assigned to one video programmer that's "designed to ensure a competitive core offering to attract end-user subscribers for the benefit of all CPs." (2) B Block of 13-15 broadcast channels including program guide that will be sent to every end-user subscriber. (3) 27-29 nonshared broadcast channels available on individual basis to end users. Digital broadcast service "is designed to provide an opportunity for new, small or niche programmers to enter the market."

Citicasters and OmniAmerica Communications announced merger plan with equity value of more than \$600 million. OmniAmerica shareholders will receive 2.75 million Citicasters shares plus \$25 million. Combined company will have \$215 million debt. Cincinnati-based Citicasters (formerly Great American) owns WTSP Tampa-St. Petersburg and WKRC-TV Cincinnati, plus 16 radio stations in 8 major markets; OmniAmerica owns 12 radio station in 5 major markets. OmniAmerica CEO Carl Hirsch will join board of combined companies and become chmn. of radio group. Brokers Star Media Group and Crisler Capital handled merger for OmniAmerica.

BIG 3 GET NO SUPPORT AS TV REPS: Standing alone at FCC in seeking to be allowed to return to business of selling national ad time for TV stations were ABC, NBC, CBS. All other comments we had access to at Commission last week on proposal (MM Doc. 95-90) to end agency's 25-year ban against networks' representing stations in sale of ad time (except those they own) were opposed. Objections centered on claim that repeal of rule would hurt competition and localism and serve no public interest, while Big 3 networks argued that it would increase competition. Opponents said rep firms offer them advice on programming and business matters, as well as selling spots, something network as rep wouldn't provide.

Station Representatives Assn. (SRA) said rule serves FCC goals of promoting competition, program autonomy, diversity. To repeal it, SRA said, would cause prices to advertisers to go up since reps play "crucial role" in advising affiliates in such areas as financing and programming. In joint filing, ABC and CBS affiliates' associations expressed strong opposition to their networks. Result of repeal, they said, would be "severe economic damage to affiliates because it would jeopardize their competitive position... for advertiser time." Networks, through rules changes (such as repeal of finsyn and prime-time access) already have gained "increased leverage" over affiliates, stations said, and repeal of rep ban would result in greater network control over affiliates' programming and business matters.

Media Access Project (MAP) said rules are needed to promote competition and urged FCC to "act cautiously" on repealing rep rule and related network matters. Commission's deregulatory network proposals "evidence a dangerous all-at-once approach," MAP said, citing earlier rules changes that benefited networks. Commission should "wait and see" impact of those changes for "informed policy-making," MAP said.

Big 3 networks contended that marketplace is much different today from when rules were adopted. NBC called ban against networks' repping stations "ancient regulations" no longer needed that are based "solely on the networks' potential power," which it said isn't appropriate as basis for govt. interference.

CBS said that offering rep service to its affiliates should be "a natural enterprise" for any TV network and "an inherent part of networking's economic potential." Ban indirectly diverts "potential resources from the support of universal free television," it said. ABC told FCC that rules "single out" networks for "regulatory restrictions based on outdated concepts of network power" that "restrain competition." It said competition would be enhanced if Big 3 were permitted to serve as sales reps for affiliates by expanding rep options available to stations. Fox TV Network didn't file comments.

Hubbard Bestg. said that network as rep could be at "cross-purposes" with affiliate goals in buying programming and preempting network shows. Network never would recommend preemption of its own program, as reps sometimes do, Hubbard said. KTVK Phoenix said that repeal of rule would "seriously undermine" localism and that networks now are seeking affiliation contracts to make it "all but impossible" to preempt.

Coalition of 12 broadcast groups told Commission that network ban "continues to serve the public interest" and that ban "plainly... promotes competition." Without rule, groups said, networks "would coerce" affiliates in attempt to serve as their representative and that could lead to higher costs to

advertisers. Network ban from rep business also promotes localism and its repeal would harm independent stations, group owners said, repeal of rule would drive many rep firms out of business and "could spell the end of affiliate independence from networks." Pappas Stations Partnership, which was party to above filing, also filed separately to say issues in MM Doc. 95-90 are interrelated with several other FCC proceedings that would remove restrictions on networks: "Whether by design or chance, the compartmentalization of these proceedings into individualized issues allows for lessened consideration of the impact [combined changes] will have not only on the network issues involved but also on the public at large."

Meredith Bestg. told FCC it "should put on the regulatory brakes" to observe operation of networks under "new, highly favorable economic and regulatory concessions [with] massive" changes in works. It said there's no need to repeal rules that promote competition. Chris-Craft, a major owner of fledgling United Paramount Network, said no new FCC rules should be applied to new networks. AFLAC said repeal of rep rule would give networks "undue power to dictate local programming" and that "dramatic change... already seems inevitable."

Continental Cablevision said it filed application with Cal. PUC to offer local exchange service in 10 counties. It plans to spend \$700 million to convert existing cable systems into telephony-capable broadband networks, also wants to make capacity available for resale. Proposed counties are Fresno, Kings, L.A., Madera, Orange, Riverside, San Joaquin, Sutter, Tulare, Yuba. Cabler said network will exceed Bellcore technical standards, using Synchronous Optical Network (SONET) technology over 750-MHz network.

"Revenue Directions for Community Bestrs." is title of Nov. 11-14 convention of Community Bestrs. Assn. (CBA) at Washington Hilton Hotel. Emphasis will be on nontraditional sources of revenue for TV stations, such as infomercials. CBA attracted 16 exhibitors last year, already has signed 24 for 1995 convention. FCC Chmn. Hundt speaks at Nov. 13 lunch, with Keith Larson, head of Low-Power TV Branch of FCC Mass Media Bureau, at Nov. 14 session.

Commerce Secy. Ronald Brown and Patent Comr. Bruce Lehman are scheduled to release Sept. 5 final report of Administration task force dealing with intellectual property and National Information Infrastructure. Administration issued draft report, "Green Paper," in July 1994 that recommended minor changes in copyright law. Sources said final version, "White Paper," will track draft fairly closely, will recommend few changes.

Time Warner will use Antec equipment to provide cable-based alternate access telephony throughout its systems. Antec equipment includes SONET and other technology for digital transmission and switching of telephony.

FCC Wireless Bureau's Public Reference Room has moved to 2025 M St. NW, where rest of Wireless Bureau is located. Reference Room, now at 1919 M St. NW, closed Sept. 1, will reopen Sept. 11 in new quarters.

FCC Office of Inspector Gen. established hot line -- 202-418-0473 -- for public to report fraud, waste or mismanagement in FCC.

Tribune Co. is purchasing KTTY (Ch. 69 WBN) San Diego from San Diego TV Inc. for \$70.5 million.

Personals

Tom Wertheimer resigns as chmn., MCA TV Group, no successor named... **Emily Rooney** promoted to dir.-political coverage and special events, Fox News; **Ciro Abate** advanced to assoc. dir.-network distribution, Fox Bestg... **Jeff Bader** advanced to vp-current series programs, ABC Entertainment... Appointments at CBS: **Gene Stein**, ex-ABC Productions, as vp-nontraditional programming and dir.-drama series development; **Anita Addison**, ex-Warner Bros. TV, as vp-drama development; **Margery Baker-Riker**, CBS News Productions national editor, as exec. producer-dir., CBS News Productions; **Meredith Stark** as CBS News Productions dir.

Bill Hassinger, asst. chief of engineering, FCC Mass Media Bureau, retires after 34 years at Commission... **William Murray**, MPAA senior vp-media, promoted to deputy COO, new position... **Arthur Allison** joins NAB as senior engineer... Promotions at Ky. Educational TV: **Ed Mastrean** to dir.-community relations, **Mary Campbell** to dir.-communications... Changes at Blockbuster Entertainment Group: **Andrew Ballen**, purchasing dir., to gen. mdse. mgr.; **Michael Greene**, vp-gen. mdse. mgr., to vp-strategic programming.

Charles Moschetto, ex-CBS, named senior vp and dir.-mktg., Nielsen TV Index... **Bob Olive**, WVIZ-TV Cleveland, appointed to PBS National Program Policy Committee... Vp-News Dir. **Marv Rockford** promoted to vp-gen. mgr., KCNC-TV Denver Sept. 10, when station switches affiliation to CBS from NBC... **Jim Caruthers**, ex-WBTW Florence, S.C., appointed gen. mgr., WRBL Columbus, Ga... **Steven Grund**, KWGN-TV Denver news dir., adds new responsibilities as dir.-new operations, Tribune Bestg... **John Emmert**, dir.-news & operations, WPEC W. Palm Beach, moves to BBC news operations design team, replaced by **Jay Mitchell**, asst. news dir... **Don Shafer**, ex-WLUK-TV Green Bay, named news dir., WDJT-TV Milwaukee; **Juli Bushler** takes over as WLUK-TV news dir., promoted from exec. producer... **Thomas Rosenbaum**, leaves as news dir., WVUE New Orleans, no replacement named... **David Devereaux** promoted to vp-communications and design services, WTVS Detroit, succeeding **Paula Sullins**, who moves to part-time business development and new ventures position with station.

Promoted to senior vps, Walt Disney Co. Legal Dept.: **Valerie Cohen**, **Edward Nowak**, **David Thompson**... Appointments at Showtime Networks: **Kevin Oldis**, ex-Republic National Bank of N.Y., named dir.-employment; **Paul Calame**, ex-Viacom, becomes vp-management reporting; **Stuart Benson** promoted to vp-Showtime Satellite Networks finance; **Doris Guerrisio** advanced to vp-sales and mktg. finance; **Shari Yellin** to dir.-royalty finance; **Terry Fitzpatrick** to vp-programming finance... **Eric Hauenstein**, vp-gen. mgr., Jones Satellite Networks, advanced to vp, Jones International Networks... **David Dodge**, ex-Media Cybernetics, named vp-software systems, Time Warner Full Service Network.

Joan Garry advanced to Showtime Event TV pay-per-view vp-finance... Promotions to vp at Disney TeleVentures: **Barry Cottie**, mktg.; **Diana Ritchie**, network licensing; **Kristen Dimlow**, finance and administration.

OBITUARIES

Edward P. Whitney, 77, ex-NCTA exec. dir., died at his Deland, Fla., home July 21. Cause of death wasn't

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reported. He succeeded first NCTA Exec. Dir. Stratford Smith in 1957 and served until 1961. In 1963, Whitney became pres. of cable equipment supplier Entron, worked as cable consultant, retired to Fla. in 1979. Wife, 4 sons survive.

Pauline L. (Polly) Dunn, 83, cable pioneer, died July 24 in her home in Columbus, Miss., after stroke. She and husband founded Columbus TV Cable in 1954. When he died 3 years later, she took over company, later organized Miss. Cable TV Assn., served on NCTA board. She was noted as "grand dame" of cable, had strong political influence. Daughter survives.

Robert C. Crisler, 87, founder of R.C. Crisler media brokerage and investment banking firm, died Aug. 28 in his Cincinnati home. Cause of death wasn't given. He graduated from Yale in 1929 and, after service as Army Air Force captain in World War II, co-founded (with Hulbert Taft Jr.) Transit Radio designed to serve FM market. Brokerage and investment banking firm was formed after he purchased all stock of Transit Radio. Crisler's avocation was raising Black Angus cattle on Ky. ranch and he was former pres. of Latonia (Ky.) Race Track. Wife, 2 sons, daughter survive.

Consumer Electronics

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STATE OF THE INDUSTRY

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

	AUG. 12-18	1994 WEEK	% CHANGE	AUG. 5-11	33 WEEKS 1995	33 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	442,401	572,540*	-22.7	316,745	14,032,637	14,594,730*	- 3.9
DIRECT-VIEW....	430,287	559,926*	-23.2	305,482	13,643,998	14,295,893*	- 4.6
TV ONLY.....	409,358	537,481*	-23.8	281,842	12,486,904	13,201,243*	- 5.4
TV/VCR COMBO..	20,929	22,445	- 6.8	23,640	1,157,094*	1,094,650	+ 5.7
PROJECTION.....	12,114	12,614*	- 4.0	11,263*	388,639*	298,837	+30.1
TOTAL VCR#.....	241,667	245,320	- 1.5	184,913	8,214,896*	7,734,237	+ 6.2
HOME DECKS.....	220,738	222,875	- 1.0	161,273	7,057,802*	6,639,587	+ 6.3
CAMCORDERS.....	31,687	44,445	-28.7	28,963	1,901,545*	1,743,976	+ 9.0
LASERDISC PLAYERS	3,442	3,778	- 8.9	2,931	153,579	161,650	- 5.0

Direct-view TV 5-week moving average: 1995--457,333; 1994--533,574* (down 14.3%).

VCR deck 5-week moving average: 1995--251,712; 1994--260,393 (down 3.3%).

TV/VCR 5-week moving average: 1995--40,236*; 1994--34,346 (up 17.1%).

Camcorder 5-week moving average: 1995--62,335; 1994--60,964 (up 2.2%).

* Record for period. # Includes TV/VCR combinations.

DVD PEACE PACT 'NO PROBLEM' -- TOSHIBA OFFICIAL: Although negotiations with rival MultiMedia CD (MMCD) group have just started, there are many similarities with Super Density Disc (SD) technologies, and "we foresee no problem in reaching an amicable agreement" with Sony and Philips on unified standard for digital videodisc (DVD), Toshiba Multimedia Div. Deputy Gen. Mgr. Toshio Yajima told SD alliance news conference at Internationale Funkausstellung (IFA) in Berlin.

Yajima wouldn't elaborate when surrounded by reporters later. But comment came was in response to question on how quickly pact would have to be finalized to ensure that key components would be available in time for scheduled mid-1996 launch. SD news conference came 2 days after Sony and Philips executives made IFA headlines by acknowledging start of discussions with rival camp seeking to reach DVD truce (TVD Aug 28 p8). Apart from Yajima's conciliatory remark, SD officials from Thomson, Toshiba and Warner Home Video were as evasive as their Sony and Philips counterparts had been earlier in refusing to elaborate on talks.

Scarcity of details at IFA on peace discussions left reporters scrambling to differentiate reliable report from rumor. Scuttlebutt that Sony Pres. Nobuyuki Idei was in Berlin but hidden away in secret talks with SD officials proved unfounded. We have learned Idei opted to stay behind in Tokyo, where he monitored developments as they were being announced publicly at IFA.

Sources close to touchy negotiations counseled us against undue speculation. For example, we were told not to read significance into inconspicuous role played in Berlin by Koji Hase, senior mgr. of Toshiba's Advanced Media Dept. Hase for months has been Toshiba's key point man on SD, and some who had depicted him as "hawk" reckoned that he was being silenced as sensitive talks with Sony and Philips were getting under way.

Nevertheless, there's strong element of truth in reports citing new rifts in SD alliance between doves such as Yajima who favor conciliatory approach and more hawkish members such as Thomson Multimedia (TMM). In private interviews with our reporters during IFA, Thomson officials repeatedly stated their belief that negotiations with MMCD would be bad for industry if talks ruined "momentum" of SD developments

sufficiently to delay planned mid-1996 launch (see separate report, this issue). As week ended, Matsushita also was being categorized among SD hawks.

TMM Chmn. Alain Prestat, questioned about peace talks, replied: "Why not?" -- quickly adding "provided we do not lose the momentum" of SD-DVD alliance. "We are convinced that we have reached very strong momentum with very strong support of most of the consumer electronics companies and most Hollywood studios." He said momentum is important because "we have had many disappointments with the launch of new technologies," such as DCC, CD-I and MiniDisc, which he described as marketing "disasters." Corporate Development Vp Patrick Samier went so far as to say company believes negotiations "would be bad for the industry" if they ruin SD's momentum and delay mid-1996 product introduction. Prestat said he feared that if mid-1996 launch date for Thomson DVD player is missed, "we lose the year's season."

At SD news conference, Guy Johnson, TMM vp-worldwide DVD, said any agreement with Sony-Philips would have to stipulate mid-1996 product introduction -- but it wasn't clear whether he was speaking only on behalf of Thomson or for SD group as whole.

We have learned that peacemaker in days preceding IFA was Warner Home Video Pres. Warren Lieberfarb, identified by reliable sources as SD official who approached Sony's Idei with proposal to meet face-to-face for first time. At IFA, Lieberfarb politely declined to answer our questions about reports he had been in Tokyo immediately before arriving in Berlin. While Philips Exec. Vp Henk Bodt had told Berlin news conference that talks were in very preliminary stages with no concrete proposals yet on table, we're told that situation changed significantly day or 2 later when Sony and Philips submitted specific plan. Sony and Toshiba sources in Japan denied press report that Sony and Philips would be willing to endorse use of bonded SD discs for movie applications if SD alliance reciprocated by accepting 3.7- and 7.4-Gb MMCD discs for PC applications.

Sakon Nagasaki, dir., Matsushita DVD Promotion Office, acknowledged to questioner that subsidiary JVC had endorsed rival system for compatibility with MPEG-1 Video CD, which JVC strongly backs. But Nagasaki was unequivocal as to format JVC would support on MPEG-2-based DVD. He said sternly: "JVC will support the mother company [and] the mother company is Matsushita." On separate question about Matsushita-developed dual-focus laser critical for achieving backward compatibility with existing CD, Nagasaki said new component would add only 1% to cost of total DVD laser pickup.

Schedule for starting mass production of prerecorded "SD-5" and "SD-10" DVDs at Warner Advanced Media Operations plant in Olyphant, Pa., "hasn't changed," Vp Richard Marquardt said. As for production of Matsushita-developed "SD-9" discs, he said replication equipment will be delivered to Olyphant this month, with production to start in Nov. Pilot runs of 3,000-4,000 SD-9s at Matsushita lab in Japan have been "very favorable" and are being tested at Olyphant now, Marquardt said. Other highlights of IFA will be found in this and next week's issue.

FIRST-HALF IMPORTS UP FOR ALL MAJOR PRODUCTS: Led by 78% increase in TV/VCR combinations -- warning flag of possible inventory problem -- imports of all major CE product categories were up from last year in first half, Commerce Dept. figures show.

VCR deck imports rose 14.2% in first half, exceeding domestic sales for period by well over million units, while camcorder shipments climbed 17.7% to exceed sales here by 100,000. Projection TV, while not a major import category (imports representing only 29% of sales), climbed 41.6%. Even direct-view color, excluding combos, increased 2.5% in imports while sales to dealers declined 2.3% in same period.

In June, imports of TV/VCR combos were more than double figure of June 1994 and accounted for entire increase in total color-TV imports. With U.S. combo sales up only 4.1% in first half, 78% increase in imports for same period and increasing import percentages monthly could bring new inventory problems. For first half, imports were some 200,000 -- 22% -- higher than sales to dealers in same period. (However, industry sources say TV/VCR inventories peaked in spring for large sizes and at midyear for 13" and under, indicating possible decline in imports since June.)

TV/VCR imports from most source countries soared in first half. Malaysia was largest supplier, its 492,900 representing increase of 59% from last year's half, while Mexico got into act with 343,500, up 76.1%. Other leading source countries, in order, were Japan (up 174.9%), Thailand (up 81.2%), Korea (up 980%), while entering for first time this year were Hungary, which supplied Philips with 17,400 combos, and China (9,300).

Mexico, largest source of color TVs, would have registered decline in June were it not for increase in TV/VCR combos. Including combos, that country was source of some 64% of color imports, down from 71% in May (TVD Aug 7 p15). Mexico shipped 5.4 million color sets here in first half, and Malaysia was only other country to exceed one million, followed by Thailand with 575,000. Taiwan, once powerhouse for TV imports, dropped almost completely out of picture this year, with Singapore apparently getting ready to follow (see tabulation of imports by country, this issue).

Japan's share of VCR imports continued to shrink, dropping to 19.2% in first half from 26.4% one year earlier. Japan was topped as source by Malaysia in first half and by both Malaysia and Korea in June. China is dark horse in VCR race, displacing Indonesia as 4th leading source of VCRs.

Imports of camcorders -- 96% of them from Japan, rest from Korea -- soared 59.3% in June, with 8mm gaining strength, reversing situation of recent months. While 8mm represented only 36.9% of total camcorder imports in first half (down from 37.8% in 1994 period), 8mm imports soared 80.1% in June to raise them to 40.2% of total for month (vs. 35.6% in June 1994).

CD player imports continued to grow at substantial rate, averaging better than million units monthly, with China more than doubling its shipments, passing million units in half to become 3rd biggest source, after Japan and Malaysia. Here's table derived from Commerce Dept. import data:

Product	June 1995	June 1994	% Chg.	1st Half '95	1st Half '94	% Chg.
Total color TV...	1,439,000	1,414,500	+ 1.7	8,025,200	7,365,500	+ 9.0
TV/VCR combos..	184,200	87,200	+111.2	1,118,400	628,200	+78.0
Projection.....	15,500	15,200	+ 1.7	86,400	61,000	+41.6
Flat-panel color*	34,400	51,000	-32.5	264,500	219,300	+20.6
Monochrome TV....	140,500	145,100	- 3.2	665,900	853,800	-22.0
VCR decks.....	1,376,800	1,234,400	+11.5	7,667,100	6,723,200	+14.2
Camcorders.....	370,900	232,800	+59.3	1,632,500	1,386,500	+17.7
8mm.....	149,100	82,800	+80.1	602,500	524,600	+14.8
Other.....	221,800	150,000	+47.9	1,029,900	861,900	+19.5
Videocass. players	95,850	92,500	+ 3.6	540,600	523,900	+ 3.2
CD players.....	1,233,100	989,000	+24.7	6,417,400	4,160,900	+54.2

* Not included in total color.

TCE AMERICA 1994 SALES \$4.2 BILLION -- PRESTAT: Thomson Consumer Electronics (TCE) sold record \$4.2 billion worth of finished products in Americas last year, up some 27% -- \$896 million -- over 1993, according to Chmn. Alain Prestat of French parent Thomson Multimedia (TMM). Thus, American operations, led by RCA and GE brands, presumably represented about 60% of TMM's total worldwide sales of 38.146 billion francs, equal to \$6.9 billion at exchange rate last year.

Breakdown of sales in 1994 -- 2nd consecutive year of operating profit for TMM (TVD March 27 p12) -- are contained in annual report, released on eve of Berlin Internationale Funkausstellung (IFA) at meeting by Prestat and other TMM officials with small group of reporters.

For company that produced more than 8 million TVs in 1994, that category, not surprisingly, was biggest worldwide revenue producer, accounting for 45% of total (\$3.105 billion at \$1 = 5.52 francs), followed by video at 19% (\$1.311 billion), tubes & components and audio & communications at 13% each (\$897 million each), professional equipment and Digital Satellite System (DSS) at 5% each (\$345 million each). Thus sales of DSS -- available only in U.S. -- constituted some 38.5% of TCE's sales increase in Americas.

Thomson produced more than 13 million color tubes, 3 million VCRs and 26 million audio and communications products, in addition to 8 million TVs last year, according to report, which noted that company's Asian and Latin American sales were up 50% last year over 1993.

Business "trends continue to be good, despite many opposite winds," Prestat told reporters, citing currency problems, price competition and economic conditions and noting that sales recently have been "slowing down" in U.S. He sidestepped questions as to whether TMM is on track with his forecast of net

profit in 1995, made last year (TVD March 28/94 p12), saying that 50% of company's sales are made in year's final 4 months and "I won't comment in August about the situation in the coming months."

Sony's entry into DSS market may be slowing sales of RCA version in U.S., Prestat fears. "People are hesitating, thinking that receivers will get cheaper when the Japanese move in," he said in interview with TV Digest correspondent. Thomson is one of 5 companies making receivers for Europe's Canal Plus digital satellite service.

In its European operations, TMM finally has completed realignment of its 3 continental brands, giving each its own identity, personality and product design -- conservative, quality-oriented Telefunken; youth-centered, mass-market, high-value Saba, and futuristic, innovative Thomson (Nordmende in Germany). Overlap among TMM's brands, Prestat admitted, created confusion in Europe. "Our worst competition has been from ourselves," he said. Our European sales people have been fighting each other."

In U.K., Prestat conceded that TMM's Ferguson brand has lost momentum as result of company's concentration on U.S., where he said RCA's TV market share has been rebuilt to more than 20% from 16%. TMM will launch Thomson brand TV and video in U.K. in time for Christmas, he said, completely separate in design and appeal from Ferguson -- equating with Thomson and Nordmende brands on Continent, while Ferguson is equivalent of Saba.

Asked about possible privatization of TMM, Prestat replied: "That is clearly a decision [for] the shareholders" (of which Thomson has one -- France's govt.). Possibility of going private "is much easier to take today," given company's positive balance sheet, he said -- "we are ready, we are ready." He noted, however, that there's no timetable for privatization.

Communication engineer by training, Prestat conceded that he had given up on Europe's ill-fated MAC analog HDTV system by 1992 in favor of digital approach, "but for political reasons we could not say so." Digital age, he believes, gives West culturally rooted advantage over Japan: "Digital engineers work with a pencil, paper and knowledge of Shannon theory. Analog engineers worked with oscilloscopes, waves and whistles. All the field medals for digital technology have been won by Europeans. Westerners think in black and white, with yes-and-no answers, which is a digital way of thinking. The Japanese culture is quite different -- the natural way of thinking is analog."

As for company's new corporate name -- Thomson Multimedia -- he said change wasn't made "just for fashion, but because it was in sync with what we were already implementing" -- thinking globally, launching revolution in product design and staking out position as "leader in digital technologies" via DSS and digital videodisc. (See separate report, this issue, for Prestat's comments on DVD.)

When we pointed out that 2 years ago in Berlin he criticized "multimedia," saying "I don't like that word because nobody knows what it is" (TVD Sept 6/93 p10), he had ready answer: "Two years ago, everybody was talking about multimedia without knowing exactly what it meant." Now, finally, market has seen "examples of what multimedia could be... [It] no longer is a kind of dream." Conceding that word is "now very fashionable," he added that "multimedia is now becoming a reality."

SCREENS IN BERLIN -- BIG, FLAT, THIN AND WIDE: First rear-projection version of Texas Instruments' digital micromirror display (DMD) was surprise entry among variety of new TV screens at Berlin's Internationale Funkausstellung (IFA) "World's Fair of Consumer Electronics," which ended 9-day run Sept. 2.

Virtually every TV manufacturer at huge fair showed 16:9 TVs designed to receive new PALplus higher resolution widescreen programs now being transmitted in Germany. Also demonstrated were Sony's Plasmatron and several plasma displays as entries in wall-hanging TV sweepstakes, as well as Schneider-Daimler Benz laser projection system. Not on public display in Berlin was dark horse lower-cost French field-emission display system licensed for production by major U.S. and Japanese companies.

Nokia of Finland has rejected plasma technology as too expensive and unreliable, instead showed prototype of first rear-projection system using TI's DMD technology (TVD June 5 p11) with promise to bring it to market early in 1997. Using chip with 500,000 microscopic mirrors, each individually hinged to silicon wafer to reflect external light into lens, Nokia's version has 51" flat screen, with cabinet less than 16" deep, and displayed very bright blemish-free pictures. Runco has promised consumer version of DMD front-projection system by 3rd quarter 1996 and will demonstrate technology at CEDIA Expo in Dallas this week (TVD Aug 14 p14).

Although Sony worked with TI for 3 years to develop high-quality DMD projector (TVD May 29 p12), it's basing near-term consumer display hopes on its 1-1/2" thick Plasmatron version of LCD screen (TVD July 3 p8) that it plans to introduce in Japan this year. But when company demonstrated two 25" models at IFA last week, both had dark spot blemishes caused by unswitched LCD cells. Because picture is formed by external light source behind LCD, viewing angle appeared quite narrow.

Thomson demonstrated "Image Slab" -- 22" plasma display panel (PDP) with 512-line wire matrix on glass faceplate, each with 480 red, green and blue phosphors, activated by 350-v AC pulses. Because phosphors emit light like those of CR tube, picture had familiar TV look and could be viewed from wide angle. Thomson says there's no plan yet for production. Screen shown in Berlin had several visible blemishes.

For 2nd time at IFA, Schneider booth displayed laser projection TV system, which showed some improvement over version demonstrated 2 years ago (TVD Sept 13/93 p12) but still displaying surprisingly dim picture, poor contrast, some unnatural colors. Now being developed by joint venture with Daimler Benz (TVD Aug 7 p19), goal is professional model at around \$100,000 in 2 years, consumer model later with semiconductor lasers substituting for prototype's gas lasers. However, trade observers at show thought it unlikely from health standpoint that projector beaming raw laser light onto screen would be permitted as household device.

Behind scenes, there's new excitement over system developed by French company called PixTech, whose "Microtips" flat-panel display uses field emission technology and promises lower cost screens viewable at wide angle. TI, Motorola, Raytheon and Futuba -- all of which have been working on field emission displays (FEDs) -- have signed licenses permitting them to manufacture systems using Microtips principles and to swap data among themselves, using PixTech as clearinghouse.

PixTech's panel works like flattened CRT, but without heated cathode. Glass sandwich has phosphor dots on front panel, matrix of cone-shaped electrodes on back panel. When high voltage is fed to cones, their tips concentrate charge and emit electrons, even though they're cold. As in CRT, electrons hit phosphors which emit light. Prototypes are said to use less power than LCDs and cost 1/3 less to make.

SONY EXPANDS IN MEXICO: Sony last week announced major expansion in border area of Mexico, already site of its largest TV manufacturing plant worldwide. New company, Western Mexico Mfg. Center, will be parent of existing Tijuana facility and new manufacturing operation in Mexicali, 90 miles east.

Video Tec de Mexico (VTM) in Tijuana, celebrating 8th anniversary, will add 55,000-sq.-ft. leased building next month "to further enhance its vertical integration with Sony's North American manufacturing facilities." New plant will be 6th facility in Sony's Tijuana complex, raising total space to 540,000 sq. ft., with 5,000 employees.

New manufacturing operation, Televisores y Componentes de Mexicali (TCM), at about 100,000 sq. ft., is expected to open in Jan., employing 500 at start. Sony is investing \$10 million in Mexicali at outset, with \$15-million expansion planned. New facility first will manufacture key components such as deflection yokes and surface mount components for operations in San Diego, Pittsburgh, Brazil. New facilities reflect Sony's expansion in U.S., including launch of computer monitor tubes in San Diego last week (TVD Aug 28 p16).

In its 8 years, VTM has produced more than 10 million color TVs and computer displays, as well as 14 million deflection yokes, 7 million flyback transformers, one million TV tuners and 600,000 electron guns, increasing its engineering capabilities and producing its first locally designed TV set for Latin America.

Luis Zuniga will be pres. of Western Mexico Mfg. Center, Rey Huerta will head TCM, and Sunichi Kato will manage TCM (see Consumer Electronics Personals).

Shipments of Safety Alert transmitter will begin in Oct.-Nov. under distribution agreement Cobra Electronics signed with light bar manufacturer Code 3. Latter will sell transmitter -- which warns of approaching vehicle by activating radar detector -- to emergency, construction, railroad and utility industries, Cobra Mktg. Vp John Pohl said. At same time, Cobra has delayed introduction of Safety Alert consumer product until Winter CES, he said. LED receiver will lack detector and will sell at \$79-\$99. Cobra had planned to ship model by 3rd quarter at \$49 (TVD April 17 p15). Goal now is to lower LED price to \$49 by late 1996 with LCD version at \$99, Pohl said. In place of receiver, Cobra will ship 2 LED radar/laser detectors in fall at \$199 and \$149, high-end model being battery-operated cordless version. Both will have strobe warning light that moves right-left to signal emergency vehicles, left-right for trains.

Dillard's will add 2 stores with CE in fall -- 155,000- and 200,000-sq.-ft. outlets in Cleveland and Austin, respectively, company said. Stores will be Dillard's 10th in Cleveland area to carry CE products, 8th in Austin. CE Dept. typically covers 1,600-1,800 sq. ft.

China produced 16,095,000 TV sets in first half, up 13.1% from same 1994 period. Included were 9,038,100 color sets, up 18.6%, and indicated 7,056,900 monochrome, up 7.4%. In June, China imported 80,000 TV sets, up 80%, and 910,000 TV tubes, up 8.3%, Beijing govt. said.

THIS WEEK'S YEN RATE

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

FIRST-HALF IMPORTS: Imports of VCRs and TVs by source country for June and first half (see separate report, this issue):

VCR Decks					
	June	% Chg.	1st Half	% Chg.	
TOTAL.....	1,376,800	+11.5	7,667,100	+14.2	
Malaysia..	313,700	+38.7	1,718,650	+13.9	
Japan.....	257,900	-23.3	1,474,900	-16.7	
Korea.....	277,200	- 1.8	1,409,000	+ 9.6	
Indonesia..	151,900	+34.3	898,900	- 1.4	
China.....	221,500	+70.3	843,000	+94.6	
Thailand..	87,300	- 6.2	718,900	+45.7	
Singapore..	64,400	+36.0	547,000	+95.5	
Hong Kong.	0	*	31,000	*	
Taiwan....	2,200	*	12,700	-31.9	
TV Sets**					
TOTAL.....	1,564,000	+ 1.3	8,604,700	+ 5.5	
color....	1,423,500	+ 1.7	7,938,900	+ 8.7	
TV/VCR..	184,200	+111.2	1,118,400	+78.0	
b&w.....	140,500	- 3.2	665,900	-22.0	
Mexico					
color....	1,008,700	+ 0.1	5,438,100	+11.4	
TV/VCR..	67,700	+85.0	343,500	+76.1	
Malaysia					
total....	575,200	+22.0	1,086,500	+ 1.0	
color....	189,100	+27.8	1,048,200	+ 7.9	
TV/VCR..	77,900	+94.0	492,900	+59.2	
b&w.....	10,400	+350.0	48,300	-63.0	
China					
total....	124,000	-22.7	681,900	- 6.6	
color....	33,000	-60.2	258,100	- 7.8	
TV/VCR..	800	*	9,300	*	
b&w.....	91,000	+17.3	423,700	- 5.9	
Thailand					
color....	113,100	+17.0	575,100	-19.1	
TV/VCR..	15,500	+865.0	106,400	+81.2	
Korea					
total....	44,000	+31.1	264,700	+31.6	
color....	18,900	+17.5	146,000	+24.0	
TV/VCR..	550	*	77,000	+979.9	
b&w.....	25,000	+43.3	118,800	+42.5	
Japan					
total....	29,200	+ 4.2	213,400	+ 8.5	
color....	24,700	+ 7.0	208,000	+32.7	
TV/VCR..	17,900	+123.4	136,500	+174.9	
b&w.....	4,500	-12.3	23,100	-42.2	
Canada					
color....	17,400	+109.9	114,700	+219.4	
Singapore					
color....	13,700	- 4.4	77,400	-22.7	
Taiwan					
total....	7,400	-68.9	48,700	-64.7	
color....	1,000	-73.2	4,600	-63.4	
b&w.....	6,500	-68.1	44,100	-64.8	
Hungary					
TV/VCR..	3,300	*	17,400	*	
Hong Kong					
total....	1,800	-86.7	10,500	-41.2	
color....	0	--	5,600	-41.7	
TV/VCR..	0	*	2,400	*	
b&w.....	1,800	-55.3	7,200	-11.4	

* No significant shipments in 1994 period.

** Excluding projection, flat-panel TV. Some totals may not add due to rounding.

DVD 'BIGGER THAN VCR' -- PRESTAT: Digital videodisc (DVD) will become "the most successful consumer electronics product [ever] in the coming years," outselling even VCR or Walkman-type personal stereos, Thomson Multimedia Chmn. Alain Prestat told reporters at Internationale Funkausstellung (IFA) in Berlin. Potential is for DVD to be "bigger than VCR -- no doubt," said Prestat, who projected annual sales of 5 million players in Europe and 10 million in U.S. after 3 years.

Simplicity and "universality" of DVD for range of future AV and multimedia applications will give format life expectancy of 20 years, he said. Other DVD developments in news-filled week:

Super Density Disc (SD), "the fruit of joint development with Time Warner and other firms, is expected to make a major contribution to Time Warner group, allowing it to develop a large number of new projects across the whole range of Time Warner's business fields." So said Toshiba, announcing agreement with Time Warner "to extend the scope of their strategic partnership to a wide range of media and entertainment fields, including music and publishing."

Terms of pact call for Toshiba to exchange present stake in Time Warner Entertainment for equity in Time Warner parent in return for Time Warner shares and possibly \$10 million in cash. Announcement said Time Warner plans to use DVD not only to expand marketing of home video software, but also for widening publishing and music operations and for use in servers for cable network and video on demand (VOD) systems.

Despite persistent wooing by SD alliance, Nokia Consumer Electronics remains firmly committed to Multimedia CD (MMCD) camp, Technology & New Business Vp Helmut Stein told us at IFA. However, he said he fears impact on DVD launch next year if major camps fail to reach agreement on single standard. He said: "It will be cheap for Hollywood to put movies on CDs, using both systems 'just in case.' But if the public sees that *Forrest Gump* is on MMCD and *Forrest Gump* is on SD, they will just buy *Forrest Gump* on VHS."

Unofficial record for earliest invitation to Jan. Consumer Electronics Show news conference belongs to Toshiba America Consumer Products, which asked reporters to "hold the date" Jan. 4, 6-9 p.m., for demonstration of SD DVD player.



AlphaStar DBS system will be distributed through Amway under agreement reported last week. Million Amway distributors will market AlphaStar's 100-channel DBS system in U.S. starting in Nov., month before network goes on air, AlphaStar Programming & Mktg. Vp Stuart Jacob said. Distributor will have separate channel on system where product and pricing information will be posted, he said. AlphaStar also will sell product through satellite and CE dealers. Company is expected to finalize plans for uplink facility by midmonth in advance of Sept. 22 launch of AT&T Telstar 402R satellite that will carry system's programming.

Will Europe adopt U.S.-pioneered method of measuring screen size by viewable rather than overall diagonal? New catalogs of Thomson's European TV brands now include viewable as well as traditional overall diagonal measurement: 94 cm (37") tube is described parenthetically as "89 cm sichtbares Bild" (35" viewable picture).

CONSUMER FINANCING BINGE: Array of consumer financing programs to be unveiled by CE manufacturers in fall -- including first credit card by Sony -- leaves some industry leaders concerned that long-term interests are being sacrificed for short-term gains.

While programs of Hitachi, Mitsubishi, Sony, Thomson, Toshiba and others are expected to boost high-end product sales with promises of no payments or interest until Jan. 1997, question remains whether buyer will return to market in 1996. At least 10 programs being offered this fall don't require payment until 1997.

Impact of programs running concurrently is difficult to gauge, since it's first time most companies have offered them on national basis. Mitsubishi was first when it introduced program in late 1980s.

"There will be a tremendous consumer debt that will have to be paid in January 1997 -- and with all these programs running, does it take people out of the market for 1996?", asked Hitachi Exec. Vp Gary Bennett, whose company is starting program this month covering projection and 35" TVs as well as Ultravision 32" and 27" TVs, camcorder, VCR. "I think it will take some people out who are worried that they will have this bill in 1997."

For most part, financing applies to select high-end product, with Thomson focusing on ProScan and Toshiba on SuperTube. But Sony appears to be carrying it further, offering no payment or interest until Jan. 1997 on any product or combination of products totaling \$1,000 or more, it confirmed. For items valued at \$500-\$999, offer is 12 months, it said. Sony Preferred credit card, backed by Banc One and expected to be available in Oct., applies only to purchases of Sony products and carries 6 months of no payments or interest.

Retailers generally support financing packages, noting that many consumers quickly buy other products after making first purchase. "It depends on what they initially bought," Hi-Fi Buys Vp David Ginsberg said. "If they need more to complete the system, they'll be back."

But while programs may provide increased sales, they also cut into profits. Dealers typically pay vendors 2-3% of retail cost of sale to participate and CE manufacturers are charged 6-9% by credit companies that underwrite programs. "Sure it cuts into margin, but up until now it has all been plus business," Magnolia Hi-Fi Video Buyer Al Conrad said. "It also tends to hold the retail prices stable."

Most of price moves in big-screen TV were made in Aug. (TVD Aug 21 p8) and CE manufacturers have said focus now shifts to consumer financing. Yet with many companies supplying financing, danger remains that it will become less effective merchandising strategy. "We have to become experts in taking credit applications and I hope that doesn't take away from our expertise in selling products," Harvey Electronics Vp Franklin Karp said.

While CE executives and retailers concede that programs may not be best for industry's long-term interests, most say they can't afford not to offer them. Sources said Mitsubishi TVs outsold some competitors' models at several retailers in spring when they were part of financing program. "If we're not in it and somebody else is, somebody else has a major unfair advantage," Toshiba Senior Vp Michael Larson said. "Regardless of the strength of your product, if the retailers are offering the consumer a chance to pick a TV up today and not have to pay until 1997, the consumer's going to buy that one."

EMERSON STIFFENS MEMCORP SUIT: Memcorp used confidential Emerson information to set up competing Memorex brand and has targeted Wal-Mart to sell product, Emerson said in court papers.

In amended suit filed in N.J. Superior Court, Emerson also charged Memcorp, composed of several former Emerson executives, used supplier Orion Electric (Otake) to build Memorex camcorder for distribution through Wal-Mart. Orion signed deal with Emerson in Feb. to use Emerson trademark on video products sold through Wal-Mart (TVD Feb 27 p16). Same pact barred Orion from supplying other products or brand names to Wal-Mart, which is Emerson's largest dealer, suit said.

Suit said former Emerson Execs. Donald Dvorkin, Craig Roth and Kunio Takei joined with Barry Smith, who formed E&H Partners with Emerson to sell refurbished product in Latin America, to use "confidential and trade secret information for the purpose of achieving commercial advantage and personal profit to Emerson's detriment." Smith declined to comment, but said he would respond to allegations in court papers.

Amended suit represents stronger stance by Emerson, whose Pres. Eugene Davis first said legal action represented "difference of opinion among partners" (TVD July 10 p11). Suit seeks to block Memcorp from selling products under Memorex brand.

Dvorkin set up Memcorp less than month after leaving Emerson in Sept. 1994, suit said. His employment agreement with Emerson barred him from competing against company for year after leaving and within 100-mile radius of Emerson hq, it said.

Memcorp later acquired rights to Memorex brand and is planning line of A/V products for mass merchants (TVD June 26 p13).

Smith, who set up E&H with Emerson in April 1994, was barred under partnership agreement from "owning or backing a competing trademark," suit said. In creating partnership, Emerson supplied \$500,000 in merchandise that was delivered for refurbishment and sale, suit said. Complaint said Smith hasn't paid for merchandise he received and owed \$17.9 million as of June 30.

STEREO TV RECORD IN JULY: Although sales of TVs with stereo sound were down in July 1995 from year earlier, decline was less than that in total direct-view TV (excluding VCR combinations) -- and stereo models actually set record for any month in terms of percentage. In fact, almost half of all sets sold in July were stereo models.

Actual percentage was 49.4%, breaking record of 48.6% set in Nov. 1993. Even so, number of stereo sets sold declined 6.8% to 764,046 in July 1995 from 820,020 in July 1994. However, drop in total direct-view sets (noncombo) was steeper -- 11.6% to 1,545,505 from 1,748,079 (TVD Aug 14 p9) -- and only 46.9% involved stereo models.

Stereo's revival apparently is growing as year progresses -- at least in terms of percentage. Percentage of TVs with stereo lagged for first 4 months of year, then picked up in latest 3 (May-July). For year's first 7 months, total of 5,241,022 stereo TVs were sold to dealers, down 1.6% from 5,255,585 year earlier. But total TV sales were down more, and percentage with stereo rose to 44.7% this year from 43.8% at same time last year.

SEMI-TECH'S CE PLANS: Semi-Tech (Canada), owner of Singer, Sansui and Akai (TVD July 3 p9), considers consumer electronics "second pillar of our corporate structure" after Singer's sewing, appliance, furniture products and retail stores, Chmn.-Pres. James Ting said.

In annual report, Ting said pillar "is still under construction [but] by now our strategy should be clear. We acquired Sansui mainly because of its strong brand-name recognition in audio products. We took a strategic position [24%] in Tomei [Hong Kong audio manufacturer] to provide a low-cost manufacturing base for Sansui.

"We then began a search for a video products company. Many potential acquisitions were explored, but for the most part we felt they were overvalued until Akai became available. Akai has a world-famous brand name in consumer electronics. Their products are both innovative and reliable. Akai's main product line is videocassette recorders/players.

"It should not be a surprise when we announced our intention to acquire Kong Wah, a [Hong Kong and China] TV manufacturer and distributor. Together, these companies are now developing the next generation of home theater entertainment products. With Akai as our focus, we are now building our 2nd pillar: A consumer electronics product manufacturer and distributor."

Ting promised further "acquisitions and investments in our second pillar." Semi-Tech is holding company whose Hong Kong affiliate, Semi-Tech Global, is considered "operating company."

* * * * *

Akai reported loss of \$40 million (3.356 billion yen) in adjusted 7-month fiscal year (Nov. 21-June 30) on nonconsolidated (parent-only) basis, on sales of \$180,321,000, parent Semi-Tech said. In preceding 12-month fiscal year (ended Nov. 20), loss was \$18.4 million on sales of \$547,667,000.

Company blamed "sluggish" consumer demand worldwide. Of total sales in latest period, 54.1% were video, 15.8% audio, 30.1% special devices. Exports accounted for 77% of sales, Europe receiving 40%, N. America 4%, Mideast and Africa 5%. Akai said loss was "about 4% better than forecast." If exchange rate stays at about 96 yen = \$1, Akai expects "near break-even position for the next fiscal term."

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European TV manufacturers are banding together to block Gemstar's Guide Plus on-screen program guide, called ShowList in version for Europe. With cooperation of Germany's RTL network, Gemstar was demonstrating ShowList at last week's Berlin Internationale Funkausstellung (IFA). However, as fair opened, European Assn. of Consumer Electronics Mfrs. (EACEM) announced major TV and VCR manufacturers and individual broadcasters had agreed on standardized "nonproprietary" system based on teletex. EACEM said system was proposed by Bang & Olufsen, Grundig, Nokia, Philips, Sony and Thomson and supported also by Blaupunkt, Grundig, Loewe Opta, Samsung, Sanyo, Sharp. TV manufacturing exhibitors at IFA made it clear that development of standard system was designed to head off Gemstar's proprietary ShowList. EACEM is composed of CE trade associations from 12 European countries.

Magnolia Hi-Fi will open 55,000-sq.-ft. hq and warehouse in Kent, Wash., in Nov. Ten-store chain previously housed operations in 3 buildings in Seattle area.

AUG. RETAIL SALES RISE: CE chains, boosted by air conditioners and Windows 95 software, reported sales gains during Aug.

Best Buy said Aug. sales jumped 59% to \$526 million on strength of PC products and Windows 95. Same-store sales rose 14%. For 2nd quarter ended Aug. 26, sales rose 54% to \$1.4 billion on 7% gain in same-store sales.

Sears, citing strong sales in CE and other categories, reported 5.3% rise in Aug. sales to \$2.1 billion on 3% gain in same-store sales.

Ames Dept. Stores said Aug. sales inched up 1.7% to \$152.4 million on strength of increased revenues from home entertainment products. Same-store sales were up 1.6%.

Musicland, despite weak sales in mall-based stores, posted 16.2% sales increase in Aug. to \$113.8 million although same-store sales were up only 1%. Mall-based stores Sam Goody/Musicland and Suncoast said sales fell 2.7% to \$80.2 million and sales-store sales 4.4%. Media Play and On Cue, which Musicland has increasingly focused on, said sales soared 118% to \$32.3 million on 6.8% gain in same-store sales.

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Compaq, which often has talked about becoming more broadly-based CE products company, announced pact with Mattel's Fisher-Price subsidiary to create and market "totally new line of education- and entertainment-oriented products for young children." Companies said they aim to give young children way "to harness the power of their multimedia PCs to play and learn." New line, to be introduced into PC and toy channels in mid-1996, will combine new hardware and software products. Earlier, Compaq moved to beef up its consumer marketing expertise with hiring of former Sony TV executive Michael Heil as senior vp-gen. mgr., Consumer Products Div. Company for several months reportedly has been hiring people from such CE manufacturers as Nintendo, Philips, Sega and Sony, has been designing friendly looking computer products for children and has been looking at TV, videogames, video-on-demand boxes, other computer-based products. Compaq has scheduled news conference in N.Y next week to introduce "extraordinary line of consumer products," although that's expected to be focused on line of new home-oriented computers.

Camcorder Notes: **Panasonic** this month will start shipping 3.2" LCD monitor attachment that fits all 1993-1995 Panasonic Palmcorders and Quasar equivalents by plugging into battery mounting surface, while battery is mounted on back of monitor (TVD May 22 p12). DisplayMate swivels up to 180° horizontally and vertically. It has more than 105,000 pixel resolution, which Panasonic says is "40% more than most other consumer LCD camcorder monitors." Suggested list is \$350... **Sony** adds Hi8 Handycam (TR3000) with 1/4" 180,000 pixel viewfinder with "solar window" to utilize sun for brighter image in daylight shooting, 1/4" 410,000 pixel CCD pickup, optical image stabilization, stereo hi-fi, lithium ion battery at \$1,999... **Canon** entry-level 8mm ES90 camcorder has optical 12x zoom, 3-mode auto exposure, credit card size remote, digital signal processing, insert editing at \$799.

Audio King (AK), citing expenses related to opening of Cedar Rapids store in May, reported \$74,225 loss in 4th quarter from \$73,544 profit year ago. Sales for quarter ended June 30 increased 29% (see financial table) on 24% gain in same-store sales.

ITA SPOTLIGHTS DVD: High-density storage technology -- including both proposed digital videodisc (DVD) systems -- will dominate ITA's 7th annual Magnetic & Optical Media Seminar (MOMS) Nov. 2-3 at Mark Hopkins Hotel, San Francisco.

Among technical topics will be Super Density (SD) Disc Mfg. Technology by Warner Advanced Media Operations Vp Richard Marquardt; MultiMedia CD (MMCD) Technology & Mfg. by PolyGram Process Engineering Dir. Gerhard Eggers; MultiMedia Dual Layer Technology by 3M Data Storage Optical Technology Lab Mgr. Robert Schoonover; Multilevel Optical Storage by IBM researcher Wayne Imaino; Phase-Change Rewritable Optical Discs by Panasonic Technologies Asst. R&D Mgr. Stephen Heil.

Other topics will include overviews of ultra high density magnetic and optical storage, magnetic and optical recording media market statistics and forecasts, high-density magnetic tape, magnetic tape directions, D-VHS recorder, recordable CDs, flash mass storage technology.

Speakers will include representatives of Advanced Storage Technology, Brauch, Carnegie-Mellon U., Fuji, GE Plastics, B.F. Goodrich Chemicals, Hewlett-Packard, ISK Magnetics, JVC, ODME, Optical Disc, Strategic Market Decisions, SunDisk, Zen Tech Designs -- 212-643-0620.



Tops Appliance City, which has struggled in N.Y.C. in recent years, is embarking on another campaign to remake image. New drive is expected to hit TV-radio this month and debuted in newspapers in late Aug. Gone from newspaper ads were such staples as loss leader products and "Topsy" characters. "The [new] ads are geared toward price as well as better value," Tops Senior Vp-Gen. Mdse. Mgr. Rick Jones said. New campaign is most recent approach Tops has taken to soften flamboyant image. In past it has aired radio ads tied to station's music format (TVD May 9/94 p16) and employed comedian Jackie Mason as spokesman (TVD March 20 p17).

Smith's Home Furnishings received bankruptcy court approval for interim financing package Fri., allowing it to open 9 stores in Ore. and Ida., said Brad Summers, attorney for Smith's. Details of financing arrangement weren't available immediately. Stores had been closed pending approval of financing. Portland, Ore., retailer filed for Ch. 11 in late Aug. (TVD Aug 28 p14) and since has closed 4 stores in Seattle area that it had opened year ago.

Zenith is exploring European market for projection TV. Company showed 52" and 60" rear-projection sets and front projectors at Berlin's Internationale Funkausstellung last week at booth of Cinematix, German AV product distributor and systems integrator, as well as at main International Congress Center building. European version of front projector has been developed. Zenith hasn't disclosed plans for Europe, but said presence at Berlin fair was exploratory.

Toshiba's Integrated Multimedia Monitor (TIMM) will be exported to Japan starting this month, price not set. TIMM, introduced in U.S. year ago at \$999, features 20" monitor with FST Black picture tube, 0.58 dot pitch, 10-w audio system. TIMM is built in N. America using tube from Horseheads, N.Y., plant, chassis from Mexico, assembly in Lebanon, Tenn. Monitor is being sold through PC retailers as well as CE dealers P.C. Richard, Sun TV, Tops Appliance City, Wiz.

Hitachi is developing combination car navigation and game system based on Sega Saturn platform, with marketing plans expected to be disclosed by end of year. Hitachi, whose 32-bit RISC processors are at heart of Saturn system, and which is marketing version under its own label in Japan, said car navigation system would load map data from Saturn-compatible CD-ROM disc to built-in flash memory, creating 3D images of roads and landmarks through polygon processing. This is 2nd attempt to marry game-oriented multimedia system to car navigation; Toshiba recently abandoned development of all products based on 3DO technology, first of which was supposed to be 3DO-based car navigation system on company's belief that ultimately "all the entertainment that will be used in the vehicle will come in a single piece of hardware."

Trade show committee in Interactive Digital Software Assn. (IDSA) board approved transitional plan that would have IDSA-sponsored show in L.A. next year use name that combines Electronic Entertainment Expo (E3) that adorned this year's show with new name to be used for later events. IDSA officials wouldn't disclose new name, saying trademark searches aren't complete, and cautioned that other issues could bring change in transition plan. IDSA Pres. Douglas Lowenstein has said he wants name that doesn't limit show so strongly to entertainment software. Group also wants outright ownership of name of show it sponsors; E3 name is owned by Infotainment World Div. of International Data Group (IDG).

Toshiba will begin preproduction of Digital Satellite System (DSS) receivers late this year with goal of reaching market by mid-1996. Having signed licensing agreement with DirecTV in March (TVD March 20 p12), Toshiba at start will sell standalone unit, although pricing and features haven't been set, National Satellite Sales Mgr. Joseph Znidarsic said. Company is conducting distributor, dealer and consumer surveys covering C-band, cable and DSS to gauge market, he said. "We're trying to find the comfort factor the consumer has, the value they feel they are getting for their dollar and what kinds of features they would like to have" in DSS receiver, Znidarsic said, declining to disclose results of surveys.

Nokia's restructured Consumer & Industrial Electronics business group made operating profit equal to \$3,633,000 in 1994, reversing 1993 loss of \$131,273,000, it said in annual report. Group's sales totaled \$1.29 billion, up in dollars from \$1.22 billion in 1993, but down slightly in Finnish markka (dollar figures based on average exchange rates in each year). Restructuring included sales of assets of Nokia's picture tube manufacturing operation to Matsushita, mainly responsible for decline in group's net sales.

Mitsubishi and Daiichi Kosho, producer of karaoke equipment and software, are acquiring 60% of Shanghai United Optical Disc for \$2 million. With partner China Record Corp., they say they plan to make it China's largest CD manufacturing facility. It's first new CD plant authorized by Chinese govt. since its banned new facilities earlier this year after U.S. demanded crackdown on piracy. Group plans to produce 6 million CDs first year, rising to 10 million by 1997 for export as well as sales in there.

Buying intentions for TV sets were low in Aug., according to preliminary figures in Conference Board survey, showing only 6.2% of households queried intended to buy TV set in next 6 months -- 2nd lowest monthly figure in year. That compares with 6.5% (revised upward from 6.2%) in July and 7.3% in Aug. 1994. Confidence Index held steady in Aug., remaining at a high 101 (1985 = 100).

Consumer Electronics Personals

Fujio Mitari appointed pres. of Canon in Japan, succeeding his first cousin, **Hajime Mitari**, who died Aug. 31 (see obituary, this issue)... **Reese Haggott**, ex-Alpine and Eclipse, joins Coustic as senior vp-sales & mktg... **Gilbert Wachsman**, ex-Lieberman Enterprises and Wachsman Management Consulting, named senior vp-gen. mdse. mgr.-hardlines, K mart... **John Menzer**, ex-Ben Franklin Retail Stores, named Wal-Mart exec. vp-CFO.

Luis Zuniga, senior vp, Sony's Video Tec de Mexico (VTM), named pres., VTM's new parent Western Mexico Mfg. Center; **Rey Huerta**, VTM key components dir., will head new Televisores y Componentes de Mexicali; **Shunichi Kato**, VTM production vp, will head VTM (see separate report)... **Robert Johnson**, ex-Tops Appliance City, joins Merisel (PC software distributor)... **Joichi Ito**, Eccosys, named to Energy Conversion Devices board... **Ronald Culp**, div. vp-public affairs, Sears Mdse. Group, advanced to vp-public affairs, parent company.

Darryl Pomicter, who has held senior management posts at Advent, Boston Acoustics and Kloss Video, appointed vp-COO, PSB International... **Andrew Baileen**, purchasing dir., Blockbuster Music, promoted to gen. mdse. mgr.; **Michael Greene**, vp-gen. mdse. mgr., advanced to vp-strategic planning... Appointments at First National Entertainment Corp.: **Tim Denari**, co-owner of Video Plus in Riverside County, Cal., and ex-CFO, Video City, named senior vp, joining father **Eugene Denari**, CEO, and brother **Stephen Denari**, pres.; **Matt Hampton**, ex-Video City and Wherehouse Entertainment and co-owner of Video Plus, named vp... **Jan Teich**, ex-Bohbot Communications and Reiss Media Enterprises/Request TV, named dir.-mktg., ABC Video.

New Incredible Universe (IU) store in Westbury, N.Y., will host benefit auctions as part of opening ceremonies Sept. 14. Live and silent auctions will feature products from Bazooka, Canon, JVC, KitchenAid, Microsoft, Olympus, Packard Bell, Sharp, Sony, Toshiba, Zenith. Proceeds will go to 5 organizations, and parent Tandy is donating 20% of every purchase made in IU during event. Built on site of former Roosevelt Raceway, IU opens officially Sept. 15.

Home Theater Products (HTP) has begun sales program offering its line to Paramount Pictures' Star Trek credit card holders. Program at start will include HTP's 900 MHz wireless headphones and 5-w speakers that retail at \$99 and \$299 per pair, respectively. Product will be packaged with monthly billing statement. HTP signed 10-year agreement with Paramount in 1990 to use studio's name and logo for CE products.

C-band antenna supplier Winegard will deliver 6.3' pressed steel dish in Oct. at \$139 distributor cost. It's largest steel product Winegard has built since completing \$9-million expansion of Burlington, Ia., plant in 1994 to add production line, Regional Mgr. William Tiemann said. Winegard also is supplying 24" dish for AlphaStar's new DBS service that launches in Dec. (TVD June 19 p19).

First voice-controlled CD-ROM game is claimed by Sierra On-Line for "Command: Aces of the Deep" for Windows, now being shipped. Game uses IBM VoiceType speech recognition software technology, allows user to yell "dive" or "fire torpedo" during game to activate those functions.

Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Audio King			
1995-year to June 30	56,914,421	632,585	.23
1994-year to June 30	45,826,347	637,298	.23
1995-qtr. to June 30	13,668,223	(74,225)	--
1994-qtr. to June 30	10,622,799	73,544	.03
Century Communications			
1995-year to May 31	416,687,000	(82,625,000)	--a
1994-year to May 31	374,599,000	(41,927,000)	--
1995-qtr. to May 31	108,866,000	(30,993,000)	--a
1994-qtr. to May 31	95,970,000	(15,894,000)	--
Katz Media Group			
1995-6 mo. to June 30	89,433,000	(707,000)	--
1994-6 mo. to June 30	82,293,000	(3,979,000)	--
1995-qtr. to June 30	50,324,000	792,000	.06
1994-qtr. to June 30	46,853,000	1,353,000	--
Seagram			
1995-6 mo. to July 31	3,165,000,000	3,380,000,000	9.07b
1994-6 mo. to July 31	2,659,000,000	346,000,000	.93
1995-3 qtr. to July 31	1,883,000,000	89,000,000	.24
1994-3 qtr. to July 31	1,448,000,000	224,000,000	.60
South Pointe Enterprises			
1995-year to May 31	17,804,000	(207,000)	--
1994-year to May 31	12,889,000	627,000	.27

Notes: ^aAfter special charge. ^bIncludes special credit.

Trans World Entertainment, continuing to struggle as it closes stores, reported 2nd-quarter loss expanded to \$6.1 million from \$2.8 million year ago. Sales for quarter to July 29 dropped 3% and same-store sales fell 5%. For 6 months, retailer loss widened to \$10.2 million from \$4.7, with sales flat at \$216 million, same-store sales off 3%. Pres. Robert Higgins attributed drop in sales to "challenging retail environment." Retailer is moving quickly to close "underperforming" stores and expects to complete task by year-end, he said. Earlier this year Trans World said it would close 129 stores over 18 months (TVD Feb 6 p15). It operates 616 stores under names of Coconuts, Music & Movies, Music World, Record World, Tape World, Saturday Matinee, For Your Entertainment (FYE).

Toshiba's Thailand plant has begun full-scale production of 14" and 15" color tubes for computer monitors. Plant is producing at rate of about 35 million 13-23" color tubes annually, most for other Southeast Asian countries, made its 10-millionth tube last April. Celebrating 7th anniversary, company has opened new facility to produce 1.7 million computer tubes annually by next March, increasing employment by 500 to 2,500.

TDK cut price of 60-min. blank recordable CDs to \$19 from \$25 Sept. 1.

OBITUARY

Hajime Mitari, 56, pres. of Canon Japan since 1993, died of pneumonia Aug. 31 in Tokyo hospital. American-educated Mitari was son of first Canon pres., but started career as Corning Glass engineer in U.S. in 1966, after graduating from MIT with EE degree. He earned PhD in EE from Stanford in 1973, joining Canon year later. He held senior management posts, including R&D dir. and head of Optical Products Div., before becoming pres. in March 1993 of company founded by his father who preceded him as pres. Succeeding him as pres. is Fujio Mitari, a first cousin. He's survived by wife, 2 sons, daughter.

TELEVISION DIGEST®

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SEPTEMBER 11, 1995

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SUMMARY-INDEX OF WEEK'S NEWS

Broadcast - Cable

SPECTRUM FIGHT ESCALATES: Broadcasters defend digital channels for HDTV as land mobile interests maneuver. Congress considering spectrum auctions. (P. 1)

FCC COULD BE CRIPPLED by budget cuts, Hundt says. Auctions could be affected, staff cut 20%. Backlogs called likely. Reconsideration possible. (P. 2)

HUNDT BACKS OWNERSHIP LIMITS: At NAB Radio Show, he says Clinton may not sign telecom bill. NBC's Lack attacks broadcast news performance. (P. 4)

DARS GRABS ATTENTION at NAB Radio Show. Ness says FCC shouldn't stand in way, but terrestrial broadcasters shouldn't be hurt. (P. 5) NAB Notebook. (P. 8)

WESTINGHOUSE BID ATTACKED by public interest groups. They seek 'social contract' before FCC okay of CBS takeover. (P. 5)

TELCOS SEEK LMDS spectrum, complicating regulatory picture. Cities, others also jump in. Satellite-wireless cable fight widens. (P. 6)

DIGITAL KEYS SMPTE: As standards near, Sony's Thorpe predicts reverberations throughout TV, but there's 'profound misunderstanding' of HDTV. (P. 6)

VDT RESOLUTION URGED: Telcos seek quick action on rules for telco video, but it's not on FCC agenda. (P. 7)

BROADCAST SPECTRUM FIGHT ESCALATES: NAB launched preemptive strike last week in effort to convince Congress not to use spectrum auctions to help balance federal budget and speed up transition to digital TV from analog. House Telecom Subcommittee is working on plan to raise \$14 billion to reduce federal deficit through spectrum sales, potentially including broadcast bands. Meanwhile, others, including group partly funded by mobile communications interests, escalated their campaign to convince govt. to auction some of planned digital channels, making them available to nonbroadcast users. Senate Commerce Committee will take up spectrum issues, including auction of 2nd broadcast channel, at hearing tomorrow (Tues.). NBC Pres. Robert Wright is expected to testify.

House Telecom Subcommittee Chmn. Fields (R-Tex.) declined to specify how panel would recommend raising \$14 billion through spectrum sales. All options "are on the table," he said after hearing in which industry consultants recommended sale of spectrum that could be given to broadcasters for advanced TV services. Faye Anderson of Campaign for Best. Competition said she felt "vindicated" by hearing because it raised issues her coalition had put forward in opposing awarding of spectrum to broadcasters. She said consultants who testified weren't affiliated with cellular or telephone industries, which had been alleged to provide most of coalition's support.

Consumer Electronics

DVD TRUCE TARGET is Oct. Japan Electronics Show, according to source close to Tokyo negotiations. Both sides express optimism that agreement can be reached. (P. 10)

SONY DSS PROBLEM seen causing 'negative ruboff' on DBS market. Company promises quick fix of glitch. TCE delivering GE brand DSS receivers. (P. 10)

COLOR SALES OFF FOR 5TH MONTH, first such streak in 5 years, although comparisons are with record months. VCRs cool off, but TV/VCRs and PTV run strong. (P. 12)

WHAT'S A U.S.-MADE TV? Definitions vary, with only 1/3 of U.S. supply actually assembled here, but if primary U.S. content is considered, figure could be 80%. (P. 12)

SONY LAUNCHES PLAYSTATION, completing field of high-level game platforms for Christmas season. Company says more than 100,000 machines presold. (P. 14)

3DO SLATES DIVERSIFICATION as it still seeks partnerships for M2 hardware; turns attention to PC technology, Internet software. (P. 14)

VHS ROYALTIES WENT DOWN as cassette sales rose, while CD royalties climbed with higher penetration. Price Waterhouse develops rules to predict rates. (P. 15)

TANDY CHANGES PROJECTIONS for Incredibile Universe stores, saying they won't turn profit in 1995. (P. 15)

At hearing, NTIA Dir. Larry Irving said he wanted to debunk myth that govt. controlled large amount of prime spectrum. He said actual figure was only 1.4%, and most was available for shared use. Private sector witnesses James Gattuso of Citizens for a Sound Economy; Dale Hatfield, head of consulting firm; and Charles Jackson of Strategic Policy Research, also said that govt. could be more efficient in using spectrum and that marketplace should allocate uses, rather than govt.'s specifying how spectrum should be used. Irving opposed auctions to allocate 2nd block of 6 MHz for broadcasters, citing harm to smaller stations, but others said they should take place.

Broadcasters shouldn't get "free spectrum" as they move to advanced TV, PCIA said in letters to Rep. Bliley (R-Va.), chmn. of House Commerce Committee, and Sen. Pressler (R-S.D.), chmn. of Senate Commerce Committee. PCIA, which represents paging, PCS and other wireless businesses, urged committees to require public auctions for allocating spectrum "not used for specifically defined broadcast programming" and said "spectrum giveaway for commercial development [is] both unfair to existing industry and unsound in terms of fiscal responsibility." Assn. said its members have paid billions of dollars "to provide services on spectrum that broadcasters now want to receive at public expense." It said broadcasters shouldn't be given spectrum without providing "firm commitment" that it will be used for developing advanced TV: "No other wireless provider... is being given free spectrum to facilitate the transition from analog to digital systems."

NAB Pres. Edward Fritts and Exec. Vp James May said broadcast spectrum auctions could harm development of advanced, over-air TV. One plan being talked about would auction off spectrum used by TV broadcasters before they have to return it to govt., while another would hold auction sooner than industry would be ready to make transition. May said alternatives give industry choice to "be hung or shot." Fritts and May said speeded-up transition would harm consumers and take away audience from over-air TV. Neither would venture guess whether broadcasters could escape budget conciliation without taking some sort of financial hit.

Even though other industries are promoting auctions, Fritts and May said broadcasters need current analog and future digital spectrum to make transition. They offer free service, while cellular and other services that received spectrum free charge public, NAB executives said. They again said that govt. could find more spectrum to auction while leaving alone relatively small portion used by broadcasters.

Giving digital channels to broadcasters isn't "giveaway" because channels already are in broadcast bands, MSTV Pres. Margita White said in letter to Washington Times, responding to letter from head of Campaign for Best. Competition advocating auctions. Instead, White said, broadcasters are investing millions in research on digital TV that eventually will free some broadcast channels that can be auctioned for other purposes. She said Campaign is partly funded by cellular and other wireless interests and it's "an outrageous subterfuge" for those industries to try to sabotage advanced TV effort "at the last moment."

HUNDT SAYS SENATE BUDGET CUT COULD CRIPPLE FCC: Senate Appropriations Committee is due to take up this week FY 1996 budget that FCC Chmn. Hundt said could cripple key Commission programs, including much-touted spectrum auctions.

In hastily called news conference Sept. 7, FCC Chmn. Hundt blasted Senate Appropriations Subcommittee for voting earlier that day to cut agency's FY 1996 budget by 20%, to \$148 million. He said action would require terminating "hundreds" of employees. FCC took steps last month to cut 221 positions in reaction to House Appropriations panel vote. Senate action would be even worse, he said, requiring "amputations" rather than cuts. Even if Congress split difference between House and Senate versions, result would be "disastrous" for agency, Hundt said.

Subcommittee, chaired by Sen. Gramm (R-Tex.), also acted to make major cuts in Commerce Dept. budget, although not eliminating it. Panel said that until congressional committees determine policy on Commerce Dept., agency shouldn't open any new offices, hire any new staff or start construction in offices that would be abolished. Also Sept. 7, Senate Governmental Affairs Committee voted 8-6 to dismantle Commerce.

Among Hundt's predictions if Senate figure holds: (1) "Cash cow" of auctions would be killed because agency wouldn't have resources to do job. (2) FCC wouldn't be able to perform tasks Congress would delegate in pending telecom bills. (3) "Backlogs would pile up in the halls, telephone calls would not be returned" and agency wouldn't be able to fulfill its duties as "cop on the information highway," overseeing issues such as slamming and pay phone rates. FCC union head Allen Myers, pres. of Chapter 209, National

Treasury Employees Union, took issue with Hundt's focus on cutting staff if funding level is reduced. Hundt's comment that "hundreds of employees" could be cut is disturbing to staff members who weren't alerted ahead of time to possibility, Myers said. There are other ways of making cuts -- through furloughs, for example -- without totally eliminating positions, he said.

FCC originally asked for \$223.6 million, up from current budget of \$185.2 million. Commission had said it needed extra money to cover additional responsibilities. House voted to keep status quo of \$185.2 million -- leading agency to cut staff in order to accommodate increases in Common Carrier Bureau and other areas. Subcommittee chopped 20% from other federal commissions' budgets under its authority, including FTC and SEC.

After panel vote, Sens. Stevens (R-Alaska) and Hollings (D-S.C.) asked Gramm to reconsider action on FCC. Gramm agreed to further discussions, but made no promises. Agency is hoping to see figure raised at least to House level. FCC staff said in answer to question that Commission draws only small portion of its budget from general revenues because regulatory fees now account for \$116 million of appropriated figure.

Appropriations Subcommittee cut of 30% in Commerce budget included eliminating information infrastructure grants from FY 1996 budget and rescission of \$36.7 million from FY 1995 budget. Gramm also proposed major reductions in public broadcasting facilities, although amendment by Sen. Hatfield (R-Ore.) would restore \$10 million for FY 1996. Commerce Dept.'s Technology Administration would be eliminated under subcommittee action. Panel approved cutting \$7.6 million from USIA radio construction budget and \$153 million from National Institute of Standards & Technology (NIST). Hatfield amendment would restore \$76.6 million for NIST.

Meanwhile, Governmental Affairs panel, chaired by Sen. Roth (R-Del.), approved bill (S-929) to abolish Commerce and scatter some of its functions throughout govt. Among other items, bill would transfer Commerce's policy functions to Executive Office of the President and NTIA's spectrum management to General Services Administration. NTIA, with other parts of agency, would be abolished. New Office of Patents, Trademarks & Standards would be established, including current standards functions from NIST, with other current NIST functions eliminated. Roth said he wasn't looking for "a trophy for my wall but only to improve the performance and the efficiency of the government."

House also is planning action to eliminate Commerce, but schedule is uncertain. Even though bill sponsors there want to include action as part of budget reconciliation, Telecom Subcommittee Chmn. Fields (R-Tex.) said Sept. 7 he didn't see how that could be accomplished. His subcommittee and full Commerce panel have other reconciliation-related items to cope with, including raising \$14 billion and dealing with highly charged Medicare issues.

TV networks are objecting to Comsat proposal to increase cancellation and early termination charges and proposed rates for new digital compression occasional-use TV service that requires less bandwidth. Networks (ABC, NBC, CBS and Turner) asked FCC to suspend increases and investigate Comsat claim that rates are warranted. On termination charges, networks said Comsat failed to: (1) Apply revenues from higher rates as offset to per-min. charges. (2) Provide appropriate cost study. (3) Account for increased demand for occasional-service TV when calculating rates. On digital compression service for smaller bandwidths, networks said Comsat "proposes without explanation a \$4.50 per min. markup that does not vary at all based on the underlying Intelsat utilization charges and that is not consistent with the reduction in bandwidth."

Total radio revenue was up 6% in July, industry's 35th consecutive month of growth, according to Radio Ad Bureau (RAB). Local revenues were up 7% over July 1994, 10% for Jan.-July 1995, while July national revenues were flat, but also showed 10% gain for 7 months, RAB said. Figures are based on reports from more than 100 markets.

Advanced TV Transmission: Planning Your Station's Transition has been published jointly by NAB and PBS. Handbook includes detailed list of items to consider in planning advanced TV installation -- 800-368-5644.

FCC refused to waive down payment requirements for interactive video & data service (IVDS) auction winners, saying petitioners' arguments were "nonpersuasive." Commercial Realty St. Pete, Interactive America, La. Interactive Bstg. System, Vision TV and Henry Mayfield sought waivers or reconsideration of down payment requirements, saying build-out requirement was too tight and bidders had been misled about availability of IVDS equipment. Commission said it fully informed bidders about build-out and equipment situation before bidding started and there was no evidence that manufacturer EON had misled anyone about equipment availability.

Brissette Bstg. said it hired Goldman, Sachs to help it sell its business. Brissette owns 8 network-affiliated TV stations plus 2 translators. CEO Paul Brissette, who bought stations in 1992, said station prices "will never be better" and he expects sale to generate \$300 million. Stations are WHOI Peoria, WWLP Springfield, Mass., WILX-TV Lansing-Onondaga, Mich., KOSA-TV Odessa, Tex., KAUZ-TV Wichita Falls, Tex., WTRF-TV Wheeling, WWMT Madison, Wis., WSAW-TV Wausau, Wis.

General Instrument will set up joint venture with Olex Cables of Australia to manufacture coaxial cable there. Venture, Vision Cable Pty Ltd., to be near Melbourne, is expected to be fully operational next year.

HUNDT WOULD KEEP OWNERSHIP LIMITS: Two major group owners and FCC Chmn. Hundt took totally opposite views at NAB Radio Show in New Orleans last week whether limits should remain on number of radio and TV stations that single owner should be permitted to own. Telecom bills passed by both houses of Congress, now awaiting conference committee resolution of differences, would remove limits, repealing FCC's current maximum. In Sept. 8 breakfast address titled "Radio Mergermania and the Price of Overconcentration," Hundt said: "I am far from sure that the President will sign such a bill... I don't believe that's good for this industry or for this country."

Appearing day earlier on session titled "Today's Trends, Tomorrow's Opportunities," Clear Channel Communications CEO Lowry Mays said: "The notion that the big guys are all that's going to be left in the business is absurd... There are 10,000 radio stations out there." Fellow panelist Infinity Bestg. CEO Mel Karmazin said he "totally agreed," saying there's "no logic" in limiting station ownership. As for duopoly rules, Karmazin said they must be relaxed for industry to prosper. Mays' company owns 44 radio stations in U.S. and Australia, plus 9 TV stations; Infinity has 27 radio stations in 13 markets.

In regulation of industry, FCC too often has taken "do-nothing" course, Hundt said, "on the theory that it doesn't really matter how broadcasters use the spectrum... That is essentially the explanation for the fact that in the last 15 years the Commission has not pulled a single TV license for failure to serve the public interest." And, he said, many of Commission's rules "were frustratingly inexact and... did not generate positive results for listeners."

Telecom bills would allow "a few companies to buy all the radio licenses in the country," Hundt said, which isn't good. But he agreed with Comr. Ness at earlier panel that FCC should consider raising current caps of ownership -- "certainly in medium and large markets." Also, both commissioners agreed, duopoly limits in individual markets could be raised. Hundt said that if all limits were removed "you could soon hold this convention in a phone booth." He warned that if there's major consolidation in radio, "there would be calls to reinstate the fairness doctrine as a way to offset media concentration."

As did several FCC staffers on various panels, Ness and Hundt stressed their firm commitment to Commission's EEO rules. But, Hundt said, some relaxation is needed in paperwork, especially for small-market stations.

Hundt expressed concern about Senate action last week cutting FCC budget by 1/3 below request. (See separate story, this issue.) FCC chmn. also took jab at talk radio hosts, mentioning Rush Limbaugh by name, saying they sometimes fail "seriously... to inform accurately our citizens... I think it is a disservice to our democracy for a talk show host to misinform an audience... And, from time to time, that's what Rush Limbaugh does." But, Hundt said, as FCC chmn. he would "defend to the death" Limbaugh's right to do so.

Opening question at Mays/Karmazin session from moderator Eric Faber of Radio & Records magazine concerned Infinity's recent settlement of FCC indecency charges with licensee agreeing to "voluntary" payment of \$1.17 million to U.S. Treasury. Karmazin jokingly said settlement was made because "we wanted Congress to be free of their budget concerns." On serious side, he said settlement was made after long negotiations "arguing over principles... because we don't believe we were guilty." Infinity settled, he said, because it wanted "normal

relationship" with FCC and freedom to engage in other transactions. "Of course," Mays responded when asked if he would have made same settlement with Commission, saying Clear Channel is "actively engaged every day in the acquisition area." Infinity has "no dramatic plans" to buy more stations, Karmazin said, but FCC settlement frees it to do so.

At RTNDA convention Sept. 6, NBC News Pres. Andrew Lack delivered sharp indictment of TV news, local and national. "Television news, wittingly or unwittingly, is contributing to the dumbing down of America," he told audience at Edward R. Murrow Awards Ceremony. "We have been quietly abandoning the thoughtful audience, and with it our credibility. I wonder how we are educating the next generation of broadcast journalists."

Broadcast journalists, as a profession, are "going downhill in certain major respects," Lack told audience of TV news executives. "We too often now choose, without a moment's hesitation, to report the story that makes you feel repulsion over the story that makes you think -- which in television means usually boring." Major topics of TV sound bites, he complained, are incest, child abuse, domestic abuse, "crimes of all manner and description. Why?... And why do we keep pushing it? Are we all just whores in search of another share point or a better November book?"

Jones Intercable is making another system swap with Time Warner (TW), trading systems in Lodi, O., and Manitowoc, Ripon and Lake Geneva, Wis., for TW systems in Savannah area. Jones systems have 77,500 subscribers, TW 63,500. TW also will give Jones \$4 million cash. To complete deal, Jones will buy systems from partnerships it manages. It has announced 5 purchases from limited partnerships since Dec., when Bell Canada invested in Jones, reducing subscribers in managed systems to 850,000 from one million and, combined with other deals, increasing number in owned systems to 600,000 from 300,000. Purchases from limited partnerships value systems at per-subscriber prices of \$1,498-\$1,866. Wis. systems will boost TW's Milwaukee cluster to 290,000 subscribers and Appleton/Green Bay to 135,000, and it will have more than 300,000 in Hawaii.

TCI formed **TCI Telephony Services Inc.** business unit to manage company's entry into local telephony through Sprint joint venture, **TCI Communications** Senior Vp Jerry Gaines said. New unit will be responsible for all TCI telephony activities, including 30% interest in Sprint Telecommunications Venture (others are 40% Sprint, Comcast and Cox 15% each). TCI and Sprint also said TCI Telephony Vp David McGlade will move to Telecommunications Venture as vp-operations and will head field trials.

FCC reorganized **Audio Services Div.** of Mass Media Bureau, eliminating AM, FM and Auxiliary Services Branches in favor of work groups. New structure, effective immediately, includes Legal Processing Group, Petitions & Appeals Group, Technical Processing Group, Process Support Group, Administrative & Computer Support Staff, Customer Service Team -- 202-418-2780.

Gruppe Telekom unveiled plans for interactive wireless network using interactive video & data services frequency in 6 Wash. communities. Company said it will provide 2-way communications, "chat" conversations, access to games. Wave Interaction Network is providing distribution system.

DARS GRABS ATTENTION: Very much on minds of delegates and govt. officials at NAB Radio Show in New Orleans last week was upcoming digital audio radio service (DARS) or national satellite audio broadcast system. "This satellite technology was long-delayed by the FCC," Chmn. Hundt said at NAB breakfast. "But now, its time has come."

Those sentiments were echoed at earlier session by Comr. Ness, who told NAB delegates that FCC "must not stand in the way" of new technology. That doesn't mean that terrestrial broadcasters should be hurt in process, she said. Both commissioners stressed that earlier grant of temporary waiver of rules to permit Satellite CD Radio to begin constructing DARS system hadn't prejudged issue before comments (due Sept. 16) have been accepted in rulemaking. Ness and Hundt said Satellite CD Radio would proceed with construction at its own financial risk with no guarantee that service ever would be authorized.

Issue has been prejudged by FCC, much to detriment of terrestrial radio stations, NAB officials and broadcasters argued privately. Loser, they told us, will be public through loss of local service in favor of national system. NAB letter distributed at convention urged radio stations to write letters of protest to commissioners, offering them 10 arguing points. In letter, NAB said Commission is on "verge" of authorizing DARS, "which would beam 50-to-100 radio channels into every radio market in the country... We believe this service, over time, could be the straw that breaks the backs of many local radio operators and results in the loss of valuable and irreplaceable service to local communities... Your letters are needed for the commissioners to really understand how important this issue is."

Hundt said he thinks spectrum for DARS should be auctioned and "DARS licensees should have meaningful public interest obligations." In speech discussing removal of station ownership limits (see separate story, this issue), he said introduction of "national radio from the sky" in no way "justifies allowing a handful of firms to buy all or even almost all of the radio licensees on the ground... We should let DARS compete with terrestrial."

NAB Pres. Edward Fritts said many are predicting "plethora of new technologies will be the death knell of local stations. My friends, the death knell for radio has sounded before [and] radio has refused to answer that call... As we provide the public with relevant programming, I predict America's love affair with radio will only be enhanced." Several sessions at radio show were devoted to satellite audio radio. AT&T demonstrated its in-band adjacent channel satellite system on 95.6 MHz in van traveling around New Orleans, using 1 kw (although FCC had authorized 3.5 kw for experiment). On exhibit floor, USA Digital Radio showed its in-band, on-channel system. It plans to have prototype receivers available at April NAB convention in Las Vegas.

FCC Comr. Quello canceled several scheduled public appearances because of unspecified medical problem last week, but returned to office Sept. 7 with "all systems go," staffer said. For first time in years, Quello canceled appearance at Mich. Bstrs. Assn. convention on Mackinac Island, and at NAB/RTNDA convention in New Orleans Sept. 7. Quello underwent series of tests in Mich.

Sens. McCain (R-Ariz.), Feingold (D-Wis.) and Thompson (R-Tenn.) introduced bill for campaign finance reform that proposes 30 min. of free prime broadcast time for candidates who abide by spending limits. Rep. Slaughter (D-N.Y.) introduced measure dealing only with free time.

CBS 'CONTRACT' DEMANDED: In action likely at least to delay FCC approval of Westinghouse's \$5.4-billion purchase of CBS, 3 groups filed joint petition to deny waivers of ownership rules needed to complete transaction. In petition, United Church of Christ (UCC), Center for Media Education (CME) and Black Citizens for Fair Media said Commission should demand that Westinghouse sign "social contract" similar to that signed by several cable MSOs to settle rate regulation complaints. Proposed social contract would require Westinghouse to provide additional children's programming and give free time to major party presidential candidates before next election.

Groups argued that Westinghouse takeover would reduce competition and diversity in media and give it "unprecedented control" over stations in several major cities. They said Westinghouse and CBS operate all-news radio networks, so merger would diminish diversity of news sources. Westinghouse is seeking waivers of station ownership limits to allow it to own 16 TV stations reaching more than 30% of national audience (TVD Aug 7 p1), vs. current FCC limit of 25% of audience, as well as waiver of TV-radio cross-ownership limits.

"We do not believe that Westinghouse's record in meeting its public interest obligations is of sufficient quality to justify the granting of these waivers," said Beverly Chain, dir. of UCC Office of Communications. Groups said reviews of Westinghouse station files showed that amount of educational programming for children, for example, fell "far below" 3.5 hours per week that NAB has said is national average, and that "significant proportion" of that was in predawn hours when no children were watching. "The 5 stations owned by Westinghouse have demonstrated only barely adequate compliance" with children's programming obligations, CME's Jeffrey Chester said.

Proposed social contract should require all Westinghouse-CBS stations to provide at least 3 hours of educational programming for children per week, petition said. It also suggested that each station should have to provide nightly 5-min. block of prime-time program time to presidential candidates in month before 1996 elections.

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FCC rescinded allotment plan for expanded AM band, saying there were errors in database. Decision followed numerous petitions and appeals filed by daytime stations that had been denied assignments in expanded band last Oct. Commission said it will open 30-day comment window on standards to be used to implement new allotment plan; computer program to develop revised allotments won't be implemented until comments are reviewed. FCC acknowledged that engineering database errors existed and said every correction would alter allotments. Errors affected interference factors, protection of federal travelers information stations, potential interference with Mexican and Canadian stations. NAB's Barry Umansky said concept of expanded band (1605-1705 MHz) remains good, but it could take up to 6 months for FCC to get comments and revise calculations. Delay in moving to expanded band affects 79 AMs.

WCPO-TV (Ch. 9) Cincinnati said it will switch affiliation to ABC from CBS early next year. New 10-year affiliation contract doesn't set specific date for move. Station was ABC affiliate 1949-1961. Deal means 6 E.W. Scripps stations will be ABC affiliates. Current ABC affiliate, WKRC-TV (Ch. 12) has "already begun to consider other opportunities... including an affiliation with CBS," said John Zanotti, CEO of owner Citicasters.

LMDS PROCESS SLOWED: Telcos, public broadcasters and municipalities launched their bids for spectrum in 28-GHz band in first round of comments on FCC's proceeding on local multipoint distribution service (LMDS)/broadband fixed satellite service (FSS). New bidders for spectrum, already battleground between wireless cable and satellite interests, could significantly slow FCC decision on how to allocate band, satellite official predicted. Among those filing comments were Ameritech, Bell Atlantic, BellSouth, GTE, Northern Telecom, Nynex, Telecommunications Industry Assn. (TIA).

Bell Atlantic, BellSouth and Northern Telecom said entire 1,000 GHz for terrestrial interests should go to single applicant in each Basic Trading Area (BTA). GTE said it should be divided between 2 applicants and Commission shouldn't "depart from the competitive model." Nynex said FCC should have "an affirmative bias toward auctioning spectrum in the smallest blocks that will generate commercial interest," although single entity should be able to bid for multiple small blocks in each BTA. Telco said FCC should use independent technical advisory committee to determine size of blocks. Telcos did agree that there should be no limits on telco ownership of LMDS spectrum and that LMDS shouldn't be regulated under Title II common carrier rules.

Presumably signaling its intent to take whole issue to court, TIA said FCC's tentative conclusion to turn 28-GHz over to other users is "arbitrary and capricious." It said spectrum available for short-haul microwave service is contracting constantly, and microwave would provide "essential links" for PCS. Group said microwave interests at least should have co-primary right to use band.

Joint filing by 100 local govts. represented by law firm Duncan, Weinberg, Miller & Pembroke said FCC should reserve 150 MHz of 28-GHz band for municipalities. APTS and PBS, in joint filing, said noncommercial educational stations should get 150 MHz for educational purposes, although they should have right to generate revenue by leasing excess capacity to other entities, similar to ITFS excess capacity leases.

Cable shouldn't be prohibited from acquiring LMDS spectrum, NCTA said, because "marketplace conditions do not warrant a cable-LMDS cross-ownership ban... This is particularly so when telephone companies are not precluded from supplementing their capabilities in LMDS technology." Responding to claims that cable might enter LMDS to preempt wireless cable-like competitor, NCTA said: "If cable operators hamper the development of LMDS, the Commission can step in to restrict further cable involvement." Joint filing by Cox, Comcast and Jones said there's no legislative limit on cable ownership and no public policy reason for FCC to impose one. NCTA said LMDS "may provide a springboard for cable and other providers to introduce competition in the delivery of nonvideo services in the local exchange market" -- including teleconferencing, telemedicine, telecommuting, data services, global networks.

Other comments: (1) Municipalities said FCC should "move quickly" to license spectrum, but it shouldn't preempt local govt. rules. (2) Bell Atlantic said agency should preempt local rules that would limit use of band unfairly. (3) CellularVision, which was first to receive LMDS license, said "regulatory delay, fostered in large part by incumbent or would-be service providers who feel competitively threatened by LMDS, can no longer be tolerated." (4) Two Big LEOs told FCC it should wait until ITU WRC-95 conference in Oct. before allocating spectrum for

feederlinks in 28 GHz. (5) Teledesic dropped its opposition to accommodating LMDS in Ka-band in order to move proceeding along. (6) Loral said FCC should allocate 1.2 GHz to GSO FSS. Company has proposed Cyberstar GSO FSS broadband satellite system.

DIGITAL KEYS SMPTE: Opening day of Society of Motion Picture & TV Engineers (SMPTE) in New Orleans Sept. 6 was all about coming of digital TV. FCC is close to setting standards for terrestrial broadcasting that will make it all possible, said Laurence Thorpe of Sony Electronics. And, he said, these "incredible new pictures, seen at the consumer level, will reverberate back through the entire television system." Overall, he said, "it is only very good news for imagery in general that the outmoded film-versus-video sparring is now being replaced with constructive discussions." But, said Thorpe, debate over HDTV "has sadly left a legacy of profound misunderstanding" of HDTV's "true promise."

Advanced TV Systems Committee Chmn. James McKinney said advanced TV "is on the right track. The engine of that locomotive is digital technology." There's growing confidence, he said, that digital ATv "is actually going to happen" and when it does, 100-page newspaper can be transmitted in less than 2 sec. and Manhattan phone directory in 14 sec. Some of new data services that TV stations can offer will "prove so successful that additional ad revenue might be produced," he said. "You might expect that new national accounts will begin to appear... that seek to deliver actual data."

Keynoter Ed Catmull of Pixar said Hollywood is "rushing headlong into the digital age [but] we are still in the early stages of this revolution." Issue isn't just technology, he said, but also how "artists work with the technologists." John Abel, pres. of newly formed Datacast Partners who left NAB just month ago and was chief planner for 4 conventions, said change from analog to digital broadcasting has been taking place for several years: "The combination of multimedia production techniques, coupled with digital wireless transmission, will make broadcasting explode in new directions. No professional group is better poised to take advantage of this future than are today's engineers and technologists." If govt. doesn't "seek to squash this creativity and revolution through spectrum fees or auctions," Abel said, "the American consumer will have more... and more choices at lower cost."

At news conference before his speech at NAB Radio Show, talk show host Mario Cuomo said some other hosts (citing Oliver North) "abuse the First Amendment," causing people to disrespect it. "Nobody knows," he said when asked whether such shows have influence on Americans' attitudes and votes. But, he said, more than 50% of Americans tune in to hear "thoughtful discussions, whether they agree or not." He said lack of fairness doctrine, which he said he always had opposed, hasn't had "much impact at all, frankly," on talk shows.

FCC issued notice of apparent liability for \$110,000 fine to WICZ-TV (Ch. 40, NBC) Binghamton, N.Y., for repeated violations of limits on children's advertising. Commission said station also will be subject to additional reporting requirements in next licensing term. It said station violated limits 376 times Jan. 1992-Oct. 1993, justifying size of fine. However, it said, there's no evidence of bad faith, so it renewed station's license with condition that it file quarterly reports on compliance with rule.

VDT RESOLUTION URGED: Sunbelt RHCs, Frontier and Southern New England Telephone (SNET) urged FCC to resolve VDT policy and associated issues at Sept. 14 meeting and not wait until Congress completes action on telecom legislation. Despite that, VDT order again is absent from agenda for FCC's Sept. 14 meeting. As expected, agenda concentrates on common carrier price cap issues. It does include item on whether to create separate price cap structure for VDT.

Official word from FCC is that Chmn. Hundt pulled main VDT item because Sept. "is not the time to proceed with it." Spokesman wouldn't elaborate. Several LECs had written to Commission urging it to resolve issue this week and not wait until Congress completes action on telecom legislation, as others have urged. RHCs are divided on issue, with those planning VDT systems seeking delay and those planning cable offerings urging action. Difference of opinion stems from dual regulation that VDT companies would face under new rules. VDT order was pulled from July 28 agenda at Comr. Quello's request.

BellSouth, Pacific Telesis and SBC wrote to Commission warning that without definitive decision, companies would be unable to develop adequate business plans. VDT was scheduled for discussion at Aug. meeting but removed at last min. Companies, all with Sec. 214 approvals to offer video, are worried that Commission may delay decision further, especially as work continues on legislation, official said.

Appeal was prompted by long delays in issuing rules for LECs interested in offering video. Letter said "it is imperative" that Commission act "so that some level of business certainty can be achieved and video competition can commence." Officials said it remained unclear whether telcos would be subject to cable model regulation or common carrier rules. Companies urged FCC to adopt carrier-initiated channel-sharing arrangements, which "should be flexible enough" to support future offerings. They encouraged arrangements "such as Bell Atlantic's 'will-carry' proposals and Pacific Bell's 'standard service channels' that will allow market-based responses to customer needs." They also urged development of voluntary access plans for public interest programming.

Commission should avoid arbitrary limits on VDT platform capacity that RHC or LEC or affiliate can use for its own programming, companies said. They said FCC also should increase threshold above 5% level at which a telco is considered to have affiliate relationship with video programmers, other than incumbent cable operator.

SNET also filed amendment to its previously approved VDT application to provide one-year test involving 150,000 homes in Conn. It said "economic and technological factors beyond its control" prevented it from conducting digital test, so it seeks analog-only approval. Company also said it proposed allowing additional programmers to gain access to its channels, and would establish analog channel-sharing plan. SNET said digital is "not commercially viable and technically available."

Cablevision Industries' exclusive contract to carry Sci-Fi Channel isn't in public interest, FCC Cable Bureau said. Decision clears way for channel to be carried on overbuilders, wireless cable and SMATV systems in 78 Cablevision franchise areas. Contract would have expired in 2002. Sci-Fi and Cablevision had claimed that public interest impact was mitigated because exclusivity doesn't apply to satellite delivery, but Bureau said it's still forbidden by 1992 Cable Act.

PACKWOOD QUILTS SENATE: Sen. Packwood (R-Ore.), leading proponent of cable deregulation and chmn. of Communications Subcommittee, resigned from Senate Sept. 7 following unanimous recommendation of Senate Ethics Committee that he be expelled. Packwood leaves Finance Committee immediately, Senate Oct. 1. Packwood chairs Finance Committee and Communications Subcommittee. This year and last he was one of 2 senators to vote against major telecom bills in Commerce Committee. Sen. Ashcroft (R-Mo.) is next most senior Republican on subcommittee without Commerce subcommittee chairmanship. Major telecom legislation has been handled by full Commerce Committee.

Ore. Gov. John Kitzhaber (D) will call special election to choose successor for rest of Packwood's 5th term, which expires in Jan. 1999. Potential candidates include Reps. Wyden and DeFazio and ex-Gov. Neil Goldschmidt, all Democrats, while Rep. Bunn is potential GOP candidate.

Ethics Committee released thousands of pages of testimony related to his case that included deposition from ex-FCC Comr. Mimi Dawson, who also worked for Packwood. Dawson answered questions about possible sexual harassment in Packwood's office, testifying that one female staffer approached her for advice, thinking senator wanted to start affair.

Ethics Committee also said Packwood had discussed with lobbyist Ronald Crawford, who represents NCTA, possibility of jobs and income for Packwood's ex-wife at time when Crawford "was representing clients with specific and direct interests in matters that Senator Packwood could influence" because he sat on Commerce panel. There was "a direct and systemic plan" to accumulate \$20,000 in job offers as senator was considering divorce. Ethics panel counsel said Packwood "has consistently supported deregulation of the cable industry and that his vote in June of 1990 was entirely consistent with his deregulatory philosophy." Ethics panel also said Packwood played major role in having Crawford's wife, Carol, appointed to International Trade Commission in 1991.

Negotiations for Time Warner to take over Turner Bestg. in stock swap continued to lag, with Turner board postponing Sept. 7 meeting at which it had expected to discuss deal. Officials continued to predict that deal would be completed within week, but negotiations with TCI remained difficult. TCI, which owns 21% of TBS, reportedly agreed to general terms for exchange of its TBS stock for mix of voting and nonvoting TW shares in order to keep its voting control below 5% maximum, but was expected to require TW to sweeten agreement. Meanwhile, Microsoft Chmn. William Gates said his company has put on hold talks about investing \$1 billion in TBS, pending TW-TBS talks. Speculation also continued that NBC would make bid for TBS, move that could create combination with CNN and CNBC.

ABC Radio will deliver real-time newscasts via Internet, ABC and RealAudio announced. Network will incorporate RealAudio technology into its web site (<http://www.abcradionet.com>). Several other entertainment-oriented radio services on Internet have been established in last few months. ABC service begins today (Sept. 11).

House Govt. Reform Committee launched World Wide Web home page (<http://www.house.gov/reform/reform/>). Committee Chmn. Clinger (R-Pa.) said site will carry news releases, hearing schedule, background information.

NAB/RTNDA NOTEBOOK: NAB Pres. Edward Fritts closed Sept. 8 breakfast session (at which FCC Chmn. Hundt spoke) with attack on efforts to provide financing for public stations through assessments on commercial stations. Public broadcasters, in proposal to Congress, have suggested tax on sales of TV-radio stations and auctions of advanced TV spectrum to help establish trust fund that would relieve system's dependence on federal dollars. Fritts said he didn't think noncommercial industry leaders realized what they were proposing, promised NAB would launch all-out fight in Congress.

RTNDA convention attendance set record of 2,267 halfway through sessions in New Orleans, topping 2,019 year ago in L.A. RTNDA Pres. David Bartlett attributed part of record to attractiveness of convention site: "I think, more than that, the electronic journalism industry sees RTNDA as a strong leader in addressing the issues facing the industry." New RTNDA Chmn. Loren Tobia, KMTV Omaha, credited healthier industry and delegates' belief that RTNDA "is where they can get the greatest amount of information in one place."

NAB Radio Show canceled Sept. 8 session on "Radio and the 104th Congress: A Spectrum of Issues." Reason given: Hill staffers couldn't spare time for trip to New Orleans. Two members of Congress were scheduled to participate in Sept. 9 breakfast Q&A session.

With 8 selling months to go, NAB's April 15-18 convention in Las Vegas has sold more than 550,000 sq. ft. of space to more than 1,000 exhibitors. New space is being provided as popular MultiMedia World of exhibits will take over Sands Hotel convention center for first time. Convention will feature more than 300 sessions at 12 standalone conferences.

Many RTNDA and NAB Radio Show sessions in New Orleans dealt with coping with growing use of Internet by journalists and broadcast executives. NAB held 4-hour "Boot Camp" on subject at fee of \$25 for registrants of either convention.

To train broadcast journalists, RTNDA devoted 5 sessions at convention to college students. More than 40 station news dirs. served as faculty.

NAB piggybacked yearly "Hundred Plus Exchange" of TV stations executives on its Radio Show in New Orleans. TV sessions were to be held Sat.-Mon. at Omni Royal Orleans Hotel. Preregistration of 150 was more than 25 above last year's Exchange in Nashville, said Charles Sherman, NAB senior vp-TV.

Covenant to "work in good faith" for greater newsroom diversity was signed in New Orleans by RTNDA with UNITY '99, whose members include Asian American Journalists Assn., National Assn. of Hispanic Journalists, National Assn. of Black Journalists, Native American Journalists Assn. Agreement calls for increased efforts at education, greater on-air minority representation, increased job opportunities for minorities. RTNDA Dir. Robert Garcia, CBS Radio, was named to head new effort.

CNBC formed 10-year alliance with Motorola to develop and market wireless financial information services, companies said. First product, CNBC Market Page, to be available in Dec., will include financial columns and updates on financial data. Information will be distributed via satellite and wireless networks to pocket-sized Motorola Embarc receivers in 270 markets.

INTELLECTUAL PROPERTY DEBATED: Clinton Administration's long-awaited report on intellectual property and National Information Infrastructure (NII) got generally good industry reviews, although MPAA said it had hoped for stronger penalties for copyright violations. Report generally tracked recommendations made in July 1994 by Administration working group that called for slight adjustments in copyright law. Commerce Secy. Ronald Brown and Patent Comr. Bruce Lehman made same points in Washington news conference.

Lehman said Administration felt law should be changed to recognize that digital copies of copyrighted works can be made through transmission, and that transmissions should be controlled by copyright owner. Report recommended that limited number of digital copies be considered "fair use," and that nonprofit organizations for visually-impaired be permitted to reproduce works. It supported digital performance rights legislation pending in Congress and said it should be criminal violation willfully to copy and distribute material worth \$5,000 or more.

Kenneth Wasch, pres. of Software Publishers Assn. (SPA), said Administration fulfilled its promise to study issues and wisely realized that only minimal changes were needed. David Leibowitz, exec. vp, Recording Industry Assn. of America (RIAA), said his industry appreciated "strong recognition of strong copyright protection and strong support of performance rights." Interactive Digital Software Assn. said report was "one of the most positive and important developments... for those who depend on strong intellectual property protection."

Robert Smith, exec. dir., Interactive Services Assn. (ISA), said his group was disappointed that working group didn't address concerns his members made year ago to provide protections for on-line operators. Report said it was premature to consider reducing liability for on-line services, saying: "Clearly, on-line service providers play an integral role in the development of the NII and facilitate and promote the free exchange of ideas. But that has not been grounds for removing or reducing liability for copyright infringement. One can perform these functions without infringing or facilitating the infringement of the copyrighted expression of others."

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FCC shouldn't use streamlined process to allow Ameritech's Sec. 214 application to build standalone cable system in Columbus, O., Time Warner said in petition to deny. Whatever merits of streamlined process, they shouldn't be used in Columbus case, TW said: "The need to ensure that Ameritech provides adequate interconnection arrangements [for local telephony competitors] is so strong that the Commission must use its most significant Title II power -- to condition the entry certificate." Petition also points out that, even though it has letter from city authorizing start of construction, that's not equivalent to full-fledged franchise required by FCC rules.

Cox said it agreed to cable system swap with Susquehanna Cable, although definitive agreement hasn't been signed. Deal would give Susquehanna system with 24,500 subscribers in Williamsport, Pa., and surrounding communities, which Cox acquired when it took over Times Mirror Cable. Cox would get E. Providence, R.I., system with 15,500 subscribers. It already has cable cluster in Providence area.

WGXA (Ch. 24) Macon, Ga., said it will switch to Fox from ABC, making it 11th ABC affiliate to do so in 2 years. Station is 2nd Fox affiliate owned by GOCOM TV.

Personals

David Furth, FCC Wireless Div. deputy chief, appointed interim legal adviser to Comr. Chong, replacing Jill Luckett, who joins NCTA as vp-program network policy... **Larry Eads**, chief of Audio Div., FCC Mass Media Bureau, retires at end of month after 27 years with Commission... Senate Commerce Committee press secy. **Joseph Duggan** resigns, joins PR firm of Powell, Tate, replaced by deputy **Dana Johnson**... FCC Calendar: Chmn. Hundt gives luncheon speech Sept. 22 to National Assn. of Black Owned Bestrs., Hyatt Regency Capitol Hill, Washington; **Kathleen Wallman**, chief, Common Carrier Bureau, participates on panel Sept. 18 at Telco Cable 7 Conference, Loews L'Enfant Plaza Hotel, Washington, 11 a.m... Comr. Quello addresses NAB Service to Children TV Symposium, ANA Hotel, Washington, Sept. 21, 9 a.m.

Elected to INTV board: **Barry Baker**, River City Bestg.; **David Smith**, Sinclair Best. Group. Reelected: **Harvey Cohen**, WDZL Miami; **Roger Ottenbach**, KCPQ Tacoma-Seattle; **David Pulido**, ARBY Communications; **Daniel Sullivan**, Clear Channel Bestg.; **Stuart Swartz**, KMSP-TV Minneapolis-St. Paul... **Steve Bell**, ex-Foxstar Productions and former pres., Fox Network TV, appointed pres., newly formed Encore Entertainment Group... **George Case** promoted to vp-newsgathering, Fox News, Washington... **Sal Sardo**, Buena Vista TV vp-creative services, promoted to senior vp-advertising and creative services... **William Kobil**, KCET L.A. pres.-CEO, retires at year-end... **John McMahon**, ex-Sony Pictures Entertainment vp-international legal affairs, named Columbia TriStar International TV senior vp-sales planning.

Kevin Mayer promoted to vp-strategic planning, Walt Disney Co.; promotions at Walt Disney TV: **Heidi Trotta** and **Gregory Taylor**, dirs. of advertising, publicity & promotion, advanced to vp-advertising, publicity and promotion & vp-publicity, respectively.

Edward Horowitz, Viacom senior vp-technology, and **Robert Ranalli**, ex-A&T Consumer Services pres., named to Ariel board... **Larry Friedricks** and **Paula Fierman**, both ex-Kushner-Locke, join Jones Entertainment Group as senior vp-international distribution and vp-international distribution, respectively... **Tony Aiello** promoted to dir.-affiliate sales, Central Div., Jones Educational Networks... **Peter Lynch**, ex-Nynex Cable, appointed senior vp-Midwest Region, People's Choice TV... **Heidi Diamond**, ex-Ameritech Video Interactive Services/New Media Enterprises, named exec. vp-mktg. & promotion, Channel One.

Paterson Ferns, Banff TV Festival chmn., appointed exec. vp, Banff TV Foundation, new post... **Michael Gaede**, ex-Minn. Dept. of Economic Security mktg. coordinator, appointed managing editor-news, Conus Satellite Newsgathering Cooperative... **Michael Grebb** advanced at Warren Publishing to managing editor, Warren's Cable Regulation Monitor.

Zenith launched new line of cable equipment designed for Mexican market, it said at Canitec 95 conference in Guadalajara. Hipervision is full range of addressable decoders, and Zenith will offer PayMaster nonaddressable equipment.

Daniels & Assoc. is opening London office headed by Vp **Mark Mullen**, who has been working with clients in U.K., Spain, Portugal, Netherlands, France, Poland -- 44-171-917-2982.



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FCC waived prime-time access rule (PTAR) for several former Fox affiliates, saying impact of loss of syndicated off-network programming would offset potential competitive advantage that waivers would give stations. Each station (WNRW-TV Winston-Salem, N.C., KSHB-TV Kansas City, WFTS-TV Tampa and KNXV-TV Phoenix) was dropped involuntarily as Fox affiliate and later signed affiliation deals with ABC or CBS. Stations said they already had contracted to buy off-network programming on assumption that PTAR wouldn't apply to them as Fox affiliates, and asked FCC to waive rules that would prevent them from using shows now that they had become Big 3 affiliates. FCC noted that it already had decided to repeal PTAR effective Aug. 30, 1996.

TCI International received \$7.55-million contract from USIA to design, manufacture and install several high-power shortwave broadcast antennas. Contract with TCI subsidiary Technology for Communications International could grow to \$13 million if all options are exercised.

Time Warner sold rights to large collection of films and TV programs to German RTL network for \$240 million, companies said. Deal includes about 50 films and 500 hours of programming from TW libraries.

Consumer Electronics

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STATE OF THE INDUSTRY

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

	AUG. 19-25	1994 WEEK	% CHANGE	AUG. 12-18	8 MONTHS 1995	8 MONTHS 1994	% CHANGE
TOTAL COLOR TV...	933,602	972,394	- 4.0	442,401	14,966,239	15,567,124*	- 3.9
DIRECT-VIEW....	905,947	952,018*	- 4.8	430,287	14,549,945	15,247,911*	- 4.6
TV ONLY.....	841,019	895,129*	- 6.0	409,358	13,327,923	14,096,372*	- 5.5
TV/VCR COMBO..	64,928*	56,889	+14.1	20,929	1,222,022*	1,151,539	+ 6.1
PROJECTION.....	27,655*	20,376	+35.7	12,114	416,294*	319,213	+30.4
TOTAL VCR#.....	517,177	604,132	-14.4	241,667	8,732,073*	8,389,570	+ 4.1
HOME DECKS.....	452,249	598,444*	-24.4	220,738	7,510,051*	7,238,031	+ 3.8
CAMCORDERS.....	150,933*	139,123	+ 8.5	31,687	2,052,478*	1,883,099	+ 9.0
LASERDISC PLAYERS	5,836	7,752	-24.7	3,442	159,415	169,402	- 5.9

Direct-view TV 5-week moving average: 1995--558,239; 1994--643,320* (down 13.2%).

VCR deck 5-week moving average: 1995--297,394; 1994--345,376* (down 13.9%).

TV/VCR 5-week moving average: 1995--43,721*; 1994--40,086 (up 9.1%).

Camcorder 5-week moving average: 1995--81,285*; 1994--80,109 (up 1.5%).

* Record for period. # Includes TV/VCR combinations.

OCT. JAPAN SHOW IS TARGET FOR DVD TRUCE: Negotiators for rival MultiMedia CD (MMCD) and Super Density (SD) alliances last week struggled to keep substance of fast-track digital videodisc (DVD) peace talks off front pages of Japanese newspapers. However, by week's end, source close to SD alliance in Japan said talks with MMCD officials were proceeding smoothly with goal of achieving agreement on unified standard by annual Japan Electronics Show (JES) in Oct.

Scenario seemed to give credence to those who predicted that if agreement was to be reached between factions, truce would come sooner rather than later. Subject of discussions last week, we're told, was how to bridge MMCD and SD error-correction and modulation systems, with talks also aimed at finding face-saving way to embrace bonded SD discs and single-substrate MMCDs as one big happy "family" of media.

Optimism was fueled by one SD source who told us alliance has decided to scrap plans for unified SD pavilion at JES in favor of prototype demonstrations at individual company stands. We're told sides actually came close to sealing agreement early last week, but were stalled by objections from SD hawks such as Thomson and Matsushita. At recent Berlin Internationale Funkausstellung, Thomson was particularly vocal in its plea not to destroy SD "momentum" (TVD Aug 28 p8). Moreover, Matsushita is known to be sensitive to patent implications involving its single-sided "SD-9" media and key component development, such as dual-focus laser.

Japanese newspaper report that 7 SD companies met in Tokyo and decided to "hold their ground" in negotiations was denied by both sides. Philips Key Modules Pres. Jan Oosterveld, a leading member of MMCD negotiating team, dismissed report, as did high-level SD executive who asked not to be identified. Oosterveld told us that negotiators for both sides remain optimistic about reaching agreement and that nothing had occurred at Tokyo SD alliance meeting "to diminish that optimism."

DSS GLITCH -- 'NEGATIVE RUBOFF' WORRIES MARKET: As Sony downplayed significance of software glitch that led it to halt shipments of Digital Satellite System (DSS), marketers worried that fallout could hurt profitable business of DSS equipment and its home theater adjuncts. Sony meanwhile promised quick fix that won't involve recall or physical service call but instead will come from 22,300 miles in outer space.

Incident pointed more toward growing pains of new technology than long-term problem, but retailers were concerned about its effects on business at time when DSS sales were on upswing again as result of Thomson rebate promotion on RCA receivers. Exec. Vp Joseph Clayton acknowledged that Thomson Consumer Electronics (TCE) is "concerned about the negative ruboff" for whole DSS category. Although Sony and DSS broadcasters DirecTV and USSB gave no details as to exact cause, Clayton said TCE's "presumption" is that problem arose when some satellite program transmissions moved to higher bit rate.

Software problem -- picture freeze and pixelization -- applies only to estimated 2.5% of customers who bought Sony receivers, Sony spokesman said. He said company is working with program providers to correct problem in "a couple of days" by transmitting correcting signal. DirecTV spokeswoman said about 200 Sony box owners have called DirecTV or Sony. TCE official said RCA brand boxes hadn't experienced same problem, attributing that to greater experience with system. TCE's Clayton agreed with Sony that difficulty probably represented "a short-term problem that can be fixed quickly -- it's not unlike a lot of things you go through in the consumer electronics industry" when launching new technologies.

Exact source of problem has been elusive. DirecTV spokeswoman denied that glitches were tied to data being transmitted via system. Yet, while problem appeared isolated, it threatened to cast pall over entire DSS market as national media picked up story.

"This is a couple hundred subscribers... out of 800,000," DirecTV spokeswoman said. Situation is "going to need a high-tech solution, so we're looking at a lot of different scenarios," including one in which Sony supplies DirecTV with software code to transmit. "We're all working together," she said, but at our deadline problem hadn't been isolated -- "but it has nothing to do with DirecTV's transmission, the satellite or anything we're doing at the Broadcast Center." DirecTV currently is upgrading to MPEG-2 transmission and is scheduled to complete process by late this month.

U.S. Satellite Bctg. (USSB) Pres.-COO Stanley Hubbard, whose company supplies DSS programming, conceded that "we've all gone through growing pains," but downplayed significance of halting product shipments and noted that internal Sony staff had uncovered problem before consumer complaints were received. "Ourselves and DirecTV have certainly gone through growing pains in our compression software over time," Hubbard said. "Really it was an internal Sony quality control problem that is being dealt with properly. The Sony DSS unit is a good unit."

"The big problem to me wasn't the Sony issue, it was the general public picking up the sound bites of problems with the 18-inch dish," said ABC Warehouse DSS Buyer Robert Frazier, who said picture problems were detected with some in-store displays. "We probably had more feedback from current and potential RCA customers who had picked this up as a problem with DSS as opposed to Sony product."

Some dealers were irritated by what they saw as Sony's lack of communication. One Western dealer said that as of midmorning last Thurs. -- 2 days after Wall St. Journal article kicked off barrage of publicity -- he hadn't received formal notification of any kind from Sony. Another major regional retailer told us: "For me, not having an answer [from Sony] over the weekend is a real disservice to my customers."

Since shipping its first DSS product at \$749, Sony has struggled to expand distribution, starting with Best Buy, Circuit City, Sears and Tandy and gradually moving into regional chains. With mid- and high-end models expected to be delivered nationally in Oct., most retailers remained optimistic. "It doesn't seem to be that big a problem," said Christopher Walczak, vp of National Rural Telecommunications Cooperative, which has sold some 1,000 Sony boxes since June and "received only a handful of calls in the last week."

One dealer said attention being paid to situation -- including suspension of deliveries -- probably was fanned by Sony itself and "Sony's traditional concern for quality," adding that some other manufacturers might have ignored problem publicly.

* * * * *

TCE has started shipping GE-brand DSS receiver similar to first-generation low-end RCA model. Although no suggested list price was given, some stores are said to be advertising it at \$599 -- which actually is same price as comparable RCA version at \$699 less \$100 rebate (TVD Aug 7 p11) -- with speculation it will end up at street price of \$499.

Having completed expansion to 3rd production line for receivers at Juarez plant, raising annual capacity to more than 2 million, TCE now is pushing for OEM business and is in "intense discussions" with one potential customer, with another one "close behind," Clayton said. Sony's problem, he suggested, "will make some companies rethink how much they want to invest" in building their own DBS receivers. First DSS OEM deal is expected to be announced soon.

COLOR SALES OFF 5TH MONTH AS SLIDE CONTINUES: Although admittedly being measured against record performance year ago, sales to dealers of direct-view color TVs (not including TV/VCR combos) were off for 5th straight month in Aug. That's first such 5-month dip since first half of 1991, last year in which sales were off for full year. Drop in Aug. was steepest of any month so far this year, off 15.6%, well beyond 11.6% decline in July. Seasonally adjusted rate in Aug. was consistent with that of first 7 months, showing industry pointed at annual sales of 23.3 million sets, well off record 24.7 million sets sold last year.

Story is significantly better in combos and projection TV, which apparently are headed toward record year. Seasonally adjusted sales rate for projection sets continues to run well above 800,000, as it has in each of last 4 months. Rate in Aug. was 860,700, bringing rate for year to date to 831,000 -- which would be 30% ahead of record 636,000 sold in 1994.

Combos were up 15.7% in Aug., which is one of lowest volume months for category. Seasonally adjusted sales rate of 2.18 million represents major drop from rate of 2.6 million in July, and brings rate for first 8 months to 2.29 million -- which still would surpass 2.02 million sold in 1994.

VCR deck sales cooled off for 2nd straight month, with huge drop in final week's figures (which accounted for 45% of total) offsetting gains reported earlier. Sales still were running 3.8% ahead for year to date. Annualized rate in Aug. was 13.16 million, lowest of any month since Feb., and 4th straight month of decline. For first 8 months, sales were at annualized rate of just under 13.5 million.

Increase in camcorder sales was lowest for any month since Feb., but seasonally adjusted rate for first 8 months of 1995 stood at 3.6 million that, if maintained, would represent 12.5% gain over record 3.2 million sold to dealers in 1994. Here are EIA's figures on sales to dealers for Aug. (for year's first 7 months, see State of the Industry):

Product	Aug. 1995	Aug. 1994	% Change	Aug. 1993
Total color.....	1,997,367	2,292,492*	-12.9	1,884,987
Direct-view...	1,930,752	2,241,870*	-13.9	1,850,314
TV only.....	1,791,763	2,121,750*	-15.6	1,749,802
TV/VCR combo.	138,989*	120,120	+15.7	100,512
Projection....	66,615*	50,622	+31.6	34,673
Total VCR#.....	1,147,084	1,201,616	-4.5	1,030,562
VCR decks.....	1,008,095	1,081,496*	-6.8	930,050
Camcorders.....	249,725*	238,382	+4.8	213,418
Laserdisc players	14,680	20,828	-29.5	19,559

* Record for any Aug. # Includes TV/VCR combinations.

WHAT'S A U.S.-MADE TV, ANYWAY? Nobody really knows. While most statistics -- including those we derive from EIA and Commerce Dept. figures -- refer to U.S.-made set as one with final assembly performed within these borders, this definition is becoming increasingly passé.

There's evidence that even TV manufacturers don't agree on definition when reporting data to EIA -- as shown in Consumer Electronics Group's recent survey that indicated that 54% of all TVs sold here in first half were made in U.S. (TVD Aug 14 p8). In that survey, CEG defined "U.S.-made" set as one that underwent "any assembly" in U.S., leaving respondents to interpret meaning of phrase. It's good guess that manufacturers included as U.S.-made sets many that were finally assembled in their Mexican plants.

As for final assembly, using EIA's own "production" figure and subtracting Commerce Dept. data on imports indicates that about 2/3 of all TVs in total U.S. supply (EIA "production" figure) were assembled in other countries in first half of this year (see table next page).

Good argument can be made for describing U.S.-made set as one whose principal value is in U.S. parts and labor content -- which would yield entirely different result. One shorthand way to figure that is to classify as U.S.-made any set whose picture tube is made here -- tube being biggest single cost factor in direct-view sets. That probably would work out about same as attempting near-impossible chore of isolating exact U.S. content. EIA lists N. American initial equipment picture tube sales as 21,480,000 last year (excluding exports, but including tubes made in Canada by Mitsubishi). That would come out to 85.4% of EIA's "production" (total supply) figure of 29,230,000 for 1994.

Another way to figure who made what where is to ignore boundaries of N. American Free Trade Agreement (NAFTA) countries and tally "North American made" TVs. In its picture tube sales figures, at least, EIA seems to be leaning toward that approach, by including Canada-made tubes as domestic -- presumably committing it to include Samsung's giant tube plant in Tijuana when it starts producing.

Combining Commerce Dept. data on imports from Canada and Mexico with EIA figures shows that some 9,638,000 color TVs -- 80.9% of 11,920,000 total supply -- were assembled in NAFTA countries in first half of this year. For same period last year, 10,077,000 of 12,464,000-set supply -- almost identical 80.8% -- were assembled in N. America.

Five-year tabulation, 1990-1994, of EIA total supply ("production") color TV figures (excluding projection TV) minus Commerce Dept. imports indicates that 41.7% were assembled in U.S., dropping to 30.5% in 1994 from 50.6% in 1990. However, Commerce Dept. figures on domestic color TV production indicate 61% of sets were assembled here during 5-year period. Both tabulations agree, however, that 61% of color TV's dollar volume was in domestically assembled sets in 1990-1994.

Here's tabulation of U.S.-assembled sets vs. imports for first half, based on EIA "production" (total supply) figure and Commerce Dept. import data, compatible with our previous estimates:

TOTAL TV SUPPLY, FIRST HALF 1995 vs. 1994

	U.S.-Assembled	% Change	% of Total	Imports*	% Change	% of Total	Total Supply	% Change	
Color TV	1995....	3,981,000	-22.8	33.4	7,939,000	+ 8.7	66.6	11,920,000	- 4.4
	1994....	5,160,000	-12.7	41.4	7,304,000	+32.8	58.6	12,464,000	+ 9.2
B&W TV	1995....	0	--	--	666,000	-22.0	100.0	666,000	-22.0
	1994....	0	--	--	854,000	- 7.1	100.0	854,000	- 7.1
Total TV	1995....	3,981,000	-22.8	31.6	8,605,000	+ 5.5	68.4	12,586,000	- 5.5
	1994....	5,160,000	-12.7	38.7	8,158,000	+27.1	61.3	13,318,000	+ 8.0

U.S.A. Pavilion at Berlin Internationale

Funkausstellung, sponsored by EIA, was low-keyed compared with huge glamorous exhibits by European and Japanese manufacturers. Some U.S. companies that do business in Europe, such as Harman International and Gemstar, had booths separate from pavilion. Twenty manufacturers exhibited in 10,000-sq.-ft. pavilion, mainly smaller companies in audio, phone, accessories and digital fields. Exhibitors: Alta International Sales, Amfo Trading, Audio Products Inc., Bumper Industries, Cerwin Vega, Command Communications, Comstream, Digital Media Group, DTS Technologies, Earthquake Sound, Kash N' Gold/Telemania, Lyte Optronics, Natcom Electronics, Peerless Sales, Recoton, Regal Electronics, Sima, SSI Corp., Tasco, Videonics. Consumer Electronics Shows and U.S. Embassy also had booths.

Rex Stores reported income climbed to \$2.51 million in 2nd quarter ended July 31 from \$1.96 million year earlier on 18.9% sales increase (see financial table). For 6 months, income grew to \$4.09 million from \$8.58 million on 22.4% sales increase to \$183.89 million from \$150.26 million. Aug. sales jumped 28% to \$33.1 million vs. \$26 million. For year's first 7 months, sales rose 24% to \$212.3 million from \$171.7 million. Same-store sales increased 3% for Aug., but dipped 2% for year.

All-format **ATV** decoder was demonstrated by Hitachi at SMPTE convention in New Orleans last week. Invitation said demonstration focused on technology to receive "all forms of TV transmission," analog and digital. Attendees quoted Hitachi estimate that technology would add \$50 to cost of set.

Lien on Emerson trademark was lifted as part of \$80-million refinancing package obtained by Emerson Radio from lender Congress Financial. Deal for \$60 million revolving credit and \$20 million for capital revises agreement Emerson signed with Congress on emerging from Ch. 11 bankruptcy in March 1994, extends it one year to 1998. Congress had obtained lien on trademark to "provide extra value" in event of foreclosure, Emerson Pres. Eugene Davis said. Free from lien, Emerson will "further pursue" new products, licensing and joint ventures, he said. Congress provided Emerson with \$15 million in debtor-in-possession (DIP) financing during bankruptcy.

Aug. Retail Sales: **Circuit City** said Aug. sales climbed 30% to \$554.7. For 2nd quarter ended Aug. 31, they rose 31% to \$1.6 billion. Same-store sales were up 9% in month, 10% in quarter... **Ultimate Electronics** said Aug. sales soared 78% to \$18.91 million. For 7 months ended Aug. 31, they increased 74% to \$119.7 million. Same-store sales rose 6% for month, 7% for year.

Add Vietnam ventures: Korea's LG Electronics owns 55% of company formed with Vietnam's Star Light Electronic Co., which will build \$12 million plant near Hanoi next month, to begin production in May with annual capacity of 200,000 TV sets and 3 million TV tuners.

THIS WEEK'S YEN RATE

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

SONY PLAYSTATION ROLLOUT: Sony said more than 100,000 customers put down cash deposits for PlayStation consoles in advance of videogame's rollout Sept. 9. If all those reservations are converted instantly into sales, that would give PlayStation strongest U.S. start of any advanced system yet on market. Most notably, Sega launched Saturn this spring without advance warning, and even most optimistic industry reports (aside from those quoted by Sega) estimate that sellthrough only recently passed 80,000 consoles. When it launched, Sega said it hoped to sell 100,000 Satellites by end of summer, and its executives said in late Aug. that total had reached 101,000.

PlayStation introduction completes field of game platforms for upcoming Christmas season, following Aug. launch of Nintendo's Virtual Boy, May debut of Saturn and continuing efforts of Panasonic and GoldStar's 3DO systems, along with existing 16-bit platforms. Biggest question hanging over market is how readily consumers will scoop up advanced systems that carry significantly higher price tags than those of aging 16-bit platforms. Saturn sells for \$399 -- which this month includes 3 complete games (plus one software upgrade), and company last week added \$10 coupon toward other games for those who buy by end of month. PlayStation opens at \$299, but without any complete games packed in, meaning customer has to pay another \$50 to put system to intended use. Panasonic and GoldStar pack in games with their versions of 3DO system at \$299.

Sony Interactive Entertainment Pres. Olaf Olafsson reiterated company's focus on PlayStation as high-level videogame console, not multimedia player. "Our goal is first to get this into as many households as possible as a dedicated game machine. Technology allows us to do a lot of different things, and if there is a good business reason for us to allow different types of passive experience" such as using PlayStation as motion picture playback device, then it could be enhanced later. "But for the time being, we're really putting blinders on."

"It's really critical to know your target customer," said Martin Homlish, named acting pres. of Sony Computer Entertainment of America (SCEA) after Steve Race resigned as pres. last month (TVD Aug 14 p9). Homlish said target PlayStation "Generation X" customer is cynical consumer who understands brand name and value but doesn't "want to be sold a bill of goods from corporate America about a product that is multifunctional. Their only interest is to find the ultimate game product." Once strong base is established with Sony brand, "then you can make the next logical extension" into adding on other functions to later generations of PlayStation hardware.

Olafsson backtracked from earlier assertion that Sony would ship at least 700,000 players to retail by year-end, saying supply situation is "fluid" due to need to supply Japan and Europe, in addition to N. America. "There's high capacity, but even 'high' is limited." Similarly, Sega has said its hardware supply will be constrained by manufacturing capacity, with goal of shipping 600,000 to retail by year-end. Last week, Sony said it plans to begin making PlayStation hardware in U.S. in "early 1996" at undetermined location.

Even as heat is generated in 32-bit world, Nintendo last week launched its major Super Nintendo Entertainment System (SNES) titles for year in big way. Company reported first-day sellthrough of 150,000 *Killer Instinct* cartridges at \$75 retail, which it said was largest launch in its history, surpassing even first-day numbers generated by *Donkey Kong Country* megahit last year.

3DO TO 'DIVERSIFY BUSINESS': 3DO Co., running up against its promise to announce "partnering arrangements" for its much-touted 64-bit M2 technology by end of summer, said last week it will miss that date, but plans should be completed "in the coming months." Company said it's making "good progress" in completing M2 technology, but delay in finding partner most likely will push back debut of M2 products well beyond expected launch date in spring.

Meanwhile, company said it wants to aim elements of its technology at PC world "to decrease [its] reliance on the consumer market," turning at least part of its attention to such areas as 3D graphics accelerators and MPEG technology. Company is counting on growth in numbers and sophistication of PCs to increase demand for high-level graphics technology.

Accent in search for partner apparently is on finding ways to generate maximum amount of up-front cash, with less emphasis on longer term payback through shared performance incentives. Statement said company is "looking to obtain licensing fee income and performance commitments to support 3DO's expenses and cash needs."

In addition, 3DO said it hopes to use knowledge gained through its participation in U.S. West interactive TV trial to help it develop Internet application software. Pres.-CEO William (Trip) Hawkins said company hopes to "exploit our technologies in architecture and software to deliver products for mass consumer over the net."

Philips is introducing in U.K. this month modem/software combination to give CD-I users access to Internet. Starter pack will include 14.4 modem that plugs into CD-I player, along with CD-I disc that has communications software and browser. User will be able to communicate either by punching out letters on on-screen "keyboard" or through simple keyboard that Philips will sell as accessory. Starter pack will sell for £99. Philips said it will market service in other European countries next year, but no plans were announced for N. America. Service is being run by CD-Online, Philips Media subsidiary. Company said it will deliver updated CD-I discs to subscribers regularly.

Ads & Promos: Sharp has begun \$20-million program 30 backing ViewCam camcorder with ads and \$100-\$200 rebates. Campaign features 30-sec. TV spots and print ads. Rebates, redeemable through Jan. 2, cover Sharp's 8 ViewCams, with \$100 off 8mm models and \$200 off Hi8s... Toshiba has begun its first national consumer financing program, requiring no interest or payments until 1997 on stepup 32" and larger direct-view and projection TVs purchased by Sept. 10. Toshiba earlier ran financing promotions on regional basis, TV/VCR Mktg. Vp Stephen Nickerson said. Second financing program is planned for Dec. extending offer to 27" and larger TVs and some high-end VCRs.

Warrantech has made 4-year deal with CompUSA to supply extended service contracts for PCs and other products. Pact is expected to add \$20 million to revenues which in fiscal 1995 were \$70.5 million, Warrantech spokesman said. Independent Dealer Services (IDS) previously supplied CompUSA contracts.

Widescreen TVs with PC monitor capability were introduced in Japan by Sony for Oct.-Nov. availability. Both models use 16:9 tubes designed for HiVision and can receive HDTV with optional MUSE converter. Model with 28W" (Japanese measurement) screen is \$1,575; 32W" version \$3,400.

ROYALTIES -- VHS DOWN, CD UP: Why have royalties on audio CDs gone up with increasing penetration while those on VHS cassettes have declined? Based on history and characteristics of those media plus CD-ROMs and videogames, study by Price Waterhouse's Entertainment, Media & Communications Group has come up with "analytical framework to use a format's business fundamentals to predict its royalty pricing."

Average current royalty on VHS cassette is 2% of wholesale unit price, audio CD royalty commands 14%, CD-ROM 15% and videogame cartridge a whopping 47%, research found.

Study found "vastly different royalty structure and pricing" in videocassettes and audio CDs. VHS cassette royalties are paid only by tape loaders, who buy shells from small Asian companies and load them with tape, largely from major manufacturers such as 3M and TDK. They usually pay royalties quarterly to JVC, sole VHS format owner. Major tape loaders, such as 3M, Technicolor and TDK, have multiyear agreements.

When VHS format was introduced in 1976, average royalty was 15 yen per cassette, according to study, declining to 13 yen pre-1984 when 300 million cassettes were sold, declining to 8 yen in 1985-1989 when 2 billion were sold and 5 yen in 1990-1994 with sales of 3.5 billion, continuing at 5 yen this year.

Unlike videocassettes, report said, audio CD "manufacturing, loading and application is done in a single step by the royalty payee -- disc presses/stampers. The key format owners are Sony/Philips, [Pioneer's] DiscoVision and Thomson." Royalties usually are collected quarterly or biannually on units manufactured.

When CD format was introduced, royalties were set at average of \$7 per disc. By 1989, when 540 million discs were made, figure had climbed to \$7.50, to \$8.25 in 1990-1994 when 2.2 billion discs were pressed and to \$8.50 today.

As for VHS, "tremendous downward pressure on cassette prices [which dropped to current \$2-\$3 from \$4-\$5 in early 1980s] and margins has forced the format owner, JVC/Matsushita, to lower royalties to minimize patent and logo challenges from profit-pinched tape loaders."

In audio CDs, "dramatic increases in sales... coupled with increases in unit royalties have created a windfall for the format owners. However, tremendous downward pressure on disc prices [which fell to current 60-65¢ from about \$2 in early 1980s] and margins has prompted strong complaints (and in some cases noncompliance) from disc presses on current royalty levels."

Summing up study, Price Waterhouse said "expectations of a large market will drive royalties down, while fragmentation of content providers improves the relative bargaining power of the format owner, thereby increasing the royalty level. If the format owner has direct access to critical content mass, it will naturally make it less dependent on other content providers, which could lead to higher royalty rates."

As example of fragmentation of content providers, study cited videogames, programmed by "proliferation of small outfits," as opposed to videocassettes where "major studios play strong role" and have leverage to keep royalties down. Other factors restraining royalties: (1) Multiple

formats (example, Beta vs. VHS), increasing competition. (2) Projected format life -- longer life "affects ultimate volume and hence royalty rate in order to attain royalty revenues targeted by format owners." (3) Level of profits and royalties involved in platform (hardware), which, if high, can subsidize content royalties to build sales and profits.

Positive correlation to royalty rate was found in these factors: (1) Profitability of disc or tape manufacturer, which determines "room available to pay royalties demanded by format owner." (2) Format durability (resistance to breakage, etc.) -- if it is expected to last it becomes more attractive to consumer and can be priced at premium, providing room for higher royalties. (3) Installed base of platforms at format introduction -- large base means "content providers have captive buyers; lower market risk can lead to a premium royalty rate."

INCREDIBLE UNIVERSE BREAKS EVEN: Tandy's Incredible Universe (IU), which earlier had forecast profit in 1995 (TVD Feb 27 p15), will break even, company told analysts last week.

Disclosure came as Tandy reported 8% drop in same-store sales at IU in Aug. and as it prepared to open 185,000-sq.-ft. outlet in Westbury, N.Y., this week. Earlier in year, analysts had said IU would report 1995 profit of less than \$10 million and blamed downturn in Aug. sales on lack of PC hardware.

Costs tied to opening 8 stores this year ate into gross margins, reducing possible profit to breakeven, analysts said. Most IU stores break even at \$50-\$60 million annual sales, while average is \$70 million, analysts said. IU is expected to report \$887 million sales in 1995. "Two years out they should be profitable, but the question is what's the return and is it at a level that investors will consider adequate and is it what Tandy would have liked," analyst said.

Tandy Investor Relations Dir. Martin Moad confirmed IU projections, but said that "breakeven, plus or minus, could be construed as a profit."

Overall, Tandy reported 7% gain in same-store sales in Aug. Comparable-store sales jumped 6% at Radio Shack and 14% at Computer City, which received boost from sales of Microsoft's Windows 95.

Philips is eyeing worldwide introduction next year of CD-R recorders for data and consumer audio, Managing Dir. Ad Veenhof told news conference at Internationale Funkausstellung (IFA) in Berlin. Philips first introduced professional CD-R recorders 5 years ago. Referring to recent CD-R antipiracy agreement between consumer electronics and music industries, Veenhof said that concern "has recently been resolved with measures which are satisfactory for all parties." With pricing dropping, Veenhof said, "the way is open" for development of broad CD-R consumer applications in audio and PC fields. As for DCC, he said Philips remains "convinced" that format "can build a firm position" in tape segment of consumer audio business and eventually possibly for multimedia and PC uses.

H.H. Gregg has delayed move into Louisville to early 1996 from fall (TVD March 20 p14), Pres. Gerry Throgmartin said. Indianapolis-based chain, which operates 18 stores, will open two 50,000-sq.-ft. stores in Louisville at start with plans for up to 5, he said. Throgmartin has said stores will continue increased emphasis on home office and home theater.

RUNCO SHOWS DMD PROJECTOR: Second "first consumer application" of Texas Instruments (TI) Digital Micromirror Device (DMD) was demonstrated last week in 2-piece rear-projection prototype at Custom Electronic Design & Installation Assn. (CEDIA) meeting in Dallas by Runco, which expects that new technology to lead it closer to mass market TV.

Although high-end projection TV manufacturer Runco emphasized "first," it actually was scooped by about 2 weeks by one-piece model shown at Berlin's Internationale Funkausstellung by Finland's Nokia (TVD Sept 4 p10).

Runco will beat Nokia to market, however, if it meets target date -- 2nd or 3rd quarter next year, vs. Nokia's early 1997 goal. Runco plans 2 consumer versions of Digital Light Processing (DLP) TVs -- front- and rear-projection models -- Pres. Samuel Runco said. Target price is "under \$10,000," he said, in keeping with company's high-end custom installation profile, although it's looking for DLP to take it into more mainstream markets.

"This piece will allow us to build, sell and compete with some of the major TV companies -- not that it will change a lot, since we appeal to the high end of the market," Runco said. He said Runco-brand DLP TVs are likely to find their way into mainstream high-volume retail chains.

"At some point down the road we're going to see this technology everywhere," Runco said, "maybe even in a 21-inch TV. TI is a chip manufacturer they're going to sell millions of these things, and certainly other manufacturers are going to be entering the market at some time. I don't think they're going to have a choice. Even if it's defense marketing, they're going to have to do this because it's a choice of dealing with solid-state chips or 20-pound CRTs. It's a matter of dealing with mass versus silicon. The major companies are going to find themselves getting into the technology. We just happen to be the first."

According to TI Mktg. & Business Development Mgr. Gary Feather, Runco brings opportunity for TI to enter home market with high-end supplier. He said DLP is all-digital system that fits in with video's place in future home. "We're an industry in the midst of change from the generation of media, its distribution and the delivery to the home. The digital infrastructure is being set up, but the one thing that's been missing is a digital display. This system can replicate the media and put it in a form in which it was meant to be viewed by its creators," he said. DLP, he said, offers benefits of superb color rendition in gray scale, bandwidth and depth and all-digital control that provides precise video reproduction. DLP also is a very "manufacturable" technology using standard TI semiconductor manufacturing, Runco said.

TI combines DLP with digital video signal processing to create engine for projection system -- chip, associated electronics, illumination source, optics. Runco will customize system by building engine into projector to be built at its Hayward, Cal., plant. It will begin work on DLP projectors next month.

Prototype presented at CEDIA had array of some 500,000 microscopic mirrors in 800x640 configuration on 5/8" square silicon chip (TVD June 5 p11). System on display measured 84" diagonally in widescreen aspect ratio of 1.85:1 (just over 16:9); final version also will be in widescreen format.

Runco said DLP technology takes industry from transmissive and reflective technology to reflective one

where more of original light source is preserved. "With transmissive you're dealing with a CRT and we're passing light through it. The more light that passes through, the more you lose contrast." With LCD, he said, the more light that passes through, the more the picture is washed out. "This is reflective. We can conceivably get out about anything we put into it."

Runco said company waited to introduce next-generation projection technology until now because LCD hasn't met its quality requirements. "In teaming with TI, we've leapfrogged a technology we weren't able to align ourselves with because it didn't produce the kind of pictures we're used to selling and our customers are used to buying. DMD technology seems to be beyond that and at some point seems to have the capacity to approach and surpass CRT technology," he said.

SEARS TO TEST DENON AUDIO: Sears will launch 35-store test of derivative line of Denon audio components this month.

Some 7-8 Sears stores in each of 5 markets will carry Denon products, Sears Assoc. Audio Buyer Marty Burks said. He said markets will be Grand Rapids, Portland, Ore., Richmond, Va., San Francisco, Seattle. Sears is nearing completion of market test with JVC AV products, with decision expected by fall on whether to continue or expand program.

Denon Sales & Mktg. Vp Stephen Baker said Denon brand isn't new to Sears, where company's line of headphones, portables and other commodity goods has been sold since 1990. He said Sears, starting this month, will sell 6 Denon models, including CD player and carousel changer and 2 AV receivers. Products at start will be exclusive to Sears only because chain will account for all of first allocations, Baker said. Products will be available to other Denon distribution by year-end, he said, but he wasn't specific.

Baker said test was "clear and rational business decision" to seed Denon brand identity among "quality-conscious" shoppers who are unlikely to visit company's more traditional independent accounts for electronics.

JAPANESE PROFIT FORECASTS UP: Japanese manufacturers are upping their profit forecasts for fiscal first half ending Sept. 30. JVC more than doubled its estimate of pretax profits to 2.5 billion yen (\$25.3 million), with net profit expected to remain at earlier forecast level of 400 million yen (\$4.04 million).

Nintendo forecast its first-half recurring profits would total 59 billion yen (\$596 million), up 31% from original forecast, but said sales would be lower than original forecast and last year's sales. For full year it expects recurring profits of \$1.25 billion, also above earlier prediction, with sales down from forecast. Sales declines were blamed on sluggish demand for its new videogame and delays in software introduction.

Sega raised its first-half pretax profit projection to 11 billion yen (\$111.1 million) from original one billion yen (\$10.1 million), which still would be down 33% from last year's figure. Sales should total 157 billion yen (\$1.586 billion), up 4% in year.

Hitachi, Toshiba and NEC also raised projections of first-half profits and sales, based on strong demand for computers and semiconductors.

BERLIN GOES DIGITAL: Years of pushing analog MAC HDTV system at previous shows were forgotten at 1995 Internationale Funkausstellung (IFA) in Berlin, with digital technology taking over at futurist exhibits. Highlight, of course, was announcement of start of talks aiming at single digital videodisc (DVD) standard (TVD Aug 28 p8).

Hovering overhead was satellite sending out Germany's first digital TV programs. Below, at Berlin fairgrounds, were European premieres of first camcorders produced to industrywide digital videocassette (DVC) standards by JVC, Panasonic, Sony.

Germany's Kirch Group took 5 transponders on Astra satellite to transmit 27 digital program streams during IFA. Some were carrying near-video-on-demand -- same movie broadcast at 15-min. intervals. Others were delivering 5 different views of international auto racing event so viewers could choose what view of which car to watch.

This was exploited by Nokia, which submitted its own answer to confusion over plethora of digital TV and multimedia standards -- "multimedia terminal." Heart of terminal is MPEG-2 decoder, to which cable, satellite or terrestrial receiver circuitry can be added, as well as CD-ROM drive for video CD. It handles any data rate between 1 and 50 Mb/s and there's no operating system on ROM chip. Everything is in flash memory, which is instantly upgradeable, if necessary, by broadcast transmission.

Major attractions were DVC camcorders, already described here in previous issues (TVD July 31 p13 et seq). Sony, which plans to introduce its 2 models in N.Y. this week, priced its PAL versions at equivalent of \$3,075 (single CCD pickup) and \$4,785 (3 CCDs) on German market. Similar NTSC models are \$2,700 and \$4,000 in Japan. Sony plans DVC home deck, but says copyright protection agreement must come first.

Sony's camcorders can record indexing information in 4-kb memory housed inside cassette, for access without need to run tape. Sony and Panasonic use different digital connectors on their camcorders and different time code formats. Asked why, Panasonic official claimed company was "not familiar" with what Sony was doing within standard. Standardized interface reportedly was topic of discussion at meeting in Paris same week as IFA; no results had been released by our deadline.

JVC's Mini DV (TVD Aug 28 p11) was billed as "world's smallest camcorder." Handheld rectangular model weighs just 1.1 lb., measures 5.9x15x1.8", has vertical configuration. Miniaturization is achieved by use of ultracompact drum and 6-layer circuit board, small lens and zoom motor assemblies, compact lithium battery. In Germany it will be priced at equivalent of \$3,075.

In Japan, Matsushita last week forecast that digital models would comprise 30% of its domestic camcorder sales in year ending in March 1997 and 50% in following year.

TV/computer combinations in various forms were introduced by several manufacturers, Matsushita showing model with CD-ROM and complete AV home office electronics, but with no price or introduction date. Nokia's model combines PC with 17" monitor, digital TV receiver, teletext capability. Siemens' Multimedia Star featured TV, fax, word processing and CD-ROM with 16" screen and stereo speakers. Schneider's PC was designed as central control for home office and entertainment, accommodating plug-in audio and video components and disc drives.

PCs BATTLE AV AT RETAIL: Once profit center for CE retailers, AV products increasingly are being replaced by PCs as means of boosting dealers' bottom line.

While PC hardware carries narrow margins -- typically zero to 12% -- software brings added profit. On strength of PC sales that included launch of Windows 95, Best Buy (BB), Circuit City (CC) and Tandy reported increases in same-store sales in Aug. But stripped of PCs, BB was down 1%, CC in low single digits and Tandy's Incredible Universe, which had shortage of PCs, dropped 8%, analysts said.

Change in buying habits can be seen in slight shift in consumer spending that in recent months seemed to favor PCs over TVs. Sales to dealers of direct-view color TVs were off for 5th straight month in Aug., first 5-month dip since 1991 when sales were down for full year (see related story).

"The non-PC business is very weak and you have to have very strong PC sales to have good comps" (same-stores sales), Sanford Bernstein Research Analyst Ursula Moran said. "If you drop the ball on PCs, you are in a lot of trouble."

While high-end direct-view and projection TVs may promise dealers higher margins than PCs, CE executives concede AV products have lost ground to PCs in advertising and marketing. "We have to think of how to promote more aggressively and how to get audio/video products into the eyes of consumers and give them more value for their money," JVC Exec. Vp Harry Elias said. "If you look at computers, they're constantly being advertised."

Although CE executives downplayed immediate impact of Windows 95, noting that even with upgrades total software package will only approach price of low-end 27" TVs, others expressed concern about losing shelf space. Marginal products may be eliminated from mix to make room for expanded PC software or hardware offerings, officials said.

When negative comparable-store AV sales are reported, Onkyo Sales Vp Ted Green said, "you have to start asking yourself do retailers start cutting back square footage, do they give more space to PCs and software and less to audio? Do they jumble the line mix -- and if you're a marginally profitable line, do you get dropped?"

Retailers for their part have struggled this year. Saddled with heavy TV inventories after consumers appeared to choose PCs over TVs last Christmas, many dealers have spent much of this year trying to unload product. H.H. Gregg Pres. Jerry Throgmartin said PC sales have cut into AV "to some extent" and may cause TV sales projections to come up short. "We're just hoping for a good 4th quarter to make up for the slowness of the first 3," he said.

Despite shift in discretionary dollars, some CE manufacturers remained optimistic, saying PC advertising has drawn consumers into stores where they can be shown other CE products. "The retailers are excited because there are more people coming in and it's just more opportunity to talk to consumers about other products they carry," Hitachi Exec. Vp Gary Bennett said.

Audio King has signed lease for space next to existing Roseville, Minn., store that will double size to 18,000 sq. ft. Construction will start immediately, to be completed before Christmas, with existing store to remain open during renovation.

Consumer Electronics Personals

Herbert Scales, ex-Whirlpool and GE, named mktg. vp-color TV, Philips Consumer Electronics, post formerly held by **Mark Stephenson**, now mktg. vp-audio (TVD May 22 p16)... **Charles Boornazian**, ex-JBL Consumer Products and Carver, joins Marantz America Sept. 18 as national sales mgr... **Louis Lenzi** gen. mgr., Thomson Consumer Electronics Design Operations, promoted to vp, Americas Design Operations... Changes at Emerson: **Lou DeCanio**, ex-McCrory, named sales & mktg. dir.-new products; **Malinda Giannetti** becomes new products mdse. mgr.; **Tom Degan** car audio mktg. mgr.

Maj. Gen. Hugh Robinson (U.S. Army, ret.), chmn.-CEO, Tetra Group consulting firm, elected to Circuit City board... Montgomery Ward appointments: **Gene McCaffery** promoted to senior exec. vp-mktg. & mdsg.; **Robert Stevenish** joins Nov. 1 as exec. vp-operations, new post, from Hills Dept. Stores, where he has been senior exec. vp-COO since 1993... **Malcom Ballinger**, Campo Electronics gen. mdse. mgr., resigns, plans unknown, duties assumed by Senior Vp **Donald Galloway**... **George Fisher**, Kodak pres., chmn. & CEO, adds COO title; **Daniel Karp**, vp-Europe, Africa, Middle East, appointed exec. vp; **Carl Kohrt**, health sciences vp, named asst. COO; **Leo Thomas**, exec. vp, retires.

Ann Dilworth departs as pres.-Times Mirror Consumer Media, no replacement named... **Dennis Maguire** promoted to senior vp-sales & distribution, Buena Vista Home Video, overseeing sales of videocassettes, Disney Interactive videogames, CD-ROM... Changes at Saban Home Entertainment: **Sharon Gitles**, ex-Turner Home Entertainment, named dir.-mktg.; **Larry Castro**, ex-Disney Interactive, dir.-sales responsible for all consumer products including home video, audio, interactive.

Martin Brochstein departs Sept. 15 as Television Digest senior editor to become editor of HomeWorld Electronics, biweekly supplement to HomeWorld Business trade magazine.

TV screen measurement in U.K., as in continental Europe (TVD Sept 4 p12), is moving gradually toward viewable diagonal, as opposed to overall diagonal, but on voluntary basis. Recommendation by British Radio & Electronic Equipment Mfrs. Assn. (BREMA) almost year ago also points toward eventual exclusive use of metric measurement. For FST and widescreen sets, it urges designation "by the visible screen diagonal in centimeters, with no reference made to inch dimensions," while "non-FST sets will be designated by the tube diagonal in inches followed in brackets by the visible screen diagonal in centimeters." BREMA suggests that "if desired, the letter 'V' may be inserted to indicate 'visible.'" (Use of "V" to designate viewable diagonal was originated in 1960s by TV Digest and later adopted by official U.S. standardization bodies.) There's little evidence that British marketers are following BREMA advice.

General Instrument (GI) said it won't renew "Full-View TV" national ad campaign after it ends Sept. 30. GI began program in spring (TVD March 20 p13) to boost C-band satellite sales. Promotion, with network TV ads carrying toll-free number for information on C-band market, apparently will fall short of 200,000-call goal -- GI said recently that campaign had generated 100,000 calls. GI, which spent \$15 million on campaign, said Full View was plagued by logistical problems, and future promotions will be done on local level.

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
National Semiconductor 1995-13 wk. to Aug. 27 1994-13 wk. to Aug. 28	698,800,000 553,800,000	73,500,000 59,000,000	.56 .44
Paxson Communications 1995-6 mo. to June 30 1994-6 mo. to June 30 1995-qtr. to June 30 1994-qtr. to June 30	44,356,348 21,513,761 23,736,645 12,148,603	(14,429,713) (2,117,001) (11,176,729) (318,376)	--a -- --a --
Rex Stores 1995-6 mo. to July 31 1994-6 mo. to July 31 1995-qtr. to July 31 1994-qtr. to July 31	183,885,000 150,256,000 96,459,000 81,122,000	4,087,000 3,101,000 2,513,000 1,958,000	.44 .36 .27 .22

Note: aRevised.

POLK RENEWS SUIT: Polk Audio has renewed court battle with 6th Ave. Electronics City, charging retailer violated consent agreement and seeking names of dealers supplying new mail order business with Polk product.

Legal action revives trademark infringement suit settled in May 1994 with consent agreement that barred 6th Ave. from selling new Polk products. At issue is whether ban applies to 6th Ave. Pres. Leon Temiz's new mail order business, Electronics & Computers Depot (ECD). U.S. Dist. Judge Lawrence McKenna issued temporary restraining order barring ECD, which shares same address as 6th Ave.'s N.J. hq, from selling Polk.

Charles Raubicheck, attorney for Polk, and Nancy Savitt, attorney for 6th Ave., declined comment on case. But in court papers, attorneys made positions clear.

Agreement prevents ECD from selling Polk because of Temiz's connection to 6th Ave., where he's one of chain's 3 owners, Raubicheck said in court papers. ECD is in "active concert and participation" with 6th Ave., he said. To stem flow of Polk products, Raubicheck is seeking list of dealers supplying Polk product to ECD. McKenna hasn't ruled on request.

In seeking stay of temporary order, Savitt argued that ECD is separate business with own employees, accounts and creditors and isn't governed by 6th Ave. agreement. While Polk first claimed that ECD was "alter ego of Temiz/6th Ave.," it has since abandoned theory, Savitt said. "Polk now relies solely on its claim that somehow Depot and Temiz, are bound by terms of the consent order."

Philips has signed deal with EchoStar Communications to produce and market MPEG-2 receiving equipment and "DISH"-brand programming packages for DISH TV Network, EchoStar's DBS service. Receivers will be distributed under Magnavox and Philips brand names by Philips and EchoStar retailers. Network is scheduled to start next year.

Zenith launched "broad new family of products" specifically geared to Mexican cable systems at trade show in Guadalajara last week. Zenith has manufactured cable products in Chihuahua for 10 years.

Correction: Ronald Gullett, ex-K mart, named Emerson Radio (Hong Kong) vp-managing dir.

TELEVISION DIGEST®

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

With Consumer Electronics

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ATV AUCTION SPLITS CONGRESS: House panel wants unspecified spectrum to be auctioned to raise money. Senate committee is seen leaning toward auction of digital 6 MHz broadcasters want. (P. 1)

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FCC PROPOSES DEAL WITH COX to settle 400 cable rate complaints, provide \$7.1 million in bill credits. Company would agree to drop additional outlet charges. (P. 6)

HOUSE URGED TO END BROADCASTER RULES: That's advice of 2 members of Congress at NAB show. (P. 7)

SENATE AND HOUSE TAKE DIFFERENT ATV PATHS: Senate and House Commerce Committees are taking different approaches to advanced TV (ATV) digital spectrum that broadcasters argue is needed for transition to digital services. As part of budget reconciliation process, House panel voted not to specify which parts of spectrum would be auctioned to meet its budget target. Senate panel, expected to act this week, seemed headed toward auction for 2nd 6 MHz block. Bridge between 2 may be Sen. McCain (R-Ariz.), who indicated he would offer House language as substitute when Senate panel meets this week.

House Commerce Committee Sept. 13 approved budget reconciliation bill that would have FCC find 100 MHz of spectrum for auction and NTIA come up with another 20 MHz. House Telecom Subcommittee Chmn. Fields (R-Tex.) said it would have been "imprudent and philosophically inconsistent" with House telecom bill (HR-1555) to auction off ATV spectrum, which he said would "strangle digital TV in the cradle." Reps. Dingell (D-Mich.) and Markey (D-Mass.) warned against repeatedly raiding spectrum bank for funds, saying much spectrum is used by Defense Dept. and law enforcement entities. Committee also approved amendment by Rep. Hall (D-Tex.) to speed up license transfers for new technologies.

But Senate Commerce Committee members strongly indicated at Sept. 12 hearing that broadcasters would have to bid for 6 MHz of spectrum in order to offer advanced TV (ATV) services. Broadcasters on

Consumer Electronics

DVD FORMAT COMPROMISE, hailed on all sides as victory for consumer, adopts both bonded and dual-layer disc, MMCD modulation system, SD error correction. Toshiba sees 3-month delay, sales by Labor Day 1996. (P. 12)

HITACHI 'ALL FORMAT DECODER' to convert HDTV or other ATV transmissions to standard definition playable on conventional NTSC set, could ease transition to digital broadcasting for set makers, consumers. (P. 13)

DSS SHIPMENTS RESUMED by Sony after engineers devise satellite signal to 'fix' software code. Various explanations involve MPEG-2, Sony chip program. (P. 14)

JAPANESE CAMCORDER EXPORTS to U.S. in July continue above year earlier for 6th month, with average price staying comparatively low at prices which are below \$500. (P. 15)

SONY DIGITAL CAMCORDERS in DV format debut in U.S., at \$2,999 and \$4,199. Will have digital input and output, use cassette chip for indexing. (P. 16)

KOREA'S LG EXTENDS OFFER for Zenith control by another month to Oct. 19 as 72.5% of required shares are tendered by Zenith stockholders. (P. 16)

BEST BUY, CIRCUIT CITY BATTLE for PC business as both arm themselves with pricing and promotions for fall selling season. (P. 17)

panel at hearing disagreed strongly, and there was angry exchange between Sen. Stevens (R-Alaska) and witness William Duhamel, pres. of Duhamel Bctg. Senate panel has to raise \$17 billion as part of its budget reconciliation responsibilities, and spectrum auctions will be key. If funds can't be found from auctions, Stevens warned, Committee would have no choice but to recommend sharply higher fees for broadcasters and others that could put some companies out of business.

Senate Commerce Committee Chmn. Pressler (R-S.D.) set tone for hearing when he said it would be hard to explain to his constituents and to taxpayer groups a Senate action to give spectrum to broadcasters. He said he didn't have plan in mind, but goal was to try to auction spectrum for new services while not hurting any incumbents. Options include allowing broadcasters to buy 2nd channel, giving them flexible rights to use 2nd channel regardless of how they obtain it, or allowing any company -- broadcaster or not -- to bid on spectrum that was to be given to broadcasters for ATV.

In Senate floor speech Sept. 12, Pressler said: "If broadcasting is the best and highest use of those channels, let the marketplace make that decision." Linking auctions with another issue that Commerce panel will take up later this week, he suggested that small part of proceeds from auction be used to finance public broadcasting, which would free it from congressional appropriations. Lawrence Grossman, ex-pres., NBC News and PBS, made similar suggestion testifying before Pressler committee. Grossman said that part of spectrum proceeds should be used for public, educational and civic services. Pressler also suggested in speech that public broadcasting stations be given limited permission to accept ads, position that Grossman echoed.

Stevens, one of earliest backers of spectrum auctions, suggested plan in which only top 25 markets would be subject to auction for ATV channels. He contended that technology had overtaken FCC's 1992 decision to give broadcasters spectrum, along with 15-year transition from analog to digital broadcasting.

NBC Pres. Robert Wright led charge for broadcasters. Although NBC would pursue ATV even if required to purchase spectrum, he said, industry already has spent \$500 million, and NBC alone has spent \$50 million. He said that if 2nd 6-MHz channels were open to auction from any industries, cellular companies would buy it because they have most money to spend and because extra spectrum would allow them to add customers. In contrast, Wright said, broadcasters that would carry both analog and digital services during transition still would have same audience and same ad base. He suggested as alternative money-raising strategies that Commerce panel consider issuing business licenses to telecom companies that enter new lines of business, such as long distance carriers getting into local service, local companies into long distance, or cable into telephony. He said broadcasters were being singled out.

Duhamel and Ralph Gabbard, pres. of Gray Bctg., who own stations in small markets, said they couldn't afford to compete for spectrum with bigger telecom companies. Duhamel also said committee should look to federal govt. for unused spectrum, not to broadcasters who control relatively little. He and others contended that broadcasters weren't being given spectrum because, after transition is completed, they would have to return 6 MHz on which they now transmit. Duhamel told Stevens that broadcasters couldn't use same spectrum to broadcast analog and digital signals and that extra space was needed.

Stevens was adamant in declaring that broadcasters wouldn't use extra spectrum for some years, if at all, because they would be overtaken by new, digital technologies. He said aim was to "sell spectrum you [broadcasters] don't need." There was little demand for HDTV, Stevens said, and consumers could use converter boxes to receive digital signals. Duhamel said it would cost billions to convert to set-top box converter system. He also opposed Stevens plan to auction ATV channels in top 25 markets, saying that if service weren't provided in those markets, it wouldn't be offered to rest of country because it wouldn't be economical for networks to produce without large audience.

Other witnesses backed Pressler and Stevens. Prof. Thomas Hazlett of U. of Cal.-Davis, ex-FCC staffer, said market should decide what uses of spectrum are appropriate, pointing out that current TV spectrum allocations were set in 1952. Karen Kerrigan of Small Business Survival Committee agreed, as did John Reidy of Smith, Barney investment firm. Reidy said that if cellular companies purchased extra spectrum, broadcasters could benefit because there would be less competition for broadcasters. Sen. Hollings (D-S.C.) questioned whether spectrum auctions could raise \$14 billion and disputed rest of budget process. Network Affiliated Stations Alliance (NASA) sent letter to Senate panel opposing auction of ATV spectrum.

Meanwhile, MSTV and FCC are locked in debate over auctioning of digital channels for advanced TV (ATV) service, including HDTV. Their positions have been staked out in correspondence with Sen. Lieberman (D-Conn.), who asked FCC about effect of digital auctions on broadcasters, among other questions.

Commission first replied to Lieberman Sept. 6, telling him that agency expects new entrants to consider seriously bidding for 6 MHz blocks allocated for ATV services because standards being developed by Grand Alliance will support data as well as video and audio. However, it said that it expects "many broadcasters will compete for and likely win many digital licenses if Congress chooses to auction them. This was the case with the cellular and paging providers in the recent PCS auctions where new entrants as well as existing cellular licensees bid on spectrum and won licenses." Commission said it didn't think that free TV would be compromised by auction process, because broadcasters still could use analog signal. FCC assumed that broadcasters would be allowed to keep their analog channels if they were required to bid for digital. On other hand, if broadcasters were given new digital channel, they would have to return analog at some point.

In Sept. 14 letter to Lieberman, MSTV, representing networks, Fox and INTV attacked "significant incorrect assumption" in FCC letter that auction of digital channels wouldn't harm transition to digital services. MSTV said: "In fact, auctioning the digital channels to all comers for any uses would not only be an abdication of the Commission's statutory responsibilities but also would cripple or doom the important stake the public -- all Americans -- has in a successful and seamless transition of their television service to digital."

MSTV argued that new channel allotment plan being drawn up by FCC would be harmed if there were open-ended auction, causing interference to existing and new services, and that HDTV wouldn't be adopted unless it's done on widespread basis. MSTV also said it would be "flagrantly unfair" for broadcasters to have to bid for new channel when they must give up old one.

That last point is one on which MSTV and FCC agree. Lieberman asked Commission to reply to MSTV's letter. Agency is preparing response that will say, in essence, that it wouldn't be good public policy to force broadcasters to bid for new channels and to give back old ones. Under that scenario, new digital channel would be treated as separate service. If broadcasters have to bid, then there's even possibility that they could offer 2 digital signals in same market, one through new spectrum and one through eventual conversion of analog. In any case, FCC believes that over-air broadcasting will flourish in digital form or in analog form. FCC Chmn. Hundt told Congressional Budget Office last week that about \$8 billion could be raised from auction of spectrum while leaving broadcasters alone and no auctioning 2nd channel.

HILL DEBATES PUBLIC BROADCASTING FUTURE: Two congressional hearings last week on public broadcasting, one in House and one in Senate, failed to reveal any consensus how service should be financed if regular govt. appropriations are cut off.

Four public broadcasting groups presented new plan that would take \$4 billion from spectrum sales and other revenue to be used as capitalizing fund, while older options, including selling ads also came up for discussion. Senate Commerce Committee Chmn. Pressler (R-S.D.) appeared to endorse idea, but other members of his panel were opposed.

Pros and cons of commercials on public stations dominated House Telecom Subcommittee hearing Sept. 12 on funding for public broadcasting. Debate was spirited, and despite letter from PBS Pres. Ervin Duggan to ranking minority member Rep. Markey (D-Mass.) saying that only about 20 PTV stations support commercials, Subcommittee members spent much time questioning feasibility of loosening restrictions on ads put there by Congress when CPB was established. While Rep. Eshoo (D-Cal.) said she opposed any commercials, Chmn. Fields (R-Tex.) seemed open to idea of letting some stations have crack at limited spots. Rep. Stearns (R-Fla.) said he was open to alternative funding strategies.

Jeff Clarke, CEO-gen. mgr. of KUHT Houston, strong supporter of lifting ad restrictions, described concept of new FCC license class, called Community Service License, that would allow public broadcasters to retain "nonprofit" status while selling ads. He said that while commercials wouldn't work in every market, there are many public broadcasters who would like to test them. KETC St. Louis Pres.-Gen. Mgr. Michael Hardgrove agreed.

NPR Pres. Delano Lewis said he and his board are "opposed to advertising in any circumstances" and submitted letter on behalf of 85 PTV-radio station managers decrying advertising and effect they say it would have on system, including loss of underwriters and viewers/listeners and blurring of industry's mandate to act in public, rather than shareholders', interest. Lewis did say that he favors lifting of restrictions on enhanced underwriting and allowing stations to follow FCC standards, which public broadcasters say are more relaxed and would let them accept some underwriting they now must turn away. Lewis also stressed, on behalf of NPR, PBS, Public Radio International and Assn. of America's PTV Stations (APTS), public

broadcasters' desire for Congress to consider setting up trust fund of \$4-\$6 billion that would become main revenue source by 2000. He gave new details of 3 specific ways public broadcasters would like to see fund paid for: (1) 10% of revenues derived from spectrum auctions already designated by FCC. (2) 3% tax on sale of commercial TV-radio stations if restrictions on ownership are lifted (as provided for in telecom bills awaiting House-Senate conference). (3) Unspecified percentage of revenues derived from any new spectrum, including advanced TV (ATV), that FCC decides to auction.

While CPB has sent Congress its own plan on future funding, Pres. Richard Carlson testified that Corp. also would favor setting up trust fund if it could be financed. He said CPB differs with other organizations on whether fund is feasible and has focused on other ways to ease federal dependence, none of which it believes can totally replace govt. subsidy. Discovery Chmn. John Hendricks advocated trial partnerships of some PTV stations and commercial entities whereby PTV would produce some programming for original broadcast on cable in exchange for rights to air programming later and funding support.

Two Senate Commerce Committee members said at Sept. 14 hearing they oppose plan to finance public broadcasting with fees from spectrum auctions, although Pressler appeared to favor it. At hearing on future of public broadcasting, Sens. McCain (R-Ariz.) and Stevens (R-Alaska) said money generated through auctions should go to reducing national deficit.

Ex-FCC Chmn. Newton Minow, formerly chmn. of WTTW, public TV station in Chicago, endorsed use of auction funds for public broadcasting, compared plan with Morrill Act of 1862, in which land was given to states to build schools. Funds sent directly to "black hole" of general federal budget would have little lasting value, Minow said, while setting aside funds for children's education and TV would be for "an enduring purpose." He said \$10 billion given to U.S. Treasury as result of previous auctions would be used up in 44 hours.

But McCain and Stevens strongly disagreed, saying first priority should be to balance budget. McCain posed choice as spending funds either for sake of poor and needy or on CPB, which he said duplicates programming on other services, notably cable channels such as Discovery or Arts & Entertainment (A&E). When Frederick Smith, managing dir. of CS First Boston, told panel that Discovery receives subscriber fees of 25-30¢ per subscriber monthly, McCain said CPB also had subscribers. Stevens said spectrum payments made to Treasury would reduce interest that govt. would have to pay on debt by \$360 million per year. George Miles, pres. of WQED Pittsburgh, said cable couldn't substitute for local content on public broadcasting stations and didn't reach all homes, and that there was little advertising time for public TV stations to sell because they couldn't sell time around children's shows and public TV programs don't get ratings that would attract advertisers. McCain said all homes will have cable by end of century.

Meanwhile, Sen. Exon (D-Neb.) introduced bill to give public broadcasters flexibility to use spectrum, but also would attach conditions to make certain that "family-friendly programming" was broadcast. By concentrating on family-oriented shows, he said, public broadcasting would be "strengthening its best asset." Bill (S-1241) provides that no federal funds could be used "to broadcast any program which is indecent or to broadcast any dramatic program which includes nudity." It said it would be in public interest to broadcast "educational, cultural, informational and entertaining programming which is suitable for family viewing." It would allow public broadcasters to use spectrum for ancillary and other services, as long as they continue at least one public broadcasting schedule. Any funds earned through supplementary services would have to be used exclusively for public broadcasting, bill said, while requiring that fees charged by public broadcasters be at "market rates."

Ex-FCC staff member Brian Fontes, now with CTIA, was named head of U.S. delegation to ITU WRC-95 conference by White House. Nomination apparently passed conflict-of-interest review. Scott Harris, chief, FCC International Bureau, said: "Brian is absolutely the best possible appointment the White House could have made. The delegation is doing well, but needs somebody to resolve the last remaining strategy questions. No one could do that better than Brian." Fontes, long-time chief of staff for FCC Comr. Quello, is succeeding former Rep. Synar (D-Okla.) as delegation head. Synar resigned for health reasons.

FCC scheduled wireless cable auctions for Nov. 13 to allocate 493 multipoint distribution service authorizations for 2150-2680 MHz. Applications are due Oct. 10.

Turner Bcstg. canceled regular board meeting scheduled for Sept. 15 that had been expected to consider proposed takeover of Turner by Time Warner (TW). TW and TCI's Liberty Media are major Turner stockholders, each with right to veto any deal, and reports are that this one is being held up by TCI CEO John Malone, who is said to be seeking major concessions for Liberty holders and its cable networks. Malone and TW CEO Gerald Levin (both are Turner dirs.) met twice in last couple of weeks. Turner official said board meeting could be rescheduled as early as last Sun. (Sept. 17).

IEEE Bcst. Technology Society will host its 45th annual Bcst. Symposium Sept. 21-22, Hotel Washington, Washington.

HDTV PICTURE ROSY, PROBLEMS REMAIN: Latest Grand Alliance (GA) HDTV system is big improvement, in most areas, over any of 6 systems that preceded it, but it will raise some significant issues, according to our review of data and reports from tests of system at Advanced TV Test Center. Alliance, in its comments on data, says it has met most of standards that were negotiated in advance, although some averaging was required to meet handful of requirements. In addition to issue of averaging, test results will cause some questions about upper channel interference to both audio and video of NTSC, and about speed of channel changes.

Results won't be analyzed fully until technical subgroup of FCC's Advisory Committee on Advanced TV Systems (ACATS) meets Oct. 18, but preliminary examination of results doesn't appear to show any "show stoppers" in testing. It shows, for example, strong improvements over previous systems in areas such as HDTV system's ability to cope with rapid scene changes. Results eventually will go to full ACATS at Nov. 28 meeting (rescheduled from Nov. 8), when it's expected to make recommendations to FCC.

Possibly biggest surprise to emerge from testing was previously undocumented susceptibility of NTSC to upper adjacent channel interference from HDTV. Problem, which appears in both audio and video portion of NTSC signal, potentially could affect channel planning by, in worst case, limiting ability to use upper adjacent channels for HDTV. There's also possibility that, unless interference problem is solved, upper adjacent channels could be less attractive to potential HDTV broadcasters.

Grand Alliance system also was slower than expected at channel changes. When some impairments are present, as often is case with broadcast signals, average time for picture to be reconstituted after channel change was 0.9 sec. at 8-VSB and 1.2-sec. at 16-VSB, vs. 0.75-sec. target. Even target is significantly slower than virtually instantaneous changes for NTSC and sometimes annoying 0.25-0.33-sec. channel change time for cable set-top boxes. Despite missing target, latest Grand Alliance system is much faster than many of versions tested in 1993, and some believe figure will improve significantly as equipment moves from prototype to production quality.

Alliance, in its comments on test results, pointed out that all 18 targets were met for HDTV transmission system robustness to interference from outside signals, but it's obvious that it was referring to average figures, since some individual readings didn't meet target. Claim is likely to generate debate within ACATS on whether average figures are adequate or if all readings must meet targets, with FCC itself eventually likely to make decision. Same is true of results of tests of HDTV interference to NTSC, where averaging was needed to meet multipath and discrete frequency interference goals.

Picture quality inevitably exceeded targets, and significantly improved upon 1993 systems, according to subjective viewing tests by nonexpert viewers at Canadian test labs. Canadian tests stopped short of determining whether progressive or interlaced HDTV video was better, saying only that both exceeded targets and approached quality of source material. Both nonexpert and expert viewers said significant video quality improvements compared well with any of systems tested in 1993.

One positive note was lack of problems decompressing and compressing signal repeatedly. Since significant portion of original data is lost each time signal is compressed, some

feared that repeated compression (concatenation) could cause picture quality to decline rapidly, but tests showed no evidence of rapid dropoff. Experts also were pleased with reduction in amount of bandwidth needed to transmit CD-quality audio.

More test results are on way. ACATS officials were to receive first results from field tests of Grand Alliance system Sept. 15. Eventually, there's also likely to be demand for some testing of standard definition digital TV.

GORE RENEWS TELECOM VETO THREAT: Indicating Administration hasn't changed mind about veto, Vice President Gore Sept. 12 strongly criticized pending telecom legislation, urging Congress to "give the President a bill he can sign." Addressing Networked Economy Conference in Washington, Gore said: "Instead of diversity, there is monopoly. The cumulative effect would be to harm competition and weaken benefits to the public."

Gore said of House bill: "Instead of promoting investment and competition, it promotes mergers and the concentration of power. Instead of promoting open access and diversity of content and viewpoints, it would allow fewer people to control greater numbers of television, radio and newspaper outlets in every community."

Gore also criticized Congress for contemplating major cut in FCC budget at same time it's giving it more responsibility. That "implies that telecommunications reform is either a failure or a fraud," he said. Either there's nothing to implement, meaning reform is failure, or Congress isn't interested in implementing bills, meaning legislation is fraud, he said: "What the high rollers and moguls think ought to be deemed less important than what our children think when they look back and assess if we succeeded or failed. The U.S. should lead the way."

AT&T Chmn. Robert Allen expressed similar views in keynote address earlier in day. He said that if there aren't "significant improvements" in bills, "AT&T fully and strongly supports a veto." Allen lambasted House and Senate measures, saying House version contains "only minimal requirements that local phone companies face real competition before getting into long distance" and Senate version has no requirements at all. "Together, the 2 bills are nothing short of an invitation to the local companies to extend their existing monopoly," he said.

Also addressing conference, FCC Chmn. Hundt offered "top-5 list" of most important FCC goals: (1) Reform access charge and universal service programs because "neither can survive competition." (2) Continue to rely on spectrum auctions and encourage flexible use of spectrum. (3) Continue deregulating "business dimension" of commercial broadcasting "such as by eliminating rules like finsyn and [prime-time access rule]" but also making broadcasters' public interest requirements clearer, for example by setting "specific number of hours of children's education television required of all TV licensees." (4) Continue pressing on international level "for harmonious rules of competition in all countries." (5) Push efforts to "revolutionize education" in U.S. by networking schools.

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Vision Communications purchased Wis. cable assets of Savage Communications, broker Daniels reported. Systems serve 2,550 subscribers in Balsam Lake, Centuria, Frederic, Grantsburg, Luck, Milltown, Roberts, Siren, Solon Springs, Webster.

FCC WAIVES 'GREENMAIL' RULE: Citing impact of 2 court cases on criteria used in comparative hearing cases, FCC Sept. 15 waived for 90 days its rules on paying off competing applicants to permit settlements in such cases (known as "greenmail"). Delays caused by court rulings have caused hardships to applicants involved and "diserved the public interest" by delaying start of new broadcast services, Commission said. Comr. Barrett dissented on ground waiver will permit applicants "to circumvent the public interest." It couldn't be determined how many pending cases waiver would affect, but FCC official said it's fewer than 100.

One court case in 1994 placed in question FCC's comparative criteria used in hearing cases. In Bechtel v. FCC, U.S. Appeals Court, D.C., ruled that Commission's integration of ownership and management criterion was unlawful and questioned other comparative criteria. As result, FCC froze all pending comparative cases. In decision earlier this summer (Adarand Constructors v. Pena), U.S. Supreme Court ruled that govt. actions based solely on race would be upheld only if they're narrowly tailored to serve compelling governmental interest. FCC Gen. Counsel William Kennard told NAB Radio Show in New Orleans Adarand wouldn't apply to FCC proceedings. Nevertheless, Commission said it "anticipates that it will take some time to assess the significance of the Adarand decision on its comparative criteria."

Under waiver, competing applicants for new broadcast facilities and in contested renewal cases will have 90 days to settle. Rules were adopted by FCC to prohibit parties from filing in hopes of gaining settlement and prohibit payment for settlements before granting of initial decision. Given fact that pending applicants "could not have foreseen the ramifications of those 2 sweeping court rulings, it does not appear that waivers would either reward improper speculation or encourage the filing of abusive proposals in the future," FCC said. Agency said that it "underscores" continuing support for rules limiting payments by one party to another in settlements and that waiver "must not be construed to indicate in any way" otherwise. Payment in settlements still will be limited to out-of-pocket expenses, FCC said.

In dissenting, Barrett predicted Commission's "quick fix... will result in some very unsettling circumstances that the prohibition against greenmail sought to curtail." Instead, he said, FCC should have approached issues in rulemaking rather than "resort to a bandage approach... I fear that our action today will simply serve the interests of a few individuals."

Public broadcasters never have advocated auction of advanced TV spectrum to finance their proposed trust fund, spokeswoman for Assn. of America's Public TV Stations (APTS) said in response to comments by NAB Pres. Edward Fritts at conference in New Orleans Sept. 8 (TVD Sept 11 p8). He said NAB "strongly opposes" \$4-billion trust fund plan and will "vigorously oppose this proposal with every means at our disposal." He said "public" broadcasting system should be funded through public means, not through taxes on commercial broadcasters and advertising, and if not, "the entire system should be reevaluated."

GE, subsidiary NBC and Walt Disney have reached agreement in principle to join Zell Group as "significant investor" to spend \$250 million to recapitalize and deleverage Rockefeller Center Properties. Zell Group will submit reorganization plan to Bankruptcy Court "as soon as it is permitted to do so."

FCC \$7.1 MILLION IN CREDITS FROM COX: FCC has proposed another mass resolution of cable rate cases, this time with Cox to settle 400 complaints. Under plan, Cox would have to issue \$7.1 million in bill credits to subscribers and remove additional outlet charges in all its franchise areas, but also would win right to move any 4 regulated-tier services to migrated product tier (MPT) in each franchise area where it hasn't offered a la carte package.

FCC also would deem Cox's expanded basic rates as of June 30, 1995, "not unreasonable," meaning that company won't have to adjust current nonbasic rates. Cable Bureau official said negotiations centered on additional outlet provisions, which he said Bureau wants to incorporate in future resolution agreements.

As with Comcast proposal last month, Cox deal isn't "social contract" like those recently announced by Continental and Time Warner (TVD Aug 7 p8) because it doesn't contain upgrade provisions, which Cable Bureau has said are necessary for social contract. Definition affects comment process because, while any party can comment in social contract proceeding, only complainants can file in mass resolutions. Cox refund also ranks as 2nd highest of 4 resolutions to date, topped only by Continental's \$9.5-million offer. However, that came in form of in-kind services, not bill credits, as with Cox.

Cox said refunds would result in credit of about \$9 per customer for 854,000 subscribers in 42 franchise areas owned by Times Mirror before Cox took over its cable systems, and about \$1.20 for 102,000 subscribers in 8 other franchise areas. One-time bill credits will appear in Jan. cycle, Cox said. James Hatcher, Cox vp-legal and regulatory affairs, said proposal would reduce administrative costs for Cox and FCC and hasten refund process, as well as "provide rate stability for our systems and allow us to move forward in responding to customer requests for new services." Cable Bureau Chief Meredith Jones said "solid proposal" would provide "great benefits to Cox's subscribers."

In major crackdown on distribution of child pornography over America Online, FBI has made at least 12 arrests, with more expected as it continues to search more than 120 homes. FBI announced arrests as part of undercover investigation called "Innocent Images." U.S. Attorney Gen. Janet Reno said probe was launched because "we are not going to permit exciting new technology to be misused to exploit and injure children." Meanwhile, Senate Judiciary Committee Chmn. Hatch (R-Utah) introduced bill (S-1237) to include computer-generated material into existing definitions of child pornography. In Sept. 13 floor speech, Hatch said: "The problem is simple: While federal law has failed to keep pace with technology, the purveyors of child pornography have been right on line with it. This bill will help correct that problem." New bill covers sexually explicit material on film, video or computer image. Hatch said it "is not a telecommunications bill and does not propose new or expanded restrictions or regulations with respect to the Information Superhighway."

LIN Bestg. Chmn.-CEO James Barksdale was paid \$992,487 in salary and bonuses in 1994, \$929,000 in 1993, \$800,200 in 1992, according to proxy statement for Oct. 3 holders meeting at AT&T hq in Parsippany, N.J. Gary Chapman, pres. of LIN TV, received \$625,000 in 1994, \$554,600 in 1993, \$510,000 in 1992. Chapman, who served 2 years as NAB chmn., owns or has options to purchase 60,536 LIN Bestg. shares. At annual meeting, LIN holders will vote on merger with McCaw Cellular, owned by AT&T.

GET OUT OF THE WAY, HOUSE TOLD: Congress should "get out of the way and let the market take over" in regulation of TV-radio and other areas as well, Rep. Klug (R-Wis.) advised congressional session on closing day of NAB Radio Show in New Orleans. He and Rep. Tauzin (R-La.), who shifted from Democratic to Republican Party month ago, were highly critical of V-chip requirement of House- and Senate-passed telecom bills, now awaiting settlement of differences by conference committee, but favored other provisions.

Said Klug: "There's a miraculous telecom development called the off button." Tauzin hit what he said was "an old mentality that the government should somehow take over the responsibility of parents." He said govt. shouldn't attempt to decide what's in public interest.

If telecom bill fails to become law, it will be because of telco issues, Klug said. Tauzin said conference agreement on bills would be only "half the battle... we still have to get it past the White House. [But] my guess is the President wants to sign it." Conference is expected to seek to resolve differences shortly after current budget disputes are settled, and Tauzin predicted it could become law by Thanksgiving. It will create, he said, "2 million jobs without one penny of government subsidy."

Klug said there's very "narrow window" for Congress and Administration to solve budget problem. "We have to find \$14 billion somewhere," he said, but agreed with Tauzin that fees or auctions of broadcast spectrum shouldn't be targeted as possible sources. Broadcasters shouldn't be held "hostage" or have to pay for shift to advanced TV, Klug said, and "the idea that the only way public broadcasting can survive is with federal dollars is crazy." Tauzin warned that industry should be "seriously concerned" about proposals to tax commercial broadcasters to support public broadcasting because sometimes "midnight deals" are struck.

NAB Pres. Edward Fritts urged intensified lobbying efforts by Assn. members in New Orleans, saying that "no one has more sway with members of Congress than the local broadcaster" -- theme also expressed at other sessions during Radio Show. He praised telecom bills passed by both sides of Congress that would make "your licenses more secure from frivolous challenges and lift ownership restrictions so that we can fairly compete as more and more industries enter the audio market."

Lying ahead, Fritts warned, are tough challenges, "not the least of which is renewed congressional interest in spectrum auctions and fees. As Congress seeks to balance its budget, the broadcast industry continues to rank high on legislators' lists of revenue raisers."

FCC Mass Media Bureau Chief Roy Stewart expressed concern about impact of staff cuts that FCC Chmn. Hundt warned would be brought on by cuts in agency's budget (TVD Sept 11 p4). Reductions would have adverse impact on Bureau efforts to keep application backlog at near zero, he said, after its success this summer in cutting it significantly. EEO is "very sensitive issue" at Commission, but Stewart said he expects FCC to issue rulemaking in effort to relieve small broadcasters of many burdens brought on by equal employment requirements. Gen. Counsel William Kennard said recent U.S. Supreme Court decision on minority employment involved contractor's being favored simply because it was minority owned and said it wouldn't apply at FCC, where race isn't deciding factor in granting applications. However, he conceded that many lawyers disagree with that assessment.

Still pending at FCC is backlog of "100 or so" indecency complaints, many of which probably will be dismissed, said Charles Kelly, chief of Mass Media Bureau Enforcement Div. He said agency currently receives average of 5 indecency complaints per month. Beverly Baker, chief of FCC Compliance & Information Bureau, said agency's rules and restrictions should be "minimum necessary" and focus on safety violations.

Speaking at concurrent RTNDA convention, where he received group's Paul White Award, ABC correspondent Peter Jennings said broadcast journalists need to reevaluate their roles as citizens and responsibility to public that their jobs entail: "It is because we are powerful and important that we must think about our role as citizens." TV and radio offer too many sound bites without any depth, he complained: "Where is the restraint?... We have crowded out much of the world in the process. Do we get it right or merely get it on the air?" in highly competitive situations. Also speaking to RTNDA, CBS correspondent Robert Schieffer said it's important that TV-radio "be more careful than ever about accuracy and unsubstantiated charges" in upcoming political campaigns and to be wary of information supplied by political consultants with "a partisan point of view." Most of RTNDA's featured speakers complained, and were applauded each time, about overcoverage of O.J. Simpson murder trial.

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World Media Expo attendance -- exhibits for concurrent NAB, RTNDA, Society of Best. Engineers (SBE) and Society of Motion Picture and TV Engineers (SMPTE) -- totaled 14,533, with NAB Radio Show up 6% over 1994, RTNDA up 29% to 2,699, SBE up 29%. SMPTE was down slightly, attributed to large number of on-site registrations from TV and movie production industries when convention was held last year in L.A.

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Govt. officials and press groups disagreed Sept. 12 on revising federal Sunshine Law to exempt certain activities by multimember commissions, such as FCC and FTC. Administrative Conference of U.S. (ACUS) took 3 hours of testimony on subject, with lawyers for agencies arguing for changes that would encourage private deliberation and discussion. Attorneys, many representing only their personal views and not agency positions, said fear of embarrassment prevented holding public meetings. "Based on our experiences over the last 19 years, the Act achieves neither of its goals as well as it might," said SEC Comr. Steven Wallman, who initiated current debate. ACUS plans meeting Sept. 20 to discuss results of hearing and consider next step. It could recommend changes in current law or take no action. Wallman circulated letter signed by 17 current or former federal commissioners, including all 5 FCC members, urging review of Sunshine Law as it applies to multimember commissions. He suggested agencies meet privately when they wish, then issue minutes of meeting within 2 days. Journalism organizations strongly opposed changes, contending that problems identified by govt. officials were caused by individuals, not by law. William Ketter, editor of Patriot Ledger, Quincy, Mass., and pres. of American Society of Newspaper Editors, accused commissions of "willful refusal" to follow law. Society of Professional Journalists, representing 4 groups including Newsletter Publishers Assn., said survey of members produced "flood of responses" opposing Wallman proposals.

Comcast and Richard Frank, ex-pres., Walt Disney Studios, announced creation of C3, joint venture to develop and produce programming. Frank will become C3 chmn.-CEO.

CABLE BLAMED FOR SLOW PPV GROWTH: Cable industry is largely at fault for relative lack of success of pay-per view (PPV) because it has been "reluctant to make the requisite investment in technology and marketing," according to Stephen Rochabrand, Paramount vp-pay TV, speaking at International Bestg. Convention (IBC) last week in Amsterdam. European PPV is expected to get big boost, beginning in Oct., when Dutch company Nethold launches 100-channel PPV via Astra and Eutelsat satellites, both direct-to-home (DTH) and to cable headends.

"Pay-per-view has been a lot of hype and a lot of hope for a long time," Rochabrand said, but has generated little real commercial value. He said entire U.S. PPV industry generates \$400-\$500 million revenue per year, with as much as 60% of that from PPV special events rather than movies. Lack of impulse ordering technology has been major limiting factor, Rochabrand said, because cable systems haven't been willing to pay for it. That will change, he predicted: "Competition from telcos, DBS and others will challenge the [cable] monopoly."

Digital compression will "revolutionize the industry and how viewers interact with TV," said Mark Cutten, Nethold dir-demand media. Nethold already has begun distributing digitally compressed PPV programming by satellite on test basis, but won't launch commercial service until Oct., when it starts installing integrated receiver/decoders (IRDs), Cutten said. Company has ordered 1.1 million digital IRDs, which he said is largest single IRD order ever. Using 16:1 compression ratio for movies, Nethold plans to provide 48 channels of near-video-on-demand PPV, plus 50-100 channels of cable-like programming, including some local broadcast shows for each European market.

U.K. cable operators, notably TeleWest (owned by TCI and U S West), are planning similar service in conjunction with BSkyB, said Wendel Clement, TeleWest dir.-multimedia engineering. British Dept. of Trade & Industry (DTI) is partly sponsoring interactive TV trial with British Telecom, said DTI's Charles Sandbank. Trial began recruiting 2,500 test subscribers in June, plans to carry content from about 100 programmers.

Debate between near-video-on-demand (NVOD) and true video-on-demand (VOD) hasn't been resolved, panelists said. Cutten, whose company is concentrating on NVOD, said VOD infrastructure will cost up to 10 times as much as NVOD, and VOD isn't important enough to consumers to justify additional cost. However, Clement said there won't necessarily be customer price difference between VOD and NVOD because difference in costs of set-top boxes and network itself is "not that much."

PPV industry believes it could be more successful if PPV release window, now typically 30-45 days after product goes to videocassette market, were simultaneous with videocassettes. But studios and videocassette industry fear that early PPV window will result in consumer copying of movies, reducing videocassette sales. "If anticopying technology were used, there could be an earlier PPV window," Rochabrand said. "That's the only way the window will move." Cutten responded that studios "to date have not shown any willingness to move the windows if we add antitaping capability. If the studios show any willingness to get serious about moving the windows, we will get serious about antitaping."

Launch of new services made financially viable by digital compression is largely offsetting lower transponder demand caused by compression, said Vincent Walisko,

Intelsat dir. gen.-Global Best. Services.: "The reduced channel costs are already spurring the growth of many emerging video markets, such as narrowcasting, DTH and multimedia." He said compression has spurred "rapid growth" in regional, special interest niche programming and specialized channels. Many programmers also are using digital compression to time-shift programming to allow for different time zones. Next big growth area will be using digital compression for news feeds and sports backhauls, he predicted, since it not only reduces cost but also allows use of smaller, more easily transported equipment. Intelsat plans to demonstrate frame relay over satellite using asynchronous transfer mode at Telcom 95 convention in Geneva next month.

Swedish company Infral AB launched system called IBIT that enables subscribers to access World Wide Web via existing TV. IBIT allows teletext-capable TV to call up Web text pages and activate gopher, in addition to sending and receiving e-mail, company said. System will be available to broadcasters beginning in Nov., it said.

EIA is Involved in "good-faith negotiations" with MPAA to pursue copyright legislation on consumer digital VCRs, "and I'm hopeful that by 1996, we'll have some type of legislation moving through Congress," EIA Consumer Electronics Group (CEG) Vp Gary Shapiro told Custom Electronic Design & Installation Assn. (CEDIA) trade group Sept. 9. He described digital VCRs as "a product that can come here in the next couple of years," but "the challenge there is that it makes perfect copies." Shapiro said he views digital VCR as "a perfectly legal product" but doubts consumer electronics industry "wants to wait 5 years" for U.S. Supreme Court to revisit famous Sony Betamax case. Consumer electronics manufacturers want some "legal certainty" before product is introduced, Shapiro said. Talks with movie industry are aimed at finding "some way of their signing off on this product" without abandoning hardware industry's "objectives," he said. He said EIA goals include: (1) Protecting consumers' rights "that we worked so hard to obtain" to make home copies for private noncommercial use. (2) Barring royalties on sale of digital VCRs. (3) Providing for limiting serial copying. (4) Assuring that agreement would have "no impact" on computer industry. EIA-negotiated Audio Home Recording Act (AHRA), enacted in 1992, requires manufacturers to pay modest royalties on wholesale shipment of consumer digital audio recorders and blank tapes. Products covered under AHRA also are required to have Serial Copy Management System barring 2nd-generation digital copies. Shapiro wouldn't elaborate when asked about possible similarities between AHRA and deal being negotiated with MPAA.

Westinghouse has signed commitments for \$7.5 billion in financing from some 50 banks for its planned \$5.4-billion purchase of CBS (TVD Aug 7 p4). Lenders are led by Chemical Banking and J.P. Morgan, each committing \$1 billion. Under terms of agreement with CBS, Westinghouse had until Sept. 14 to obtain financing commitment letters and until Oct. 4 to have such agreements in place. Justice Dept. has said it won't oppose acquisition, but 3 groups have filed joint protest at FCC (TVD Sept 11 p5).

Infinity Bcstg., which received clean slate at FCC after agreeing to \$1.71-million settlement of indecency complaints against Howard Stern program (TVD Sept 4 p2), said it plans to issue 8.5 million shares of Class A common. Proceeds will be used for station acquisitions and general corporate purposes, company said. It now owns 21 radio stations in 13 major markets.

Consumer Electronics Personals

Compaq Computer Pres.-CEO **Eckhard Pfeiffer** to give keynote speech at Jan. Consumer Electronics Show in Las Vegas... Appointed staff dirs. at EIA Consumer Electronics Group (CEG) Communications Dept.: **Tracy Curtin**, ex-Edelman PR, joins to promote CES Orlando show and multimedia portion of CE industry; **Elaine Hinsdale**, ex-Dual Inc., will supervise CEG web site, Las Vegas Consumer Electronics Show, CES Mexico; **Lisa Fasold** promoted from communications mgr., will be responsible for promoting Mobile Electronics Show and technology issues such as Radio Data System and digital radio.

Gordon Bitter, ex-Chicago & Northwestern Transportation, appointed Harman vp-finance & administration and CFO; **Bernard Girod**, who had held CFO post, continues as pres.-COO... **Peter Storz**, managing dir., Case Logic Europe, promoted to pres., parent Case Logic, succeeding **James Temple**, who becomes chmn... **Graham Hallett**, ex-Onkyo and Harman Kardon, appointed pres., Knoll Systems International, responsible for marketing custom installation products outside Canada... **Keith Rich**, ISR Inc., Naperville, Ill., elected pres., Custom Electronic Design & Installation Assn. (CEDIA); **Tom Wells**, Integrated Media Systems, Vienna, Va., elected a CEDIA dir... **Ellen Hancock**, ex-IBM, joins National Semiconductor as exec. vp-COO.

Gene Pitts leaves as editor-in-chief, Audio magazine, plans unannounced, may be reached at 201-783-9609; he's replaced by **Michael Riggs**, formerly **Stereo Review** exec. editor... **Lawrence Ullman**, ex-CurtCo Publishing, appointed editor, Stereophile Guide to Home Theater... **Adam Sohmer** leaves Dobbin-Bolgia Assoc. PR firm Sept. 21, joining Sumner Rider & Assoc., PR agency for International Jensen... **Kip Konwiser** named Graphix Zone business development mgr. to oversee company's alliances with entertainment industry, while continuing to work on various outside projects with 360 Productions and his own production company, Listen To Your Mother Productions.

Hugh Coppen, ex-Quality Works, West Coast Video and VTR Video, named vp-mfg., Allied Digital Technologies... **Dan Capone** moves from dir.-multimedia mktg. to dir.-mktg., sellthrough, for Turner Home Entertainment Domestic Home Video, responsible for all sellthrough mktg. including multimedia... Changes at General Magic: **Joanna Hoffman** departs as vp-mktg., no replacement named; co-founder and chief scientist **William Atkinson** takes leave of absence; **Steve Schramm**, vp-engineering, named vp-gen.mgr., new Magic Cap Div.; **Lucia Hicks-Williams**, vp-product mktg. & strategic planning, becomes vp-gen.mgr., new Telescript Div.; **Bill Keating**, vp-sales & customer engineering, moves to vp-gen. mgr., new Worldwide Field Operations Div... **Len Jordan**, vp-mktg. & new business, promoted to Creative Multimedia pres., replacing **Corey Smith**, resigned, plans unannounced; **Charles Kawasaki** named exec. vp-product development.



FCC proposed end to "obsolete and unduly burdensome" requirements that manufacturers or importers file reports on UHF noise figures on new TV models. In proceeding proposed by EIA Consumer Electronics Group, Commission noted that 14 dB minimum noise figure would remain in effect, with compliance to be monitored by manufacturer or importer. Reduction of burden, FCC said, could result in lower prices. Comments on proposed rulemaking (FCC 95-389) are due Oct. 12, replies Oct. 27.

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			
1995-26 wk. to Aug. 26	2,712,607,000	10,386,000	.24
1994-26 wk. to Aug. 27	1,782,575,000	11,841,000	.27
1995-13 wk. to Aug. 26	1,437,911,000	5,714,000	.13
1994-13 wk. to Aug. 27	933,172,000	7,600,000	.18
Circuit City Stores			
1995-6 mo. to Aug. 31	2,992,463,000	65,864,000	.67
1994-6 mo. to Aug. 31	2,267,267,000	55,743,000	.57
1995-qtr. to Aug. 31	1,600,805,000	41,246,000	.42
1994-qtr. to Aug. 31	1,218,572,000	36,055,000	.37
Prism Entertainment			
1995-6 mo. to July 31	11,342,000	499,000	.23
1994-6 mo. to July 31	8,923,000	(593,000)	--
1995-qtr. to July 31	5,414,000	66,000	.03
1994-qtr. to July 31	3,932,000	(556,000)	--
TCA Cable TV			
1995-9 mo. to July 31	136,384,000	22,980,000	.94
1994-9 mo. to July 31	120,204,000	14,981,000	.61
1995-qtr. to July 31	49,126,000	7,525,000	.31
1994-qtr. to July 31	41,078,000	5,354,000	.21
Tektronix			
1995-13 wk. to Aug. 26	401,022,000	22,670,000	.68
1994-13 wk. to Aug. 27	324,852,000	17,365,000	.54
Video Update			
1995-qtr. to July 31	5,172,000	300,000	.05
1994-qtr. to July 31	1,231,000	(146,000)	--

News from China, as reported by China Daily, official govt. English-language newspaper: (1) Per capita income of urban residents will total equivalent of \$470 in 1995, enough to buy foreign-made VCR or 21" TV with entire year's salary. (2) Henan Anyang Color Picture Tube Bulb Co., which started operating in Nov. 1991, turned out 7.12 million TV bulb sets (funnel and faceplate) last year, has developed 18 types of bulbs on own after importing technology from Techneglas, U.S., for first 6 types, currently is expanding to produce bulbs larger than 26". (3) Xianyang Deflection Group Corp. will produce 8 million TV deflection yokes this year, exporting more than 60% to Japan, U.S., Mexico, India. It's China's largest and hopes to become "the world's largest manufacturer of deflection yokes in the next 3-5 years." (4) China produced 18,412,500 TV sets in 1995's first 7 months, up 13.9% from 1994 period, of which 10,355,300 were color (up 10.3%) and 8,057,200 were b&w (down 6.4%).

Video accessory sales at factory level exceeded \$150 million in first half, up 6% from year earlier, EIA reported. Indoor TV antenna sales rose 10% to \$21 million and wet VHS head cleaners 25% to \$5.5 million. Camcorder accessories dropped 22% for 2nd quarter and 28% for half, with carrying cases down 20% in quarter to \$5.4 million. Audio accessory sales declined 9% in quarter and 3% in half, but CD care products rose 33% in half to more than \$4 million. Phone accessories totaled \$117 million in half, led by cellular accessories, up 25%.

OBITUARY

James R. Horstman, 62, veteran consumer electronics industry publicist, died of pulmonary embolism Sept. 9 in N.Y.C. He represented many firms during career, including ADS, AudioSource, BASF, Panasonic, Parasound, TDK. Before becoming publicist, Horstman served as senior editor at Industrial Research trade magazine. Survivors include wife, 2 daughters.

CEDIA'S EXPLOSIVE GROWTH: Custom Electronic Design & Installation Assn. (CEDIA) Expo at Dallas Infomart drew attendance of 4,800 by 3rd day of 4-day event, Vp Ferdinand Steyer told general membership meeting Sept. 9. Spokeswoman said final attendance figure won't be available until this week. Expo drew 3,044 year earlier.

Exhibit space sold out "months ago, which I think is extraordinary," and CEDIA had to turn many would-be exhibitors away, Steyer said. Number of exhibits rose to 190 this year from 140 year earlier, he said, with repeat exhibitors taking average of 30% larger space and new exhibitors also opting for larger displays.

This year's show featured first-time exhibits by mainstream companies such as Kenwood and Sharp, although Sony didn't buy space (but sponsored annual exhibit floor cocktail reception). Move to Dallas Convention Center in 1996 will "facilitate the growth we're expecting next year," Steyer said. Treas. Mitchell Klein wouldn't project size of exhibit floor at 1996 Expo, but said CEDIA will have 675,000 sq. ft. available. Larger facility will pay immediate dividends by affording more space for classes, Klein said, noting that classroom space was in very short supply at Dallas Infomart.

CEDIA and EIA "share a very common mission and a very common destiny," Consumer Electronics Group Vp Gary Shapiro said at end of keynote speech in which he updated "public policy" developments on HDTV, V-chip, digital radio, other issues. "Our paths are intertwined, our missions are interdependent," he said. "Clearly, CEDIA has grown very quickly and deserves enormous respect. I welcome CEDIA's ascendancy and look very forward to working with CEDIA in the future." Shapiro's high profile in Dallas fueled speculation among some showgoers that EIA would make bid to buy CEDIA or manage Expo under Consumer Electronics Shows umbrella, both denied by Shapiro last week.

Total CEDIA membership reached targeted 794 by opening of convention, said Colleen McNaur of CEDIA membership committee. She said roster included 508 dealer-installers, 161 manufacturers, 95 reps, 30 "affiliates."

Expo itself was dominated by impending launch of Dolby AC-3 home theater products and how best to design and place rear-channel surround speakers in era of "5.1"-channel digital surround.

Recoton has finalized deal to acquire STD Holdings for \$21.5 million -- \$13.5 million cash, \$8 million stock. Hong Kong-based STD makes multimedia and PC accessories including videogame joy sticks, controllers and speakers sold under Interact, Performance and STD brands. Purchase first reported in May (TVD May 22 p16) includes distribution facilities in Hong Kong and plant in China. STD U.S. Div. Pres. Todd Hays will head new Recoton unit, while Chmn. Stephen Chu heads Hong Kong operation. Recoton has moved hq to N.Y.C. from Long Island City: 145 E. 57th St., N.Y., 10022, 212-644-0220.

DWIN Electronics, manufacturer of video projector accessories, introduced its first front-screen video projection system at CEDIA in Dallas. DWIN system was designed from ground up as home theater projector, isn't modification of existing commercial product, Mktg. Vp Walt Henry said. System combines high light output, operating flexibility and silent fan-free operation, he said. To be available in late 1995, it will be priced at \$12,000. -- 805-531-9267.

TAPE PRICES CONTINUE FALL: Videocassette factory sales plunged 15.6% in units and 19% in dollars in 2nd quarter, EIA Market Research Dept. reported last week. Compact cassette (VHS-C and 8mm) sales rose in dollars and dropped in value, as did audiotapes.

EIA's data thus indicate that in 2nd quarter, average factory price of blank VHS videocassette fell 4.6% to \$1.67 from \$1.75 year ago, while compact videocassettes declined 6.5% to average \$3.19 from \$3.41 and audiocassettes fell 9% to 74.1¢ from 81.4¢. Here are EIA's figures on factory sales of blank media:

BLANK TAPE FACTORY SALES, 2nd QUARTER
(in millions)

	Units 1995	% Change 1994	Value 1995	Value 1994	% Change 1994	
Audio.....	106.9	105.3	+ 1.5	\$79.2	\$85.7	- 7.6
VHS video....	74.1	87.8	-15.6	124.1	153.3	-19.0
Compact video	11.0	10.5	+ 4.8	35.4	35.8	- 1.1

FIRST HALF

Audio.....	206.8	199.5	+ 3.7	\$157.1	\$164.0	- 4.2
VHS video....	150.1	163.3	- 8.1	253.7	286.0	-11.3
Compact video	20.2	18.0	+12.2	65.3	61.5	+ 6.2

FUTURE SHOP PLOTS EXPANSION: Future Shop, Canadian retailer that swept into Pacific Northwest 3 years ago, plans to open 22 more stores in U.S. by mid-1996, we have learned.

Retailer, which has blanketed Wash. state and Boise, Ida., with 16 outlets, plans to open stores in Salt Lake City area (9), Portland (7), Spokane (2), Billings, Mont. (1), Anchorage (1) and at least 2 others in Mont. and Wash., said source who had been briefed on plans. Future Shop officials didn't return call seeking comment.

U.S. expansion will coincide with similar moves in Canada, where Future Shop will increase to 90 stores in 1996 from current 60, source said. Canadian stores generate \$1.5 billion in annual sales and it's understood goal is to double U.S. revenues to breakeven at \$600 million next year.

Most of new outlets will be 40,000 sq. ft., featuring increased assortment of home theater, home office products, music software. Stores carry 180 TVs. Future Shop uses combination of self-service and directed sales and is known for strong promotions -- such as offering 19" Sanyo TVs at \$149, but limiting them to 25 per store.

Voice It International has expanded line of digital chip-based recorders, shipping 3- and 4-min. versions at \$69 and \$79 street price. New models have 3 recording speeds and 50-message capacity, Voice It Mktg. Vp Patricia Westbrook said. Recorders contain chips built by Information Storage Devices and Oki. New models join line launched in 1994 (TVD July 4/94 p18) that includes 20-120-sec. versions. Company also began delivery of "message center" that contains "channels" for 4 separate messages, storage capacity of 2 min. 40 sec. at \$119 retail.

"TV assembly capital of the world" is title claimed by Tijuana, according to Financial Times, which said more than 6 million sets are produced there annually, figure that will be increased sharply when Sony, Samsung, JVC and Matsushita open new plants there with total investment of nearly \$1 billion.

ACTION IN VCR PATENT CASES: Sony last week claimed victory in one VCR patent dispute and settled another, both involving suits filed in 1993. Victory was ruling by Japanese Patent Office invalidating important video recording patent on which Eastman Kodak was seeking millions of dollars in royalties from Japanese manufacturers. Settlement was with Funai, details undisclosed, on charge of evasion of royalties on VCRs.

In Kodak case, Japanese Patent Office threw out 1993 Kodak patent because same technology had been described in technical journals as early as 1974. Sony had joined with Hitachi in moving to invalidate patent. Kodak announced it's appealing invalidation to Tokyo Supreme Court.

Kodak patent was turned down in Europe, but was accepted by U.S. Patent & Trademark Office in 1981. However, it reportedly was invalidated by U.S. Patent Office last month, but Kodak says key provisions were upheld. Patent Office hadn't replied to request for information by our deadline.

Patent relates to recording heads with gap of less than 0.38 microns. When application was filed in Japan, issuance was opposed by 23 Japanese companies, but Kodak eventually received patent there.

Kodak filed infringement suit against Sony in 1993 in U.S. Dist. Court, Marshall, Tex. (TVD May 31/93 p16, April 26/93 p15, April 5/93 p18), but case is being held in abeyance pending clarification of situation.

In other case, Sony quietly granted Funai new VCR license, settling patent infringement suit it had filed in 1993 (TVD Nov 1/93 p12). Settlement covered suits filed in both U.S. and Japan and terms weren't disclosed. Sony attorney William Trautman and Funai attorney Robert King declined comment on terms.

Silence of companies contrasted with allegations Sony hurled in filing suits. It accused Funai of destroying documents that could have supported allegations it had underreported number of products manufactured and sold under Sony VCR patent license (TVD Nov 8/93 p12). It sought 1.84 billion yen (\$17.5 million at current exchange rate), charging Funai violated 6 patents covering basic elements of video recording and playback technology.

U.S. Dist. Judge Sandra Armstrong, San Francisco, dismissed Sony suit last fall (TVD Oct 24 p13), ruling that federal court lacked jurisdiction and that Sony had "adequate" forum to "litigate its dispute with defendants in Japan." Sony filed appeal earlier this year (TVD Feb 27 p16) charging Armstrong "entirely overlooked" claims that Funai infringement occurred in U.S., not Japan.

Seeking to expand into PCs, Videonics has purchased Abbate Video, terms not disclosed. Abbate will maintain Mass. offices and staff, but most operations will be absorbed into Videonics, latter's spokesman said. Abbate markets video editing equipment for PCs, including Video ToolKit, software and control cable package for cataloging, editing and digitizing film footage. Purchase gives Videonics instant entry in PC business and engineers of both companies have begun development of future products, Videonics spokesman said. In another deal, Videonics bought video equipment supplier Nova Systems for \$5 million cash. Canton, Conn.-based company manufactures video frame synchronizers, digital time base correctors, video signal processing equipment.

VIDIKRON GOING DMD: Third consumer electronics company to announce projection TVs based on Texas Instruments' Digital Light Processing (DLP) technology and using TI-made Digital Micromirror Device (DMD) is Vidikron.

Vidikron says it will sell DLP home theater projection systems in 52 countries beginning in 4th quarter of 1996. It thus joins Runco of U.S. and Nokia of Europe, each of which will offer products using own adaptation of DLP technology (TVD Sept 11 p16, Sept 4 p10).

Announcement was made last week by Vidikron of America, Jersey City, U.S. arm of Italy's Vidikron. Chmn. Flavio Peralda said company has been working with TI for 2 years on incorporating technology into its products and will introduce projection systems designed by Pininfarina. 2709T

System will be manufactured in Europe, but U.S. version could be made in Jersey City, where Vidikron has R&D facility, we were told by Sales & Mktg. Vp James Wellnitz. All versions will be "world standard ready," he said, capable of operating on NTSC, PAL or SECAM. He said Vidikron is aiming at front-projection model to retail for less than \$10,000. Wellnitz said he had just seen TI's latest "optical engine" with improved color, and is "more excited" about prospects for system.

Runco plans to introduce front- and rear-projection home theater DLP systems beginning in 2nd or 3rd quarter of 1996, while Nokia has demonstrated extremely compact rear-projection system targeted for introduction early in 1997. Nokia sells TVs in Europe, doesn't offer them in U.S. and has made no announcements about sales here.

Other TV manufacturers -- including mass marketed brands -- are expected to announce DLP projectors for U.S. market. One of prime candidates is Sony, which worked with TI for 3 years to develop prototype DLP projection system (TVD June 5 p11).

DMD is name given to TI's digital light switch semiconductor that contains some 500,000 microscopic mirrors on single 5/8" square silicon chip. TI applies DLP name to systems combining DMD with signal processing, software, light source, imaging lens and associated electronics "to provide an all-digital approach to projection display systems."

Roberds will open 480,000-sq.-ft. warehouse in Fairborn, O., late this year. It will consolidate 2 warehouses with combined 170,000 sq. ft. that Roberds has operated since 1970s, CFO Robert Wilson said. Warehouse is to serve Cincinnati-Dayton, including new 250,000-sq.-ft. store in suburban Cincinnati that Roberds plans to add in spring 1996 (TVD May 15 p21). New outlet, being created from existing building, is expected to have 30,000-sq.-ft. CE dept. and 50,000 sq. ft. of warehouse space. Dayton chain also opened outlets in Fayetteville and Athens, Ga., earlier this month, expanding it to 23 stores in Fla., Ga., Ohio.

Internationale Funkausstellung (IFA), big Berlin consumer electronics show, was called "most successful ever" in event's 71-year history by co-sponsor Messe Berlin. Paying attendees totaled 495,834 for 9-day event vs. 449,804 at 1993's 10-day show. Included were more than 100,000 trade visitors who viewed 758 exhibits from 30 countries. Of trade visitors, 37% were from former W. Germany, 19% from former E. Germany, 18% from abroad. More than 5,000 journalists from 85 countries attended. Next IFA is scheduled for Aug. 30-Sept. 7, 1997.

BEST BUY, CIRCUIT CITY PC BATTLE: Having battled for years in AV products, Best Buy (BB) and Circuit City (CC) are girding for PC showdown this fall.

After summer in which CC bested BB by undercutting it \$200-\$300 on select PC hardware, BB Chmn.—CEO Richard Schulze told financial analysts last week chain would be more "proactive" this fall. Retailer had offered monitor free with PC purchase in Aug., and similar promotions and price moves are on tap for fall, BB CFO Allen Lenzmeier said.

"We want to be more market-leading in view of the PC sector," Schulze said. BB PC sales were \$1.7 billion in fiscal 1995 and will account for 35-37% of sales in current year, he said.

CC Chmn.—CEO Richard Sharp said chain won't lower prices across board, but will "tactically" set some "aggressive" retail. In recent months, CC has limited PC price moves to markets it shares with BB. Sharp later told analysts that retailer will be "promotional" through Oct. Home office products -- of which PCs are component -- accounted for 15% of CC sales in fiscal 1995.

As for expansion, BB has opened majority of new stores (32) in existing markets and has slowed plans for L.A., where it projected having 19 by fiscal year-end in Feb. and 28 by summer 1996. Earlier this year, BB, which entered L.A. with 7 stores in 1994 (TVD Oct 17 p14), delayed plans for 7-8 additional outlets to fall from spring (TVD Jan 23 p14). In Northern Cal., where BB also was expected to enter this year, single store will open in spring. L.A. plans have been hampered by real estate issues and BB will have to replace Ontario, Cal., distribution center before opening Northern Cal., Lenzmeier said. Slowdown also was tied to Cal. stores' failure to meet revenue projections, analysts said. BB, which secured \$1-billion financing agreement earlier this year, will be "limited to what their stores can earn," analyst said.

At same time, BB is tinkering with Concept III format of 45,000-58,000-sq.-ft. stores it launched in 1994 and still is fine-tuning, analysts said. Indeed, Schulze said BB has had "to learn the art of space management, tighten up product assortments" and make room for new product categories.

CC, which opened larger 40,000-sq.-ft. stores last fall (TVD Nov 11 p16), has said it will open 65 outlets this year and 60-65 in 1996 (TVD June 19 p15). CC also has delayed opening of national CD software distribution center in Louisville from midsummer to Oct.

Also at conference, Ultimate Electronics (UE) said it will open 185,000-sq.-ft. warehouse this month in Thornton, Colo., complex that also will house service center, hq and store by early 1996. Complex is scheduled to open in fall (TVD Oct 24 p17). UE will open its largest store -- 50,000 sq. ft. -- in Tulsa in late Nov. It isn't prototype, but is example of size UE needs when it operates single store in market, CFO Alan Kessock said. Chain will add 3 stores in 1996 and expand and move 3 others in Denver area.

Software retailer NeoStar, which operates Babbage's and Software Etc. chains, said it planned to shift focus from mall-based stores to new concepts including leased dept. in 60,000-sq.-ft. Barnes & Noble superstores. NeoStar operates 27 leased departments under Software Etc. banner and plans to add 35-40, CFO Opal Ferraro said. "It is unlikely that we can sustain the kind of growth we want just from mall stores, so our future store growth will come from

concepts outside the mall," Ferraro said, but retailer nevertheless will open 40-45 mall stores.

Leased Software Etc. departments cover 2,000 sq. ft. and are minus videogames, focusing on videos, self-help, reference, educational software. Chain, formed in merger of Babbage's and Software Etc. last year, has consolidated most operations at Dallas hq.

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Best Buy income declined in 2nd quarter ended Aug. 26 to \$5.714 million from \$7.6 million year earlier on 54% sales increase (see financial table). Same-store sales were up 7%. For 6 months, income fell to \$10.39 million from \$11.84 million on 52% sales gain. **Circuit City** reported 14% rise in income in 2nd quarter (see financial table) on rise in sales to \$1.6 billion from \$1.2 billion. Same-store sales were up 10%. For 6 months ended Aug. 31, income rose to \$65.8 million from \$55.7 million as sales jumped to \$2.9 billion from \$2.2 billion.

FRETTER CLOSES 56 STORES: Fretter's decision to close 56 stores in dozen states exceeded projections and appears to end chain's ambitions of becoming national retailer.

As we reported (TVD Aug 28 p11), closings focused on Silo stores and were heavily weighted toward Southern Cal., Pacific Northwest and Upstate N.Y., where it operates more than 30 outlets. Stores also were shuttered in Colo., Ill., La., Mass., Mich., Ohio, N.J., N.M., Tex., Utah. Fretter, Fred Schmid and YES! outlets were expected to be affected only slightly. Chain operated 230 stores before closings. Fretter executives and buyers were said to be holding warehouse clearance sales last week, then closing stores.

Shutdowns also appeared to signal Fretter's intent to retreat to Mich. base (hq is Brighton). Officials didn't return calls last week, but Pres. John Hurley has said chain would consolidate operations and renovate stores, especially those in Mich. (TVD June 26 p14). For fiscal first quarter ended April 30, Fretter reported \$3.8-million loss, vs. \$3.5 million year earlier.

Remaining stores are receiving limited amounts of products, vendor source said, and he was able to "squeeze" order out of Fretter in late Aug. "The buyers have told us they are out of goods and they need them," source said. "The buyers are saying 'yes' and [Pres.] Hurley is saying 'no.'"

Fretter 2 years ago had plans to expand empire when it bought ailing Silo chain from Dixon's for \$45 million (TVD Dec 6/93 p18). At the time, analysts questioned retailer's ability to absorb Silo, which had been money loser for Dixon's. However, Fretter moved quickly, closing 47 stores in first half 1994, including sale of 18 Silo leases in L.A. to Circuit City (TVD May 30/94 p22).



Strange bedfellows: Wall St. Journal's Sept. 15 supplement on "Entertainment + Technology" featured articles on various emerging CE products but had no ads by traditional CE companies. It featured ads from Hyundai, USSB, Sprint Business, Texas Instruments (computers), Microsoft, AT&T (computers), Charles Schwab (broker), Skytel (paging), NEC (computers), Acer (computers), Motorola (cellular phones), Silicon Graphics (work stations), Cigna HealthCare.

Grand opening ceremony for Sony Disc Mfg. plant in Springfield, Ore., is scheduled for Sept. 28.

SONY DVC DEBUTS IN U.S.: Sony last week followed Panasonic by one month (TVD Aug 14 p12) in showing digital videocassette (DVC) format camcorders and tape in U.S., with same Oct. availability date.

Sony showed 2 Digital Handycams previously demonstrated in Japan (TVD July 31 p13) and Germany (TVD Sept 11 p17) -- 3-CCD DCR-VX1000 and single-CCD DCR-VX700 -- to be priced at \$4,199 and \$2,999, respectively. Panasonic hadn't announced U.S. price on its one model with 3 CCDs, but in Japan it lists at 350,000 yen (\$3,400).

Like Panasonic's demonstration, Sony's N.Y. press debut was impressive, with 10th-generation copies indistinguishable from first, and attendees unable to distinguish live from taped portions of split-screen picture. Both brands use official new stylized "DV" logo.

Unlike Panasonic's first model, both Sony camcorders introduced in U.S. have digital input and output. Six-connector jack currently permits 2 camcorders to be connected for making copies, using \$50 accessory cable that carries video, audio, time code and other data for record and playback as well as power. Sony currently doesn't offer editing device for DV, and connector won't interface with such other digital systems as DSS or computers.

However, DV standard connector on Sony camcorders "supports an interface standard [IEEE 1394] that will allow DV devices to connect directly with future personal computers and other electronic devices." Interface currently isn't available. Asked about introduction of home DVC deck -- Sony demonstrated one in Berlin -- officials said company will hold off until there's standard for copyright protection (see below).

As already reported, Sony's DV camcorders are designed to utilize cassette with built-in IC that stores data on tape specifications and records date of recording, providing easy access to exact scene or still video. Sony's cassettes are list-priced at \$20 for 30-min. and \$25 for 60-min. In Japan, as we have noted, Sony's cassettes are twice as expensive as Panasonic's.

Asked about discrepancy, Sony officials said their cassettes include memory chip missing from competitive versions. Chip is optional in official specs of DV system, approved by 55 companies. Sony indicated it would market cassettes without chip if market demands them.

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Matsushita and Sony DV camcorders sold out in advance of delivery dates of Sept. 1 and 10, respectively, in Japan due to advance orders. Matsushita's first shipment was 3,000 camcorders. "We are asking customers to wait one month," said saleswoman at major electronics shop in Akihabara.

On basis of demand, Matsushita plans to increase monthly production of its single model about 20% from its current 5,000, while Sony said it's considering increase from 9,000 monthly after watching market developments for one month. Meanwhile, JVC said it hasn't decided when it will start marketing tiny 1.1-lb Mini DV camcorder it showed in Berlin (TVD Sept 11 p17, Aug 28 p11) or whether model to be introduced will be exactly same as that prototype.

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EIA is Involved in "good-faith negotiations" with MPAA to pursue copyright bill on consumer digital VCRs, "and I'm hopeful that by 1996 we'll have some type of

legislation moving through Congress," EIA Consumer Electronics Group (CEG) Vp Gary Shapiro told Custom Electronic Design & Installation Assn. (CEDIA) in Dallas.

Shapiro described digital VCRs as "a product that can come here in the next couple of years," but "the challenge there is that it makes perfect copies." He said he views digital VCR as "perfectly legal product," but doubts industry "wants to wait 5 years" for Supreme Court to revisit Sony Betamax case. CE manufacturers want some "legal certainty" before product is introduced, Shapiro said.

Talks with movie industry are aimed at finding "some way of their signing off on this product" without abandoning hardware industry's "objectives," which include: (1) Protecting consumers' rights to make home copies for private noncommercial use. (2) Barring royalties on sale of digital VCRs. (3) Providing for limiting serial copying. (4) Assuring that agreement will have "no impact" on computer industry.

EIA-negotiated Audio Home Recording Act (AHRA) of 1992 requires manufacturers to pay modest royalties on wholesale shipment of consumer digital audio recorders and blank media. Products covered under AHRA also are required to have Serial Copy Management System barring 2nd-generation digital copies. Shapiro wouldn't elaborate when asked about possible similarities between AHRA and deal being negotiated with MPAA.

LG EXTENDS ZENITH OFFER: Korea's LG Electronics extended for one month until Oct. 19 its tender offer to buy up to 18,619,000 Zenith shares held by public at \$10 each (TVD July 24 p9). As of Sept. 15, LG said, 13,504,716 shares had been tendered -- about 72.5% of target.

In announcement, LG said it would "extend the tender offer from time to time as necessary until all of the conditions... have been satisfied or until the stock purchase agreement with Zenith is terminated." LG said waiting period under Hard-Scott-Rodino antitrust act has expired, satisfying one of conditions of offer.

Zenith spokesman said that extension was routine and that many brokers advise clients to wait until deadline before tendering shares in such acquisitions.

LG's acquisition of control of Zenith will cost it \$351 million as it expands its ownership to 57.7% of Zenith common stock from current 3.8%. In addition to shares being bought from stockholders, it has agreed to buy 16.5 million newly issued shares from Zenith for \$10 each. Zenith stock closed Sept. 14 at 8-3/4.

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Tandy Chmn. John Roach said last week that services, rather than physical products, could account for 1/5 of company's revenues by turn of century. "It wouldn't be unreasonable to expect that over the next 5 years it will approach 20% of the total," he said at news conference before last week's grand opening of 12th Incredible Universe store, on Long Island, citing such areas as DSS, paging and cellular service as major growth areas. He said trend toward service sales "was given even more momentum" by telecom bill "which opens door to new competitors." He said ubiquity of Tandy stores offers opportunity for company to become "the local branch office for someone who wants to enter a market as a local phone company, wireless provider or cable provider," and said Tandy is developing increasingly sophisticated internal systems to track service income.

DirecTv began transmitting corrective software code Sept. 12 and will continue for "several" weeks as more Sony DSS products are installed. Software fix is "100% transparent" to consumers and can be completed in 45 min. provided IRD is receiving signal, DirecTv spokeswoman said. Code is being transmitted "in intervals at all hours" of day and is stored in IRD's memory, she said.

While Sony emphasized ability to provide quick fix, many dealers were angered by what they saw as lack of communication from company. Some retailers said they pulled product from sales floor pending software fix. "They have never, ever said a single solitary word about their system not working and we bought a lot of them," Midwest dealer said. "But we've sold just a few of them and we haven't had any reports of problems from those customers." Other retailers reported being told by regional reps that repairing system was company "priority."

JAPANESE CAMCORDER EXPORTS HIGH, PRICES LOW: Despite strength of yen in July, Japanese held average price of camcorder exported to U.S. below \$500, as shipments continued above year earlier for 6th consecutive month. July was also 12th consecutive month of average price decline in yen, 11th of decline in dollar equivalents.

Japan consistently supplies well over 90% of camcorders for U.S., and it intends to hold that margin as long as it can, keeping customers happy by continually dropping prices even as product increases in sophistication. According to Finance Ministry figures, average camcorder exported from Japan to U.S. was declared at 41,142 yen in July, down 29.5% from 58,356 in July 1994. In dollar equivalents, for month when dollar bought only 87 yen, average price was \$472.90, drop of big \$116.55, or 19.8% from \$589.45 year earlier when dollar equaled 99 yen. Based on Sept. surge in value of dollar, average price at today's exchange rate would be \$414, lowest in history and \$175 below year earlier.

With VCRs exported from Japan in continual decline, that category chalked up its 11th consecutive month of shipments below same month of preceding year, although actual shipments in July were highest of 1995. CD exports from Japan to U.S. were up for 8th consecutive month, while videodisc players continued to wobble between increases and decreases, but remained positive for year to date. Here are selected figures on Japanese exports to U.S., from Finance Ministry:

Product	July '95	July '94	% Chg.	7 Mo. '95	7 Mo. '94	% Chg.
Color TV.....	10,288	23,549	-56.3	153,190	95,010	+61.2
VCR decks.....	330,801	356,178	-7.1	1,855,572	2,091,008	-11.3
Camcorders.....	327,913	275,063	+19.2	1,929,926	1,605,161	+20.2
Videodisc players	25,197	53,220	-52.7	251,028	223,464	+12.3
CD players.....	425,494	418,009	+1.8	2,853,022	2,262,160	+26.7

L.A. Tronics has closed West Hills, Cal., store after 3rd slaying nearby. CE chain, which operated Fallbrook Mall store, shut 15,000-sq.-ft. outlet despite having 5 years to go on \$20,000-per-month lease. There are no immediate plans to replace store whose closing reduced retailer to 5, company said. Ryan Willis, 23, was shot to death in front of store Sept. 6 after quarrel with acquaintance apparently over stolen gun. In June, high school student was killed in drive-by shooting at nearby theater and in 1993, L.A. Tronics Asst. Store Mgr. Oscar William Torres was murdered after he offered ride to man who told him his truck had broken down.

New generation of LCD projectors with up to 6 times more brightness than current models is promised by Sharp for 1996 first half. Company says it has refined amorphous silicon technology to create projection systems that will deliver "clear images even in brightly lit rooms," achieving up to 1,000 ANSI lumens (about 4,000 lux).

Taiwan's Tatung plans to build \$200-million TV tube and component plant in Europe. Financial Times reported last week that Tatung subsidiary Chung Hwa Picture Tubes is close to making decision, with Scotland under serious consideration.

AlphaStar has signed agreement to buy GE Spacenet facility in Oxford, Conn., providing uplink center for 100-channel DBS scheduled to go on line in Dec. Terms weren't disclosed. Work will begin immediately on renovating 12-acre complex that includes 14,000-sq.-ft. uplink center and two 40-ft. satellite dishes, AlphaStar spokesman said. Center will transmit programming via AT&T 402R scheduled to be launched by Arianespace Sept. 22. Purchase has ironic twist, since Oxford facility was first proposed as uplink center for ill-fated SkyPix venture that collapsed in 1992 (TVD Aug 3/92 p12) amid allegations of fraud.

Bernie's TV & Appliance will add 9th store in early 1996 as it expands into Eastern Conn. with first outlet in Waterford. New 24,000-sq.-ft. leased store will be located in strip mall.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 103 yen = \$1, except where noted.

broadcasting. AFD could accept and translate to analog SDTV either 4:3 or 16:9 images. Hitachi estimates AFD "will make total conversion to digital ATV feasible 4 to 6 years earlier" than would be possible otherwise.

Because Hitachi's system is "scaleable," AFD also will make possible medium definition reception of HDTV broadcast at far lower cost than HDTV set. On special set it could provide picture with definition between high and standard -- perfectly adequate for some screen sizes -- or, as Fuhrer put it, "half the pixels at half the price." And, for small-screen sets, HDTV probably never will be necessary, HDTV being indistinguishable from NTSC at normal viewing distance. Fuhrer asked rhetorically: "Who needs HDTV in a 13-inch box?"

"Set makers are worried about buyers when HDTV becomes a reality," Fuhrer told us. "The first [HDTV] sets will be very expensive and people will be worried about buying an NTSC set for fear the screen will go blank when the FCC cuts off standard broadcasting." Now TV industry can "let them know that a low-cost box will let them continue to watch programs in standard definition." In addition, Fuhrer said, consumers for long time may want sets with NTSC capability so they can continue to play their analog VHS videotapes.

Debut price of AFD could be about \$300 retail in set-top box, estimate derived from cost of digital video decoder in DSS receiver, Fuhrer said. However, he sees price dropping rapidly. As built-in part, system would add 2 chips to TV set, and Fuhrer sees it eventually adding about \$50 to cost. Although HDTV video decoder boxes presumably will be available to convert NTSC set to receive high-definition broadcasts, Fuhrer said Hitachi chips probably will cost almost 10 times as much as "conventional SDTV silicon," while AFD decoder chips should be only 10% more than conventional SDTV chips.

Although Hitachi envisions full HDTV receivers at mass market price within 10 years, their prices will be extremely high at first. "Meanwhile, the availability of all-format receivers that span the entire gamut from large-screen high resolution to small-screen standard resolution will make the launch of a mixed HD and SD ATV service feasible," eliminating chicken-or-egg problem, Hitachi said. Or as Fuhrer put it, "it gets us from here to there."

AFD proposal -- and others sure to follow -- is made urgent in view of FCC's current ATV rulemaking (TVD Aug 14 p4) that asks whether Commission should extend all-channel rules to require future sets to display both SDTV and HDTV and whether "all-format" (HDTV, SDTV and NTSC) receivers, or combination of 2 of those 3, should be required. Commission also asks whether converters of type proposed by Hitachi -- which make HDTV pictures available in standard resolution -- should be permitted, noting that they "could result in relatively inexpensive receivers or converter boxes for NTSC receivers, compared with the projected HDTV receiver costs."

Rulemaking proposal also asks this explosive question: "Would limiting the sale of NTSC equipment help consumers by assuring that they do not purchase equipment that will soon be obsolete, or harm them by, for example, depriving them of access to equipment... they have, such as VCRs? If we permit the sale of NTSC equipment, should we require a visible warning label warning that, as of a certain date, it will no longer be able to provide over-the-air broadcast reception?" Commission adds: "We believe that the All Channel Receiver Act provides us with adequate authority to address these issues" and asks for comment (due Oct. 18) "on how we should exercise it."

SONY RESUMES DSS SHIPMENTS, MPEG-2 TESTS CITED: Sony resumed shipping Digital Satellite System (DSS) receivers Sept. 11. Although explanations for reception problems that caused it to halt shipments Aug. 31 (TVD Sept 11 p10) were hazy, it was indicated that they were related at least in part to testing of MPEG-2 compression by satellite broadcaster and in part to program built into Sony boxes.

By week end, DirecTv said "majority" of affected integrated receiver decoders (IRDs) had been repaired via software code developed by Sony engineers in San Diego and beamed to boxes from satellite. "As Sony was ramping up [deliveries], we were testing MPEG-2 and calls started coming in," said DirecTv spokeswoman, alluding to 200 calls Sony and DirecTv said they received. "Volume got so heavy that we realized there was something wrong." Sony spokesman conceded that software installed in its receivers had problem with some satellite transmissions and said cure was found in revising software. "This had nothing to do with the testing that has been done and the problem was limited to one version of software code" in Sony receivers, U.S. Satellite Bestg. (USSB) Pres.-COO Stanley Hubbard said, adding that USSB had received 31 calls from consumers.

Many questions remain unanswered, including whether unified system will embrace Dolby AC-3 digital multichannel surround system in NTSC countries, MPEG audio for Europe, as SD proposal did. As we reported, Sony and Philips said prepared announcement of audio specification at Berlin show had been scrapped when talks with SD companies started. Philips Exec. Vp Henk Bodt said partners will work diligently to draft book of specifications, which will take "a few weeks, at least," but which should be ready by mid-Oct.

Digital multichannel surround standard will be chosen by that time, he said, adding that Philips considers it "a minor issue." Also to be determined is what combined format will be called, but Bodt indicated that is among least of challenges yet to be overcome: "You don't name the baby until the baby is born." Parties also have yet to hash out which companies will administer patents and other legal issues, he said, adding that it's difficult to envision Philips' not having strong involvement. Asked who emerged as winners and losers, Bodt echoed others in declaring consumers "the real winner in all this." But he said Toshiba's biggest takeaway is adoption of bonded disc, while Sony and Philips bring more "robust" EFMPlus modulation to party.

Sony Electronics Pres. Carl Yankowski said compromise meets all his company's objectives for DVD, including 1.2mm disc compatible with existing CD, "albeit in a bonded disc." He acknowledged that Sony had spent months criticizing bonded disc proposal as representing less than ideal transition from existing CD replication infrastructure. But Yankowski revealed Sony had conducted extensive tests on SD discs in Japan and found them to be "a manageable solution." Sony America Pres.-CEO Michael (Mickey) Schulhof praised compromise, saying "this new high-density CD format will address all consumer and industry needs for a single music, game, motion picture and multimedia platform."

Officials we polled for reaction tiptoed delicately around question of whether agreement would cause delay in product introduction. Toshiba Exec. Vp Taizo Nishimuro predicted 3-month rollout delay to Sept.-Oct. 1996 from June date that had been quoted widely by SD companies. He said delay was needed to redesign basic LSIs and other key components. Thomson Worldwide DVD Vp Guy Johnson said agreement represents "great day for multimedia." He said pact had strong blessing of Thomson Chmn.-CEO Alain Prestat. Johnson acknowledged likely 3-month delay, but said it wouldn't materially affect Thomson's previously announced U.S. rollout schedule. He said plan all along was to distribute first DVD player allocations selectively next June or July, followed by mass shipments around Labor Day. At IFA, Johnson responded to questioner on impending peace talks with Sony and Philips by saying any agreement with rival MMCD camp would have to stipulate mid-1996 product introduction (TVD Sept 4 p7). Bodt said Philips' plans haven't changed for introduction in late 1996 or early 1997. Sony's Yankowski said his company still plans 1996 product launch.

Warner Home Video Pres. Warren Lieberfarb, depicted by many insiders as key peacemaker, said "we are delighted that a single format has been adopted for the next generation of optical discs, disc players and optical disc drives... The new standard exemplifies how corporations around the world can cooperate for consumer benefit. In 1996, consumers will be able to buy players, drives and discs with the confidence that their investment in high-density and high-quality products will bring new entertainment and information into their lives for years to come."

Preliminary reaction from Hollywood studios was positive, pending further study of specifics of agreement. "It's marvelous, a total victory for the consumer," said Richard Cohen, MGM/UA Home Entertainment pres. who has been acting as spokesman for ad hoc advisory group of studios on DVD issue. "It's fabulous for the motion picture companies and the video industry. It eliminates the single greatest obstacle to the launch of the product and increases the likelihood of it becoming a successful business." Steven Apple, vp-communications and new business development at Philadelphia-based retailer West Coast Entertainment, said his company supports agreement "wholeheartedly," noting that anything short of unified DVD standard would have been "counterproductive to the industry."

HITACHI DECODER COULD EASE MOVE TO HDTV: Hitachi has been first to demonstrate all-purpose box designed to help tide consumers -- and set makers -- over from analog to TV age.

"All-format decoder" (AFD), demonstrated at recent SMPTE conference in New Orleans by Hitachi Advanced TV & Systems Lab Senior Dir. Jack Fuhrer, will make it possible to view all digital advanced TV (ATV) programs -- whether in standard or HDTV format -- as standard definition TV (SDTV) images on conventional analog NTSC set.

In view of FCC's plan to end analog transmissions eventually, this circuit -- either built into NTSC set or in set-top box -- could reassure potential TV buyers that their sets won't be made obsolete by digital

Consumer Electronics

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STATE OF THE INDUSTRY

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

	AUG. 26- SEPT. 1	1994 WEEK	% CHANGE	AUG. 19-25	35 WEEKS 1995	35 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	517,402	488,911	+ 5.8	933,602	15,483,430	16,056,035	- 3.6
DIRECT-VIEW....	499,754	472,062	+ 5.9	905,947	15,049,699	15,719,973*	- 4.3
TV ONLY.....	447,980	438,232	+ 2.2	841,019	13,775,903	14,534,604*	- 5.2
TV/VCR COMBO..	51,774*	33,830	+53.0	64,928*	1,273,796*	1,185,369	+ 7.5
PROJECTION.....	17,437	16,849	+3.5	27,655*	433,731	336,062	+29.1
TOTAL VCR#.....	405,344	231,578	+75.4	517,177	9,137,417	8,621,148	+ 5.9
HOME DECKS....	353,570	197,748	+78.8	452,249	7,863,621*	7,435,779	+ 5.8
CAMCORDERS.....	80,170	16,839	+376.1	150,933*	2,132,621	1,889,938	+12.2
LASERDISC PLAYERS	8,886	5,799	+53.2	5,836	168,301	175,201	- 3.9

Direct-view TV 5-week moving average: 1995--486,101; 1994--542,786* (down 10.4%).

VCR deck 5-week moving average: 1995--272,333; 1994--255,849 (up 6.4%).

TV/VCR 5-week moving average: 1995--38,152*; 1994--30,790 (up 23.9%).

Camcorder 5-week moving average: 1995--65,979; 1994--51,044 (up 29.3%).

* Record for period. # Includes TV/VCR combinations.

DVD COMPROMISE HAILED AS VICTORY FOR CONSUMERS: Both contending digital videodisc (DVD) camps had to eat dirt in reaching landmark compromise agreement last week that averted all-out format war, but key officials of MultiMedia CD (MMCD) and Super Density (SD) alliances uniformly praised pact as victory for consumers.

Basic agreement on unified standard was reached after 3 weeks of high-level negotiations announced Aug. 24 at Internationale Funkausstellung (IFA) in Berlin (TVD Aug 28 p8). Sony and Philips said they first issued formal proposal Aug. 18 for combining best features of MMCD and SD formats. In following weeks, "the proposal was refined and received the endorsement of major Hollywood studios and PC manufacturers," Sony and Philips said.

Agreement was sealed Sept. 15 when SD alliance members meeting in Tokyo's Imperial Hotel accepted proposal and announced pact at late evening news conference. SD summit originally was to break up at 5 p.m., but lasted past 8, fueling speculation among some Tokyo reporters that not all members had been on same page.

Basic specifications of combined format adopt 1.2mm-thick (2x0.6mm) bonded disc espoused by SD camp and "EFMPlus" modulation system developed by Sony and Philips. Error correction system is SD's "RS-PC" system, described as minor variation on "CIRC" technology that forms backbone of current Sony-Philips CD patent. Bonded disc also can accommodate 3M's dual-layer technology, but in 0.6mm disc half that takes place of single molded 1.2-mm disc envisioned under MMCD proposal. Unified system adopts basic specifications of SD proposal insofar as track pitch and other essentials are concerned.

Agreement puts strong emphasis on backward compatibility with existing CD. Use of Sony-Philips EFMPlus modulation reduces data capacity slightly to 4.7 Gb per layer from 5-Gb capacity of SD proposal. In Japan, Toshiba officials said basic 4.7-Gb disc will accommodate movie up to 133 min., compared with 142-min. maximum of "SD-5" proposal. But MMCD and SD officials said positive ruboff is that EFMPlus makes for more "robust" modulation system for better compatibility with existing CD and upward compatibility with future high-density extensions, including rewritable DVDs. Pact steers clear of stipulating single-sided or double-sided products, although apparent face-saving solution will be to say products will be commercialized to meet demands of marketers and consumers.

Personals

Ed Hearst, ex-FCC, named counsel to Rep. Bliley (R-Va.), House Commerce Committee chmn... New RTNDA officers: Chmn. Loren Tobia, KMTV Omaha, succeeding **Bill Yeager**, Metro Networks News; Chmn.-elect **Mike Cavender**, WTSP St. Petersburg-Tampa; Dirs.-at-Large **Robert Garcia**, CBS Radio Stations, and **Marsha Taylor**, WDBO Orlando; Washington consultant **Lou Prato** reelected treas.

Jim Grenier, NBC, moves to CNBC/America's Talking as senior vp-finance Oct. 1... **Don MacCullough** retires in Dec. as gen. mgr., WLRN-TV-FM Miami, after 31 years with station... **Patricia Keagy**, WFXT Boston controller, advanced to vp-finance... **Jacqueline Hartley**, Warner Bros. Domestic TV Distribution, L.A., vp-sales mgr., moves to vp-sales mgr., Dallas... **James Schuessler**, ex-WSYX Columbus, O., named WLUK-TV Green Bay vp-gen. mgr... **Jim Swinehart**, news dir., WBIR-TV Knoxville, named station mgr., KSHB-TV Kansas City... **Jack Foreman** retires at year-end as vp, Warner Hollywood Studios, will remain consultant.

Scott Michels, CBS vp-affiliate relations, promoted to CBS Best. International vp-worldwide sales... **Michael Yudin**, ex-Paramount TV Group senior vp, appointed Telescene Entertainment exec. vp... **Neil Kohn**, ex-Wegener Communication vp-corporate development, named SilentRadio chmn.-CEO... **James Fiedler**, ex-Summa Four Corp. pres., becomes Sattel Communications chmn.-CEO... **Hugh Coppen**, ex-partner, Quality Works consulting firm, appointed Allied Digital Technologies Corp. vp-mfg.

Jennifer Rigby leaves WPXI Pittsburgh to become news dir., WHIO-TV Dayton... **Hugh Coppen**, ex-Quality Works consulting firm, appointed vp-mfg., Allied Digital Technologies... **Dave Phillips**, ex-KPIX-TV San Francisco, named vp-gen. mgr., KUTV Salt Lake City... **Mitchell Miller**, ex-Cox, appointed Prevue Networks pay-per-view operations mgr... **Rick Sander**, ex-Multivision Cable vp-controller, Greenwich, Conn., named asst. corporate controller, Century Cable... **Joseph Scotti** advanced to senior vp-mktg. and sales administration, All American TV... Changes at NBC Entertainment: **Steven O'Neill** promoted to dir.-casting; **Liz Shaw**, ex-Ogilvy & Mather, appointed account dir.-print advertising... **Jennifer Arnold**, NBC Sports, advanced to dir., press information.

Changes at Fox Bestg.: **Jeffrey Smith** promoted to vp-national media; **Bill Bence** named dir.-movies & miniseries publicity; **Ted Johnson**, former L.A. Times reporter, appointed mgr.-editorial publicity... **Harry Martin**, ex-Reddy, Begley, Martin & McCormick, joins Fletcher, Heald & Hildreth law firm... **Carol Klein**, ex-NovaCare rehabilitation services, named General Instrument vp-communications.

CATA board members reelected: Chmn. **Fred Nichols**, TCA Cable; Vice Chmn. **Michael Burrus**; Secy.-Treas. **Jim Hays**, Irvine Community TV; CATA Pres. **Stephen Effros**; **Barry Babcock**, Charter Communications; **Jim DeSorrento**, Triax; **Leo Hindrey**, Intermedia Partners; **Lee Holmes**, Guam Cable TV; **John Whetzell**, Northland Communications... Belo Best. promotions: **Lee Salzberger** to vp-administration; **Richard Keilly** to vp-gen. mgr., WVEC-TV Hampton-Norfolk; **Martin Haag** to senior vp-news... **Minoru Funahashi**, ex-Japan Radio Co., named JRC International chmn.-COO... **Debbie Mitchell**, ex-Wendy's International, appointed vp-investor relations, Harris Corp... **Elizabeth Cantillon**, ex-Jersey Films, named exec. vp, Turner Pictures Feature Animation Div.

TELEVISION DIGEST

With Consumer Electronics

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FCC denied Tele-Media petition to reject Mebtel Communication's application for streamlined Sec. 214 authorization to construct cable facilities in Mebane, N.C. Tele-Media had argued that Mebtel wasn't eligible for streamlined review because it had started constructing cable system without prior authorization. FCC said Tele-Media failed to establish that Mebtel's application didn't meet requirements.

General Instrument (GI) said it will display OmniStar broadband laser platform for first time at European Cable Communications show in London, Oct. 23-25. Platform is designed to use less space to provide 5-rack-high mount laser for cable headends for "increasingly smaller node sizes and deployment of point-to-point lasers," GI said.

OBITUARY

Joseph D. Hughes, 85, member of original CPB board who served during Johnson, Nixon and Ford Administrations, died Sept. 6 of congestive heart failure at his home in Pittsburgh. He had been vp of T. Mellon & Sons and administrative trustee for Richard King Mellon Foundations. Hughes also was former attorney for State Dept., Treasury Dept., IRS.

FCC DBS DECISION STALLED: FCC was expected to vote last week on resolution of DBS situation involving Advanced Communications and Primestar, but didn't while faced with threat of congressional intervention. Sen. McCain (R-Ariz.) was said to have promised to introduce rider to pending bill that effectively would kill plan proposed by FCC International Bureau by requiring auction of Advanced's slots and frequencies at 110° W. Bureau plan would allow transfer of that resource to Primestar, but its affiliate Tempo would be required to return 119° for auction.

MCI circulated draft of amendment to agency appropriations bill (HR-2076) bearing McCain's name that would require FCC to drop compromise plan and auction Advanced's slot and channels. Markup is this week. MCI, which intends to bid for DBS allocation, said McCain amendment "blocks the FCC from approving a proposal to allow for the transfer of the only remaining DBS license to a consortium of cable companies at fire sale prices." Primestar had planned to purchase rights to slot for \$45 million, but Bureau rejected that because Advanced hadn't met its due diligence requirements. However, Bureau would allow transfer to proceed with \$5 million payment so Advanced could recover its costs.

FCC and others may be overestimating "zeal" of Congress and its wish to intervene, Primestar Chmn. James Gray said. Company representatives also have heard of plans for congressional intervention, he said, but when they checked it out, "the person who has done it has a different view. We ran into this several times." One observer said "everyone ought to be concerned when Congress attempts to make decisions" that should be made by agencies. Another said "this happens all the time."

Issue of spectrum auctions has interested Congress for some time and its involvement in DBS is in line with previous activity, MCI Senior Vp-Ventures & Alliances Susan Mayer said: "I wouldn't call it micromanagement... This is another chapter in a long debate." She said auctions would "raise more money than any other transaction and ensure competition to cable," but she wouldn't say how much MCI would bid for 110° slot because that would show company's hand. Primestar is "trying to keep us out" because it knows MCI will provide "real competition to cable," Mayer said. Argument that Primestar already has spent \$1 billion on satellites and other equipment shouldn't matter, she said, because MCI, if victorious in auction, would purchase high-power Space Systems/Loral satellites built for TCI: "They'll even make a profit on the markup." Also, she said, competition won't be slowed because FCC could start expedited auction proceeding and award license by end of year.

Primestar's Gray said he's surprised and concerned to see Capitol Hill involved in issue, especially if focus is purely on budget implications. Bureau compromise reflects budgetary and competitive concerns, he said, because it calls for auctions and, equally important, will introduce competition in DBS faster than if all available DBS frequencies were auctioned. "They're not looking at the immediate impact on the competitive situation," he said of Congress, while "the Bureau proposal deals with both issues." Bureau plan would call for auction of 46 channels, while McCain plan would auction 51. MCI said McCain amendment does address competitive impact on DBS industry because it recognizes that DBS is principal competitor to cable and Primestar represents 60% of cable industry.

ABC affiliate WGXA Macon, Ga., will shift to Fox.

In largest recent cable swap, TCI and Cox signed letter of intent to trade systems with 600,000 subscribers. Deal is expected to close in mid-1996, pending regulatory approvals. TCI will receive Cox systems with 300,000 subscribers in Pittsburgh, Spokane, Springfield, Ill., Cedar Rapids, Saginaw, Quad Cities of Ill.-Ia. Cox would receive systems with similar number of subscribers in Bellevue/LaVista, Neb., Council Bluffs, Ia., Chesapeake, Va., Scottsdale, Ariz., N. Attleboro/Taunton, Mass., Lincoln, R.I., St. Bernard, La. "Trades are an integral part of our going-forward strategy," Cox Cable CEO James Robbins said: "All of the properties we receive are contiguous to existing systems." Deal was 6th major cable system swap in 6 weeks, with previous largest being Time Warner (TW)-Century swap that involved 200,000 subscribers. TW was involved in 4 exchanges involving 581,000 subscribers; other was TCI-Washington Post deal involving 102,500. There have been 11 other major cable deals since late July. Those since then have involved systems with 3.2 million subscribers, 5% of nationwide total.

CBS and HBO announced Sept. 14 two-year agreement in which HBO Independent Productions will create prime-time series, with CBS having "first look" optioning rights and non-network distribution ownership. HBO will be able to pursue other networks for series that CBS passes up, but network will remain "part of those transactions." Agreement also calls for CBS to purchase rights to at least 2 HBO original films for broadcast following their premieres on cable. HBO Pres.-CEO Jeff Bewkes called deal "landmark event," saying "there will inevitably be other opportunities for us to work together beyond this arrangement." CBS official said agreement represents "nice deal" but isn't viewed as major event. CBS has been only broadcast network with no major cable interests. HBO parent Time Warner is trying to establish network to compete with CBS and others.

Rep. Tauzin (R-La.) will be member of House delegation to House-Senate conference on telecom bill, sources said. Although he didn't ask for spot as part of deal to change parties, House leadership offered it, and Tauzin accepted even though he's not member of Telecom Subcommittee, sources said. Other likely participants from House Republican side are Commerce Committee Chmn. Bliley (R-Va.), Telecom Subcommittee Chmn. Fields (R-Tex.), Telecom Subcommittee Vice Chmn. Oxley (R-O.). Depending on how big leadership wants to make conference, there could be another GOP slot. Several members, including Rep. Schaefer (R-Colo.), would like to participate. Democratic representatives will include Reps. Dingell (D-Mich.) and Markey (D-Mass.), possibly Rep. Boucher (D-Va.), who has talked with Dingell about participating and has good shot.

TV advertising is "most influential" among media, according to 80% of respondents to survey of 1,003 adults commissioned by Tvb and Mediavcenter. Of those surveyed, 77% said TV ads are "most exciting," 52% "most authoritative" and 40% "most believable" when compared with newspaper, magazine and radio ads. Said Tvb Pres. Ave Butensky: "The results of this new study are proof positive that television is the medium to which consumers turn for all their important buying decisions." Telephone interviews were made over 2-week period in Feb. by Bruskin/Goldring.

GE Capital agreed in principle to swap \$500 million in debt for preferred stock that could be converted into 30% equity in Cablevision Systems, it said in SEC filing. Filing said companies signed nonbinding letter of intent to carry out deal. Preferred could be converted to common stock after 4 years.

DOJ QUERIES CAP/ABC, DISNEY: Justice Dept., after stock markets closed Sept. 14, asked for more information on Walt Disney's planned \$19-billion friendly takeover of Cap/ABC. Companies said they were cooperating, although neither would specify type of information sought.

Observers were split on what action means -- whether it's routine or whether Dept. may have serious concerns. Under Hart-Scott-Rodino Act, it routinely asks for information in such cases to help in determining whether proposed combinations would violate antitrust laws and lessen competition. However, request came same day that Anne Bingaman, head of Justice Antitrust Div., told Federal Communications Bar Assn.: "I sense a level of unease in the country about the pace of telecommunications mergers." Justice didn't raise questions in Westinghouse's pending acquisition of CBS for \$5.4 billion.

Bingaman said in speech she couldn't discuss antitrust views on Disney's proposed takeover of Cap Cities/ABC and Westinghouse's planned buyout of CBS except to say DoJ looks at "every one of them." Asked about that comment after speech, she said: "The American spirit sort of likes small companies. It's a 200-year tradition. Americans get uneasy because huge companies are against our populist roots."

Bingaman reiterated Administration's alarm over direction of telecom reform legislation, saying President Clinton and Vice President Gore have voiced "strong words" against bills because "future of this industry is at stake." National approach is preferable to introducing competition in "balkanized state-by-state" manner, she said. However, if bills don't pass, at least there's movement at state level, she said: "While we hope the bill passes, if it should not, a lot of things are happening at the state level that we can take heart from."

Bingaman told FCBA that she sees 3 issues as main "challenges" over next 5 years: (1) Mergers in media and telephone industries. "You can't help wondering where this is going." (2) Local telephone competition, "whether or not a bill passes." Issue is "so important to the national economy, so important to competitors, so important for consumers." (3) International issues -- "the ability of companies to compete in international markets."



All areas of NBC Productions are being merged and restructured into single "creative environment" with hq in Cal., NBC West Coast Pres. Don Ohlmeyer said. Move has 3 goals, he said: "(1) To make the NBC network the dominant force in broadcast television. (2) To become the premier in-the-home entertainment content supplier. (3) To become a vertically integrated entertainment company." Overseeing new units to be created under Ohlmeyer will be NBC Entertainment Pres. Warren Littlefield, Enterprises Pres. John Agoglia, Creative Affairs Pres. Michael Zinberg, Senior Vp Jerry Petry, production and business operations. Restructuring phase will evolve over 6-month period, during which Zinberg and Agoglia will oversee all studio activities. Pointing to industry mergers and consolidations in last 2 years, Ohlmeyer said: "NBC must redefine its role in this industry to enable it to become a dominant force for the future. We must broaden our perspective from that of the traditional network program provider to that of an integrated, in-the-house information and entertainment producer-distributor."

CBS received Labor Dept. 1995 Exemplary Voluntary Efforts (EVE) award Sept. 14 in Washington. Award recognizes EEO practices.

Majority of telegrams to Congress opposing telecom bill (HR-1555) in Aug. were phony, fabricated by Va. marketing firm acting without approval or knowledge of long distance lobby, officials said Sept. 14. Competitive Long Distance Coalition (CLDC) said direct mail firm Beckel Cowan, which conducted grass-roots lobbying, used NTS Marketing, Lynchburg, Va., to contact individuals and send telegrams to Capitol Hill. NTS verified 80,000 names for telegrams, but sent 175,000. "This conduct has harmed the Coalition and its members to an extraordinary degree," Coalition Chmn. Howard Baker told Speaker Gingrich (R-Ga.) in letter. Baker expressed "profound regret" and said House and Coalition "have been unwitting victims of this extremely unethical, improper conduct." He said actions "diverted attention from the critical issues" in telecom debate and "muffled the voices" of many individuals who tried to express their views to Congress. Rep. Dingell (D-Mich.) said "extraordinary admission" from Beckel Cowan "tells us that a great deal of money is being made in an elaborate game to con members of Congress." He said he still was looking for "a complete response from all parties involved with this repugnant episode, and will be communicating with NTS to obtain the full facts. This sordid practice must stop, and I intend to pursue a legislative remedy if necessary."

Senate after our deadline Sept. 15 was due to begin debate on appropriations bill that includes FY 1996 funds for FCC and Commerce Dept. Late Sept. 12, Appropriations Committee added another \$18 million for FCC, but retained deep cuts in Commerce Dept. Those issues probably will resurface when bill hits Senate floor, as will amendment by Sen. McCain (R-Ariz.) on DBS issue before FCC. Panel voted along party lines 15-13 to approve bill, subject to amendments. Appropriations Subcommittee last week cut Commission budget 20%, to \$148 million, from \$185 million for current fiscal year. Office of Management & Budget Dir. Alice Rivlin said in Sept. 12 letter to Sen. Hollings (D-S.C.) that President Clinton "would veto the bill if it were presented to him in its current form." Letter made formal what Administration officials had been saying for weeks. Rivlin said Administration was "very concerned" with cuts in FCC and other regulatory agencies and "deeply disappointed" in slashes for Commerce, saying they would "represent a major blow to U.S. competitiveness." Legislation also would provide \$50 million for research and engineering to develop new techniques and equipment for court-ordered wiretaps. Money would come from Violent Crime Trust Fund.

Sony resumed shipments of DBS receivers after 2-week shutdown. Company said satellite-delivered software correction would solve screen-freezing problem that some DirecTV and U.S. Satellite Bestg. subscribers were experiencing. Meanwhile, DirecTV Japan was organized to provide DBS service there in 1997 via planned Mitsubishi Space Communication Corp. (SCC) Superbird satellite. Investors in project include Hughes (42.5%), Japanese video rental chain Culture Convenience Club (42.5%), SCC (10%), Dai Nippon Printing (5%). DirecTV Japan will use 12 transponders on Superbird, which is being built by Hughes.

Senate Commerce Committee Chmn. Pressler (R-S.D.), will take over Communications Subcommittee chairmanship, replacing Sen. Packwood (R-Ore.). Telecom matters have been handled at full committee level. Commerce Committee member Sen. Stevens (R-Alaska) becomes chmn. of Governmental Affairs panel, replacing Chmn. Roth (R-Del.), who moves to Finance Committee, replacing Packwood. Governmental Affairs panel recently passed bill to abolish Commerce Dept.

TELEVISION DIGEST®

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SEPTEMBER 25, 1995

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TIME WARNER-TURNER DEAL DONE, but U S West files suit and consumer groups seek antitrust review. TW and TBS call it 'dream' accord. (P. 1)

WESTINGHOUSE MAKES KID TV COMMITMENT in its buy of CBS, promises 3 hours weekly. Hundt, Quello in public spat. Congress, Barrett raise questions. Clinton backs Hundt. (P. 3)

AUCTIONS DECISION DELAYED: Senate markup not until Sept. 26. Last-min. negotiations seen. (P. 5)

HDTV CALLED DEAD at European conference. Europe to focus on standard definition, which is 'good enough.' (P. 6)

BANNER CABLE SALES SEEN: Deals likely to set record, but prices are down. 'Panic atmosphere' cited. (P. 7)

TV VIOLENCE EASING, UCLA study says. Graphic violence 'rarely seen.' Study names programs. (P. 7)

TELECOM BILL SLOWED as conferee names are awaited. Some candidates floated, including 2 Republican freshmen. Industry still confident. (P. 8)

MINORITIES, NAB AGREE ON EEO: Expedited rulemaking sought. Small-station exemption only dispute. (P. 8)

CABLE, TELCO TRADE BARBS: VDT called excuse for massive fiber deployment. FCC decision sought. (P. 9)

TIME WARNER AND TURNER BCSTG. OKAY MERGER: Time Warner (TW) and Turner Bcstg. System (TBS) boards approved final agreement for TW's \$7.5-billion stock takeover of TBS early Sept. 22, after 5 weeks of 3-way negotiations also involving TCI (TVD Sept 4 p1). Deal is far from final, however, with U S West filing suit in Del. Chancery Court to block takeover and consumer groups asking FCC, FTC and Justice Dept. to intervene on antitrust grounds.

Merger is "far and away the dream deal," TW Chmn. Gerald Levin said, citing potential synergies from uniting 2 companies' film libraries and cable programming assets. Ted Turner said he agreed to deal because TBS "has always been undercapitalized. I'm looking forward to having some muscle for a change." Turner will become vice chmn. of TW, head TW Video Div. including TBS assets and HBO, have right to 2 seats on TW board and own about 11% of TW stock. TCI, in turn, would own about 9% of TW, although stock would be in voting trust controlled by Levin.

Deal isn't dream for U S West, which immediately followed up on threat and filed suit in Del. court, claiming merger violates terms of USW agreement to buy 25.51% of Time Warner Entertainment for \$2.55 billion. RHC asked court to block merger, saying it violates covenants prohibiting TW and USW from

Consumer Electronics

TCE'S \$1-BILLION PACT for telco set-top boxes is 'biggest digital equipment sale in history' and establishes company as undisputed digital hardware leader. (P. 12)

DVD AGREEMENT -- WHO WON and who lost won't be clear for some time, despite reports to contrary. (P. 13) Compromise pact draws widespread praise from all segments of hardware and software industries. (P. 16)

MITSUBISHI SHOWS PLASMA DISPLAY panel with moving video pictures in 20" size, promises 40" in March, but plans still appear in flux. (P. 14)

MICROSOFT HAS DESIGNS on TV/video, ordering IR remote control codes from Recoton. (P. 15)

MEGAWAVE SUPER ANTENNA due for first showing at Jan. CES. Developer seeks financing to manufacture product as well as license it to others. (P. 15)

OLAFSSON MOVED FROM POST as head of Interactive Entertainment to become chmn. of new Technology Strategy Group in Sony breakup. (P. 16)

DBS SYSTEMS MAY HAVE 12-20 MILLION subscribers by 2000 as prices for hardware packages dip below \$300, SBCA panelists predict. (P. 17)

DAEWOO PLANS TUBE PLANT in Mexico, becoming 2nd Korean manufacturer planning to make CRTs there. (P. 17)

competing against each other. For example, USW said there would be conflict of interest if there's bidding war for movie between New Line Cinema, which becomes 100% TW-owned, and Warner Bros. studio, which is 25% owned by USW, only 75% by TW. In hastily called news conference Fri. afternoon, Douglas Holmes, CFO of USW Media Group, said TW could, for example, "siphon business" to New Line and Castle Rock "and run Warner Brothers into the ground." Result, he said, would be "tremendous" economic loss for USW.

Citing lawsuit, Holmes refused to say what resolution USW seeks, but repeatedly mentioned "realigning interests" of TW and TWE, possibly referring to exchanging TWE holding, which USW values at \$3.5-\$4 billion, for stake in parent TW: "We have simply got to get our economic interests aligned in a way that eliminates conflicts." However, he said there are no current talks on realignment: "This is really a matter for the courts." TW had been negotiating with USW for months to restructure ownership of TWE, and analysts speculated that suit was part of USW bid to get controlling interest in TW cable systems in return for ending its interests in other TW holdings. TW recently completed deal to buy out equity stake of Itochu and Toshiba in TWE.

"The separate legal and economic structures of Time Warner and Time Warner Entertainment will make the potential synergies of the Turner merger difficult to realize and will create innumerable conflicts of interest and violations of fiduciary obligations," USW Chmn. Richard McCormick said. He noted, however, that USW "continues to be available to meet [with TW management] to resolve these issues."

Justice Dept., FCC and FTC will be under pressure to review takeover. Consumers Union immediately said it will ask Justice to block deal because it would lead to higher cable rates and decreased competition. Consumer Federation of America also opposes deal, Legislative Dir. Bradley Stillman said: "Any time the 2 largest cable operators get in bed together there has got to be concern. Any time there's the kind of concentration that this kind of deal could lead to, it could have a significant effect on rates." Stillman also said he hopes deal will "raise some eyebrows" in Congress, where telecom reform bill awaits final action: "Take a look at what even the prospect of this legislation is doing to this industry."

FTC and Justice officials wouldn't comment on which agency would take lead in reviewing antitrust implications, and TCI's Washington antitrust lawyer Joe Sims said there was no precedent for basing prediction on which one would get involved. He expressed belief that takeover wouldn't raise "any serious antitrust issues," although he acknowledged that one of agencies almost certainly would review it. FCC also can become involved as result of license transfers, notably WTBS (Ch. 17, Ind.) Atlanta. "That would give FCC a hook, and they have had a habit of using any hook in the past to review the whole deal," Sims said.

TW had to structure complicated deal to get all agreements necessary to buy TBS. TCI, which owns 21% of TBS and has right to veto deal, would get 0.8 shares of TW stock for each TBS share. TW officials said premium is justified because TCI stock has special voting rights, making it more valuable. TCI also gets long-term carriage agreement for TBS networks on favorable terms, right to buy TBS's interest in SportSouth regional cable network for \$60 million, option to buy TW's interest in another regional sports network, Sunshine Network, for \$14 million. TW gets option to buy Southern Satellite Inc., which provides uplink for TBS networks, after 6 years, for additional 5 million TW shares.

Erasing one small potential roadblock to deal, TW agreed to give same stock price as TCI got to 2 other TBS cable owners, Comcast and Continental, each of which will get 0.8 TW share for each TBS share. Comcast and Continental, in addition to 1% holdings in TBS, have seats on TBS board. Other TBS shareholders get 0.75 TW share for each TBS share, for total of 178 million new TW shares. Stock is worth estimated \$7.5 billion, down from \$8 billion when deal was first announced because of 6% drop in TW stock price since then.

In effort to avoid antitrust problems, TCI agreed to put its TW shares in voting trust to be controlled personally by Levin. Instead of common stock, TCI will get voting preferred stock that companies described as "economically equivalent to common stock." TCI also gave TW option to buy TCI's shares, on unspecified terms. If TCI owned 9% of TW common stock it would be attributable interest under FCC rules. Rules prohibit any company from having attributable interest in cable systems with more than 30% of U.S. cable subscribers. Common stock would give TCI attributable interest in 2 MSOs reaching about 1/3 of U.S. cable subscribers.

In addition to controlling most of popular cable channels, merged company would have huge hoard of movie programming. It would control 3 movie studios and film libraries with more than 5,000 titles, which Levin said is largest library ever assembled. In addition, Seagram, which owns 15% of TW, owns Universal Studios. Levin also said libraries will cross-fertilize various cable networks, with Warner Bros.' Looney

Tunes appearing on TBS Cartoon Channel and TBS programming on WB Network. Value of library will be multiplied by arrival of digital video disc, Levin said.

In joint statement, Continental and Comcast said: "We are deeply troubled by the process that guided this decision and particularly by the apparent preferential treatment afforded to one shareholder to the detriment of all others. We are currently considering all of our options." Continental and Comcast reps on TBS board refrained from voting on TW deal. "We are not attempting to derail this deal, but simply to redress certain patently unfair elements of it," said Timothy Neher, Continental vice chmn.

WESTINGHOUSE KID TV COMMITMENT, HUNDT & QUELLO QUARREL: Children's TV was very much in Washington news last week on several fronts, with FCC Comr. Quello accusing Chmn. Hundt of "almost unbelievable castigation" of broadcasters. "We should act like judges and not politicians," Hundt responded indirectly. Two powerful congressional Republicans joined in fray on side of Quello, while President Clinton defended Hundt's position that TV stations should be required to offer educational children's programming. At start of week, broadcasters received generally good news with report on violence from UCLA Center for Communications (see separate story, this issue).

Much of debate erupted after Westinghouse Bestg. pledged "voluntarily" to air 3 hours of educational and informational children's programs weekly on CBS if FCC approves its \$5.4-billion purchase of network and its TV stations (TVD Sept 11 p5). Two hours will be aired, starting in fall 1996, with 3rd hour added by fall 1997, Westinghouse Chmn.-CEO Michael Jordan told Commission. Quello, House Telecom Subcommittee Chmn. Fields (R-Tex.), Senate Commerce Committee Chmn. Pressler (R-S.D.), FCC Comr. Barrett and others questioned how "voluntary" Jordan's announcement was, with Quello directly accusing Hundt of "administrative extortion."

Jordan said announcement is "responsive to concerns on this subject, but more importantly, it is in line with what we believe to be right... We do not think a government mandate is necessary for our industry to respond to public interest matters of this type." As result of Westinghouse action, Center for Media Action and United Church of Christ withdrew joint protest against sale.

Hundt praised Westinghouse announcement, saying assurance that there will be 3 hours of children's educational TV on CBS "underscores the tremendous importance of teaching our kids, instead of harming them, with broadcast TV." However, he said, public should "look this gift horse in the mouth" because "only way for the American people to verify that every TV station in every market will educate our kids is for the FCC to pass a fair rule requiring all broadcasters -- not just CBS -- to help teach our kids. Broadcasters should look up from their battles for advertising dollars and ask for such a rule from the FCC."

Quello attacked deal as "highly suspect" because it follows closely on heels of what he said was "an unprecedented, relentless public relations campaign by [Hundt] to impose specific, quantitative programming requirements on broadcasters... I do not think that any government agency... should have the power to impose its programming will on the broadcast media." Quello said he will consider "long and hard before approving any agreement that effectively functions to censor a broadcast licensee's programming." He urged broadcasters not to "sell out the First Amendment."

For its part, CBS (which currently airs one hour of educational programming weekly), said: "Working together, Westinghouse and CBS will explore ways to program for children with the goal of becoming an innovator and leader in the industry. We plan to take bold steps to enhance our lineup of children's programs and produce shows that will be entertaining, educational and meaningful."

Clinton entered battle with letter to Hundt backing latter's position that stations should be required to air kid TV in return for renewal expectancy. Similar position was taken by NTIA Dir. Larry Irving. Clinton said: "I believe the public interest should require broadcasters to air at least 3 hours per week, and preferably more, of quality children's programming at reasonable times of the day." He told Hundt that FCC and broadcasters have "an unequaled opportunity to redefine how television can serve the public interest... I urge you to do so."

In direct attack on Hundt, Quello accused chairman of "almost unbelievable castigation" of broadcasters for allegedly "disregarding the public interest," especially in children's broadcasting. Speaking at 6th annual NAB Children's TV Seminar in Washington, Quello used such phrases as "objectionable government intrusion," "unprecedented, unrelenting public relations campaign," "chairman's repeated diatribe" and "administrative extortion" in accusing Hundt of improperly influencing Westinghouse decision. Said Quello: "Westinghouse

has let the first domino fall in what promises to be a long row of falling dominoes" in arranging similar deals to win FCC approvals.

Fields wrote Hundt of his "grave concerns" on role FCC might have played in Westinghouse announcement: "Specifically, I am concerned about the terrible potential precedent" if such deals become "the means of enacting a public policy decision properly reserved for another [rulemaking] arena. Further, I am concerned that the sanctity of FCC review... be preserved and not become an opportunity for greenmail and legalized extortion... Finally, I am very concerned that any entity, whether it is a public interest group, competitor or agency official, would have the power to extract content commitments in exchange for a regulatory approval."

Pressler said his "concern is that a social contract of this nature, especially were it to extract programming concessions that go beyond any formal policy adopted by the FCC, could violate the First Amendment" and Administrative Procedure Act. Among questions Pressler asked Hundt: What contacts "you, your staff or other [FCC] employees" have had with Westinghouse, Disney, NBC or others "in which a social contract involving children's programming, political programming, and/or other obligations was, directly or indirectly, discussed"; if commissioners or staff have engaged in such negotiations "please specify legal authority for doing so"; whether FCC should have authority to "impose, encourage or otherwise elicit social contracts" from broadcast licensees.

Barrett said it isn't govt.'s role to dictate quantitative program standards and "I see no reason to hold any deal hostage to an agreement to carry more children's programming... Such an election by a broadcaster must remain completely voluntary." He said he was "very interested in learning more about the details" of any discussions that occurred between Westinghouse/CBS and FCC officials. Action on Westinghouse purchase of CBS should be taken in "an open meeting to give the commissioners an opportunity to openly address concerns about issues involved in this transaction." Comrs. Ness and Chong were out of town last week and couldn't be reached for comment on dispute.

Hundt said Westinghouse application "remains before us, and I am not prejudging it. I will simply say this. If the public interest is served by the concrete, quantifiable promise of one broadcaster to provide educational programming for children, then surely it is served by having a clear rule applicable to all broadcasters." Hundt went back to McCarthy and Nixon eras in discussing vagueness of FCC rules that he said "create real opportunities for mischief... Vague rules chill First Amendment expression, clear rules do not... A focus on children's educational programming promotes interests at the core of the First Amendment." Hundt hasn't disclosed any role he played -- or didn't play -- in Westinghouse commitment.

In speech prepared for delivery Sept. 21 at U. of Pittsburgh School of Law Hundt was to speak about "the promise of television to educate and inspire our children," focusing on "need to impose only concrete and enforceable obligations on broadcasters." (He was in San Francisco with President Clinton and Vice President Gore, didn't deliver speech, but it was released to news media.) He said Commission now has "vague standards that... are not only ineffective... but, if they are anything more than a charade, extremely difficult to reconcile" with First Amendment. But, he said, FCC should take "the high road, which involves translating broadcasters' duty to serve the public interest into a few clear and concrete requirements." He described as "encouraging" Westinghouse's kid TV pledge. He noted that in 1993, when Quello was chmn., FCC granted waiver to Pulitzer, "but only after relying on the company's representation that it would enhance [the station's] programming for children."

Broadcast licensees contribute more to public interest by entering into "social contract with their communities every day" than their "detractors," said Quello in Washington: "Do broadcasters make mistakes? Yes, like all human beings, even commissioners -- and even chairmen." He said licensees shouldn't be "saddled... with federally imposed quantitative standards pertaining to the quality of children's programming." Congress wisely refused to impose such standards when it passed Children's TV Act in 1990, Quello said, and he predicted such requirements wouldn't withstand First Amendment test. Because of diversity of media today, he said, FCC and Congress should "resist the temptation, in a multichannel universe, to single out broadcast licensees as the primary source of all the ills of society... So, as to any additional regulation, I say enough already." However, he did endorse V-chip as "the least intrusive means" of helping parents protect their children from sex and violence in programming.

At Sept. 22 news conference in Washington, Hundt said direct attack on him by Quello showed colleagues are talking about issues such as children's TV rules, and he floated idea of hiring outside entity to monitor compliance with kidvid rules. Commission first must end years of ambiguity that he said have made broadcasters vulnerable to legal and regulatory challenges. "We need a heightened, charged and vivid debate

on the question of what is in the public interest," Hundt told reporters at briefing in his office. "We should act like judges and not like politicians."

For more than 20 years, dating to era of Dean Burch chairmanship, Hundt said, Commission has "bungled" issue of giving broadcasters guidance on children's TV: "The Commission has totally failed to give guidance" on children's programming, he said. It should write definition and "have broadcasters determine and evaluate whether the definition is being met." Hundt didn't specify what rules should be, just that Commission should begin discussion.

CONGRESS DELAYS ON AUCTIONS: Despite expectations of action Sept. 21, it will be at least Sept. 26 before Senate Commerce Committee marks up spectrum auction package. Senate panel was set to mark up budget reconciliation measure that would include language on auctioning spectrum, measure that's still expected simply to specify block of spectrum to be auctioned, rather than have specific auction for bands set aside for advanced TV services.

In action late Sept. 20, session was called off until Sept. 26. Senate and industry sources said that delay involved last-minute negotiations over maritime issues, and that by time problem was worked out, it would have been less than 12 hours before markup. Rather than be criticized for distributing late draft, Committee Chmn. Pressler (R-S.D.) decided to wait until next week.

Package was expected to lack 2 of key elements that Pressler has been pushing -- auction of digital channels for broadcasters, and establishment of \$4-billion trust fund for public broadcasting from spectrum sales receipts. Committee instead is likely to adopt proposal by Sen. McCain (R-Ariz.) taken from House Commerce Committee that would require FCC to auction 100 MHz of spectrum, without designating which spectrum would be sold. Pressler said he still was looking for votes on each of those proposals. He also said that while he still was trying to put together deal that would represent "art of the possible," public broadcasting might have to wait for another piece of legislation.

McCain said he believes he has votes to prevail if it came to showdown. His staff said that Pressler will propose clean bill putting forward House language that McCain will be able to support. Committee Republicans Burns (Mont.) and Lott (Miss.) said situation still was in flux. Burns said he was skeptical that McCain had enough votes to force changes in Pressler plan. He said that although Sen. Stevens (R-Alaska) has been lobbying hard for auction of 2nd broadcast channels, Burns remains concerned that small, rural stations could be left out because auction would be too expensive for them. Lott, who has close ties with NAB, said he thought Commerce committee would "find a way to avoid" selling additional broadcast channels.

Loss of trust fund in Senate, at least for now, would be only one of defeats for public broadcasting. House Commerce Committee, marking up legislation to abolish Commerce Dept., defeated by one vote, 19-20, amendment by Rep. Markey (D-Mass.) to restore public broadcasting support grants and endowment for children's TV. Amendment wouldn't have authorized or appropriated funds, but would have kept programs on books. With APTS members in San Antonio for retreat and CPB holding annual meeting, there was no visible lobbying effort by public broadcasters.

Rupert Murdoch said News Corp. and Brazil's TV Globo will invest \$500 million in Brazil and Latin America to set up satellite direct-to-home service, expected to be launched by March. Companies will share cost equally.

FCC approved new optional rate adjustment methodology for cable that encourages operators to limit their increases to one per year. Among key changes is that operators can base rates on expected future cost increases rather than having to wait to recoup them after costs are incurred. Order also eliminates "use or lose" mechanism that required cable operators to boost rates whenever costs went up or lose opportunity to raise them later. Rate rule changes include: (1) Local franchise authority must be notified 90 days before basic rate change, FCC 30 days before expanded basic. Changes take effect automatically unless regulators intervene. (2) Cost increases in excess of projections can be recouped with later rate revisions. (3) Operators who overestimate cost increases gain mechanism to "true up" situation to get money back to subscribers. (4) Operators are allowed to recover programming cost increases as soon as they're incurred, instead of waiting until next quarter. (5) Operators can't project equipment and installation costs, which must be based on past costs. (6) Operators can pass through additional franchise-related costs, including expense of institutional networks and transmission of video, voice and data to or from govt. and educational institutions. Costs of moving cable underground also can be passed through. FCC said changes will create more regulatory certainty for operators, benefit public by reducing number of rate increases to annual from quarterly, and benefit regulators by reducing number of adjustments they have to review.

IBC attendance fell more than 31% in first year of direct competition with Montreux convention, spokesman confirmed, totaling just over 18,000 from 99 countries, vs. 26,000 year ago. Turnout was hurt by informal boycott of convention by several major companies, including traditionally largest exhibitor Sony. It said it's too costly to participate in more than one major European convention per year and preferred to support Montreux, despite IBC decision to hold annual sessions. Spokesman said dropoff was about what had been expected when group decided on annual meeting, and next year's convention in Amsterdam, when there's no Montreux convention, is expecting major rebound. Exhibitors already have committed to slightly more exhibit space than this year, including 2,000-sq.-m Sony exhibit, IBC Chmn. John Wilson said: "1996 looks like a boom time." Neither Sony nor other major exhibitors that skipped IBC this year have committed to 1997, also in Amsterdam, but spokesman said that "with the world changing so rapidly, people like Sony can't afford not to be here."

Israel's Scitex said it will buy Abekas Video Systems from Carlton Communications for \$52 million. Cal.-based Abekas is major manufacturer of digital video production equipment, including special effects devices, digital disc recorders, switchers, character generators.

Star TV said it will begin broadcasting in Japanese in Japan in April over yet-to-be-launched AsiaSat 2. It said network plans to introduce 5 existing channels to region later. Transmission of test programs will start in Jan. AsiaSat is scheduled for launch from China in Nov.

EUROPE TO DELAY HDTV: Europe at least will delay its entry into true HDTV for several years, pending arrival of less expensive HDTV sets and stronger consumer demand, panelists said at International Bestg. Convention (IBC) in Amsterdam. Europe is expected to complete work on Digital Video Bestg. (DVD) standard by end of year, but DVD involves only standard-definition digital advanced TV, not true HDTV.

John Forrest, deputy chmn., Britain's National Telecommunications Ltd. (NTL), said European HDTV could proceed "in a few years when HDTV receivers are ready." Mark Rudolph, CEO of Nethold, which already is delivering digital standard-definition signal via satellite, said HDTV would be premature because "entry level cost for consumers is still too high." He said that cost of digital set-top converters is dropping 20% per year, so that plus lower prices of TV sets themselves could make HDTV practical soon. However, Colin Knowles, Australian Bestg. Authority gen. mgr.-planning, said broadcasters probably shouldn't worry about TV set costs since consumers are willing to pay thousands of dollars for PCs and are showing more willingness to pay for TV programs they want.

Michael Windram, NTL exec. dir.-R&D, said broadcasters want to work with existing TV sets. DVD plan assumes that digital set-top boxes will be separate from simpler TV receivers, unlike in U.S., where they probably will be combined. "There's not a lot of point to having a set-top box with HDTV capability when few would use it," Windram said. "Later we can add it if the market demands." Digital TV will be used at first to provide greater quantity of programming, rather than HDTV, said Bernard Guillou, Canal Plus dir.-development. Referring to HDTV, he said: "After that we will come back to quality." Guillou said satellites will become all-digital in Europe by 2004, followed by cable in about 2006 and terrestrial broadcasting in 2010.

Improvements in current TV standard made possible by digital advanced TV mean that "HDTV is essentially dead," said David Carr, managing dir.-Capital Group Studios of U.K. Three of 4 speakers on picture quality panel agreed, and poll of audience showed that 55% disagreed and 25% strongly disagreed that "the public will rush to embrace HDTV." Rest were undecided. "If broadcasters had been able to deliver studio-quality NTSC to homes years ago there would never have been a question of HDTV," OmniMedia founder Robert Paulson said. "Now, I don't think HDTV will ever be demanded." Only dissent came from NBC Dir.-Technology Louis Libin, who said broadcasters' interest in HDTV is key to its success. "HDTV will happen because it is mandated by the government," he said. Govt.-required broadcast HDTV will "set up a competitive environment" that will force others into HDTV, he predicted.

Digital allows wide range of qualities, depending on amount of compression, and there's still disagreement on what video quality is needed. "Clearly, everyone agrees that program choice is more important than picture quality," Carr said. "The public won't pay a high premium for better quality, but if we don't strive for excellence, who will?" Arrival of digital standard definition will raise viewer expectations of picture quality, Libin said: "People will get spoiled very quickly."

Success of various video compression methods such as MPEG-2 may depend as much on cost and features such as program guides as on precise technical performance, Windram said. Others pointed out that TV viewers inevitably choose extended play VHS recording, rather than standard

quality, because they prefer lower cost over high quality. "The public rarely complains about picture quality," said Ian Childs, head of BBC Engineering Research. "I wonder if perhaps we are aiming our [video quality] standards too high. Perhaps we should save money on compression and spend more on program quality." Childs later said, however, that public rarely has been given opportunity to choose higher quality at slightly higher cost. David Meares of BBC Research said there's probably "a threshold below which the consumers won't go. We have got to find out where that threshold is."

There could be "nightmare chain" of compression problems because different parts of industry may want to use different types of compression, Childs said. For example, he said broadcasters might want to use DVC compression for remote production, different systems for backhaul, MPEG-2 for postproduction and distribution. Matthias Ruebel of FAST Multimedia pointed out that there are "at least 10 different kinds" of MPEG-2 in addition to "huge variation in quality of MPEG equipment." Childs said result could be rapid falloff in picture quality as compression artifacts cascade through system. Compression is only one part of chain factors, Dolan said, with others including multiplexing, transmission, descrambling, conditional access and program guides, each of which could add own problems. "Complete interoperability is unlikely, partly because of conditional access and the divergent interest of satellite and cable," Dolan said.

Multichannel service is expanding rapidly in Europe. Guillou said total multichannel households in 14 Western European countries was 49.91%, but that's expected to grow to 61.15% by 2004. Cable alone will increase to 25% of households from current 13%, he said, with biggest gains in Germany, U.K., France.

In panel on whether satellites and terrestrial broadcasting are complementary, NBC Exec. Vp-Technology Michael Sherlock said they're becoming "quite complementary." He said DBS has had "a rousing start" in U.S., in part because it's still lightly regulated, but he predicted takeup rate would slow quickly because it offers little new programming and, as early adopter market becomes saturated, installation difficulties and cost will become more important.

As recently as 2 years ago, real competition was expected to be between broadcasters and full-service networks (FSNs) being planned by cable and telcos, Sherlock said: "FSN was a boom concept 2 or 3 years ago, but it hasn't worked yet." He said Time Warner had planned to have 4,000 FSN customers by 1994, but figure still is only 30; Bell Atlantic had projected 1.2 million by end of 1995, vs. 0 now; Pacific Telesis said it would have 1.5 million FSN customers by 1996, but still is at 0. FSN barriers were technical and financial, Sherlock said. Engineering difficulties were worse than expected, he said, and there's still lack of video server capacity to provide FSN programs. More importantly, Sherlock said each FSN set-top box installed by TW still costs about \$7,000, figure he predicted wouldn't drop to \$1,000 until end of century.

Sprint signed agreement with 8 cable-TV companies to affiliate with TCI, Cox and Comcast cable-telephony joint venture, Sprint said. Cablers are Coastside, Falcon, InterMedia, Lenfest, Marcus, Rifkin, Susquehanna, TKR. Cable companies will upgrade facilities to handle telephony in return for share of local telephone revenue. Cablers pass 8.8 million homes.

BANNER CABLE SALES YEAR: Despite some of lowest prices in years and fear of telco entry, number of cable system deals is expected to set record this year, according to speakers at cable/telco conference in N.Y.C. sponsored by Kagan. Speakers said prices are based almost exclusively on value of traditional cable, giving virtually no weight to potential telephony, data or other services. Systems with 20% of cable subscribers will change hands this year, Kagan estimated. Figure was 13% by end of Aug., including more than 5% in last month alone. Highest previous cable system sales year was 1988, with 17.2%. Prices dropped this year to \$1,837 per subscriber (10.1 times cash flow), from \$2,291 in 1989 (12.9 times cash flow).

Wave of deals is partly result of "panic atmosphere of trying to have a foot in every pond," said William Collatos, partner of venture capital firm Spectrum Equity Investors. It's also spurred by "the race to size," he said, although "size is not the overwhelming concern." Low prices mean that cable is "really cheap" compared with other media, such as broadcast TV stations, which have sold at up to 16 times cash flow, Communications Equity Assoc. Senior Vp Jay Dugan said. Prices have encouraged new investors such as pension funds to enter cable, Pacific Corp. Group Managing Dir. Brian Kinsman said.

Investors typically aren't including any ancillary services in amount they're willing to pay for cable systems, or lend to industry, several speakers said. "We're assuming the industry will pretty much stay where it is," Collatos said. Rather than boost price, he said, investors are assuming that they will have to spend more money on upgrading cable systems to prepare for new services: "We think the new technologies will come, just not in the time frame that some would let you think."

Telcos won't be major video players, Collatos predicted. Even though they "came out of the box with a big bang," he said, recent telco investments in wireless cable were "white flag" that indicated they now realize that switched 2-way broadband networks are too difficult and expensive. "The telcos are just buying time until they can roll out PCS to replace their antiquated wired plant," Collatos said. "I don't see them creating a second wired plant, though they may do joint ventures with cable."

DBS hasn't been major competitor to cable, speakers said. Helicon COO Gregory Kriger said his MSO has lost 0.25% of its subscribers to all types of satellite dishes in last 2 years, and Charter Communications Chmn. Barry Babcock put figure at "less than 0.5%," plus "a few" subscribers who downgraded to basic and replaced expanded basic with DBS. "DBS has actually helped cable sales," Babcock said. "They've spent over \$100 million promoting cable programming. I appreciate that."

Other comments: (1) Influx of cable investors means there's "more capital available than there are transactions," Anderson Pacific Pres. Kenneth Anderson said. He said company's recent experience with telephony indicates that "the telephone business is much harder to understand than ours, so it may be easier for them to jump into cable than for cable to get into telephony." (2) This has been "a great year for subscriber growth," Babcock said, with his company's subscribers up 6%. (3) PCS license prices were too high to be good business, TCA Cable Chmn. Robert Rogers said, but his company is "about to make a deal" to lease cable capacity to PCS licensee. (4) Wireless cable will be only niche operation with little competitive effect on cable, Dugan predicted. He said none of 200 wireless cable operators is profitable and few even have positive cash

flow. (5) Utilities may have significant impact, said Melissa Glass, Toronto-Dominion Bank managing dir.-Communications Group. She said utilities are becoming more willing to invest equity capital in communications companies, as well as lease capacity on their fiber. (6) Some cable systems are selling at as little as 5 times cash flow, Anderson said, although they usually will require significant spending for upgrades: "We can make money at those levels."

UCLA FINDS IMPROVEMENT ON TV VIOLENCE: There are very few actual murders in prime-time series on TV networks today, and graphic violence shown in past "is rarely seen," according to study of 1994-1995 TV season by UCLA Center for Communication Policy released Sept. 19. "The violence in prime-time series is mostly fist fights," study found. TV series and made-for-TV movies "reflect some promising signs in depicting violence responsibly in entertainment programming" but "most serious" concerns remain about theatrical movies on TV and on some children's shows, and use of parental advisories "needs to be confronted."

Center identified 10 prime-time network programs that raised "frequent concerns about violence," while 23 of 161 made-for-TV movies caused similar problems. Of 118 theatrical films shown last season in prime time, 50 posed problems of violence, much of which involved promos for upcoming shows. Of 10 most violent programs identified by study, none was on NBC, 5 on Fox, 2 each on ABC and CBS, and Marker on UPN. Fox shows: Fortune Hunter, Tales from the Crypt, VR-5, Mantis, X-Files. On ABC: Lois & Clark, America's Funniest Home Videos. CBS: Walker -- Texas Ranger, Due South.

Jeffrey Cole, dir. of UCLA Center, said many TV series "consistently deal well with violence by using violence that is always in context. A few series sometimes cross the line with violence that is more graphic, prolonged or intense than the story requires." Center monitored all network prime-time and Sat. morning programming during season ended last April, including on-air promotions, specials, ads. Each of 121 series was reviewed at least 4 times, and those considered too violent were monitored for entire season. For comparison purposes, study also examined violence in local and syndicated programming, public TV, cable, home video and videogames offered on TV.

Study, prompted by Sen. Simon (D-Ill.) and financed by Fox, CBS, ABC and NBC, makes 10 recommendations in such areas as scheduling, promos, advisories, better writing, techniques. It advises govt. to "understand the important role you play... Do not underestimate your power to shape public opinion... Use your powerful voice to encourage, persuade, cajole and, when necessary, threaten." Affiliates were advised to put pressure on networks: "Let them know what programming you do not like or which is unsuitable for your area... Create your own standards for network promotions and your own local and syndicated programming."

Peter Lund, pres. of CBS Best. Group, said: "We are pleased that the UCLA report acknowledges the progress the networks have made... At the same time, we recognize that there is still more progress to be made and we look forward to working with UCLA and other interested parties... We hope the Congress will recognize that this responsibility must remain with the private sector." Other networks didn't comment.

KKVI (Ch. 35) Twin Falls, Ida., will switch primary affiliation from ABC to Fox, date not set.

TELECOM BILL DELAYED: House again delayed naming conferees for telecom bill last week, but industry officials remained confident that measure, which is meant to open video competition, can be enacted before end of year. Two freshman Republicans are expected to be part of House conference committee that will work out differences with Senate on legislation, official sources said. As many as dozen Republicans could take part, with core group and numerous other members designated to work on specific parts of bill.

One official involved in process said partial list of Republican participants includes Commerce Committee Chmn. Bliley (Va.), Telecom Subcommittee Chmn. Fields (Tex.) and Subcommittee Vice Chmn. Oxley (O.), with senior members Hastert (Ill.) and Paxon (N.Y.) on telephone issues. Rep. Schaefer (Colo.) will be involved with cable. Freshmen to take part will be Reps. Frisa (N.Y.) and White (Wash.). Rep. Tauzin (R-La.) said he wouldn't be part of conference, telling us his participation wasn't condition of his switch to Republican party, but he said he would be involved actively as member of Republican whip organization.

House leadership had put official naming of conferees on schedule for Sept. 21, but House adjourned without acting. Two members of Commerce panel and spokesman for Speaker Gingrich (R-Ga.) said bill was pulled at request of senior Commerce Democrat Dingell (D-Mich.) because one of his top aides was out of town for personal reasons. One Democratic staffer said there still was considerable maneuvering by lawmakers to get on conference committee, and final rosters for both parties hadn't yet been set. Naming of conferees isn't expected until Sept. 26 or 27.

Telecom bill will be signed into law by Thanksgiving because "timing is great for the enactment of legislation," NCTA Govt. Relations Dir. Wanda Townsend said at National Assn. of Minorities in Cable (NAMIC) conference during cable "hell week" in N.Y.C. Sept. 19. Thousands of cable executives were in city for variety of events, most running simultaneously, including National Assn. of Minorities in Cable, Kaitz Foundation dinner, NCTA and Cable In Classroom board meetings, Satellite Bestg. & Communications Assn. "Sky Forum," video-on-demand (VOD) conference sponsored by Institute for International Research, Kagan cable-telco conference.

House-Senate conference on telecom bill probably won't be held until Oct. because of press of other business, notably budget reconciliation, Townsend said, and it's not clear how large committee will be.

Even though it's threatening to veto telecom bill, Clinton Administration created environment likely to lead to bill by stimulating interest in information superhighway, Townsend said. House and Senate passed bills by theoretically veto-proof margins, she said, but "we have to take the threat of a veto seriously, and the conferees will." Chances are improved by unanimity on part of RHCs and cable, although long distance industry isn't going along, she said. Meanwhile, cable industry must avoid causing problems that could derail bill, Townsend said: "You must continue dealing fairly with your subscribers. Stupidity could undo all of the good work. You are under a microscope."

Advanced TV Systems Committee approved standard for standard-definition digital advanced TV by 43-to-1 mail-in vote. Group earlier accepted high-definition portion of standard, 42-2. FCC Advisory Committee on Advanced TV Service is expected to vote Nov. 28 to send standards to Commission.

MINORITY GROUP, NAB AGREE ON EEO: Minority Media & Telecommunications Council (MMTC) has joined with NAB in asking FCC for expedited rulemaking on agency's EEO requirements for licensees. Most important, both groups told Commission, is reducing paperwork burdens on small broadcasters and avoidance of quota system in hiring minorities. MMTC split with NAB only on latter's request for exemption of stations with fewer than 20 employees from EEO record-keeping.

NAB told Commission "current EEO enforcement mechanism unduly emphasizes efforts over results and provides broadcasters and Commission staff alike with little clear guidance" on compliance. MMTC, whose chmn. is current FCBA pres. and ex-FCC Comr. Henry Rivera, said it agreed with NAB that licensee's success in hiring minorities is "a relevant factor in evaluating its efforts to do so" and that FCC should continue to avoid "even the appearance of a quota system in hiring minorities." It should be "within the discretion" of broadcaster to hire "the best qualified applicant" without regard to race, MMTC said.

Diversity in ownership and programming is "an important, appropriate goal" in EEO efforts, as is "remedy the effects of [past] discrimination," MMTC told Commission. Said NAB: "Diversity in the workplace is just good business. Broadcasters have recruited and hired minorities and women, and will continue to do so even in the absence of Commission rules." Assn. pointed out that FCC had accepted comments in EEO inquiry (MM Doc. 94-93) 15 months ago but still hadn't released rulemaking. Without further guidance, NAB said, "licensees face great uncertainty as to their prospects for renewal... This, in turn, places undue restraints on broadcasters' future business plans... NAB again urges the Commission to discard the current review process, which focuses almost exclusively on the station's efforts to attract minority and female applicants, in favor of a process which is more result-oriented."

MMTC urged agency to adopt "a policy of zero tolerance for discrimination by designating for hearing any renewal applicant whose performance... suggests that racial stereotyping rather than merit drives its hiring policies and procedures." Groups asked FCC to expedite rulemaking as requested by law firm Haley, Bader & Potts.

Time Warner can't scramble sexually explicit programming on leased access channels in N.Y.C. Oct. 1 as planned, at least temporarily, U.S. Dist. Judge Leonard Sand ruled there Sept. 20. In issuing temporary injunction, Sand urged 2nd U.S. Appeals Court, N.Y.C., to review his action quickly. Three leased access programmers had appealed TW decision, which scrambles programming but unscrambles it for anyone seeking access to it. TW said 20% of its subscribers submitted postcards to have programming unscrambled. Sand said he issued injunction because there's not enough time to handle difficult First Amendment issues in case before Oct. 1. TW decided to scramble programming after U.S. Appeals Court, D.C., upheld cable indecency rules. U.S. Supreme Court hasn't decided whether to review decision, but N.Y. ruling could make review more likely.

Commerce Secy. Ronald Brown blasted Republican attempts to eliminate his Dept., saying move could cost taxpayers \$2.3 billion. He said Republicans now realize that Commerce has many core functions that can't be eliminated, citing as proof half-dozen agencies that have been proposed by congressional committees to house functions that Commerce provides.

CABLE, TELCO TRADE BARBS: VDT is "excuse" for telcos to make "massive deployments of fiber beyond what's needed for telephone service," TCI Senior Vp Robert Thomson told Washington Telco-Cable Conference. He said FCC "goes through this ruse of video dial tone" because "maybe they haven't made up their minds" about how stringently to regulate telco ventures. U S West Federal Regulatory Vp Lawrence Sarjeant cited protracted disputes over how to regulate VDT, partly fueled by cable industry, saying "if we spent more time developing competition instead of trying to work out this Byzantine structure," video services would be more competitive by now.

Attorney Henry Rivera told conference sponsored by Telecommunications Reports that VDT is "struggling" despite clear market for video services because FCC hasn't decided how it should be regulated. FCC Chief of Staff Blair Levin wouldn't say why VDT had been dropped from 2 agendas but said one view might be "is it worth expending Commission resources that may be changed dramatically" by pending legislation? He said "different people at the Commission feel differently" about that.

Panelists' consensus on odds telecom bill in Congress will become law was slightly more than 50% for passage. Thomson guessed 66.6%, Sarjeant 51%, Rivera 50%, Moderator Richard Wiley 75%, Fla. PSC Policy Adviser Bridget Duff 57%. Duff said she likes giving Dept. of Justice role in determining level of competition. Sarjeant disagreed, saying its oversight role was defined in MFJ and "the whole purpose of this [new] legislation is to put an end to that [MFJ] era." He called bill "delicate package" and said it was "critical that a compromise be made that can hold it together."

Emphasizing importance of interconnection provision in legislation, Thomson said "in the history of the world" no LEC has signed "satisfactory" interconnection agreement. He also said TCI hasn't decided its views on resellers of local exchange service: "A lot of people, including ourselves, are trying to decide if long lines carriers should have the same interconnection rights as facility-based carriers." Levin, asked about cuts in FCC budget, said making cuts just as agency is gaining new responsibilities is counterproductive because they will "contribute to delays that will be costly in the long run." Savings won't be as much as Congress thinks because agency will be less efficient, he said.

In keynote, Nynex Chmn.-CEO Ivan Seidenberg predicted telecom reform would pass this year, even though bill wouldn't give RHC everything it sought. He said it would be approved because "the momentum is there, the fundamentals are there." He said company already has begun planning for competitive future. Seidenberg said Tele-TV joint venture to develop and distribute video over telco lines is "2 to 3 years" ahead of where experts expected RHCs to be, and said competition from cable companies doesn't worry him.

FCC is "in midst of vigorous effort to reinvent itself" in cooperation with President's Regulatory Reinvention Initiative, agency announced last week. Commission, which had "special counsel... for reinventing government" for a year (Mary Beth Richards, now deputy chief, Common Carrier Bureau), said it had "reviewed every office and nearly every function to improve effectiveness and responsiveness." Most "notable change," agency said, is auctioning of spectrum for wireless services instead of "cumbersome hearings or in random lotteries." Last spring, it asked Congress for 37 legislative changes to streamline its functions.

CITIES URGED TO SUE: Cities affected by FCC's social contract proposal for Time Warner (TW) should pool resources and sue Commission, Washington lawyer William Cook told National Assn. of Telecommunications Officers & Advisers convention in Albuquerque last week. Court action could stop FCC from proposing rate settlements without municipal input, he said, and could prevent preemptory language in contract from becoming law. He said TW could use some terms "tucked in at the end" to justify future unrelated actions that violate franchise. For example, he said, TW contract offers no timetable for allowed annual \$1 rate increases to pay for promised upgrades, meaning that it could argue later for continued increases even after it recovered costs.

Both Continental and TW deals provide each community with "wonderful upgrade that most of us are going to get anyway," Cook said. He also said Commission used waiver authority to violate administrative procedure rules that prevent private meetings with industry officials on specific rate cases. Social contract deals and rate settlements such as Comcast and Cox proposals negotiated without city input have intensified tension between FCC and cities, said Minn. municipal attorney Adrian Herbst. Although several audience members said they didn't believe FCC would make significant changes in deals, Mich. attorney John Pestle urged cities to submit comments anyway and ask members of Congress to contact Commission, which he said is more responsive to federal lawmakers.

Later, officials confirmed that several TW city officials at NATOA conference were seeking advice from municipal lawyers there on suing FCC for violating its own ex parte rules. But Cable Bureau Chief Meredith Jones defended TW proposal. Charges that FCC negotiates mass settlements to cut down on workload are false, Jones said. She said that although companies sometimes claim administrative benefits for FCC, "we have not taken any short cuts... We do the same amount of work on rate orders as with these rate settlements."

Reason that TCI hasn't proposed social contract at FCC is to avoid upgrade requirements that may prove fruitless as technology and competition develop, TCI COO Brendan Clouston said. Keynoting NATOA conference, he said 2-way fiber networks may not create returns needed to justify expense because consumer demand is unclear.

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"Bloody stalemate" between cable and phone companies was forecast in new study on broadband multimedia marketplace. Capacity and fixed costs will grow faster than demand, even though consumer communication, information and entertainment services could bring in more than \$100 billion in revenues in 10-15 years, according to \$1-million survey by Mercer Management Consulting, which was topic of briefing for 30 senior executives of companies involved in N.Y. Sept. 19. Entertainment holds greatest revenue potential, survey found, but it depends on arrival of technology for true video-on-demand. Study said local phone and cable companies were in virtual dead heat for delivery of communications and entertainment, each realizing revenues of \$46 billion, while long distance and software companies each should gain \$3 billion from broadband video services. It foresaw videophone revenue potential of \$10 billion if picture quality is improved and prices are realistic. Report cautioned that "demand for new services will be insufficient to provide a positive return on the substantial investments required to build 2 competing broadband paths to the home," but competition "will compel both local telephone and cable companies to upgrade."

DAVIC PROGRESS CONTINUES: Digital Audio-Visual Council (DAVIC) released few details of L.A. meeting Sept. 11-15, where members set technical specifications for end-to-end digital interactive video services and defined work plan for 1996. Pres.-Chmn. Leonardo Chiariglione said group would approve final DAVIC 1.0 specs by Dec. 15. They will address interoperability of set-tops whether delivery comes from coaxial, twisted pair or satellites, he said, but microwave and broadcast standards will be subject of talks next year.

In Cal., DAVIC's Strategic Planning Advisory Committee set 1996 timetable with 2 stages -- June for DAVIC 1.1 version and Nov. for DAVIC 1.2, Chiariglione said. DAVIC will accept comments for 1.1 through Dec. 15. Next year's issues include: (1) Modulation for satellite return channels, MMDS/LMDS, UHF/VHF broadcast bandwidths. (2) Protocol stack for all media to spur "commonality of technologies." (3) Cable modem and Internet access technology. (4) Software portability. (5) Security systems, especially in light of copyright concerns. (6) 3-D animation and synthetic sound transmission. (7) Video quality improvement. (8) High-bandwidth teleconferencing. (9) In-home data downloading capabilities.

Meeting was in Hollywood, in part to woo content providers to join group, Chiariglione said. He predicted that DAVIC's membership would include several new content providers by time final specs come out. DAVIC needs such input, he said, to ensure that its activities don't clash with ways content providers plan to deliver, market and protect transmission of their products. He also urged international regulatory and standard-setting bodies that haven't joined DAVIC to become nonvoting members to monitor process and provide input.

Because most DAVIC members have listed near and full video-on-demand (VOD) as high priorities, copyright and security concerns have moved to forefront, said Robert Luff, Scientific-Atlanta chief technical officer. He said content providers must have role in determining "tools" chosen by DAVIC and whether they're fixed or migrate over time. Chiariglione said copyright protection isn't fully resolved, but more content-side participation is expected to increase dialog. DAVIC also is conducting interoperability tests in local markets to determine whether its 1.0 specs contain flaws, Luff said, but he said some companies may choose to deploy technology before DAVIC has issued final specs or do so in certain markets where competitive factors make it necessary. He said DAVIC already has helped "narrow the field" of plausible architectures.

"The news as we know it may not survive in the new media landscape," Annenberg Washington Program said in study, "Tabloids, Talk Radio and the Future of News," by senior fellow Ellen Hume. While technology has changed newsgathering, she said, it also presents "excellent opportunities for serious news" if journalists are willing to change standards and approaches. Among suggestions: (1) Clarifying mission to give journalism "an identity of its own in a confusing, crowded marketplace." (2) Increasing access to citizens. (3) "Getting it right, instead of worrying so much about getting it first." (4) "Balancing news about problems with news of problem solving." (5) Teaching media literacy and citizenship in schools.

Following earlier 30-day extension for comments in rulemakings (MM Docs. 95-92, 95-254) on several TV network rules, FCC has granted 2nd extension of deadline to Oct. 29 from Sept. 30, with replies due Nov. 26. New extension was granted at request of CBS, NBC, ABC.

NEW CPB OFFICERS ELECTED: CPB board Sept. 19 elected members Rita Jean Butterworth and Alan Sagner to one-year terms as chmn. and vice chmn., respectively. It also adopted \$275-million budget, down from \$285 million this year.

Butterworth, Republican who has served on board since being appointed by President Bush in 1992, succeeds one-term Chmn. Henry Cauthen, S.C. Educational TV (SCTV) pres. Cauthen remains board member through 2000. Butterworth is Seattle resident who has been member of Discovery Institute since 1990, serving as secy.-treas. and research projects dir.

Sagner, Democrat, replaces Carolyn Bacon as vice chmn. He was appointed to board in 1994 by President Clinton and was confirmed to 6-year term last Oct. after several-month delay caused by objections by Sen. McCain (R-Ariz.), who disagreed with some of Sagner's political practices and claimed he lacked experience in public broadcasting.

Budget adopted is at level of federal appropriation CPB expects to receive for 1996, down from original \$312 million. Most items were reduced from FY 1995 levels. Community service grants (CSGs), main source of station funding, dropped to \$134.5 million for TV, \$41.85 million for radio, from \$143.6 million and \$44.7 million, respectively. CPB also reduced funding for internal operations 4.1% to \$12.6 million, largest administrative cut in 12 years. However, allocation to PBS, remained even with 1995 -- \$22.5 million.

Sens. Conrad (D-N.D.) and Lieberman (D-Conn.) attacked TV networks in Senate speeches. Conrad criticized networks for promoting new fall TV season that "demonstrates so much disregard for the wishes of American families and the clear majority of the House and Senate" by promoting shows filled with sex and violence. Schedule is "a tragedy," Conrad said, and shows "how hollow those promises [from networks] have been." Lieberman said report released by UCLA (see separate report, this issue) showed that violence still is problem and broadcast networks "are embarking on a new fall season that is far more crude, more rude and more offensive than anything we have seen before." He quoted Hartford Courant review that called fall season "slow but steady slide into the gutter." Lieberman cited ABC's *Wilde Again* and *The Monroes*, and CBS's *Bless This House*, in which character on show referred to her daughter's "little hooters." Show airs at 8 p.m., Lieberman said, "during what we once thought of as the traditional family viewing hour." He said network officials defend programming by saying life includes sexual innuendo and society has become crasser.

Americans would like to see and hear much less on TV about O.J. Simpson, Michael Jackson, President Clinton and House Speaker Gingrich (R-Ga.), poll by Hearst Bctg. found. Nearly 2/3 said there's too much coverage of Simpson trial, while 80% said TV has provided more about such newsmakers as Kato Kaelin, John Bobbitt and Joey Buttafuoco than public wants. While 87% of respondents said they're "satisfied" with TV news, 50% said their satisfaction has dropped as result of Simpson coverage. Poll was conducted in first week of Sept. by Frank Magid Assoc. for Oprah Winfrey "Town Hall Meeting" on 6 Hearst TV stations later this month.

PBS and Turner Educational Services announced Turner Adventure Learning, partnership to expand reach of Turner's educational field trips via distribution by public TV stations. Trips are fee-based and intended for classroom use.

Personals

Donald Gadsden, ex-CBS Entertainment, appointed vp-business affairs, NBC Entertainment; Ron Hayes promoted to vp-special projects and late-night on-air promotion... Eric Yeldell advanced to exec. vp-legal affairs, Fox Bestg... Kevin Roach, ex-New England Cable News, named news dir., WDTN Dayton... Gavin Harvey advanced to vp-advertising and mktg., FX Networks... Timothy Shea, Comsat World Systems dir.-service development & planning, moves to Keystone Communications Oct. 2 as vp-international sales & services.

FCC Schedule: Comrs. Ness and Barrett participate in Bestg./Cable Interface Conference, Willard Hotel, Washington, Sept. 27; Ness addresses Tex. Assn. of Bestrs. convention Sept. 30, San Antonio; Comr. Quello is luncheon speaker at Intelevent '95 Conference Sept. 29, Inter-Continental Hotel, Berlin; Comr. Chong addresses Financial Times Telecom Conference, Tokyo, Sept. 28; Patrick Donovan, asst. chief, Common Carrier Bureau, is on panel on federal legislation, NARUC Subcommittee on Accounts meeting, Spokane, Sept. 27; FCC Chief Economist Michael Katz moderates panel at Microwave System Corp.'s DAVID Developers Conference, San Jose Sept. 28.

Promotions at FCC: James Coltharp to chief economist, Wireless Telecommunications Bureau; Gregory Rosston to deputy chief economist, FCC; Joslyn Read to asst. chief, Satellite & Radiocommunication Div., International Bureau... Promotions at NBC Entertainment Press & Publicity: Paul McGuire to exec. press dir.-prime-time, succeeding Flody Suarez, appointed with Janine Jones as dirs.-prime-time series; Rebecca Marks to dir.-movies, miniseries & specials... Sharan Magnuson, Fox Bestg. dir.-publicity & talent relations, advanced to vp-entertainment publicity; changes at Fox News: Russell Epstein, ex-CBS, named dir.-finance; Jon Schwenzer, ex-Starcom TV, appointed dir.-operations.

Newly elected Southern Cable TV Assn. officers: Pres. Frank Bowers, Cox Cable; Vp Don Kersey, TeleScripps Cable; Secy. Ed Mount, Comcast; Treas. Ed Dunbar, Southern Multimedia; Assoc. Dir. Rick Jubek, Trilogy Communications... Walter Kraft, WXYZ-TV Detroit, elected chmn., ABC Affiliates News Dirs. Advisory Board, succeeding Brian Bracco, KMBC-TV Kansas City... Denise Rolfe, free-lance writer, named dir.-creative services, Warner Bros. Domestic TV Distribution... Claire Person, ex-Philip Morris, joins ESPN as dir.-consumer promotion & marketing... Changes at Picturetel: Bill Avery, ex-Intel, appointed vp-network systems; Rick Faulk, ex-Lotus Development, named vp-mktg.

Sanford Climan, ex-Creative Artists Agency, appointed MCA exec. vp... Claudia Stallings, ex-Nashville Business Journal, named promotion dir., WDCN Nashville... Dee Hatch retires Oct. 1 as dir.-communications, U. of N.C. Center for Public TV... Film and TV producer Ernest Chambers to head Production & Entertainment Div., Griffin Entertainment... Michael Shaw promoted to exec. vp, Buena Vista TV Ad Sales... Greg Brodsky, ex-Zoom Express/BMG Kidz, named dir.-advertising, publicity and promotion, Warner Bros. Domestic Pay TV, Cable & Network Features.

Tom Jacobson resigns as 20th Century Fox pres.-worldwide production to form own company... Lucy Hood, ex-Fox, joins News Corp./MCI Online Ventures as senior vp-entertainment... New posts at 20th TV: Ken Lawson advanced to Northeastern Div. mgr.; Steve

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MacDonald, radio sales mgr., named W. Coast Div. mgr.; Dan Menzel promoted to Southeastern Div. mgr.

Gina Grant, ex-Buena Vista TV Domestic Syndication group, joins Fox Bestg. as vp-network distribution, eastern region; Tom Rothman, Fox Searchlight Pictures, moves to parent 20th Century Fox as pres.-production, replacing Tom Jacobson, resigned... James Swinehart, ex-WBIR-TV Knoxville, appointed station mgr., KSHB-TV Kansas City... Bob Danielle promoted to dir.-broadcast standards, Nashville Network.

Russ Krasnoff advanced to senior vp-series development, TriStar TV; Kimberly Haswell, ex-Fred Silverman Productions, named vp-series development... Thomas Riker, ex-Prime Cable, joins Primestar Partners as dir.-distributor services... Jerry Ness promoted to gen. sales mgr., KARE Minneapolis.

OBITUARY

Rene Anselmo, 69, PanAmSat founder and chmn., died Sept. 20 at Greenwich Hospital, Greenwich, Conn., after extended illness, company said. He also founded Spanish-language SIN TV Network, now Univision. Anselmo served in Marine Corps in World War II, later attended U. of Chicago. Wife, 3 children survive.

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STATE OF THE INDUSTRY

Sales to dealers, from EIA, for first 2 weeks of Sept. and year to date:

	SEPT. 2-8	1994 WEEK	% CHANGE	AUG. 26- SEPT. 1	36 WEEKS 1995	36 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	353,778	393,864	-10.2	517,402	15,837,208	16,449,899*	- 3.7
DIRECT-VIEW....	343,790	387,830	-11.4	499,754	15,393,489	16,107,803*	- 4.4
TV ONLY.....	324,867	362,234	-10.3	447,980	14,100,770	14,896,838*	- 5.3
TV/VCR COMBO..	18,923	25,596*	-26.1	51,774*	1,292,719*	1,210,965	+ 6.8
PROJECTION.....	9,988	6,034	+65.5	17,437	443,719	342,096	+29.7
TOTAL VCR#.....	132,105	132,986	- 0.7	405,344	9,269,522	8,754,134	+ 5.9
HOME DECKS.....	113,182	107,390	+ 5.4	353,570	7,976,803*	7,543,169	+ 5.7
CAMCORDERS.....	18,061	23,180	-22.1	80,170	2,150,709	1,923,118	+11.8
LASERDISC PLAYERS	1,160	2,532	-54.2	8,886	169,461	177,733	- 4.7

Direct-view TV 5-week moving average: 1995--497,052; 1994--562,648 (down 11.7%).

VCR deck 5-week moving average: 1995--260,202; 1994--248,191 (up 4.8%).

TV/VCR 5-week moving average: 1995--36,039*; 1994--33,166 (up 8.7%).

Camcorder 5-week moving average: 1995--61,963; 1994--50,471 (up 22.8%).

* Record for period. # Includes TV/VCR combinations.

TCE GETS \$1-BILLION TELCO SET-TOP BOX ORDER: Thomson Consumer Electronics (TCE) became undisputed leader in digital TV hardware last week with announcement that telco consortium was awarding it firm 3-year contract for "biggest digital equipment sale in history" -- to supply 3 million set-top boxes and other gear valued at more than \$1 billion. Industry observer suggested it might be biggest consumer electronics OEM sale ever.

Contract was awarded by Tele-TV, owned by Nynex, Pacific Telesis and Bell Atlantic, which first will offer 100-plus channel "wireless cable" Multichannel Multipoint Distribution Systems (MMDS) in their service areas. Pact between TCE and Tele-TV, latter headed by Howard Stringer, represents first large-scale implementation of push into TV program distribution by phone companies. N.Y.-based Tele-TV will assemble and integrate technology needed to develop and deliver services. Three owners of Tele-TV have 34 million phone service customers.

In addition to wireless microwave service, Tele-TV's phone company owners are installing fiber to homes and will offer 2-way interactive TV services to customers via that route later, with indications that TCE will have inside track on supplying equipment for that system as well.

TCE was picked because of its capabilities, as demonstrated by its development and production of Direct Satellite System (DSS) hardware, as well as price and time to get to market, said Tele-TV Systems Pres. Ed Grebow. Box will cost in "mid-\$300 range," he said, and will be "most robust, full-featured box ever made." Order is nearly triple size of TCE's total DSS box sales to date.

TCE will invest \$40-\$50 million in next few months to expand capacity of its digital set-top box facility in Juarez, Mexico, to 3 million annually from current 2 million -- number reached in recently completed expansion -- Senior Vp James Meyer said. Set-top boxes will have Apple Power PC processor, 4 megabits of total memory to support on-screen program guide and other features, 8-byte video graphics plane with 256 colors, full MPEG-2 decoding, IR remote, 2,400-baud modem. Boxes will have limited 2-way capability, including near-video-on-demand (NVOD) via built-in modem, will support encryption and will decode digital video signals as well as digital audio, supporting both AC-3 and Musicam sound. Boxes will have data port so other devices, presumably computers, can be connected. Although they will receive digital signals, they won't have HDTV capability.

First boxes will be delivered next summer and will carry RCA and Tele-TV brands, possibly local phone company name as well. Pacific Telesis will pass 5 million homes in Cal. with wireless cable and next month begins test of fiber network. Bell Atlantic has started 38,000-home fiber project in N.J. Tele-TV and Bell Atlantic are testing video on demand in Va. and will start test in Italy soon.

Although contract hasn't been signed, its terms are firm and both sides are committing to 3-million quantity "with very substantial penalties" for noncompliance, Grebow said. TCE also is prime contractor in developing broadcast section of system, with participation by DiviCom (encoding system) and Nagra Vision (security). It's not known how many manufacturers were considered for contract, but it's believed General Instrument was main finalist in competition.

MMDS, which utilizes microwave signals transmitted to area from tower, is direct competitor to DSS, but Meyer shrugged off any conflict of interest: "We are avid supporters of DSS." Grebow was somewhat more partisan, saying that DSS would continue to "appeal to people with no interest in local news and sports." Unlike DSS, MMDS and cable can carry local channels, including network outlets.

Production of box will reach 20,000 monthly by end of 1996, rising to 80,000-100,000 by mid-1997, Meyer said. In answer to question, Grebow said current contract is for delivery to Tele-TV only, but "ultimately perhaps [boxes] will be available through retailers in multibranded TVs led by RCA." While TCE will supply transmitting antennas, receiving antennas for homes will be subject of separate contract, now being negotiated with those few companies capable of supplying them, Grebow said. Asked at telephone news conference whether TCE would supply boxes for other wireless cable services, Meyer replied: "Short-term we're going to be pretty busy."

DVD AGREEMENT -- WHO WON, WHO LOST?: Was consumer only winner in compromise agreement announced Sept. 15 that averted war between 2 mutually incompatible digital videodisc (DVD) formats due for introduction next year?

Former rival MultiMedia CD (MMCD) and Super Density (SD) camps will work diligently to seal final terms of basic agreement by start of Japan Audio Fair in mid-Oct., and answer to basic question on winners and losers perhaps won't be known until then. Meanwhile, key companies involved in talks that led to negotiated compromise have kept generally low profile, except for Philips, which on afternoon agreement was announced made Exec. Vp Henk Bodt and other top executives available for teleconference with reporters throughout world. Company further raised eyebrows last week when it sought spotlight by holding news briefings in L.A. and N.Y. to showcase same working player DVD prototype shown recently in Berlin (now called "hdCD" in deference to unnamed unified format) and to answer questions about terms of agreement.

Sony and Philips have said they first issued formal proposal Aug. 18 for combining best features of MMCD and SD formats. In following weeks, they said, "the proposal was refined and received the endorsement of major Hollywood studios and PC manufacturers." At N.Y. briefing last week, Philips Key Modules Pres. Jan Oosterveld told us Aug. 18 letter to SD camp contained general proposal for embracing single-substrate MMCD discs and bonded SD discs in "family" of media compatible with machines marketed by all major MMCD and SD manufacturers. Letter was designed to establish dialog with SD camp and get ball rolling toward compromise, Oosterveld said. Asked why Bodt told reporters at Aug. 24 Berlin news conference that no concrete proposal was on table when in fact there had been one for week, Oosterveld said Sony and Philips had tacit agreement with SD companies not to negotiate through news media. With strong brokering by IBM, Oosterveld said, Sony and Philips accepted bonded disc in early Sept.

News reports describing Sony and Philips as real losers in agreement cited companies' acceptance of bonded disc as key evidence of their capitulation. Executives clearly have been uncomfortable answering questions on how their companies could spend months criticizing bonded disc as unworkable with existing CD manufacturing and then embrace it as "manageable" solution. Oosterveld told N.Y. briefing that MMCD camp found palatability in accepting bonded disc in realization that future optical media industry would gravitate to use of thinner substrates. But he said Philips' belief was that commercialization of thinner-substrate discs would coincide with availability of first affordable blue lasers some years down road. Oosterveld revealed last week that final specs on dual-layer discs could include provision for one high-density layer, with other containing standard-density information. He said solution is one way of meeting request by some in creative community for single inventory of games and other data products.

Deal had markings of true compromise because both camps walked away from table grumbling. While MMCD camp's capitulation on bonded disc can't be minimized, same holds true for SD alliance and its

surrender on modulation issue, also brokered by IBM. Grudging tone of official SD statement on unification pact indicates not all alliance members were on same page: "Partial modification of the SD format" to include MMCD's EFMPlus modulation system "is expected to bring about a number of new difficulties, including the reverification of disc manufacturability and LSI design changes. However, the SD alliance members [have] concluded today that if the change is limited to modulation, technical problems can be overcome."

Additional evidence that not all SD members saw eye to eye on proposed compromise was marathon meeting in Tokyo Sept. 15 that was scheduled to break up by 5 p.m. but lasted past 8. In Q&A at news conference following that ratification meeting, Toshiba Exec. Vp Taizo Nishimuro didn't deny there were heated discussions behind closed doors. Marathon talks included "detailed technical discussions" on suitability of EFMPlus vs. "8-15" modulation system proposed in SD specifications, he said. "All through the 6 to 7 hours of discussion," he said, "the spirit of the SD alliance was kept alive, and not spoiled at all." In end, he said decision to accept compromise proposal was unanimous. Patent issues didn't enter into debate on whether to accept EFMPlus modulation system, Nishimuro said. "The benefit to consumers was the first concern."

In days following announcement, even SD executives have praised use of EFMPlus modulation as key building block for more robust overall system, as Sony and Philips officials have claimed. Moreover, Warner Advanced Media Operations Vp Richard Marquardt said use of former rival's modulation system won't harm manufacturability of SD bonded discs.

Many details remain to be worked out, including selection of digital multichannel surround system, which Philips has described as "minor issue." Safe bet is that unified standard will conform to SD proposal designating Dolby AC-3 as mandatory standard in NTSC markets, Musicam in European PAL and SECAM markets. Oosterveld said companies want to consult with Hollywood studios again on key commercial issues before deciding on final multichannel audio specification. He said hardware implementation is relatively simple step.

Philips executives have fielded questions on name of new format by responding with tongue in cheek that babies aren't named until they're born. SD alliance said group has proposed keeping "SD" name to help differentiate format from current CDs. Group also has proposed expanding membership of core SD companies to 9, adding Sony and Philips. But indications are strong that Sony and Philips will resist those suggestions at every turn. Patent ramifications are enormous, as is disparity between how former MMCD and SD rivals view positioning of DVD and other future high-density optical media applications. Sony and Philips see new platform as futuristic extension of existing CD over which they hold strong patent and royalty control. SD companies believe otherwise, that DVD business represents evolution in new multimedia products that would be differentiated from existing CD and its extensions.

MITSUBISHI UNVEILS PLASMA DISPLAY: In effort to get jump on U.S. market for large wall-mounted TV, Mitsubishi formally demonstrated 20" plasma display panel (PDP) housed in PC monitor that showed video pictures to news media in N.Y. last week. Company promised to demonstrate 40" TV version by March and renewed pledge to offer it for sale in 1997.

PDP, which was 2.5" thick, didn't contain TV tuner, but provided clear picture, excellent wide-angle viewing and smoothly handled motion delivered by laserdisc feed. Resolution for 20" was 640x480 pixels, although Mitsubishi will boost 40" to HDTV-like level, said Strategic Technology Mgr. Mark Koenig, who conceded that PDP's brightness wasn't yet at same level as conventional CRT. There were some obvious flaws in model displayed, including missing pixels, but flat antiglare plate-glass faceplate had pleasing appearance of photo slide. Coloration was good but tended toward pastels rather than standard TV temperatures. Mitsubishi first showed display to dealers last spring (TVD May 8 p19).

"Forty-inch seems to be the minimum that would be acceptable for this type of configuration," Koenig said, noting that Mitsubishi had established 40" CR tube TV market. "When you start to go down below 40-inch there is so little bulk that your mind tricks you so that instead of looking at what would be a 35 it appears to be 25."

Mitsubishi's competition is divided on screen size. While Fujitsu has said it will move directly to 42W" widescreen product when it begins volume production in Oct. 1997, Matsushita plans to offer 26W" PDP samples at one million yen (\$10,300). NEC reportedly is to begin production next year in sizes up to 60".

Mitsubishi will concentrate on 4:3 format and 40" will carry \$6,000-\$10,000 retail, Mitsubishi Product Development & Mds. Mgr. Howard Borsa said.

Much of Mitsubishi's PDP plans appeared to be in flux. Still to be decided are whether power supply and tuner will be packaged separately from display and whether version will be built as PC monitor. Mitsubishi also is considering "single solution" that would merge PC and TV applications, Koenig said. Date for start of full-scale production hasn't been set, although PDPs are likely to be built at Mitsubishi CRT plant in Kyoto, Borsa said. "The fact that it's thinner makes it much more pleasing to put on the desktop" as PC monitor, Koenig said. Even though it's 40-inch, it still will fit on a desktop while a 40-inch CRT does not."

Showing before trade press in N.Y. aroused considerable skepticism in view of lack of specific answers to questions, sketchy plans and state of readiness of sample shown -- obviously not prototype in any sense of word. Questions were raised about Mitsubishi's readiness to produce set for sale in 1997 in view of apparently more advanced preparation by its competitors, also aiming at 1997 marketing.

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Mitsubishi will return to audio with introduction of dozen products at national sales meeting in March, company said. Reentry after absence of several years will be tied to home theater, and line will include 3-4 AV receivers as well as amplifiers, speakers, CD players and possible DVD player, Borsa said. Product, which will ship in 2nd half of 1996, will be built on OEM basis to Mitsubishi specs, company said in unveiling plans last spring (TVD May 1 p12). While declining to release pricing, Borsa said line will be "benchmarked" against Yamaha products. Company also is continuing to pursue deal -- presumably with Harman Kardon -- that would increase "interoperability" of audio products with company's TV and video equipment. Focus is on developing remote control system for combined operation of audio and video products, company has said.

MICROSOFT INTO TV/VIDEO? Microsoft will introduce product next year utilizing remote control codes that operate TVs, VCRs, cable boxes, etc. So said Recoton last week in announcing that its SoleControl Div. is licensing infrared codes to Microsoft and will supply company with continuous updates of its IR database.

We were unable to get comment from Microsoft by our deadline, and Recoton spokesman said he had no more details on what Microsoft was contemplating. Any such product presumably would be related to operating TVs and other products controlled by IR codes being supplied by Recoton.

That Microsoft is eyeing video entertainment field is no great surprise. Fortune's Oct. issue features interview with founders William Gates and Paul Allen in which Gates says he's trying to "take our leadership from the PC era into this new communications era," based on the "very real prospect of continuous high-bandwidth 2-way digital communications to people's homes and places of business coming in 5 years."

Said Allen: "When you take sports or music and start adding video and audio to a computer database service on the Internet, and you deliver it with enough bandwidth, what's the difference between that and an interactive TV channel?" Chimes in Gates: "None."

Philips has slashed price of standalone Magnavox/StarSight receiver \$100. On-screen guide, which will carry \$99 price, was introduced in 1994 at \$199, but moved to \$149 as it was sold through QVC, Hammacher Schlemmer, Comtrad Industries. Product also was forced to cut price by competition from dozens of TVs, VCRs and IRDs that contain StarSight as built-in feature as well as from VideoGuide standalone system that sells for \$99.

EIA is seeking publisher for official 1996 CES Orlando Show Daily May 23-24, to cover Digital Destination, Specialty Home Theater Show, Habitech. Three-issue daily will have exclusive distribution rights at show. TWICE magazine, which has published official daily at other CES events, is expected to apply and is believed to have inside track.

SUPER ANTENNA DUE AT CES: Prize-winning superantenna being developed by MegaWave Inc., Boylston, Mass. (TVD July 24 p26), now is scheduled for first public showing at Jan. Consumer Electronics Show in Las Vegas.

Development of indoor TV antenna, based on MegaWave's military work, was funded by NAB after company won competition for improving broadcast reception (TVD March 30 p13). MegaWave originally had forecast products built by others under license could be available by Christmas.

However, CEO John Benham told us company is thinking of installing own manufacturing facility and building consumer and industrial antennas, as alternative to licensing. Among other possibilities is sale of "core" antennas to others for packaging and marketing. Privately held MegaWave is exploring financing options to raise money to construct own manufacturing plant.

Benham said prototype antenna has been demonstrated to potential manufacturers but no contracts have been signed.

High-end products did better than price leaders in Aug., according to EIA release putting best spin on generally lackluster sales to dealers (TVD Sept 11 p12). In projection TV (up 32%), sales of 50-54" models more than doubled from Aug. 1994 to 31,000 sets, while 55" and larger models rose 24% to 6,600. TV/VCR combination sales (up 16%) were sparked by models 14" and larger, which jumped 42%. Although VCR deck sales fell 7%, stereo models were up 18% to 390,000. In direct-view TVs (down 15%), sales of models 19" and smaller declined 26%, but 25"-and-up category dipped only 4%, while 27" and larger models rose 5%, EIA said.

THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 103 yen = \$1, except where noted.

DVD PACT DRAWS PRAISE: Uniformly positive reaction continued filtering in last week to landmark compromise agreement reached Sept. 15 (TVD Sept 18 p12) that averted digital videodisc (DVD) format war between MultiMedia CD (MMCD) and Super Density (SD) camps.

Pioneer Senior Vp Michael Fidler said his company is ecstatic about pact, mainly because it's vindication of bonded disc that it has supported strongly through its background in laserdisc.

Although unified format remains nameless, Toshiba America Consumer Products (TACP) wasted little time in hailing "unification of the 2 proposed DVD formats into a single SD-based system," referring to technology promoted by its Japanese parent. Pact means U.S. consumer electronics industry "will be able to move ahead with a clear vision for the future," TACP said.

TDK U.S. Pres. Ken Kihara said company "applauds the efforts of all the companies involved in the negotiations" to reach DVD compromise. "For TDK, unification of the DVD standard means that we can move quickly into [high-density] recordable CD," Kihara said. Comments were made at N.Y. news briefing where TDK said it planned pioneering role in developing write-once and rewritable media for unified format's home entertainment and data storage application.

Video Software Dealers Assn. (VSDA) used opportunity to pitch its annual convention next July in L.A. It said DVD will be focus of "much excitement" at that event, which "will take place just prior to the introduction of the DVD player in the U.S. The exceptional leadership and commitment made particularly by Sony and Time Warner executives to agree on a single standard demonstrates that they're listening to the voices of retailers and consumers." Pres. Jeffrey Eves said Assn. expects to meet with studios in next few weeks to "discuss the development and implementation of a strategy that maximizes the prospects for success of this exciting new technology."

"No one side won or lost -- it was a win for the consumer," said Bud O'Shea, Sony's DVD liaison with studios. Following agreement on unified standard, O'Shea said his job will shift from pitching studios on MMCD system to working with Hollywood on coordinated DVD marketing campaigns. MCA Home Video Pres. Louis Feola, whose company had been aligned with rival SD camp, said he's "ecstatic that we have one format. It's what the industry needed."

Like others, EIA Consumer Electronics Group (CEG) hailed pact as compromise that will benefit consumer. Reported 3-month delay in DVD player rollout to Sept.-Oct. 1996 to permit redesign of LSIs and other key components will diminish some of publicity windfall Assn. had hoped to reap from May 1996 Orlando show. Event would have been timed to coincide with actual sale of first players to consumers. Nevertheless, CEG Vp Gary Shapiro said: "Historically, when more than one standard is introduced on a new technology, it creates consumer confusion. With one standard, this technology will be welcomed by the American marketplace and will soon become as popular as the VCR."

DVD picture quality "has the potential of coming very close" to HDTV, "which means we can at least produce significantly better images on screen than any of us have ever seen on a laserdisc, high-end video consultant Joseph Kane told Custom Electronic Design & Installation Assn. Expo in Dallas. "We can get it out of a product that's going to be on the market very soon."

SONY REASSIGNS OLAFSSON: Olaf Olafsson, who had been pres. of Sony Interactive Entertainment (SIE) since it was founded in 1991 (as Sony Electronic Publishing) last week was reassigned to be chmn. of new Technology Strategy Group effective Oct. 1. No successor has been named at SIE, which will report for time being to Sony America Exec. Vp Jeff Sagansky.

Olafsson's reassignment is latest of major changes at Sony group responsible for U.S. launch of PlayStation, which has been hailed as success with sale of 100,000 consoles on basis of preintroductory orders. However, debut of videogame at below-cost \$299 and some of marketing campaign for it are understood to have displeased officials of more conservative Japanese parent as well as Sagansky.

Parent company has been proud of independence and "localism" of its overseas subsidiaries. Yet Olafsson's group has had far more independence than similar units within Japanese domestic organization, and observers close to scene believe parent company is beginning to rein in U.S. videogame operation because of its vital importance to Sony's parallel operation in Tokyo.

Shakeup at Sony America was foreshadowed last summer with reorganization of U.S. software operations, moving videogame marketing from Sony Imagesoft to Sony Computer Entertainment (TVD Aug 7 p14), followed by sudden departure of SCE Pres. Steve Race and his replacement by Martin Homlish as acting pres. (TVD Aug 14 p9).

Olafsson, protege of Sony America Pres. Michael Schulhof, as head of Technology Strategy Group (TSG) reporting to Schulhof, will play important role in developing strategies for high-density CD, including DVD, Schulhof indicated. Olafsson will be joined in undisclosed capacity at TSG by Kenji Hori, pres. of Sony Research Labs.

Sony said TSG "will be responsible for expanding and coordinating research initiatives with respect to new-product development in the U.S. and for bringing together Sony's hardware and software development activities to support this effort. It will focus on information and computer technologies and fundamental technology development in the areas of interactivity and convergence."

Compaq introduced all-MPEG line of multimedia PCs, top 2 tiers featuring S3-developed MPEG chip set along with Spatializer 3D sound and Wavetable synthesis -- features marketed under umbrella of "TrueQ Sound and Motion." Opening product collection, aimed at "price-driven" consumers, will have software-based MPEG decoding, which spokesman said could play back video at 12-15 frames per sec. on full screen, 20-25 frames on 1/4 screen. Line doesn't include any models with TV tuners, executive saying consumer simply hadn't expressed much interest in feature in last year's line. Rod Schrock, vp-Consumer Products Div., said TV board was "a very polarizing feature," shoppers identifying it too closely with "entertainment-only focus." However, he said it probably will reappear in future with broader utility for such areas as direct video capture.

Sony starts shipments of Digital Handycam (TVD Sept 18 p16) to U.S. dealers today (Sept. 25), ahead of announced Oct. availability. Company claims to be first with U.S. shipments and says it's shipping both DV camcorder models. Only other brand to show DV camcorder in U.S., Panasonic, has quoted Oct. availability date (TVD Aug 14 p12).

DBS SEEN AT UNDER \$300: Direct broadcast satellite (DBS) market will reach 12-20 million subscribers by 2000 as hardware prices dip below \$300, industry officials said.

To boost sales, DBS will follow cellular telephone model with hardware virtually given away and revenues derived from service charges, Echostar CEO Charles Ergen said at Satellite Bestg. & Communications Assn. panel discussion last week. Prices for hardware -- including integrated receiver descrambler (IRD), dish and remote -- could reach \$199, he said.

"I think there's an expectation if you look where VCRs and CD players have gone, and... the price of cellular phones, it is not a stretch at all to get to the \$300 price point in just a couple of years," said DirecTv Pres. Eddy Hartenstein, who projected DirecTv would grow to 10 million subscribers by 2000 from current 785,000.

Eventual size of DBS market also will depend on number of service providers. At least 10 manufacturers and 4 services will be in DBS in 1996, analysts said. DirecTv is expected to have 50% share of DBS market then and Primestar 40-45%, leaving sliver for Alphastar and Echostar that are to go on line in Dec. and Feb., respectively. While some industry observers said there will be room for 3-5 DBS services in U.S., Morgan Stanley principal Richard Bilotti noted that Primestar and DirecTv marketing budgets alone will exceed revenues generated by new competitors for 9-18 months.

Competition in U.S. also will carry into foreign markets. Hartenstein projected 20-25 million "DirecTV-like" households worldwide by early in next century. And Alphastar, Echostar and Primestar will target Canada first before moving to other markets. DirecTv plans to launch 144-channel service in Latin America by April, starting with Argentina, Brazil and Mexico, adding other countries by year-end, said Hughes Electronics Senior Vp Steven Dorfman. Break-even will be million subscribers vs. 3 million needed to reach same level in U.S., he said. Total Latin American market is about 5 million, he said.

Next competitor will be Alphastar. AT&T Telstar 402R satellite carrying 100-channel service was scheduled to be launched by Arianespace Sept. 22 and begin operating by Dec. Service has lined up programming for 87 of 100 proposed channels including 20 pay-per-view, Alphastar Pres. Murray Klippenstein said. Alphastar parent Tee-Comm Electronics has begun limited production of system's IRDs, which are undergoing beta testing in 250 households in Canada, he said. While pricing for Alphastar service hasn't been set, he said it will match competitors, which start, with rebate, at \$499 for hardware and in \$20 range for programming. Service could break even within year with 500,000 subscribers, he said. In change from earlier plans, Alphastar won't seek partner until after launch because potential investor "would be buying a discounted value," said Klippenstein, who estimated company had received inquiries from 50 potential investors.

Meanwhile, Echostar still is awaiting firm launch date for satellite, which will undergo antenna test this week. It will be ready for shipment to China launch site in 30-45 days, with deployment scheduled for early Dec., Ergen said. Echostar hasn't released pricing, but he said it will offer financing packages for hardware starting at \$10 per month and programming including "Top 40" channels at \$19.95. Service will break even in less than 2 years with million subscribers, he said.

At week-end, Primestar was awaiting FCC decision on request for review of International Bureau's denial of Advanced Communications (AC) attempt to extend DBS permit. Primestar has agreement to enter high-power DBS business by leasing slot from Tempo, which was to acquire AC slot for \$45 million. In meantime, Primestar has expanded test with Tandy's Radio Shack to 220 stores from 120 and is continuing 10-outlet trial with Wal-Mart, Primestar Senior Vp Donald Herr said. Primestar partner TCI also is continuing test through end of month on offering consumers option of buying hardware at \$599, he said.

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DirecTv Div. of Hughes Electronics reached agreement with Southwestern Bell (SWB) to sell and rent Digital Satellite System (DSS) in 2 test markets. SWB was to sell entry-level DSS package at \$599 through kiosks in malls starting Sept. 23 in Little Rock, Ark., and today (Sept. 25) in Enid, Okla. Equipment, which also will have \$100 introductory discount, will be rented at \$19.95 per month. Programming will be sold separately by DirecTv and U.S. Satellite Bestg. (USSB) at \$6-\$35. Thomson Consumer Electronics (TCE) is building IRD. Product won't carry brand at first but eventually will have SWB logo, spokesman said. Test markets contain 200,000 SWB customers and phone service overall covers 5-state region with 10 million customers, spokesman said.

DAEWOO MEXICAN TUBE PLANT: Daewoo is 2nd Korean manufacturer to reveal plans for color picture tube plant in Mexico. Although details are sketchy, company said subsidiary Orion Electric plans \$240-million tube project in Mexico that will produce 4 million tubes and 4.4 million metal components annually.

Details are lacking and further information was unavailable at our deadline. Daewoo has major color TV plant in Sonora whose annual capacity is currently being expanded to 2 million. Korea's Samsung is constructing large TV, tube and parts complex in Tijuana, scheduled for completion by year-end. Samsung will be 9th, Daewoo 10th, color tube manufacturer in N. America.

Daewoo last spring announced plans to manufacture VCRs in Mexico (TVD May 29 p16), but didn't specify location.

Mexican facility is only one of tube plants announced recently by Orion, which says it's building new facilities that combined will produce 10 million color tubes annually. New \$170-million joint venture plant (70% Orion, 30% Hanel Electric) opened this month in Vietnam; Daewoo says plant represents largest foreign investment to date in that country.

It has capacity to produce million tubes annually in 13-20" sizes as well as 600,000 computer monitor tubes. Nearly all of its capacity will go to domestic TV set manufacture over next 2 years. Venture plans to invest additional \$120 million to build another plant with annual capacity of 1.5 million tubes and is considering facilities to make electron guns and metal components for tubes.

Another Orion tube plant, owned jointly with parent Daewoo, plans to start full-scale production of 1.2 million tubes per year in Lorraine, France, in Jan. Joint venture in W. Java, Indonesia, costing \$113.4 million, is scheduled to begin producing 2.3 million tubes annually by Sept. 1996. Also in works is \$150-million S. African joint venture (50% held by local interests) with million-tube annual capacity.

Orion also holds 50% interest in Russian company that says is developing 100" and 200" plasma display panel multiscreens and other products.

CALDOR FILES CH. 11: Caldor, facing possible shortage of merchandise in all-important 4th quarter, filed for Chapter 11 bankruptcy last week.

Norwalk, Conn., chain, which operates 166 stores in 10 states, listed assets of \$1.2 billion, liabilities of \$883 million. Caldor received commitment for \$250 million in debtor-in-possession financing from Chemical Bank, raising total credit line to \$500 million.

Debt consisted of \$408 million owed to banks, \$325 million to trade creditors, \$150 million in unspecified "other" debt, according to court papers. Second on list of trade creditors was Thomson Consumer Electronics (TCE), \$5 million, followed by several CE suppliers including Sharp (\$2.8 million), AT&T Consumer Products (\$2.6 million), Magnavox (\$1.6 million), Buena Vista Home Video (\$1.4 million).

Decision to seek bankruptcy came after some suppliers delayed shipments and factoring companies, which guarantee retailers' payments for merchandise, demanded faster payment, Caldor officials said.

"Once the factoring companies made their move, some hard lines companies stopped their shipments," CE executive said, adding that he was "optimistic" that Caldor will emerge from bankruptcy quickly.

Chain also suffered from inability to compete with array of strong rivals, from discounter Wal-Mart to revitalized Sears and department stores that are more price conscious. Arch-rival Bradlees, which has been operating under Ch. 11 since June, also has undercut Caldor pricing in recent weeks, industry observers said.

Caldor responded quickly, launching "40% off" ads covering several categories, including CE, Sharp 13" remote TV carrying \$139 price and Bronksonic 2-head VCR at \$119.

Faltering of Caldor and Bradlees could open market to new competitors. Wal-Mart already has made strong inroads in New England, and Dayton Hudson Corp.'s Target also is expected to boost expansion plans.

While Caldor filed for bankruptcy, Bradlees continued efforts to emerge from it. U.S. Bankruptcy Court Judge Burton Lifland, N.Y., has approved Bradlees request to make \$340,908 in severance payments -- to former Vp-Gen. Counsel Anne Terhune, \$155,151; Ad Vp Barry Horwitz, \$172,287; exec. William Kaplan, \$13,470.

Late last week, Bradlees said 2nd-quarter sales plunged to \$379 million from \$407 million year ago as same-store sales declined 15.9%. Operating loss for quarter ended Aug. 12 was \$49.8 million vs. \$8.2 million profit year earlier. For 28 weeks, Bradlees posted \$89.8 million operating loss against \$3.1 million profit as same-store sales dropped 10.3%. Sales fell to \$881.8 million from \$885.9 million. Bradlees Chmn. Mark Cohen said sales and margins have been "adversely affected" by "out-of-stock [and] inventory imbalances."

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EIA Fall Conference Oct. 15-19 at Scottsdale's Phoenician Hotel will feature addresses by White House Economic Adviser Laura Tyson and Newsweek congressional correspondent Tom Rosenstiel. Among sessions will be tutorial on EIA's AV bus wiring standard, "Maximizing Audio, Video and Multimedia Sales Through Enhanced Product Interoperability and Connectivity."

SEGA INTERNET GATEWAY: Sega revealed some details last week in Japan on its plans for communications modem for Saturn videogame with extremely simple gateway to Internet. Hardware for system, to be introduced in spring, will be developed by Sega, with user interface designed in cooperation with auto maker Nissan, which will use Saturn as communications avenue with its 3,000 sales offices in Japan and will share in modem sales on royalty basis.

Modem will operate through Saturn's game pad and will connect users to Internet and host of functions such as on-line shopping for game software on on-line head-to-head game play. Sega also plans to combine with other companies to offer information services dedicated to Saturn users. Package that includes Saturn console, modem, software and simple keyboard for messaging is expected to retail for less than 50,000 yen (\$485). Saturn console itself now retails for 34,800 yen. Price for modem as add-on wasn't immediately available.

Even before modem is available, Nissan will equip Japanese sales offices with Saturn for use as sales promotion tool, using Saturn's CD-ROM function to replace videocassette player. Nissan estimates cost of producing promotional CD-ROMs will be 25% of that of same material on videocassette.

In U.S., Michael Ribeiro, Sega of America exec. vp-mktg., told us last month that Sega plans add-on Saturn modem and keyboard next year for less than \$100. He acknowledged that communication utility would help some consumers rationalize purchase of high-end game system. Other game manufacturers are looking to extend use of their products for communication. Matsushita also has developed modem for use with its REAL 3DO player.

ACCESSORY SALES MIXED: As reported last week (TVD Sept 10 p20), EIA Market Research figures show video accessory sales exceeded \$150 million in first half, up 6.1%, while audio gear dropped 2.6% to \$124.8 million, phone equipment increased 19.2% and camcorder accessories slumped 27.7% to \$20.9 million. Here are EIA's figures on factory sales for 2nd quarter and first half:

**FACTORY SALES OF ELECTRONICS ACCESSORIES
(2nd quarter & first half, in millions of dollars)**

Product	2nd Q 1995	2nd Q 1994	% Chg.	Half 1995	Half 1994	& Chg.
Audio....	\$59.3	\$65.3	- 9.2	\$124.8	\$128.1	- 2.6
Video....	72.2	69.2	+ 4.3	152.3	143.5	+ 6.1
Telephone	61.2	54.0	+13.3	116.6	97.6	+19.5
Camcorder	11.6	14.9	-22.1	20.9	28.9	-27.7

Panasonic Software Co. (PSC) is adding PC and Macintosh platforms for games developed for 3DO, with 3 titles due for holiday selling. Move to new platforms doesn't signal less support for 3DO, Vp Bill Gardner said. Game functionality will be same in computer versions as in dedicated game-playing 3DO format, he said. Company plans "proportionate" increase in marketing budgets, he said. Move will enable Panasonic to increase significantly its retail base -- major chains such as Egghead currently don't carry 3DO. Process of converting titles from computer to 3DO is simple, Gardner said, since they were created using Macromedia Director on PCs and Macs in first place. PSC plans to release 7-8 titles yearly. Gardner said there were no plans to release 16 3DO titles already shipped in computer formats. Those programs were created in Japan.

JULY AUDIO SLOWDOWN: Modest declines in portable audio and aftermarket car stereo inhibited growth in July factory audio sales, EIA Market Research Dept. reported.

Overall July factory dollar shipments declined 0.6% from same month year earlier. Lackluster performance in portables and car audio negated increases in home-based audio components and systems. Portables declined 6.3%, while car stereo aftermarket shipments fell 3.3%. However, components, presumably riding wave of success in home theater, advanced 7.5%, and systems 4.6%.

For 7 months, increases in all categories spurred respectable 5.7% advance in total Jan.-July shipments to \$4.25 billion. Components posted largest gains in year to date, rising 9.3%, while aftermarket autosound climbed 7.4%. Systems were up 4.1%, but largest dollar volume generator, portable audio, rose only 2.9%.

Here's EIA breakdown of factory audio dollar sales for July and year's first 7 months:

FACTORY SALES OF AUDIO EQUIPMENT
(add 000)

Product	July 1995	July 1994	% Chg.
Portable audio*	\$207,721	\$221,577	- 6.3
Components	135,697	126,195	+ 7.5
Systems	133,771	127,867	+ 4.6
Autosound (aftermarket)	152,831	158,022	- 3.3
TOTAL	\$630,020	\$633,661	- 0.6
Product	7 Mo. '95	7 Mo. '94	% Chg.
Portable audio*	\$1,327,638	\$1,290,312	+ 2.9
Components	917,344	839,244	+ 9.3
Systems	816,214	784,424	+ 4.1
Autosound (aftermarket)	1,188,167	1,106,279	+ 7.4
TOTAL	\$4,249,363	\$4,020,259	+ 5.7

* Includes home radio.

Sony has overhauled audio and videotape line adding new packaging, formulations, first VHS specifically targeting home theater, new DAT length. New "V" T-120 videotape will be sold separately at \$2.99 starting in Oct., but also will be packaged both with home theater "starter kit" and with select Trinitron 41" and 46" projection TVs. Videotape packaging was redesigned so product could be merchandised horizontally or vertically. On audio side, 74-min. DAT will join 60-, 90- and 120-min. lengths. CD-IT audiotape added new "Pro" version with wider dynamic range, in 74- and 100-min. lengths in 5-packs (\$14.95) and 2-packs (\$5.98). Audiotape packaging features Sony's digitized "S" logo. Changes also extend to 60- and 90-min. microcassettes, reformulated and with antistatic guide roller to improve durability. Micros are sold in 3-packs at \$3.99. Also shipping in fall is "Memopak" that includes microcassette recorder, 8 cassettes and 2 AA batteries in clamshell at \$39.

ITA's Annual Forecast & Update Seminar Nov. 21 at N.Y. Plaza Hotel will be keynoted by TWICE Editor Robert Gerson, with updates on video hardware (by speaker from Thomson), blank audio and videotape (Sony's Robert Striano), video duplication (Rank Video Services America's David Cuyler), recorded video (Cambridge Assoc.'s Richard Kelly), polyester film (SKC America speaker), CD replication (speaker not yet chosen), preferences of CE early adopters (Video Magazine's Jay Rosenfield).

COASTRON, FEDCO PART WAYS: Coastron, which has operated audio dept. in Fedco stores for 37 years, has terminated lease and will leave business by Nov., Pres. Jeff Hipps said.

L.A. company, which at one time operated independent store and owned audio manufacturer Soundcraftsmen, stocked leased dept. with 400 audio units and accessories including Atlantic Technologies, Carver and Onkyo brands. Coastron also recently added 90 cellular telephones and accessories, Hipps said. Coastron currently has departments in 6 of Fedco's 10 L.A.-area stores.

Decision to cease operations was prompted by downturn in audio specialist business, Hipps said. "It's a tough business for a mass-market situation," he said. "There are some growth areas in consumer electronics, but all the stuff that has been growing we basically couldn't sell because of our contractual obligations with Fedco," he said, alluding to direct broadcast satellite (DBS) and projection TV businesses.

Fedco Exec. Vp-Mdse Dir. Michael Gantes wasn't available for comment on reasons for terminating lease, but chain is said to be planning to create its own department to carry high-end audio. Retailer previously did its own buying for audio products such as boom boxes and personal cassette and CD players, industry sources said. Coastron proposed merchandising high-end audio with big-screen TV to create "one-stop solution" for home theater, but plans never were finalized, Hipps said.

FRETTER WEIGHS BANKRUPTCY: Fretter said it's considering several options, including filing for Chapter 11 bankruptcy protection in wake of decision to close 70 stores.

Brighton, Mich., retailer's decision to consider bankruptcy came after it reported 22.6% drop in 2nd-quarter sales (see financial table) on 28.5% plunge in same-store sales. Net loss expanded to \$10.9 million from \$1.5 million year ago. Sales downturn came as vendors reported Fretter was receiving few new product shipments and inventory was low.

Closings covered outlets in 10 states including 51 Silo stores acquired from Dixon's in 1993 as part of \$45-million deal that was to transform Fretter from regional to national chain. Shutting down stores will result in charge of \$36-\$48 million on 3rd quarter earnings, company said. After closings, expected to be completed this fall, Fretter will operate 159 stores.

Chain also is awaiting decision from lender BT Commercial Corp. on 2nd request for waiver of some requirements in \$140-million revolving credit agreement. BT granted waiver earlier this year of interest coverage ratio covenant and consolidated book net worth requirements, but hasn't approved 2nd extension since first agreement expired July 31, company said.

Computer keyboard manufacturer NMB Technologies is preparing to launch ConcertMaster multimedia keyboard with built-in speakers and SRS sound imaging circuitry. Company, which markets retail products under Right Touch brand, expects to begin shipments Nov. 1 with expected \$129 street price. ConcertMaster also includes easily accessible audio controls at top center of keyboard, built-in microphone, Windows 95 keys, jacks for headphones, microphone, subwoofer. It has single cord to computer, allowing for simple connections to sound card and keyboard input.

Consumer Electronics Personals

Brian Bolling, Philips business development vp, promoted to color TV operations vp-gen. mgr.; **Thomas Natale**, supply management vp, adds senior vp-gen. mgr. title... **Olaf Olafsson**, pres. of Sony Interactive Entertainment, Oct. 1 becomes chmn. of Sony America's new Technology Strategy Group; **Kenji Hori**, pres. and chief technology officer, Sony America Research Labs, appointed to unspecified post at Technology Strategy Group (see separate report)... Elected officers of NATM Buying Group for 1996: **Jerry Throgmartin**, H.H. Gregg, pres.; **David Shepard**, American TV, vp; **Kenneth Fletcher**, Roberds, secy.; **Gordon Hartunian**, ABC Warehouse, treas.

Earl Batt, Sanyo video products national mktg. mgr., moves to Sanyo Mfg. as sales & mktg. dir., succeeded by **Richard Hultine**; **William Mayhew**, western region gen. sales mgr., succeeds Hultine as home appliances national mktg. mgr... **Michael Costanza**, ex-Maxell and Sony, joins JBL Consumer Products as vp-sales; **Paul Muto**, ex-Philips, appointed home products mgr... **James Francis**, Videonics international sales vp, promoted to exec. mktg. vp, succeeded by **Thomas Hermann**, international sales coordinator... Changes at AST Research: **Kirby Coryell**, worldwide manufacturing operations senior vp, resigns, replaced by **Gary Weaver**, operations vp; **Robert Parmelee**, supply chain management vp, promoted to Americas service & support vp... **Gary Schwartz**, ex-Franklin Electronic Publishing, appointed Rolodex exec. vp... **Harry Bryan**, Allied Digital sales exec., promoted to national accounts mgr.

Bill Sondheim, PolyGram Video USA senior vp-sales & mktg., promoted to pres., replacing **Gene Silverman**, who will pursue "independent career interests"... **Steven Feldstein**, ex-Buena Vista Home Video PR, joins Philips Media in L.A. as mgr.-mktg. & communications... **Sara Lewis** promoted to vp-acquisitions, Republic Entertainment, reporting to senior vp-acquisitions and development **Tom Szwak**... **Keijo Puusa** vp-gen. mgr., Handleman Canadian operations, named gen. mgr. of company's Mexican rackjobbing unit, reporting to Div. Pres. **Arnie Gross**.

Proton has signed licensing agreement with Spatializer to build 3D stereo chips into 34W" and 30W" widescreen TVs expected to ship in Dec.-Jan. at \$5,000 and \$2,700, respectively. Both sizes originally were due last spring (TVD Jan 16 p17), but TVs were redesigned for lower price by removing digital signal processing and line doubling capabilities, Proton Sales & Mktg. Vp. William Tovatt said. Tubes will be purchased from Hitachi, Matsushita or Mitsubishi, with final decision expected by Oct. and production to start in Nov., he said. 3D chips also will be used in Proton's 14-17" multimedia PC monitors and in possible new 20" model in 1996, he said. Proton has started assembly of 27" sets at new hq/factory in Cerritos, Cal., but won't add 31" and 35" as planned because of price competition. Proton has scaled back 31" offerings to 2 models from 4.

Special-Market TVs by Zenith: (1) "SuperPort" pay-per-view boxless sets for lodging market include housing and power supply for interactive and pay services plus multiple data interface paths. They are first lodging TVs with front video input jacks to accommodate guests traveling with camcorders. (2) "HealthView Series" built for hospital use, accessing on-screen display information, with pay-per-view provision, pillow speaker control option.

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
Bradlees 1995-28 wk. to Aug. 12	881,800,000	(89,800,000)	—
1994-28 wk. to Aug. 13	885,900,000	3,100,000	—
1995-12 wk. to Aug. 12	379,272,000	(49,800,000)	—
1994-12 wk. to Aug. 13	407,667,000	8,200,000	.05
Fretter 1995-qtr. to July 31	158,106,000	(10,997,000)	—
1994-qtr. to July 31	205,546,000	(1,537,000)	—
Heilig-Meyers 1995-6 mo. to Aug. 31	643,832,000	29,781,000	.60
1994-6 mo. to Aug. 31	537,966,000	33,127,000	.66
1995-qtr. to Aug. 31	324,861,000	11,316,000	.23
1994-qtr. to Aug. 31	269,119,000	14,817,000	.30
International Jensen 1995-6 mo. to Aug. 31	125,866,000	420,000	.07
1994-6 mo. to Aug. 31	126,097,000	3,962,000	.69
1995-qtr. to Aug. 31	60,582,000	(347,000)	—
1994-qtr. to Aug. 31	58,357,000	1,206,000	.21

SMITH'S BANKRUPTCY HEARING: Smith's Home Furnishings is scheduled to appear in bankruptcy court Sept. 25 to seek approval for financing that would allow it to keep open 9 stores in Ore. and Ida. through Oct. Approval would give retailer 2nd reprieve since filing for Chapter 11 last month (TVD Aug 28 p14). Smith's first was granted interim financing in Aug. (TVD Sept 4 p15).

"As we start to build up a little bit we'll put our plan of reorganization together," said Pres. Larry Choruby, who projected Oct. sales at \$9 million. "But for right now we're month-to-month."

Since filing for bankruptcy, Smith's has closed more than half its stores, including 4 that opened last year in Seattle. About 400-450 employees lost jobs in Wash. and another 100 at hq and stores in Ore., Choruby said.

Choruby estimated that Smith's had "couple thousand" orders, although only those with down payment will be honored. Average order is about \$800, he said. Chain resumed selling extended service contracts last week after receiving court approval for plan under which Warrantech will administer program, Choruby said.

Curtis Mathes (CM) returns to audio in Oct. with shipment of 100-w rack system. System, priced at \$800-\$1,000 (TVD June 5 p17), consists of receiver, 3-CD changer, equalizer, dual cassette deck, 3-way 15" speakers. CM planned to introduce rack system earlier this year, but delayed launch as it sought manufacturer. Component products including AV receiver and speakers are expected to be added in 1996, spokeswoman said. CM is continuing to shop lightvalve technology it acquired from Hughes Training earlier this year (TVD Jan 2 p12). It hopes to have licensing agreement by year-end for system designed to deliver 75x100" picture with 1,280x1,024-pixel resolution, spokeswoman said. CM has said it also is developing lightvalve technology for 60" projection TV.

Philips paid fine equal to \$900,000 in out-of-court settlement with Dutch govt. after being charged with violating European Union sanctions on shipments to Yugoslavia, according to Financial Times, which quoted "suspicions" that light bulbs, lamp components and intercoms were shipped to Serb territories by way of 3rd countries.