

# TELEVISION DIGEST®

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**CLINTON OUTLINES TELECOM BILL CONCERNs:** President Clinton last week set out in letter to Sen. Hollings (D-S.C.) specific concerns about telecom legislation (HR-1555 and S-652). Many of those had been noted before by White House and other Administration statements, but letter was intended to make it clear Administration was concerned about issues other than cable regulation and media concentration. Meanwhile, Senate Republican Leader Dole (R-Kan.) said he would like to pass bill this year. Hollings, in interview, said he had urged Clinton to be cautious about veto, noting Democratic support for many of provisions in Senate version of legislation.

In Oct. 26 letter to Hollings, follow-up to phone call same day, Clinton highlighted long distance entry issues as well as cable pricing and ownership, V-chip and special pricing for schools and libraries. He said he made comments following Hollings' request for "specific issues of concern to me [Clinton]" in telecom bill. Clinton said he wanted bills to include "test specifically designed to ensure that the Bell companies entering into long distance markets will not impede competition," adding that he also "remains concerned that neither bill provides a meaningful role for the Department of Justice in safeguarding competition before local telephone companies enter new markets."

### Consumer Electronics

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Along same line, Clinton said he opposes "deregulating cable programming services and equipment rates before cable operators face real competition," and is similarly concerned that bills would "allow too much concentration within the mass media and in individual markets." Such conditions, he said, would "reduce the diversity of news and information available to the public." President said legislation should "protect and promote" diversity, while protecting consumers from "unjustified rate increases for cable and telephone services." He also said parts of bill allowing cable-telco mergers are "overly broad."

Clinton wasn't totally critical, however, praising Senate and House for including V-chip provisions to allow parents to block out violent programming, and lauding Senate for language added in committee by Sens. Snowe (R-Me.) and Rockefeller (D-W.Va.) to give preferential telephone rates to schools, libraries, hospitals. He said he hopes final product of conference will keep that language intact.

Meanwhile, Dole said in Oct. 25 letter to Commerce Committee Chmn. Pressler (R-S.D.) that "it remains my desire to pass a final bill before we adjourn this session." Session could end anywhere from Thanksgiving to end of year. Dole said bill should be "grounded in strong, straightforward Republican principles of competition and deregulation." Clinton said he was "committed to promoting competition in every aspect..."

Hollings said that in his conversation last week with Clinton that his negotiators in Senate-House conference would try to stick close to their version of legislation. Hollings said he reminded President that bill passed with more than 80 votes. His advice: "It's better to understand your concerns in light of the support you have." He said he shared some of Clinton's concerns on media concentration and on cable TV deregulation. However, he said half-dozen Democrats "voted the other way" on cable regulation when bill was on Senate floor June 15. They voted against floor amendment offered by Sen. Lieberman (D-Conn.) to toughen deregulatory standard in Senate bill. Measure as passed would set standard of determining that rate would be unreasonable if it "substantially exceeds" national average for comparable services on per-channel basis, to be evaluated every 2 years. In floor debate, Lieberman wanted to peg "bad actor" rate to markets in which there was cable competition. He lost, 67-31, with Hollings and other Commerce Committee Democrats Breaux (La.), Bryan (Nev.), Dorgan (N.D.) and Kerry (Mass.) voting against. Of Democrats on panel, only Rockefeller (W.Va.) approved. Bill passed committee by 17-2, with Republicans McCain (Ariz.) and Packwood (Ore.) in negative.

Just because Clinton has "some staffers over there concerned about these points, he should know that the overwhelming majority of Democrats voted for the bill, and if we pass something [from conference committee] like what passed the Senate, we would vote again [for bill]," Hollings said. He acknowledged that many of features of bill Clinton likes least are in House version, and that Senate conferees will "try our best to get the Senate version." Hollings said he didn't have any indication from Clinton whether Senate provisions would be more acceptable or would lessen veto threat. But if conference panel came up with final product more like Senate version than like House version, Hollings said, Clinton "would have to make up his mind, because we had a strong vote."

Senate and House staffs continued to slog through bills, using massive comparisons prepared by staffs. Comparisons, each with more than 300 pages, categorize and list features differently, so that issue such as number portability could be under one section in Senate-prepared paper and another in House's. Comparisons do point out, however, level of detail needed to reach agreement, particularly when provisions can't be combined. For example, on first issue to be tackled -- separate subsidiary -- Senate proposed separate subsidiaries with audits every 2 years, while House said separate organizations would disappear in 18 months. That level of detail has persuaded some staff members that deal won't be possible by Thanksgiving, as some of their bosses had wished.

Meanwhile, International Communications Assn. (ICA), backed by other consumer organizations, released study by Hatfield Assoc. that said consumers would be overcharged \$100 per year if legislation passes and that local exchange companies could reap \$14-billion benefit. Part of problem, consumer advocates said, is that measure would strip state regulators of ability to control rates -- contention with which RHC spokesmen disagree. Also last week, consumer group Citizen Action said in letter to Pressler that it opposes bills now in conference, contending that "phone and cable rates are likely to rise and consumers will have fewer -- not more -- choices." Letter from Exec. Dir. Ira Arlook also criticized cable-telco cross-ownership and cable deregulation features of bill.

**HUNDT ANSWERS TV QUESTIONS:** In unprecedeted satellite conference with TV broadcasters, set up by NAB, FCC Chmn. Hundt answered questions for 70 min. Oct. 31, with children's TV programming playing

dominant role. Day earlier in Washington speech, Comr. Chong questioned quantitative standards sought by Hundt for children's TV.

Hundt questioners in Washington studio were NAB Chmn. Philip Jones, TV Chmn. Ralph Gabbard (who had suggested session to Hundt), TV Vice Chmn. James Babb, NAB Pres. Edward Fritts. At beginning, Hundt said: "I am here to learn and listen as well as share a few tentative remarks." He said this is time of "incredible turmoil" in communications, with many new competitors that threaten free TV: "At the same time... the public is unhappy" about what's on TV screens -- over-air, as well as cable and DBS. At end of conference, Hundt said session had been "really helpful to me" and urged broadcasters to write and/or send him e-mail messages.

Asked by Jones what would be FCC's role in future, Hundt said agency needs to "articulate" public interest obligations of broadcasters under Communications Act. He said industry is given special benefits because of its public interest obligations and stressed that "airways are public property... I don't think anyone has questioned that." Jones countered that it's role of licensees to decide what's in public interest and that FCC "steps over the line" if it attempts to legislate programming. He said viewers "aren't up in arms saying we're not doing a good job."

Hundt said he has received "literally hundreds and hundreds" of complaints about children's programming, including letters from "dozens of U.S. senators. This is something you ought to be listening to." Responded Fritts: "We can get as many [letters] as you can get." Broadcaster on telephone said all he gets is praise on local level and asked Hundt where complaints are coming from. Hundt responded that they're all in public record.

Most stations, Hundt said, are "delighted to carry 3 hours weekly of educational TV for children. "Your real problem is you don't want a minimum" dictated by govt., he said. Fox TV "is doing a great job" on kidvid, Hundt said. He urged NAB and Big 3 TV networks to duplicate Fox station survey, which FCC Chief of Staff Blair Levin said presents "real data in a realistic way" (TVD Oct 30 p1). In answer to question from Gabbard, Hundt said stations can get credit for short-form children's shows by listing them in reports to Commission.

"We do not hear criticism... except from teachers and educational organizations," said Babb. Mostly, he said, local broadcasters are praised for programming. He hit "blanket indictment" of industry on children's programming and asked "whose judgment prevails" as to whether program is acceptable as educational for children. Chmn. again suggested that networks fund independent group to rule on issue. Jones said "it makes no sense to put numbers [hours]" on children's TV. Fritts said affiliates have "picked up the ball and filled in the gap" on children's TV but those efforts don't show up on national surveys and program schedules. Referring to theme used by Chong, Hundt said kid TV debate has been caught up in "rhetoric... there's always a risk that a bad apple will spoil the bunch."

Sen. Conrad (D-N.D.), sponsor of "choice chip" legislation in telecom bill (S-652), met last week with Hundt on children's issues and praised him for working to improve quality of programming. Conrad said he supports Hundt's efforts on children's programming, proposals to require broadcasters to air at least 3 hours of such programming weekly, to consider safe harbor period, to clarify and define which programs "are reasonable," and to emphasize that broadcasters have "public trust" to limit exposure of children to violent or vulgar programs.

Solutions in debate on children's TV lie in greater accountability by licensees, according to Chong: "As opposed to more government action, I think the answers lie in greater network responsibility, greater broadcaster responsibility, greater advertiser responsibility and greater parental responsibility. More government action ought to be our last resort."

Speaking to Women in Cable & Telecommunications in Washington, Chong didn't flatly oppose Hundt's proposal for mandatory standards (TVD Oct 23 p1), but said public debate has focused too much on that issue: "I want to take this opportunity to register some dismay with the debate so far... The debate has been too one-dimensional -- it has focused too much on the issue of whether we ought to adopt quantitative guidelines or not." She said she's "frustrated" because many other issues deserve attention in children's debate -- such as definition of acceptable kid show, time such shows should be aired and publication of when such programming will be aired to help guide parents: "I suggest today that we turn away from the rhetoric and get back to the real issues at hand."

Noting that Congress considered -- and refused to adopt -- children's programming standards, Chong said there would be First Amendment concerns for FCC now to adopt such standards. "I am troubled by the notion that public interest obligations of our broadcasters should be quantified," she said. "Does this start us down a slippery slope toward government intrusion in programming content?"

Much of current broadcast and cable programming, is slanted toward male viewers, Chong said, because of "pervasive notion" that women will watch shows with men as main characters but that opposite isn't true. "It is my view that the entertainment industry has historically underserved the female audience," she said. Saying that situation is improving, however, she cited *Star Trek: Voyager*, which has female captain of space ship as lead, plus another prominent female character.

Speaking to public broadcasters in his home town of Lexington, Ky., Gabbard said they should sell quality children's programs to commercial stations rather than try to be networks' watchdogs. He told Southern Educational Communications Assn.: "You create good [children's] programming. Let us buy it directly from you... We don't want you providing our public service requirements" or being commercial TV's "consciences in our local markets." He said plans to use advanced TV auction revenue for trust fund to replace public broadcasters' federal grants are "disturbing."

**SUIT HURTS CAP/ABC PROFITS:** More than \$47 million in merger and litigation costs cut Cap/ABC's profit to \$127 million in 3rd quarter ended Oct. 1 from \$133.7 million year ago. Broadcast operating profit rose 15.8% to \$246.5 million and broadcast revenue 8.3% to \$1.28 billion. Overall operating profit was up 13% to \$275 million, and revenue increased 7% to \$1.6 billion.

Cap/ABC wouldn't divulge what portion of \$47 million is merger costs and how much is litigation settlement, citing confidentiality agreement. ABC settled \$10-billion libel suit with tobacco makers Philip Morris and R.J. Reynolds in Aug. for unspecified amount and issued apology (TVD Aug 28 p1). Network said then that settlement involving DayOne magazine show had nothing to do with pending acquisition of Cap/ABC by Disney. It said merger-related costs (TVD Aug 7 p2) are mainly result of long-term compensation expense resulting from increase in stock price, as well as legal, printing and other costs. ABC TV Network revenue increased "moderately" in quarter, Cap/ABC said, but TV station revenue essentially was flat, in part because of absence of political ads. ESPN had "significant" revenue gain, and radio increased moderately. Operating profit jumped significantly at TV Network and ESPN, but was down slightly at TV stations and flat for radio.

In other financials: Viacom had \$93.8-million profit in 3rd quarter ended Sept. 30, vs. \$327.3-million profit year ago, but said results aren't comparable because of several one-time events in 1994 quarter. Revenue jumped 43.4% to \$3 billion because of acquisition of Paramount and Blockbuster, and earnings from continuing operations were up 15.8% to \$489.6 million.

Infinity Bcstg. profit jumped 33% to \$15.9 million in quarter ended Sept. 30, and revenue was up 12% to \$95.8 million... BET Holdings said it agreed to buy back 3 million shares of its own stock from Time Warner Entertainment for \$58 million. Buyback will be financed from existing cash and new loans... Equipment maker Andrews Corp. had \$24-million profit in 4th quarter ended Sept. 30, vs. \$17.8 million year ago. Sales increased 4.8% to \$166.2 million, and orders were up 12% to \$157.2 million.

"ElectionLine" web site will be launched by joint venture of ABC News, Washington Post, Newsweek. Site, which will cover 1996 Presidential election, is to debut in Jan. In addition to text and graphics, it's to include full-motion video, real-time audio, archival material, databases.

**HUNDT WON'T RESIGN TO CAMPAIGN:** "There's no truth to it," FCC Chmn. Hundt told reporters Nov. 1 in answer to question about rumors that he plans to resign within several weeks to work full time in Clinton-Gore reelection campaign. Same rumor had Comr. Ness succeeding Hundt as chmn. He said also that Commission in next 6 months will be "most deregulatory, procompetitive" and that that position is "perfectly harmonious with the legislative process" -- whether or not telecom bill now in congressional conference becomes law.

However, FCC is "reluctant" to take action on proposed rules for LEC provision of programming over VDT systems because of conflict with pending legislation, Hundt said. Meeting with reporters in his office for 8th time this year, he said commissioners are "reluctant to lay out a regime that could be changed" if telecom bill passes.

Hundt refused to give reaction to Comr. Chong's reservations about mandatory quantitative standards for children's TV (see separate story, this issue) -- position that amounts to 3rd vote against action he supports -- but said she has "shown real leadership on this issue for almost 2 years now." He asked that Big 3 TV networks "give us the same data that Fox has given us" on children's TV. He denied, as broadcasters have claimed, that he urged TV industry to seek extensions of comment deadline in children's TV rulemaking (there have been 2 such extensions, with comments filed Oct. 16).

"Millions of dollars" have been returned to consumers in settlements of rate cases by cable operators, such as TCI and Cablevision last week, he said (see separate story, this issue). Settlements also have resulted in dismissal of more than half of complaints at FCC, he said. Many cable MSOs are "biding their time" waiting to see whether telecom bill becomes law, and if it doesn't, "hundreds" more operators will settle complaints, he predicted. Hundt refused to comment on pending Time Warner acquisition of Turner Bestg., saying: "I'm not going to tell you in advance how we're coming out in these matters... We should be acting as judges... There's too much at stake."

FTC ordered Comcast and Continental to provide information on Time Warner-Turner Bestg. merger deal (TVD Sept 25 p1) in first step of investigation. Both MSOs, which own stakes in Turner, publicly opposed takeover, saying provisions, including long-term carriage agreement, unfairly benefit TCI. FTC is expected to request additional information from TBS and TW soon.

**BIG 3/AFFILIATES DISAGREE SHARPLY:** Only ABC, NBC and CBS TV networks favored FCC relaxation of rules limiting their dealings with affiliates, in comments on rulemaking last week. Affiliates, individually and in groups, opposed any major changes, as did several nonbroadcast organizations such as Small Business Administration (SBA).

Big 3 networks claimed that they're no longer dominant over affiliates. Yes, they are, more than ever, affiliates countered in asking that rules be kept. Rules were adopted for radio in 1941 following Report on Chain Bestg., which forced NBC to divest Blue Radio Network to ABC, then were applied to fledgling TV industry in 1946.

INTV and chmn. of affiliate associations of Big 3 networks sent FCC joint letter urging that rules be kept, position they said was taken by "an overwhelming majority" of commercial stations. Network Affiliated Station Alliance (NASA) said restrictions are "essential rules that permit network affiliates effectively to serve their communities" and to maintain control over programming. NASA, which represents more than 600 affiliates of Big 3 networks, said "the assumption is demonstrably false" that balance of power has shifted from networks to stations, as networks maintain. Networks, freed from finsyn and PTAR restrictions, "have become massive network-studio conglomerates that have the incentive and power to demand uniform clearance of network programming," said NASA.

N.Y. Times Co. said it supports NASA position with proviso that networks should be permitted to sign exclusive contracts with affiliates. Post-Newsweek Stations told FCC it "fully supports" NASA position. Group said it "adamantly disagrees" that balance of power has shifted to affiliates and that in fact network power over stations has grown "larger and larger."

SBA urged Commission not to relax rules "in order to prevent the networks from further dominating affiliates." Coalition of 5 major station groups said right-to-reject network programming is "cornerstone protection" for affiliates, and option time is "essential" for licensee to maintain control of programs. Group of 5 other licensees maintained that networks' power over affiliates "if anything, has been enhanced" by changes in video marketplace.

Changes taking place in TV industry haven't had impact on longstanding relationships between networks and affiliates and thus most of existing rules should be retained, INTV said: "There has been no diminution of network power [and] new vertically integrated network/studio combinations are becoming commonplace... Because the networks will have a financial interest in network programs as well as programs in syndication, there will be increased pressure to clear network-owned programs. As a result, network pressure on affiliates to clear programs will increase, not decrease."

Opposing relaxation of rules, Media Access Project said: "The Commission seems willing to incur a significant cost to the public interest in exchange for illusory benefits [that] would seriously undermine" program diversity. Blade Communications said relationship between affiliates and networks has changed "from one of mutual cooperation to one in which the networks are aggressive and even hostile..." Viacom said rules should be kept because they restrain power of established networks to "inhibit" development of new networks.

New World said FCC "has continually attempted to micromanage ownership, control and bargaining power within

the industry... Unless the Commission deregulates both sides of the network/affiliate relationship at once, it risks fundamentally changing the local nature of the broadcasting industry." Reason for adopting rules in 1941 (diversity and localism) "remain valid public policy objectives today," New World said. Pappas Telecasting said "effect of this piecemeal approach... is clearly the lessening of the impact these changes would have on the control of the networks over their affiliates and the public interest." FCC must review network/affiliate rules "together and not ignore the totality of their impact... To tinker with these protections because of age alone is simply wrong," said Pappas. In plea for retention of rules, Southern Bestg. detailed its fight with ABC (which led to legal action) to retain ABC affiliation for WWSB Sarasota, Fla., when network switched from VHF to UHF affiliate in Tampa-St. Petersburg.

CBS said it "strongly supports" repeal of rules as no longer necessary because of "highly competitive conditions that now prevail." Rules are "ripe for review, amendment and, in most respects, for repeal," said ABC. "The rules impose costs on networking that undermine the strength of that system, and they do so at a time when other players in the video marketplace -- unfettered by the rules -- are taking a growing share of viewers at the networks' expense." ABC said reliance on antitrust laws is sufficient to protect public.

Said NBC: "The time has come for the Commission to stop micromanaging" relationship between networks and affiliates "in light of current market conditions, trends in the video marketplace and the degree of present and foreseeable competition... Broadcast networks and their affiliates today stand as equal partners in an ongoing business relationship. Each is critically dependent on the other... Neither party dominates the relationship." Upheaval in affiliations, in which 68 stations have switched networks in last 18 months and networks have had to increase compensation by as much as 50%, "is compelling evidence of the shift in network-affiliate bargaining power," NBC said.

Warner Bros. TV Network, calling itself "a newly minted, still fragile network," said now would be "worst of times" to relax restrictions on Big 3 networks. United Paramount Network said that if any changes are made, FCC must recognize differences between emerging and established networks.

**New TV stations:** (1) KASW (Ch. 61) Phoenix has gone on air, operating under local marketing agreement with KTVK (Ch. 3) Phoenix. KASW is owned by Brooks Bestg. (Gregory Brooks); Brooks is gen. mgr., William Lawrence chief engineer, Sue Schwartz program dir. (2) WRAY-TV (Ch. 30) Wilson, N.C., licensed to Ch. 30 Telecasters; James Thrash is gen. mgr., David Cavileen sales mgr., Robbie Brock program dir., Liza Babirak promotion mgr. There now are 1,533 operating U.S. TV stations -- 1,174 commercial, 359 noncommercial. There are 121 FCC permittees not yet on air -- 108 commercial, 13 noncommercial.

**Renaissance Communications** had \$19-million gain as result of settlement of litigation with NBC, its quarterly financial report showed. Litigation involved Renaissance's agreement to buy Outlet Communications for \$360 million, which NBC later topped in what Renaissance called "rigged" bidding (TVD Aug 7 p7). Terms of settlement weren't disclosed at time. Settlement gave Renaissance \$23.4-million profit in quarter ended Sept. 30, vs. \$4.1-million profit year ago. Revenue rose 10.5% to \$44 million.

**BILL SAID TO HURT CABLE SALES:** Delay on telecom reform legislation, as well as technological uncertainty, is encouraging "some smart procrastination" on part of equipment buyers for cable MSOs, said Robert Luff, chief technical officer of Scientific-Atlanta (S-A) Broadband Div. Virtually all major cable equipment makers reported lower, or at best flat, domestic cable equipment orders in 3rd quarter, and most said situation will continue through end of year. Several blamed regulatory uncertainty.

"Given the technical options and the radical changes in the regulatory structure suggested by the new legislation, particularly if it might be clarified within 2 months, you set up a circumstance where many are concluding that it might be worthwhile holding back on significant capital expenditures for a few months," Luff told us. S-A booked \$201.5 million in orders in quarter ended Sept. 30, down from \$254 million year ago, with virtually all of downturn domestic. CEO James McDonald blamed domestic cable equipment market for drop, saying "the market changed so rapidly that we were not able to adequately adjust expense levels."

General Instrument (GI) said it expects slowdown in U.S. cable equipment spending to hurt its financials at least through end of year. CEO Richard Friedland said slowing is "due primarily to short-term uncertainty from the delay in enacting far-reaching telecommunications reform legislation." Antec CEO John Egan also cited "softness" in domestic cable sales, saying his company had to "consolidate our operations to reflect current customer spending patterns."

Zenith had some of best cable sales results among major equipment makers, and its sales were essentially unchanged, said William Luehrs, pres.-Zenith Network Systems Div.: "Our business has been pretty firm." He said, however, that "good legislation obviously would make it easier for our business to go forward." Luehrs acknowledged general perception that legislation is delaying some equipment purchasing, but said: "There's always some legislation that's clouding the industry. I don't see this time as being any more fretful than any others." Zenith success may be result of timing, he said, since some products are at high points in their product cycle, generating strong sales even in down period.

Equipment sales also probably would accelerate if telecom reform bill were killed, Luff said: "If the industry knew that it wouldn't happen, they would just go ahead and compete and deploy their capital in a way that they believed would maximize their success." Problem, he said, is that cable is "on the cusp of clarity" and many believe it makes sense to wait several months until situation becomes clearer.

There also is technological uncertainty, Luff said, including lack of digital standards, which are being worked on by groups such as Digital Audio-Visual Council but still are at least months away. Lack of standards raises risk that equipment bought now could become next Betamax or 8-track audio tape. Analog vs. digital war isn't even over. Luehrs said Zenith's analog equipment remains popular because of its lower cost: "Overall, there's still a very strong analog business, and it will stay that way even after digital is available in volume." S-A's hybrid 8600X series of set-top boxes is contributing to confusion among potential buyers, Luff acknowledged, because unit has many of capabilities of all-digital box at lower cost.

Cable industry is focusing on 2-way systems in anticipation of legislation and new competitive environment,

Luff said. He said sales of units designed to provide return path signals along cable virtually match sales of forward path units, which means "virtually everyone is installing full 2-way plant." Very little 550-MHz equipment is being sold, with almost everything providing 750 MHz of bandwidth, Luff said.

Equipment makers are looking to overseas market to offset domestic downturn. Zenith announced deal to sell 200,000 wireless cable decoders to Malaysia, and S-A said its percentage of overseas sales increased to 46.9% in most recent quarter, from 28.2% year ago. Asia and Latin America, in particular, are "just emerging" markets, Luehrs said. GI said international market accounted for 32% of its sales in quarter, and C-Cor Chmn. Richard Perry cited "strong" international sales.

GI and Zenith also are looking at alternative technologies to offset lower cable demand. For example, GI is counting on its MPEG-2-compatible DigiCipher decoders for satellite home dish and Primestar markets. Zenith is moving heavily into wireless cable business.

**COMCAST BUYS SCRIPPS HOWARD CABLE:** Comcast will vault into 3rd spot among largest cable MSOs with acquisition of Scripps Howard (S-H) cable systems with 800,000 subscribers, buyer said. Comcast agreed to exchange common stock valued at \$1.575 billion for all of S-H systems in tax-free deal. Deal, which isn't expected to close until late 1996 after regulatory and stockholder approvals, values systems at just under \$2,000 per subscriber -- 10-11 times cash flow.

Comcast outbid several cable operators, including TCI and Continental (latter currently is 3rd largest, just ahead of Comcast), for S-H systems. Continental bid \$1.3 billion in 2nd round after S-H said in March that it might sell systems. Deal will give Comcast 4.3 million subscribers, well behind TCI's estimated 14 million and Time Warner's 11 million.

Even though more than half of S-H systems are in large clusters, they don't cluster well with any Comcast systems. About 220,000 S-H subscribers are around Sacramento (Comcast's Cal. systems are mainly in southern part of state), and more than 100,000 each in Knoxville and Chattanooga. Smaller S-H systems are scattered around Colo., Fla., Ga., Ind., Ky., S.C., Va. Comcast said S-H systems generally have low average revenue per subscriber, which they believe can be boosted easily, particularly with addition of telecom services. Systems also were said to be attractive because they carry virtually no debt.

Comcast board, in bid to reassure investors on possible dilution of stock resulting from issuance of estimated 78.5 million new shares to S-H stockholders, approved plan to buy back up to \$500 million worth of its stock in open market or in private transactions. Exact number of shares that S-H receives will depend on Comcast stock price at closing time, with number to range from 15% below to 15% above 78-million figure. Representative of E.W. Scripps Trust is to get seat on Comcast board.

Westinghouse's \$5.4-billion purchase of CBS is scheduled for approval at FCC's regular agenda meeting Nov. 20, Commission sources said. In meeting with reporters, Chmn. Hundt refused to confirm report, saying it's "an internal matter" that Mass Media Bureau is working on.

**PTV THINKS ABOUT ATV:** To ensure position in advanced TV (ATV) world, public TV (PTV) stations need to start talking with partners, especially cable systems, attendees at Southern Educational Communications Assn. (SECA) conference session in Louisville were told last week. John King, La. Public Bestg. asst. dir.-engineering, envisioned scenario in which public broadcasters would have block of 6 digital channels block of channels for kids' TV, multilingual service, distance learning, station guide, calendar of events. Ayan Rubin, La. Public Bestg. educational services coordinator, said channels could be used for 24-hour instructional TV feeds (average now is 4-6 hours overnight), on-demand educational channels and subject-specific channels such as math-only or science-only.

"We have to start planning now," King said. He said ATV could allow 50% drop in equipment costs, better quality, more reliable equipment, lower power costs, increased capacity. PBS Satellite Services Dir. Ralph Schuetz said PBS is in stage 3 of its digital conversion from C-band to Ku-band transponders on AT&T Telstar 401. He said by Aug. 1997, when transition is expected to be completed, PBS not only will continue to offer same services it does now, it also will be able to devote more than one transponder to all new growth services, one for regional and live events coverage, almost one for new educational services. Schuetz said network is talking with potential educational partners, including U. of Nev., U. of Mo., Satellite Communications for Learning (SCOLA), Stanford and National TeleLearning Network, for use of capacity when it becomes available. PBS is maintaining one C-band transponder for direct-to-home subscribers who have no other access to PBS signal.

After 7 hours of debate, public TV (PTV) executives at conference concluded they couldn't decide how, or whether, CPB should change its grant policy. Broadcasters were presented with 4 issues: (1) How should CPB ensure universal access and ability of small stations to remain in systems if funding is cut drastically? (2) How CPB should use its grant structure to assure sufficient investment in shared programming and services? (3) How should CPB use grants to remove incentives to inefficiency? (4) How to use grants to get stations to reduce infrastructure and share resources?

Participants had trouble with definitions, including what's economically vulnerable station and how to define "grant policy." Broad support was evident for maintaining universal service, and most opposed CPB's imposing conditions on use of grants.

Although group as whole embraced idea of universal service, many disagreed on how far CPB should go in supporting "vulnerable" stations, and whether grant money should be used to prolong life of station likely to fold. Many said grants shouldn't go to overlapping stations or those in markets that refused to pursue cooperative ventures.

U.K.'s Independent TV Commission (ITC) decided not to regulate nudity in TV ads directly, following results of public survey. ITC said it decided not to draw up detailed guidelines because of difficulty in making them comply with public attitudes, which indicated that nudity may be acceptable in some contexts, not in others. "Although the ITC is not setting out new guidelines, it does urge those responsible... to study the report closely and to exercise appropriate restraint," said Frank Willis, ITC dir.-Advertising & Sponsorship. Survey was launched following May 1994 ad for Nutralia Shower Gel that showed woman's nipple for first time in U.K. ad.

**Walt Disney Co. and Cap/ABC will hold separate shareholders' meetings 10 a.m. Jan. 4 in N.Y. to vote on their \$19-billion merger.** Meanwhile, FCC should hold hearing on whether Cap/ABC-Disney merger is in public interest, Small Business Administration (SBA) Office of Advocacy said in letter to FCC Chmn. Hundt. SBA -- in response to Small Cable Business Assn. (SCBA) petition to deny transfer -- said merger could "reduce program diversity and inhibit the capacity of small cable operators to offer the most appropriate mix" of broadcast and cable programming. Agency said proposed license transfer is latest of recent actions that "call into serious doubt the Commission's intent to promote program diversity," including changes in syndication rules, prime-time access rules, caps on broadcast ownership of cable operators: "In addition, the Commission has increased the number of radio and television licenses that one person can own, further increasing concentration in the media. All of these increase the power of networks and large media conglomerates at the expense of program diversity."

**Long-rumored move is official:** Common Carrier Bureau Chief Kathleen Wallman leaves FCC Wed. (Nov. 9) to become deputy counsel to President Clinton. She will be succeeded at FCC by Wireless Bureau Chief Regina Keeney. Michele Farquhar, acting deputy asst. secy. and chief of staff at NTIA, will rejoin FCC later this year as chief of Wireless Bureau. Farquhar was legal asst. to Comr. Duggan and was vp of Cellular Telecommunications Industry Assn. before joining NTIA in 1993. Wallman assumes new job Nov. 13, reporting to newly appointed White House Counsel Jack Quinn, whom she described as her mentor from law firm of Arnold & Porter, where she worked before joining FCC in March 1994. Quinn replaces retiring counsel Abner Mikva. Asked if she might be involved in advising President Clinton on telecom matters, Wallman said she didn't know yet what her duties would be. She was deputy chief of Cable Services Bureau before becoming chief of Common Carrier Bureau in mid-1994.

**FTC will hold 4 days of hearings on telecom consumer protection issues Nov. 16, 17, 20, 21, Chmn. Robert Pitofsky announced.** Hearings at FTC Washington hq will include demonstrations of new technologies and testimony from more than 70 witnesses. Market will "undergo an incredible change due to new information technologies," Pitofsky said: "We need to stop now and look at how these innovations will change and improve the marketplace [and] make certain that consumer protection safeguards are built into the marketplace as the technologies are developed." Issues at hearing are expected to include "cybercash," TV shopping, 500-channel TV services, video on PCs. Witnesses are expected to include Time Warner Chmn. Gerald Levin, Consumers Union Co-Dir. Gene Kimmelman, Minn. Attorney Gen. Hubert Humphrey, Center for Democracy & Technology's Janlori Goldman, Bozell Chmn. David Bell, Yankelovich Vice Chmn. Arthur White.

**Commission on Presidential Debates recommended** three 90-min. televised debates in fall of 1996 between Democratic and Republican nominees for President, plus one debate for Vice President candidates. Debates would be held with single moderator and without panel of reporters asking questions. Commission, headed by Paul Kirk, ex-Democratic National Committee chmn., and Frank Fahrenkopf, former head of Republican National Committee, sponsored presidential debates in 1988 and 1992. They vetoed participation by news anchors of Big 3 TV networks because of their "star quality that we'd just as soon not get involved in the process," said Fahrenkopf.

**2 MORE RATE SETTLEMENTS:** Months after FCC finalized first mass cable rate resolution with Continental (TVD April 10 p5), Cablevision Industries (CVI) and TCI joined list of operators in working out similar arrangements. Together, proposed deals with FCC would result in \$9.37 million in bill credits affecting 5 million subscribers -- \$8.74 million for 4.6 million of TCI's subscribers, \$625,000 for 427,500 CVI subscribers, mostly in Columbia, S.C., area. Action would resolve 167 of CVI's outstanding complaints in 88 franchise areas and nearly 2,000 for TCI in 514 communities. Proposals also would allow companies to place 4 regulated channels on Migrated Program Tiers (MPT), Commission said. Complainants and franchise authorities must file comments by Nov. 29.

Deals follow string of similar proposed agreements between FCC and large MSOs over last few months, many of which have angered local govt. officials who want pre-comment-period access to process. At least one group of cities has contemplated suing Commission (TVD Sept 25 p9). FCC Cable Bureau Chief Meredith Jones stood by process, saying "we'll take the comments seriously" during 30-day period but Bureau has no plans to invite cities into settlement negotiation stage.

Deal could be particularly important for TCI, which has had more than 378 rate rejections since 1992 Cable Act went into effect, because it would supersede all previous rate rejections. Jones said 359 of those are on appeal and refund process hasn't begun on rest, so no disruptions of refund schedules should occur because of proposed settlement. FCC has upheld 113 of TCI's rate filings. Richard Treich, TCI vp-regulation, said company sought deal to speed up "slow and arduous process" it surely would have faced at Commission to resolve remaining complaints. TCI would credit each subscriber with \$1.90 and agree not to submit any more cost-of-service filings before May 15, 1996, in franchise areas where complaint was filed before Sept. 15. TCI would be able to file "abbreviated" cost-of-service showings covering upgrades and incentive upgrades and to adjust rates for external costs and inflation without prior FCC approval, according to proposal. Commission also would deem as "not unreasonable" TCI's expanded basic rates as of Sept. 15, and allow it to move up to 4 regulated channels onto new MPT.

CVI complaints covered about 90 communities, Commission said, but only 40% were found in violation of rate rules, mostly in Columbia, S.C., area. In those, CVI agreed to convert tiers it previously had billed as a la carte packages into regulated MPTs.



**Retlaw Enterprises** is buying 4 small-market TV stations from Northwest TV, price not announced: KBCI-TV (Ch. 2) Boise, Ida., and in Ore. KVAL-TV (Ch. 13) Eugene, KCBY-TV (Ch. 11) Coos Bay, KPIC (Ch. 4) Roseburg. All 4 are CBS affiliates. In other deals: (1) Clear Channel Communications closed on its \$30-million purchase of WHP-TV (Ch. 21, CBS) Harrisburg from group headed by Ralph Becker, and signed local marketing agreement to operate WLYH-TV (Ch. 15, CBS) Lancaster-Lebanon in same market. (2) Hearst is buying WTMV (Ch. 31, Ind.) Lakeland, Fla., from Public Interest Corp. for \$25 million.

President Clinton signed digital performance rights legislation. Recording Industry Assn. of America Pres. Jay Berman commended Administration "for having the foresight to protect copyright holders as the U.S. sound recording industry enters into the digital age." Bill passed Congress Oct. 17.

**Arguments being used** by broadcasters in opposing FCC proposals in several areas could come back to "haunt" them, Commission Chief of Staff Blair Levin said. Addressing Ariz. Bestrs. Assn. in Tempe, he predicted First Amendment arguments against quantitative standards in children's TV "will be Exhibit A in the cable industry's case against must-carry." And, he said, logic of argument of some broadcasters that marketplace will ensure that public interest is served "is that the free market is sufficient to protect broadcasters from bad channel placement or affiliates from network power." Broadcasters' argument that localism must be protected from digital audio radio (DARS) "has no force if one agrees with the broadcasters' arguments in other contexts that the public interest is measured solely by what interests the public," Levin said. "And, if the broadcasters are right that the FCC shouldn't adopt enforceable and clear public interest requirements, it's hard to see the justification for allowing free access to the public's airwaves." He said that "no matter what rhetorical rockets" are fired at FCC Chmn. Hundt's year-long effort to develop productive dialog with industry seeking unified theory of broadcast policy, his effort will continue "because that's the only way to ensure that the public interest and the private interest of broadcasters can be advanced."

**FCC denied leased access** network 90s Channel petition for emergency stay of TCI rate increase, prompting network to pull programming from 7 TCI systems with 600,000 subscribers. Channel, arm of Denver Area Educational Telecommunications Consortium (DAETC), said it can't afford "massive rate increase" to about \$240,000 per month. Affected systems are in Baltimore, Boulder and parts of Denver suburbs, portions of suburban Detroit, parts of L.A., Santa Cruz County, Cal., some suburbs of Hartford. FCC said TCI used "precisely the procedures required" to calculate leased access rate and said DAETC could lease part-time slot "at a fraction of the cost of a full-time leased access channel" but had turned down TCI's offer to do so at prorated schedule. Although liberal network has criticized TCI in past for favoring conservative content, 90s Channel Pres. John Schwartz said issue has "a couple of different layers," mainly that "leased access is not working" under current FCC rules. TCI had argued that 90s Channel's inability to pay leased access rate showed lack of commercial viability. (Further details are in current issue of Warren's Cable Regulation Monitor. For copy, call Betty Alvine at 202-872-9200.)

**Senate Public Works Committee** joined its House counterpart in authorizing General Services Administration (GSA) to negotiate lease for FCC to move to Portals in Southwest Washington. Commission resisted move under earlier contract on grounds that space wouldn't be large enough and that it wasn't close to public transportation, but developer of Portals project won suit against govt. Congress hasn't provided funds for move, which GSA and FCC estimate will cost \$40 million, and construction on building that would house Commission hasn't started, according to memo to agency employees from Office of Managing Dir. One of reasons cost is so high, memo said, is that moving experts have told agency that up to 75% of its furniture and equipment is too old to survive move. If move takes place, it's now expected to begin in 2nd half of 1997 and take up to 6 months.

**MCI elected News Corp.** Chmn. Rupert Murdoch to its board. In May, MCI and News Corp. announced venture to create information and entertainment services, including Delphi.

**FCC MOVES ON DBS RULES:** FCC launched rulemaking (NPRM) on proposed rules for auctioning DBS slots and frequencies and additional rules for DBS. Chmn. Hundt and Comrs. Quello, Ness and Chong voted on circulation in favor of action. Comr. Barrett dissented in part to one item, saying: "Given our ambiguous precedent with regard to due diligence criteria for DBS, [Advanced] should have been deemed in compliance with the Commission's due diligence standards." Comments are due Nov. 20, replies Nov. 30. Vote on rules is set for Dec.; auctions could begin by Jan.

Advanced Communications, meanwhile, filed notice of appeal with U.S. Appeals Court, D.C., of FCC decision revoking its DBS permit and auctioning off its frequency. Advanced attorney Robert Corn-Revere said claim will attack FCC International Bureau's finding that Advanced hadn't met diligence requirements, as well as "3 commissioners' preoccupation with auctions." FCC Chmn. Hundt said he expected Advanced to lose appeal: "Justice [John] Stevens's language sends a strong signal to appeals courts that the FCC knows what it's doing on auctions." Stevens recently vacated stay of FCC PCS auctions and backed their legality.

Decision to auction DBS spectrum reclaimed from Advanced Communications "does not foretell" whether FCC also will auction other satellite spectrum, International Bureau Chief Scott Harris said. He said Hundt recognizes that "satellites pose unique issues." Meanwhile, he said, FCC plans roundtable Dec. 19 to discuss with industry plans to overhaul satellite licensing procedures.

In NPRM, FCC proposed to auction 28 channels at 110° and 24 channels at 148° that were taken from Advanced after agency held that it didn't meet due diligence requirements. Commission also proposed new service rules, some of which would apply to existing permittees. Rules would set unspecified performance criteria for new permittees, guard against potential anticompetitive conduct of DBS providers, ensure service to Alaska and Hawaii.

Meanwhile, FCC policymakers have differing views on whether aggressive timeline for awarding new DBS license by Jan. can be met. Quello said proposal is too aggressive and Barrett said it's "wholly unrealistic" and may "further delay service." Ness said allowing transfer of Advanced's slots to Primestar may have resulted in service faster, but "ultimately I find that [that argument is] outweighed by the need for credible reinforcement of our rules and even-handed treatment of potential DBS providers."

Results of TCI's Intelligent TV (IT) test are "very encouraging," Research Dir. Peter Gatseos said. He said year-long test in Mt. Prospect, Ill., showed that "good percentage" of subscribers will use enhanced digital services when they're introduced next year. Results showed: (1) Nearly half of 1,400 subscribers in test subscribe to \$1.25-per-channel a la carte services or packages. (2) Pay-per-view usage at \$2.99, rather than \$3.99, is about 2-1/2 times as high as industry average, but added convenience is as important as cost saving. (3) Penetration of multiplexed premium channels is about twice that of single-channel services. (4) Overall customer satisfaction is up 14 percentage points. (5) TV Guide On Screen users show significantly higher viewing of pay services. IT offered 30 enhanced pay-per-view channels, 14 a la carte channels, 7 premium multiplex channels, parental control options, on-screen menu. Test was to evaluate alternative pricing strategies, digital channel lineups, operational issues, marketing.

**FCC eliminated right of first refusal that it earlier granted to winners of ITFS auctions at request of several educational and ITFS groups. In order on reconsideration, Commission said it was convinced by arguments that current ITFS licensees need to ensure that lessees are stable, technically competent, supportive of education. Current licensees also said first refusal right would lower price that potential lessees would offer. Original rules had said that winners of any Basic Trading Area (BTA) auctions would be able to match best offer for excess channel capacity held by existing licensees. In other actions on reconsideration of same decision, Commission said: (1) It won't approve blanket license allowing auction winner to build transmitters anywhere within BTA because that would eliminate opportunity for staff to discover possible interference problems. (2) It set 10-year license term and said winners can expect renewal if they comply with FCC rules and demonstrate "substantial service." (3) BTA winners can add stations after 5-year buildout period. (4) It declined to specify that channels can be used only for video. (5) It allowed licensees and applicants to collocate protected service area with that of incumbent. (6) FCC declined to increase size of upfront payments despite claims it would discourage speculation.**

**Time Warner (TW) right to "exercise editorial discretion" was impinged upon by federal court grant of preliminary injunction barring cable operator from scrambling sexually explicit programming, TW attorneys argued in appeal to 2nd U.S. Appeals Court, N.Y. TW's restriction was private, not public, policy, so it's free of "First Amendment scrutiny," attorneys said. Policy, which was to take effect Oct. 1, would have limited sexually explicit programs to late night and early morning and scrambling for all subscribers except those returning from specifically requesting shows. About 50,000 of TW's 290,000 N.Y.C. subscribers had requested programming when U.S. Dist. Court Judge Leonard Sand, N.Y., issued injunction. TW said it's permitted to scramble programming under cable indecency rules in 1992 Cable Act allowing operators to restrict sexually explicit programming, but prevented them from banning it altogether. Coalition of programmers including Al Goldstein's Media Ranch and Robin Byrd's Kee-Byrd Productions filed suit in Sept. arguing that TW policy violated First Amendment and would reduce their audience and revenue.**

**After 20 months of negotiations, NBC presented proposed 5-year contract to NABET/CWA employees calling for wage increases of about 3% each year. Network also is seeking increase in daily-hire cap of nonunion employees to 35% from 15% and told union that would be withdrawn if it isn't ratified by Dec. 15. Union Pres. John Clark said proposal "squeezes employees out of both the current technology and the future technology" through daily hires, and some of NBC changes were "stingy, mean-spirited and cheap." Union members will vote by mail, with results to be announced Dec. 7. NABET/CWA employees at NBC have been working without contract since March 31, 1994.**

**FCC denied reconsideration, sought by NAACP, of license renewals of WWJQ(AM)-WJQK(FM) Zeeland, Mich., saying Assn. had failed to present any new information. NAACP charged stations had failed to hire minorities until petition to deny had been filed against them. In another case, National Rainbow Coalition asked Commission to deny renewals of N.C. stations WKXB(FM) Burgaw, WPET(AM)-WSKIF(FM) Greensboro, WLXN(AM)-WWGL(FM) Lexington, WJKY(AM)-WJXY(FM) Conway, S.C. Coalition said stations haven't complied with FCC's EEO rules in 1988-1995 period.**

## Personals

**Keith Larson**, chief of LPTV Branch, FCC Mass Media Bureau, promoted to asst. Bureau chief-engineering, replacing **William Hassinger**, retired... **James McKinney**, chmn., Advanced TV Systems Committee (ATSC), announced resignation, effective Dec. 15; before retiring from FCC in 1987, he was chief of 3 separate bureaus and in 1987-1989 was dir. of White House Military Office... **Rose Desput**, administrative asst. to **Charles Sherman**, NAB senior vp-TV, promoted to exec. asst., NAB Office of President... Elected by N.Y. State Bestrs. Assn.: **Michael Eigner**, WPIX N.Y., pres.; **Linda Cochran**, WSYT Syracuse, vice chmn.-TV; **Ralph Christian**, WECK(AM)-WJYE(FM)-WYRK(FM) Buffalo, vice chmn.-radio.

**Michael Rosenfeld**, ex-TV agent at Creative Artists Agency, named ABC Entertainment senior vp, new post... **Stuart Bloomberg**, Cap/ABC vp-comedy and variety series development, promoted to pres.-TV creative services, also appointed to Lifetime TV board... **Linda Mancuso**, NBC vp-primetime series and Sat. morning programming, named pres., Peter Engel Productions, effective Jan. 1... **John Krieger**, NABET/CWA asst. to network coordinator, appointed network coordinator, succeeding **Thomas Kennedy**, retired... **Randy Hoffner**, ex-NBC and more recently Sony Digital Betacam product mgr., joins CBS-TV Network as mgr., broadcast distribution engineering... **Melissa Harold**, ex-Bender, Goldman & Helper, appointed NBC Entertainment senior press mgr.-entertainment press & publicity.

**John Covas**, Buena Vista TV vp-finance and administration, promoted to Walt Disney Pictures and TV senior vp-information services... **Mark Workman**, ex-vp-mktg., Buena Vista TV, appointed Turner Home Entertainment vp-integrated mktg... **Hope Neiman**, ex-mktg. consultant, named vp-mktg., Disney Interactive Entertainment Group... Changes at WCBS-TV N.Y.: **Bob Klingle**, gen. sales mgr., advanced to dir.-sales, succeeded by **Joanne Cini**, sales mgr... **Robert Kalthoff**, ex-WSBT South Bend, named vp-gen. mgr., KYMA Yuma... **Laura Walker**, ex-Children's TV Workshop vp-project dir., appointed pres.-CEO, WNYC-AM-FM N.Y.

Changes due to restructuring at CPB: **Carolyn Reid-Wallace**, senior vp-education, heads merged offices of Education and Programming; **Don Marbury** and **Peggy O'Brien** advanced to vps for programming and education, respectively; **Michael Schoenfeld** promoted to senior vp, will head new Office of Policy & Public Affairs consisting of former offices of corporate communications, policy development & planning, system human resources development, computer information services; **Ted Coltman**, dir.-policy development & planning, becomes exec. dir.-new media.

Changes at A&E TV Networks: Dir.-Magazines **Paulette McLeod** promoted to vp-publishing & print services; **Todd Tarpley**, History Channel mgr.-research and training, appointed A&E mgr.-new media... **Linda Simensky**, ex-Nickelodeon dir.-animation, named dir.-programming, Cartoon Network.

**David Robinson**, ex-AT&T Network Systems, named vp-gen. mgr., General Instrument Digital Network Systems business unit... Additions at Macrovision: **Mark Belinsky**, ex-Electronic Marketplace Systems, named vp-worldwide theatrical and pay-per-view anticopy systems; **Patrice Capitant**, ex-Radius, appointed dir.-engineering.

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**EDITORIAL & BUSINESS HEADQUARTERS**  
 2115 Ward Court, N.W., Washington, D.C. 20037  
 Phone: 202-872-9200 Fax: 202-293-3435  
 e-mail: warrenpub@inter ramp.com

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**NEW YORK BUREAU**  
 276 Fifth Ave, Suite 1111, N.Y., N.Y. 10001  
 Phone: 212-686-5410  
 Fax: 212-889-5097

David Lachenbruch . . . . . Editorial Dir.  
 Paul Gluckman . . . . . Assoc. Editorial Dir.  
 Mark Scavay . . . . . Associate Editor  
 Cindy Spielvogel . . . . . Associate Editor

**CONTRIBUTING EDITOR, EUROPE**  
 Barry Fox  
 5 Dennis Rd.  
 Hampstead, London NW3 1ST  
 Phone: (071) 435-6244

**JAPANESE REPRESENTATIVE**  
 Editorial and Circulation  
 CES International Corp.  
 1-11-8 Nishi Shinbashi, Minato-ku  
 Tokyo 105, Japan  
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**TCI and News Corp.** have formed alliance to launch global sports programming services. TCI and its Liberty Media affiliate will contribute their regional sports networks and Spanish-language sports channels to alliance. News Corp. contributes FX cable network, Star sports channel in Asia, unspecified amount of cash. Plan calls for FX, which carries old movies and TV reruns in U.S., to be converted to general entertainment and sports network, and for regional sports networks to be relaunched under Fox Sports banner. Venture will operate existing sports services in Asia, Latin America and Australia, as well as launch new services throughout world with exception of U.K., Japan and New Zealand, where prior arrangements preclude "immediate collaboration." Fox Sports Pres. David Hill is CEO of joint venture and will continue Fox Sports role, and Anne Sweeney remains CEO of FX, but both will report to joint venture board.

**Chicago City Council** delayed action until Wed. (Nov. 8) on measure that would allow Cable Commission to start franchise negotiations with overbuilder 21st Century, which wants to compete for TCI's 100,000 subscribers in Area 1 along lakefront. Council's Finance Committee earlier recommended granting authority. Overbuild would be among largest ever.

# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

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

	OCT. 14-20	1994 WEEK	% CHANGE	OCT. 7-13	42 WEEKS 1995	42 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	743,541	762,354*	- 2.5	521,607	19,794,120	20,767,270*	- 4.7
DIRECT-VIEW....	720,442	744,248*	- 3.2	503,481	19,224,843	20,317,594*	- 5.4
TV ONLY.....	682,121*	680,398	+ 0.2	476,941	17,618,856	18,771,514*	- 6.1
TV/VCR COMBO..	38,321	63,398	-39.6	26,540	1,605,987*	1,546,080	+ 3.9
PROJECTION.....	23,099*	18,106	+38.4	18,126*	569,277*	449,676	+26.6
TOTAL VCR**.....	319,367	503,522	-36.6	223,946	11,519,629*	11,326,489	+ 1.7
HOME DECKS.....	281,046	440,124	-36.1	197,406	9,913,642*	9,780,409	+ 1.4
CAMCORDERS.....	70,772	72,355	- 2.2	26,648	2,636,772*	2,405,636	+ 9.6
LASERDISC PLAYERS	4,688	5,958	-21.3	2,222	201,125	215,722	- 6.8

Direct-view TV 5-week moving average: 1995--680,589; 1994--718,760\* (down 5.3%).

VCR deck 5-week moving average: 1995--337,375; 1994--403,396\* (down 16.4%).

TV/VCR 5-week moving average: 1995--55,381; 1994--60,582\* (down 8.6%).

Camcorder 5-week moving average: 1995--91,699\*; 1994--87,885 (up 4.3%).

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

**TV MARKETERS BATTLE INVENTORIES, PRICE CUTS:** As manufacturers battled high inventories of 35" TVs and projection, Wal-Mart last week shook industry by advertising \$499 tag on Sanyo 31" TV -- one screen size area where inventories actually are tight.

Manufacturers were blaming themselves for excess inventories, citing overproduction and pledging to be more conservative in 1996. Despite hefty record-breaking sales in both categories, projection and 35" pipeline inventory stood at 9 and 15 weeks, respectively, or about 140,000 sets each, by late Oct., latter down from high of 21 weeks in Sept. In most other areas, inventories are in at least fair balance, considering decline in TV sales.

"I think everybody will be a little more sensitive to the realities of the market in 1996 -- everyone you sell is going to be sold at the projected price," said Thomson Consumer Electronics (TCE) Exec. Vp Joseph Clayton. "I'm not going to carry as much inventory next year as I did this year, not after industrywide [TV] sales went down 5%. Who's going to build more inventory if there's uncertainty about how big the market's going to be? Everybody built to a 5%-plus market in 1995 and no one believed it was going to be down 5%."

New low 31" price could be short-term shock, as most manufacturers are dropping that size in favor of 32". But manufacturers also remember impact of Wal-Mart's moving 25" TV to \$279 in 1993, turning one-time profit generator into commodity product. And with price competition already fierce in 30-32", jump to 35" will become even more difficult, industry officials said. "We're at risk of causing compression in pricing [of 35"] if the industry doesn't get more realistic in its 30-, 31- and 32-inch pricing," Zenith Sales Pres. Gerald McCarthy said.

Prospects for 1996 will hinge on ability of holiday sales to clear excess inventory and of manufacturers to scale back production, Toshiba TV/VCR Mktg. Vp Stephen Nickerson said. Inventory problem actually began in last 30 days of 1994 when manufacturers built huge volume in anticipation of strong holiday sales that never materialized.

But while manufacturers weigh production cutbacks, retailers are experiencing bonanza of deals on excess inventory. "For a buyer this is heaven, but next year it's going to be hell because they're cutting back

production," East Coast dealer said. Yet while industry has been faced with "incredibly flat" retail market, Mitsubishi Audiovideo Div. Pres. Jack Osborn cautioned against "overreaction" in slowing production, noting that Olympic year usually means spurt in TV sales (TVD Oct 23 p10).

In 13-27" sizes, inventories are more in line with sales at around 8 weeks' supply. Lone exception appears to be 20", caught between low-priced 19" and continued drop in 25". Inventories of smaller sizes are up -- since most are built overseas, production cycles were established before devaluation of Mexican peso and Ch. 11 bankruptcy filings of Bradlees and Caldor, both strong sellers of smaller sets. "These aren't the type of guys that order 24 pieces when they want to run a flyer, so if they don't have enough in their checking accounts that's going increase availability," executive at CE company said.

In other product categories, camcorder inventories appeared light at around 53,000 units as of late Oct., down from 65,000 year ago. Meanwhile, stocks of 4-head hi-fi VCRs were nearly double year ago at 626,000, while 4-head and 2-head mono declined.

**750 COMPANIES MAKE CE PRODUCTS IN U.S. -- CEMA:** Backing up change in name of EIA's Consumer Electronics Group to Consumer Electronics Mfrs. Assn. (TVD Oct 23 p10), CEMA last week made clear that the "M" in "CEMA" was put there on purpose.

CEMA Pres. Gary Shapiro unveiled new set of statistics at N.Y. news conference indicating: (1) Some 750 companies manufacture or assemble consumer electronics products in U.S. (2) 50% of CE products sold in U.S., in factory dollars, are made or assembled here. (3) U.S. CE manufacture employs 180,000. (4) CE products are manufactured in 38 states. CEMA defines "manufacture or assemble" as: (a) Producing most of components and assembling them. (b) Building some components and purchasing other finished subassemblies and components from U.S. and import sources to assemble product. (c) Assembling product "almost entirely" from materials and components purchased from other U.S. and import sources.

Particularly stung by recent reference in Congress to EIA as "organization that represents... foreign TV manufacturers" (TVD July 31 p15), CEMA clearly is aiming to increase its clout with "key policymakers," as Shapiro put it. As proof of CE's contributions to U.S. economy, CEMA said its research shows that annual spending on CE per household grew to average of \$784 in 1995 from \$84 in 1975, based on current dollars. It said TV manufacturing alone "directly employs 23,000 people in U.S." and stores selling CE products employ additional 3.4 million.

CEMA unveiled survey based on 2,017 phone interviews showing top 3 items consumers plan to purchase for holiday season are cordless phones, color TVs and VCRs, with 38% of consumers likely to buy computers in holiday season or 1996.

CEMA, which has gained 56 company members this year, could be on way to becoming tail that wags EIA -- recalling first time EIA's CEG, then Consumer Products Div. (CPD), attempted to become autonomous trade group within EIA more than 25 years ago. Although it became eligible under EIA reorganization to become Consumer Electronics Group, it voted instead to change its name to "Consumer Electronics Assn." (CEA). That met with stone wall from EIA officers and other divisions, one EIA official commenting that organization shouldn't be split up into "bunch of groups, clubs and ding-dongs" (TVD June 30/69 p10).

As result of name-change request, CPD was accused of preparing to secede from EIA, and its staff vp Jack Wayman was fired. After actual secession threat, split was healed next year with reinstatement of Wayman, more autonomy for Div., which gave up CEA proposal and accepted group status (as CEG), followed by resignation of EIA's Pres. George Butler.

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Shapiro said his group expects no trademark problems in using new CEMA acronym because similarly named organizations aren't engaged in competitive activities. Spokeswoman at EMI Records Group, which includes CEMA Distribution subsidiary that markets Capitol-EMI music labels, said her company is studying EIA group name change. Acronym also is used by Construction Equipment Mfrs. Assn.

**IMPORTERS APPLYING BRAKES ON TV/VIDEO:** Imports of TV and video products, which have been geared toward record sales for most of year, suddenly have turned downward -- presumably in realization that tide has turned and inventories are mounting.

Commerce Dept. data for Aug. show imports of direct-view color (excluding VCR combinations) dropped 12% from year earlier and were down 1.6% for year's first 8 months, as result of brakes that were applied starting in July (TVD Oct 9 p11). Imports of VCR decks were down 6.7% in Aug., 2nd month of decline, but still up 7.6% for year. Camcorders fell 4.7%, with both 8mm and VHS formats down, but were up 14.2% for 8 months as result of steady increases through July.

TV/VCR combo imports may be running out of control as too many countries gear up for production as result of 1994 boom -- clashing head-on with softening market. While 8-month sales of combos were up 6.1% in U.S. (TVD Sept 11 p10), imports surged 75.2%, as 1,532,800 combos entered U.S. in period when 1,222,000 were sold to dealers -- latter figure including domestically assembled combos as well as imports. In 8 weeks since Aug., U.S. combo sales were down 2.7% from 1994 weeks as result of 39.4% decline in first 3 weeks of Oct.

Camcorder imports continue to show reversal of earlier pattern when VHS (including VHS-C) demonstrated bigger growth than 8mm. In Aug., 8mm represented 41.4% of imports, compared with 37% for year's first 8 months. Japan continued to dominate camcorder manufacture, 96.5% of U.S. imports coming from that country in Aug., rest from Korea. That could change in view of recent report that Sony is considering farming out camcorder assembly to plants in China, Thailand and Malaysia to hold down costs (TVD Oct 30 p14).

As VCR source, Japan as fallen to 3rd place for year to date, Korea becoming 2nd to Malaysia. Korea recently has been challenging Malaysia as No. 1 source, moving to first place in July and Aug. In Aug., China passed Indonesia to rise to 4th place in VCRs (after Japan), but still was 5th for full 8-month period (see breakdown by country, this issue).

Mexico increased its domination of color TV during year, supplying almost 7.5 million of total 10.8 million imports. In Aug. it was only country to supply more than million sets -- Malaysia ranking 2nd with only 223,000. However, Malaysia continued to be top source of TV/VCR combos, followed by Thailand and Mexico for 8-month period. Hungary, whose Philips plant supplies U.S. operation with combinations, was source of almost 30,000 in year so far. Taiwan and Singapore, once major sources of color TV, now have virtually dropped out of picture.

Imports of CD players in Aug. set record for any month at more than 1.5 million, up 28.7% from year earlier. For first time, Japan sank to No. 2 as CD player source, beaten out by Malaysia, 581,250 to 440,200, with China No. 3 at 357,300. Here's tabulation of imports, based on Commerce Dept. data:

Product	Aug. 1995	Aug. 1994	% Chg.	8 Mo. 1995	8 Mo. 1994	% Chg.
Total color TV...	1,614,700	1,717,700	- 6.0	10,893,900	10,354,300	+ 5.3
TV/VCR combos..	225,600	146,900	+53.6	1,532,800	875,000	+75.2
Projection.....	28,300	24,500	+15.8	136,100	104,500	+30.2
Flat-panel color*	55,400	78,700	-30.2	371,300	346,300	+ 7.1
With VCR.....	450	125	+260.0	7,400	1,300	+486.3
Monochrome TV....	148,900	163,200	- 8.8	960,100	1,007,800	-13.3
VCR decks.....	1,709,000	1,831,300	- 6.7	11,017,300	10,241,600	+ 7.6
Camcorders.....	306,300	321,600	- 4.7	2,272,600	1,989,200	+14.2
8mm.....	126,700	131,200	- 3.4	842,000	762,100	+10.5
Other.....	179,600	190,400	- 5.7	1,430,600	1,227,000	+16.6
Videocass.players	127,400	136,200	- 6.5	713,000	750,500	- 5.0
CD players.....	1,519,700	1,180,600	+28.7	9,282,800	6,277,600	+47.9

\* Not included in total color.

**PROJECTAVISION PLANS MICROMIRROR TV:** Add to list of companies planning to market projection TV systems based on Texas Instruments' Digital Light Processing (DLP) technology using Digital Micromirror Device (DMD) chips: Projectavision.

Company says it will demonstrate projector based on its "Chameleon" design of interchangeable front and rear projection (TVD Aug 7 p16) at CES in Jan. for marketing as consumer product next fall. Projectavision Pres. Martin Holleran said company has lined up suppliers for unit whose display system will

be made by TI. Mktg. & Administration Vp Sherman Langer told us work on DLP technology is going on in parallel with Projectavision's LCD system and will reach market first.

Projectavision becomes 9th company to announce plans for DLP projector -- 6th in U.S. and 5th to plan consumer version. Other U.S. licensees announced so far are Vidikron and Runco for consumer systems, and Proxima, In Focus and nView for commercial systems. In Europe, Nokia has announced consumer system, and Rank Brimar plans commercial model. Electrohome of Canada says it will introduce commercial version. Sony worked with TI to develop electronics for ultimate DLP projector, but its officials say they view system as commercial rather than consumer product, and have announced no plans for either. Most major CE companies have viewed demonstrations of system and some are believed to be in serious discussion with TI. TCE and Zenith say they have no plans to introduce products using system.

Rank Brimar recently completed tour of U.S. demonstrating its high-end version and is now displaying it in U.K. Our London correspondent reports demonstration used 9x12-ft. screen, with 1,500-xenon lamp as light source. "Even in normal room lighting the picture was very bright," he writes. "What really shocks is the complete absence of scanning lines and flicker. Source material was video and film... I was shocked that PAL could look so good."

At same demonstration, TI's David Monk confirmed that long-term target is consumer market. At professional end, "we now know we can make high-definition [HD] Micromirror Devices -- this may be the first product that makes HD display affordable. But when you look at the pictures we can get from standard TV resolution, it may be the product that makes HD unnecessary."

**Caldor shareholder filed class-action suit** charging executives made false and misleading statements that inflated stock price before Chapter 11 filing in Sept. Suit in U.S. Dist. Court, Hartford, by Dominic Pagnetti alleged executives continued to maintain retailer had adequate financing through mid-1996 despite fact that banks and trade factors started to tighten credit in June. Pagnetti bought 400 shares in Aug. Caldor, which operates 166 stores in 10 northeast states, filed for Ch. 11 citing possible shortage of merchandise in 4th quarter (TVD Sept 25 p18)... U.S. Bankruptcy Court judge approved new 5-year contract for Bradlees Chmn.-CEO Mark Cohen. Bradlees, which filed for Ch. 11 in June (TVD June 26 p18), requested approval for new pact that would eliminate 200,000-share stock option, replace it with target bonus equal to 65% of his \$900,000 annual salary (TVD Oct 9 p17).

**Electronic Entertainment Expo (E3)**, which made debut in L.A. last year, is moving to Tokyo next Sept. 19-21. First E3 drew 420 exhibitors, 40,000 attendees and took up 360,000 sq. ft. of show space; organizers are predicting Tokyo will top that. Putting show together is International Data Group (IDG), which has licensed event from Interactive Digital Software Assn. (IDSA) for Japan. IDG subsidiary IDG World Expo/Japan will team up with IDG's Infotainment World magazine to produce show. Japanese partners for event include such top media players as TV Asahi, Asahi Shimbun, Tokuma Shoten Intermedia.

**Direct-view color sales** (excluding TV/VCR combinations) set record for 42nd week of year, up 0.2% from preceding record for week set in 1994 (see State of the Industry). It was just 3rd weekly record this year for that category. However, except for projection TV, everything else in 3rd week of Oct. was horrible -- TV/VCR combos down 39.6% from year earlier, VCR decks down 36.1%, camcorders down 2.2%. Nevertheless, for year to date, sales of combos, VCRs and camcorders still were at record pace, as was projection TV.

**LG Electronics announced** it and subsidiary LG Semicon have arranged up to \$280 million bank financing to cover 80% of \$351 million purchase price of 57.7% of Zenith stock. Special shareholder meeting Nov. 7 is to vote on sale, with consummation expected next day (TVD Oct 23 p9).

**Sun TV will open largest store** -- 70,000 sq. ft. -- replacing 40,000 sq. ft. outlet in Cleveland by mid-1996, company said. Store is one of Sun's 6 in area and is part of retailer's move to Sun TV Super Savings Centers format launched in Cincinnati (TVD Jan 2 p14). Chain also plans to open stores in Lancaster and Beavercreek, O., by early 1996 and expand W. Va. to 3 outlets with addition of Beckley and Charleston locations by mid-1996. Overall, Sun plans to open 5 new stores in fiscal 1996 and to continue replacing existing ones with versions of 40,000-50,000 sq. ft., Pres. Robert Oyster said, adding that about 1/3 of chain has been converted to superstore format. Sun is continuing to weigh options for boosting share value, including sale or possible merger (TVD July 3 p13), he said, but isn't "actively" seeking deal.

**Intentions to buy TV sets** declined in Oct. to lowest point since last Jan., Conference Board reported. Preliminary results of survey showed only 5.7% of households planned to buy in next 6 months, down from 6.3% in Oct. 1994 and revised 6.9% in Sept. 1995. Low point last Jan. was 4.4%. Highest percentage this year was 8.4% in May. Buying intentions frequently reflect current purchase rate. Jan. 1995 was poorest color-TV sales month since Jan. 1992 and had lowest annualized sales rate of year so far for direct-view TV (20.6 million), while May had 2nd highest (24.1 million).

**Wiz will enter Mass.** in Dec. when it opens 60,000-sq.-ft. store in Holyoke. Outlet is said to be precursor to chain's expansion into Boston area, possibly by 1996. Retailer entered Albany earlier this year and is increasing presence in N.J., where it's scheduled to open stores in Bricktown, Jersey City, Paramus and Morristown this month. Wiz is said to be preparing to close rest of its Washington-Baltimore music stores by end of 1996 and replace them with superstores. It has closed 9 of 13 stores there this year (TVD Oct 30 p12).

#### THIS WEEK'S YEN RATE

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

**JAPAN NO. 3 IN VCRs:** Japan sank to 3rd place as VCR source for year's first 8 months, as it was passed by Korea. Malaysia retained first place for year to date, but was beaten by Korea in Aug. Based on Commerce Dept. import data, here's tabulation of VCR and TV imports by country of origin:

VCR Decks					
	Aug.	% Chg.	8 Months	% Chg.	
<b>TOTAL.....</b>	1,709,000	- 6.7	11,017,300	+ 7.6	
<b>Malaysia..</b>	323,000	-11.5	2,441,500	+11.7	
<b>Korea.....</b>	408,900	+20.2	2,160,400	+ 6.4	
<b>Japan.....</b>	322,200	-14.6	2,103,200	-15.3	
<b>Indonesia.</b>	207,400	+ 2.8	1,321,700	- 1.0	
<b>China.....</b>	226,100	+34.3	1,265,300	+63.1	
<b>Thailand..</b>	142,800	-23.3	954,800	+14.2	
<b>Singapore.</b>	73,700	-58.8	690,800	+27.2	
<b>Hong Kong.</b>	200	-98.6	44,150	+181.4	
<b>Taiwan....</b>	3,600	-40.6	19,600	-20.5	
TV Sets**					
<b>TOTAL.....</b>	1,735,300	- 6.4	11,721,900	+ 3.2	
<b>color....</b>	1,586,400	- 6.3	10,761,900	+ 5.0	
<b>TV/VCR..</b>	225,600	+53.6	1,532,800	+75.2	
<b>b&amp;w.....</b>	148,900	- 8.8	960,100	-13.3	
<b>Mexico</b>					
<b>color....</b>	1,113,900	- 5.0	7,461,900	+ 8.7	
<b>TV/VCR..</b>	68,500	+18.4	450,800	+56.4	
<b>Malaysia</b>					
<b>total....</b>	231,700	+13.3	1,496,200	+ 2.7	
<b>color....</b>	223,400	+15.4	1,443,000	+ 9.1	
<b>TV/VCR..</b>	101,300	+35.3	678,900	+59.1	
<b>b&amp;w.....</b>	8,300	-24.2	53,300	-60.2	
<b>Thailand</b>					
<b>color....</b>	129,400	-33.8	1,041,500	- 1.2	
<b>TV/VCR..</b>	28,800	+165.8	452,000	+521.0	
<b>China</b>					
<b>total....</b>	130,500	-20.0	926,200	-12.0	
<b>color....</b>	41,500	-23.9	306,900	- 7.8	
<b>TV/VCR..</b>	1,000	*	10,200	*	
<b>b&amp;w.....</b>	89,000	-18.0	619,300	- 7.8	
<b>Korea</b>					
<b>total....</b>	28,600	-23.4	323,700	+171.0	
<b>color....</b>	6,300	-69.0	164,600	+ 2.3	
<b>TV/VCR..</b>	1,200	*	9,300	+1191.0	
<b>b&amp;w.....</b>	22,300	+31.6	159,100	+38.7	
<b>Japan</b>					
<b>total....</b>	23,300	-31.5	279,700	+ 0.3	
<b>color....</b>	20,200	-25.9	252,200	+12.1	
<b>TV/VCR..</b>	11,800	+286.0	161,200	+137.8	
<b>b&amp;w.....</b>	3,100	-53.8	27,400	-49.0	
<b>Canada</b>					
<b>color....</b>	19,500	+88.0	150,100	+180.4	
<b>Singapore</b>					
<b>color....</b>	4,800	-67.0	85,400	-39.8	
<b>Taiwan</b>					
<b>total....</b>	21,200	+34.2	76,900	-60.1	
<b>color....</b>	100	-93.1	5,000	-70.2	
<b>b&amp;w.....</b>	21,100	+50.0	71,900	-37.4	
<b>Hungary</b>					
<b>TV/VCR..</b>	7,600	*	29,900	*	
<b>Hong Kong</b>					
<b>total....</b>	3,600	+139.0	16,400	-15.0	
<b>color....</b>	0	--	5,700	-49.3	
<b>TV/VCR..</b>	0	*	2,400	*	
<b>b&amp;w.....</b>	3,500	*	10,800	+32.2	

\* No significant shipments in 1994 period.

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

**PLAYSTATION GAMBLE PAYS OFF:** Although heads may have rolled at Sony Computer Entertainment America (SCEA), at least partly because of decision to price PlayStation consoles below cost, risk seems to be bringing strong rewards.

Number of videogames sold per console so far is unusually high 4-1. Numbers are strong across board for PlayStation consoles and peripherals. More than 300,000 consoles have been sold since Sept. 9 debut, with number of games moved so far topping million, SCEA Senior Vp James Whims said. Figures are expected to stay strong because "demand for software continues to increase as the installed base grows," he said. But Sony admitted that product shortfalls are holding down volume of everything from peripherals to main playing units themselves.

"Demand for PlayStation peripherals continues to exceed supply," Whims admitted. Retailers backed Sony's claims. "We are ecstatic with the sellthrough," Entertainment Boutique Mds. Dir. Peter Roithmayr said. "Every new piece of PlayStation software we get goes to the top of our sales charts." Reflecting comments of others in supply chain, he said Sony looks to be big videogame winner this season. "The Sony PlayStation continues to be the dominant videogame hardware at our stores, by far outselling Sega Saturn."

Game publishers are cashing in on strong numbers as well. Third party developers whose product is moving include Acclaim, Crystal Dynamics, Electronic Arts, Namco, Ocean of America, Ubi Soft. Two titles doing especially well are SCEA's Battle Arena Toshinden and Namco's Ridge Racer, selling at ratio of nearly one game for every console.

**CIRCUIT CITY SUED:** Group of current and former employees have sued Circuit City (CC) charging retailer discriminated against blacks in promotions and told managers to "watch the mix" of whites and blacks hired.

Two suits filed in U.S. Dist. Court, Greenbelt, Md., allege black employees were deliberately passed over for promotions, and store managers were told not to have more blacks working in stores than percentage of black customers shopping there, said Joseph Sellers, employment litigation dir. at Washington Lawyers Committee for Civil Rights & Urban Affairs, which filed suit.

Sellers said discrimination was "intentional" and directed by CC senior managers. CEO Richard Sharp called allegations "baseless."

"In trying to hire people and be fair about it, I was told we had too many African Americans in the store and to just disregard when they came in to apply and to watch the mix," former employee Maxine James told Associated Press at news conference last week.

Sony Digital Communication camera, to be offered here next May, is camera version of DV Handycam designed for direct connection to work stations and PCs. In announcing camera, Sony made significant point that it uses IEEE 1394 digital serial bus for direct transfer of digital data. Company didn't announce U.S. price, but in Japan it will sell for equivalent of about \$1,000. It expects to sell 5,000 in U.S. and Japan in first year. While both of Sony's Digital Handycams also have 1394 connectors (TVD Oct 16 p13), it didn't tout that connection when they were introduced.

**WHAT'S LEFT FOR 3DO?** Grant to Matsushita of master license for its M2 technology for \$100 million cash (TVD Oct 30 p9) still leaves 3DO strong in assets, spokeswoman said last week.

Commenting on our report last week, she said company didn't "sell... most of the family jewels," noting that it still owns M2 64-bit graphics technology, but has licensed it to Matsushita, largely for consumer applications. Company still owns derivative rights, and "any new architecture we develop [using M2] is ours," she said, adding that license covers "only the consumer 64-bit market [and] we still share in the royalties."

Another remaining asset is Studio 3DO, software operation that has turned out 4 titles and will continue to produce programs for 3DO's 32- and 64-bit systems. Company still owns design of chips and can design motherboards for PCs using M2 graphics. "We have coin-op [in]exclusive sublicense from Matsushita] and we are working in the Internet area" and own all other future technology based on M2, as we reported last week.

Not mentioned last week was logic in licensing Matsushita. Although Matsushita is 13.2% owner, 3DO holds hardware manufacturers responsible for slow growth of its system -- and now that Matsushita has \$100 million stake, it hopes for bigger push in market. "The main thing is that it gives us independence from hardware companies," spokeswoman said -- presumably by shifting responsibility to Matsushita -- adding that 3DO no longer must "depend on them for success or failure" of concept.

Matsushita was favorite choice as "partner" for 3DO, company said, because of its status as world's largest consumer electronics company. 3DO said Matsushita is negotiating to bring other hardware companies into licensing consortium, "to make it the standard format," spokeswoman said, as Matsushita did with VHS and presumably will take lead in accomplishing with DVD.

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**Panasonic Interactive-Media Co. (PIM)** has been established in Santa Clara, Cal., in reorganization of former Panasonic Software Co. following acquisition of 3DO licensing authority by parent Matsushita.

Matsushita Electric Corp. of America (MECA) Pres. Richard Kraft cited "DVD technology and the 64-bit graphics and image-processing technology... recently acquired" from 3DO in announcing expanded scope of U.S. software operation, which will continue to publish and market 3DO software but will "also be actively engaged in the development and marketing of various future digital media products, including DVD and CD-ROM interactive systems." Yoshi Terada has been named PIM pres.

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Widescreen TV that can display computer data and TV picture simultaneously has been developed by JVC for sale in Japan. It said 30W" direct-view set uses JVC-developed signal processing ICs to display interlaced and noninterlaced pictures at same time. Price is equivalent of \$3,800, including satellite tuner, with production planned at 1,000 monthly. JVC forecast in Japan that in 2 years half of its widescreen TVs would be computer compatible.

World Wide Web site offering RCA DSS receiver system for \$549 is sponsored by International Shopping Club, not Thomson as reported (TVD Oct 30 p12). Thomson is preparing Web site but doesn't yet have one.

**DVD TALKS MAY BE SNAGGED:** At our deadline, there was strong possibility that major Comdex trade show would come and go next week with no announcement on unified DVD specifications, signaling formidable problems at negotiating table in Japan.

Reliable inside details on talks in Japan involving mainly Matsushita, Sony and Toshiba have proved virtually impossible to come by. Source close to Sony-Philips MultiMedia CD (MMCD) camp in Europe would say only that technical committee "is still stuck on key issues," but wouldn't elaborate. Negotiators are keenly aware that they're fast running out of time to agree on standard for system that manufacturers can have ready in time for late 1996 introduction, source said.

Meanwhile, DVD silence was broken by Nikkei report in Japan quoting unnamed Toshiba officials as saying players would arrive first in U.S. at \$600-\$700 -- significantly higher than \$500 mentioned for months by members of Toshiba's Super Density (SD) alliance. Toshiba will make DVD players at factories in Japan and Philippines with monthly capacity as high as 300,000 decks, report said. Toshiba plans to invest more than 5 billion yen (\$48.5 million) on DVD production facilities in Philippines alone, report said. Company is aiming for 20% global share of DVD player market projected to be worth 700 billion (\$6.8 billion) by 2000, report said.

As week ended, wire services quoted Philips Exec. Vp Henk Bodt as saying his company won't introduce DVD players before early 1997. First-generation players will be priced close to \$800, reports quoted him as saying, indicating comments were in Philips house organ magazine. "Amounts of between \$500 and \$800 have been speculated upon, but I expect actual prices on the market to be at the high end of this range," he's quoted as saying. While Philips is world's largest CD patent holder, report quoted him as saying individual licensing plans probably would be used for new DVD format. Bodt has said it would be hard to envision Philips not having dominant role in administering DVD patents.

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Attorneys for Eddie Antar are expected to file bail application this week, seeking to free former CE retail executive pending retrial in March. U.S. Dist. Court Judge Harold Ackerman, Newark, N.J., has replaced Nicholas Politan in case and is expected to set hearing on request before year-end, Antar attorney Adam Saravay said. Antar and brother Mitchell were convicted in 1993 of racketeering and stock fraud (TVD July 26/93 p14). Third U.S. Appeals Court, Philadelphia, reversed convictions in April (TVD April 24 p16). Same court also rejected govt. request for new hearing (TVD Oct 16 p16). Eddie Antar is serving 12-1/2-year sentence in Otisville, N.Y., prison, while Mitchell is free on bond.

PC market grew 21% worldwide in 3rd quarter to 14.2 million shipped, Dataquest said. Compaq continued to be No. 1 in worldwide share, shipping 1,485,000, up 21.6% from 3rd quarter 1994, with Apple regaining 2nd place from IBM at 1,275,000, up 20.5%. Others in top 5: (3) IBM, 1,150,000, up 13.2%. (4) Packard Bell, 835,000, up 47.9%. (5) NEC, 682,000, up 19.9%.

First govt.-certified lab serving cable TV industry in Mexico was opened by Zenith last week in Chihuahua. Lab has Norma Oficial Mexicana (NOM) certification -- comparable to UL -- and is qualified to certify set-top decoders and to test cable signals for Mexican market.

**ZENITH WINS DISTRIBUTOR SUIT:** Electrical Distributing Inc. (EDI) was "well aware" of "tenuousness" of its agreement with Zenith when latter switched to direct sales last year, federal court judge said in rejecting Ore. distributor's effort to recover \$28 million in damages.

U.S. Dist. Court Judge Malcolm Marsh said EDI's suit contained "no genuine issues of material fact." EDI was one of 15 distributors Zenith dropped in Dec. in move to direct sales (TVD Jan 2 p8). Thomas Triplett, attorney for EDI, said he was "very disappointed," adding that decision hadn't been made about appeal. EDI has signed distribution pact with Toshiba and also had one with LG Electronics (GoldStar) before its decision to buy 57.7% stake in Zenith (TVD July 24 p9).

While EDI claimed it was told it would remain Zenith distributor for "minimum of 3 years," Marsh said EDI Sales Vp Casey Skopil called Zenith quarterly to ask whether company was planning to switch to direct sales. EDI also was aware of distributors' "diminishing role and numbers" -- to 15 in 1994 from 78 in 1975 -- Marsh said.

Triplett declined to comment on text of decision, but said it would be "very difficult" to replace Zenith's market share. "What you're looking for then are people that have minuscule market share as replacements," he said, with most major CE companies using direct sales. "It's been difficult for all the distributors because it's not like going out and finding a widget with a different color on it. It's a market penetration issue."

Marsh rejected EDI's allegations that Zenith Sales Pres. Gerald McCarthy had told company 2-step distribution would continue despite knowing that Zenith planned to scrap network. EDI said it had ended distribution pact with Toshiba and built new Seattle warehouse based on McCarthy's statements. But judge ruled that McCarthy's comments in Feb.-March 1994 were "vague allusions" to Zenith's continued agreement with EDI and "failed to constitute affirmative representations upon which a reasonable person would rely."

McCarthy's statements came 3 months before internal task force recommended that Zenith switch to direct sales, report that board didn't adopt formally until Nov. 1995, Marsh said. EDI didn't supply evidence that McCarthy knew of distribution change when he made alleged statements, Marsh said.

Distributor wasn't damaged by wholesale and retail price agreements between Zenith and several national buying groups in 1991, Marsh said. EDI claimed agreements represented price-fixing and reduced its profit margins 40-45%. While EDI said margins would have been 4% higher without national buying group program, Marsh said "unsubstantiated and speculative opinions" on revenues didn't "constitute actual harm."

Employees of Commerce Dept.'s International Trade Commission (ITC) have received layoff notices in anticipation of major slash in appropriation. Agency's staff will be reduced by 37%, with Office of Industries particularly hard hit, suffering 46% cutback, its personnel to be reduced to 68 from current 125. Office of Industries helps various industries with international trade problems or queries. Among those slated to be dismissed or reassigned is John Kitzmiller, analyst specializing in consumer electronics. He joined agency in 1988 after serving as EIA Marketing Services Dept. member services dir. for Consumer Electronics Group (now Consumer Electronics Mfrs. Assn.).

**SONY SEEN SELLING U.S. STOCK:** Sony may offer shares in its U.S. operations to public by end of next year to raise "several billion dollars," Wall St. Journal reported last week. Newspaper said company has retained Blackstone Group to evaluate several approaches -- including offering shares in separate operations (electronics, movies, music) or in overall U.S. business.

"Sony is always evaluating various business options that are relevant in given market conditions," Sony America Communications Vp Ann Morfogen said when asked about report, adding: "With regard to our specific plans, however, we would like to refrain from comment."

Article said Sony has given up trying to sell portions of its entertainment operations after approaching Chris-Craft, NBC and Murdoch's News Corp. Sony is expected to realize \$16 billion in revenue from U.S. this year, article said.

In Japan, meanwhile, Sony stock lost 11.5% of its value in one week, presumably partly due to Journal article, but tied mainly to analyst's forecast that company could post net loss this week when it releases report on 2nd quarter parent-only earnings. Problem, according to Nikko Research, is lower-than-expected sales in U.S., resulting in extremely high inventories.

**STEREO TV DOWN IN 9 MONTHS:** Sales to dealers of TV with stereo sound declined from last year in 1995's first 3 quarters -- but dip of 2.1% was less than total direct-view color TV's fall of 6.1%. Thus, percentage of color sets sold with stereo sound rose to 45.3% of total from 43.5% in last year's same period.

In Sept., percentage of sets sold with stereo was 46.1%, well up from 42.7% of Sept. 1994, but down from 48.5% in Aug. and record 49.4% in July. In Sept., stereo TV sales dipped 1.9% while total direct-view sales were down 9%. Here's month-by-month summary of figures, from EIA:

#### MTS STEREO IN DIRECT-VIEW COLOR SETS

Month	1995	% of Total	1994	% of Total	% Change
January...	561,462	43.9	649,022	45.7	-13.5
February...	669,733	43.0	718,014	44.7	-6.7
March....	957,905	43.7	865,361	44.0	+10.7
April....	598,851	40.9	676,444	41.4	-11.5
May.....	635,586	44.1	593,140	39.9	+7.2
June.....	968,002	47.0	919,021	43.5	+5.3
July.....	764,046	49.4*	820,020	46.9	-6.8
August...	862,363	48.5	911,518	43.0	-5.4
Sept.....	1,293,163	46.1	1,314,423	42.7	-1.9
<b>TOTAL....</b>	<b>7,311,111</b>	<b>45.3</b>	<b>7,470,963</b>	<b>43.5</b>	<b>-2.1</b>

Panasonic is expected to make announcement early this week on major reorganization, we have learned. Sources have said Panasonic is planning major sales reorganization, with 75-125 jobs cut at sales offices around country, foreshadowed by our report last week (TVD Oct 30 p12). Regional offices were said to be eliminated and replaced by district organizations. Sales force was said to be split into groups that would carry all products and those that would carry either audio and video or home office and communications products.

Fujitsu's 42" plasma display will be shown in U.S. for first time at Comdex in Las Vegas next week.

**SERVICERS CHARGE COERCION:** Professional Service Assn. (PSA) has filed complaint with Justice Dept. accusing CE and major appliance manufacturers of inflating parts prices in effort to force consumers to buy new products rather than have them repaired.

Action has same effect as manufacturers' refusal to sell parts to servicers because latter are forced to buy items at higher prices and "resell them at little or no profit," PSA Pres. Ronald Sawyer said in letter to DoJ. Letter doesn't name specific manufacturers; Sawyer contends practice covers entire industry.

Gary Shapiro, pres. of EIA's Consumer Electronics Mfrs. Assn. (CEMA), called charges "hogwash" and said parts for older products are expensive. "If you're storing a few hundred parts for many, many years, they should be expensive," he said, adding that "competitive" market already exists for parts supplied by manufacturers such as Thomson and Zenith.

Manufacturer-owned service centers buy parts at "flat-rate prices" that in many cases are less than suggested retail price, letter said. "There are several examples in both the appliance and electronics industry where the cost of a single repair part will cost as much or more than the entire product," letter said.

As example, PC manufacturers don't supply servicers with repair parts, and monitors that break while under warranty are replaced, PSA said, and if product breaks after warranty expires, consumer is "forced" to buy new model.

"These marketing tactics are exploiting consumers by reducing or removing the repair option in favor of increased sales of new products as replacements that are priced lower than available repair option," letter said.

Letter also alleged that manufacturers "fix prices" at retail by setting labor rates, requiring servicers to attest that they comply with local laws and that rates are same as those charged consumers, PSA said. Assn. contended that if servicer lowered rates to comply with manufacturer requirements "he would be unable to survive" and if he raised them he "is forcing consumers to unknowingly subsidize the manufacturer's true cost of providing warranty service."

Tying together in- and out-of-warranty rates is "legislative price fixing," Shapiro said. While servicers want to be authorized to ensure business, some complain about warranty reimbursement rates they have negotiated with manufacturers, he said. "You can't have it both ways," he said. "You can't be an authorized servicer without meeting the quality standards and accepting the rates that the manufacturer is willing to pay."

Losses at Grundig (TVD Oct 30 p10) could come to "hundreds of millions of D-marks this year -- virtually wiping out profits in the rest of [parent Philips'] consumer electronics division," Financial Times editorialized in Oct. 31 edition. Newspaper said company's immediate problem is "collapse in German demand for consumer electronics," with sales dropping 11% and prices down 6%. Strong Deutschemark is hurting Grundig's sales of German-made products in other countries, article said, resulting in high inventories, making prospects for 4th quarter "grim."

Venture Stores has extended TV line to include 27" sets from RCA and Magnavox, while arch-rival Target has doubled its 27" assortment to 4 models.

**ALPHASTAR'S 'DISADVANTAGE':** AlphaStar's launch of medium-power satellite service in Dec. will put it at "competitive disadvantage" with DirecTV and U.S. Satellite Bstg. (USSB), it said in prospectus with 4-million share Tee-Comm Electronics stock offering.

Stamford, Conn.-based Tee-Comm subsidiary plans to introduce 120-channel service Dec. 1 (TVD March 20 p17), but still is awaiting FCC approval for uplink center in Oxford, Conn., according to prospectus, which said early 1996 launch is possible. Launch date would put Alphastar at disadvantage with "regard to timing of market entry, programming and possibility of volume discounts for such programming offerings," prospectus said. Offering, projected to raise \$51 million, also will fund launch of ExpressVu direct-to-home (DTH) service in Canada.

As proposed, AlphaStar network would carry 85 video channels, 30 digital audio and 5 data and information services. Some programming packages will consist of 40 video and 30 digital audio channels at \$24.95-\$39.95. Premium pay packages and a la carte channels will retail at \$4.95-\$14.95 per month, 16 PPV channels at \$2.99 per movie.

Tee-Comm didn't disclose pricing for hardware that's expected to consist of integrated receiver decoder (IRD), 24-30" dish and remote control, but retail pricing is expected to be in \$500 range. First AlphaStar equipment will be built by Tee-Comm using components supplied by IBM Canada subsidiary Celestica Inc. Manufacture of equipment will be licensed and sublicensed to other companies 3 months after system launch.

To distribute product, Tee-Com has signed agreements with Amway and O'Rourke Bros., which has subscribed for 300,000 AlphaStar shares with option for another 350,000 within 2 years of start of service. AlphaStar signed letter of intent with United Digital Bstg. Corp. (UDBC), multichannel direct marketing organization. UDBC will receive commissions based on percentage of programming revenues and has option to buy up to 10% of Alphastar shares after hitting sales target.

Alphastar first will provide service using AT&T Telstar 402R satellite containing 32 ku-band 60w transponders, launched Sept. 23. Service will switch to Telstar 5 100w satellite by mid-1997 where it will lease 16 ku-band transponders.

**Semi-Tech (Global) Co.**, Canadian holding company, reported \$60.5-million profit on sales of \$262.2 million for 6 months to July 31 vs. \$89 million profit on \$257.7 million sales year earlier, (based on \$1 Hong Kong = 12.93¢ U.S.). Restructuring of Akai "is progressing in earnest," company said, disposing of noncore and unprofitable businesses and phasing out production in Saitama, Japan, by next Dec. "We are preparing Akai for the new DVD era," company said, with first product set for launch next year. "Meanwhile, Akai, through its recent investment in [Chinese manufacturer] Kong Wah, can also expect significant TV sales under the Akai brand name through the Singer distribution network." Kong Wah produces more than 4 million TV sets annually under Konka and Onwa brands in China. Semi-Tech companies claim combined sales of nearly \$4 billion, with more than 80,000 employees worldwide.

Casio is switching to active matrix TFT LCDs for all its portable TVs 4" and smaller, according to Japanese press report that indicated move was because decreasing LCD prices make it possible to move up to higher picture quality.

## Consumer Electronics Personals

**Ron Marsiglio**, ex-Philips Consumer Electronics, named pres.-CEO, Philips Technologies, Cheshire, Conn., company responsible for auto electronics and other industrial electronic products... **Yoshi Terada** named pres., Panasonic Interactive-Media Co., formerly Panasonic Software Co., Santa Clara, Cal... **Jack Kail**, Zenith assoc. patent counsel, promoted to chief patent counsel, succeeding **John Coulter**, 24-year Zenith veteran, who will join **Marshall, O'Toole, Gerstain, Murray & Borun**, Chicago law firm specializing in intellectual property... **John Affriol** advanced to product & mktg. mgr., Magnetic Media & Accessories Div., Matsushita Consumer Electronics, from sales supervisor, Parts Div., Matsushita Services.

**Ian Diery**, ex-Apple, named AST Research pres.-CEO; **Daniel Eilers** resigns as head of Apple's worldwide marketing after reorganization... **Charles Palko**, ex-Fretter mdse. vp, moves to video mdse. mgr.; **Richard Kaye**, video buyer, becomes Mich. district mgr... **Robert Weitz** moves to Wiz as hi-fi component buyer, succeeded at Tops Appliance City as audio buyer by **Richard Gleikes**, ex-Bryn Mawr Stereo; **Charles Carr**, shifts at Wiz to rack and shelf systems buyer... **Brady Churches**, Mazel Co. wholesaler, elected to board of Sun TV & Appliances.

**Mark Belinsky** named Macrovision vp-worldwide theatrical and PPV anticopy systems, succeeding **William Krepick**, whose interim title of pres. has become permanent; **Patrice Capitant** named Macrovision engineering dir... **Sandy Smallens** promoted to dir., Atlantic Records' new Multimedia Dept. from dir.-media interactive services... **Gary Valan**, ex-ProMedia Technologies, joins Dolby Labs as multimedia technology mgr., new post... **David Beesley**, ex-Sony, joins HHB Communications as head of Advanced Media Products Div... **Alan Angelich**, ex-Jones Intercable, and Denver attorney **Raymond Friedlob**, elected EchoStar dirs.

**Allan Golden**, senior dir., PolyGram Video, promoted to vp-sales... **Mark Workman**, ex-mktg. vp, Buena Vista TV, appointed Turner Home Entertainment vp-integrated mktg... **Vincent Di Giulio**, rental product mktg. dir., MCA/Universal Home Video, advanced to exec. dir.-mktg., rental product and on-line services.

**China Joint ventures:** Sony will make cordless and cellular phones at \$39-million plant, largely for export to U.S. market. Sony owns 74.5% of new Beijing Souhong Electronics... **Motorola** and **Panda Electronics**, major Chinese consumer electronics manufacturer, have established venture to make and sell personal computers based on PowerPC microprocessors. Owned 60% by Motorola, company will be capable of producing more than 100,000 multimedia computers annually, according to joint announcement.

"**Global business climate**" has been reached in semiconductor industry, and 5-year U.S.-Japan Semiconductor Arrangement shouldn't be renewed when it expires next July, EIAJ Chmn. Norio Ohga said last week. "Competitive foreign companies are now firmly established in the Japanese market" and foreign share of market has exceeded goal of 20%, he said.

**Circuit City** signed agreement to carry Digital Equipment Corp.'s Pentium-based Starion PCs. Chain will sell 4 models with JBL speakers, including 2 with subwoofer.

**HOME PC SHAKEOUT COMING?** Home computer business is plagued increasingly by familiar consumer electronics problems -- too many manufacturers making too many products with too little profit -- and with more companies entering field, shakeout may be inevitable. That's one conclusion from Page 1 article in Nov. 1 Wall St. Journal.

"Too many players and cut-throat competition" could weed out some brands in next couple of years, Journal suggested. Although some companies such as Oracle are pushing for TV-priced computers at around \$500, most PC makers, "instead of working to lower prices... seem bent on raising them, confounding the trend of virtually every home electronics product," article said, noting that average amount spent on home PC has risen to \$1,700 from \$1,300 in 2 years.

Article said home PCs carry about half the profit margins of corporate models, while software giants Microsoft and Intel "use their virtual monopoly to suck up most of the industry's profits," and hardware makers, "reduced to mere distributors" for software cartel, "are left with the crumbs." Gross profit margins on home PCs are 8-14%, Journal said, "well below the 20-30% margins on stereos and other consumer electronics." Marketing, support and service costs consume 7-10% of wholesale price, leaving manufacturer's net profit margin as low as 1%.

Compounding problem is fact that market already has been skimmed of affluent buyers, leaving manufacturers looking largely toward replacement sales.

Most PC companies don't blame overpopulation of market, article said, but "point a finger at upstart Packard Bell," which is privately held and doesn't have to report earnings to stockholders.

"Tandy Corp. now looks smart for dumping PC making," Journal said. "In 1993 it sold out to AST Research Inc. to focus on Radio Shack and its other chains. Now Tandy is on the mend, while AST has run up 5 consecutive quarters of losses."

**International Conference on Consumer Electronics (ICCE)**, prime CE technical event June 4-7 in Chicago, issued call for paper submissions. Its 24 sessions will cover virtually all CE subjects, including video technology and delivery systems, telephony and return channel technologies, video recording, interactive TV, interfacing, remote control, RF, imaging, audio, personal communications, multimedia and home information systems -- Diane Williams, Conference Coordinator, 716-392-3862.

**CES Orlando** "Digital Destination" May 23-25 already has signed up as major exhibitors Thomson, Philips, Sony, Zenith, Hitachi, Denon and Recoton, CEMA Chmn. Joseph Clayton, Thomson, said last week at news briefing in N.Y. He promised major exhibits featuring DVD, HDTV and 3rd-generation DSS. He said final day of show, May 25, will be "Latin Day," especially for Latin American visitors, and revealed Thomson is bringing its Latin American dealers to Orlando for show in place of its usual Miami meeting.

Another color TV venture is scheduled by Matsushita for China. New facility will be half owned by Matsushita, other half by 3 Chinese companies. Shandong Matsushita TV & Visual Co., capitalized at \$25 million, is scheduled to start production in June with 470 employees, making 100,000 TVs in 20-27" sizes in first year.

## 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
American Telecasting			
1995-9 mo. to Sept. 30	33,440,000	(43,765,000)	---a
1994-9 mo. to Sept. 30	13,150,000	(8,534,000)	---
1995-qtr. to Sept. 30	13,009,000	(25,892,000)	---a
1994-qtr. to Sept. 30	6,050,000	(5,065,000)	---
Avnet			
1995-qtr. to Sept. 29	1,189,100,000	44,500,000	1.02
1994-qtr. to Sept. 29	953,100,000	28,900,000	.69
Battery Technologies <sup>b</sup>			
1995-9 mo. to Sept. 30	13,900,000	(1,134,000)	---
1994-9 mo. to Sept. 30	1,623,000	(2,763,000)	---
1995-qtr. to Sept. 30	5,600,000	(1,201,000)	---
1994-qtr. to Sept. 30	200,000	(1,271,000)	---
Cambridge Soundworks			
1995-13 wk. to Oct. 1	7,355,487	(282,480)	---
1994-13 wk. to Sept. 30	3,153,708	(321,270)	---
Capital Cities/ABC			
1995-9 mo. to Oct. 1	4,822,032,000	493,680,000	3.21a
1994-9 mo. to Oct. 1	4,404,973,000	439,244,000	2.86
1995-qtr. to Oct. 1	1,566,528,000	127,037,000	.83a
1994-qtr. to Oct. 1	1,461,932,000	133,675,000	.87
Chyron			
1995-9 mo. to Sept. 30	38,596,000	3,894,000	.04c
1994-9 mo. to Sept. 30	31,385,000	(11,133,000)	---a
1995-qtr. to Sept. 30	14,099,000	1,807,000	.02c
1994-qtr. to Sept. 30	11,006,000	(11,785,000)	---a
Cobra Electronics			
1995-9 mo. to Sept. 30	66,600,000	(395,000)	---
1994-9 mo. to Sept. 30	61,436,000	(540,000)	---
1995-qtr. to Sept. 30	24,513,000	104,000	.02
1994-qtr. to Sept. 30	21,823,000	(696,000)	---
Egghead			
1995-26 wk. to Sept. 30	365,852,000	(6,676,000)	---a
1994-26 wk. to Oct. 1	388,159,000	(2,079,000)	---
1995-13 wk. to Sept. 30	191,218,000	(3,514,000)	---a
1994-13 wk. to Oct. 1	194,311,000	(981,000)	---
Gaylord Entertainment			
1995-9 mo. to Sept. 30	532,782,000	86,025,000	.92a
1994-9 mo. to Sept. 30	514,218,000	55,458,000	.60d
1995-qtr. to Sept. 30	195,170,000	54,387,000	.58a
1994-qtr. to Sept. 30	192,631,000	18,559,000	.20d
Go-Video			
1995-6 mo. to Sept. 30	16,109,705	(658,455)	---
1994-6 mo. to Sept. 30	19,889,892	817,844	.07
1995-qtr. to Sept. 30	9,170,337	29,096	---
1994-qtr. to Sept. 30	12,176,571	956,655	.09
J-2 Communications			
1995-year to July 31	1,254,000	66,000	.02
1994-year to July 31	1,818,000	305,000	.09
Renaissance Communications			
1995-9 mo. to Sept. 30	125,655,000	41,247,000	1.34
1994-9 mo. to Sept. 30	111,833,000	1,651,000	.06ad
1995-qtr. to Sept. 30	44,000,000	23,448,000	.76
1994-qtr. to Sept. 30	39,834,000	4,089,000	.13d
Silver King Communications			
1995-year to Aug. 31	47,918,000	115,000	.01c
1994-year to Aug. 31	46,563,000	(3,878,000)	---a
1995-qtr. to Aug. 31	11,579,000	(1,656,000)	---c
1994-qtr. to Sept. 30	11,554,000	2,058,000	.23a
Sinclair Broadcast Group			
1995-9 mo. to Sept. 30	147,051,000	(4,351,000)	---a
1994-9 mo. to Sept. 30	79,991,000	(2,939,000)	---
1995-qtr. to Sept. 30	50,177,000	(4,858,000)	---a
1994-qtr. to Sept. 30	35,036,000	(4,608,000)	---
Spelling Entertainment Group			
1995-9 mo. to Sept. 30	453,053,000	8,764,000	.10
1994-9 mo. to Sept. 30	301,389,000	15,030,000	.21
1995-qtr. to Sept. 30	132,573,000	613,000	.01
1994-qtr. to Sept. 30	136,744,000	(531,000)	---
Tops Appliances			
1995-9 mo. to Sept. 26	323,358,000	(816,000)	---
1994-9 mo. to Sept. 26	330,434,000	(821,000)	---
1995-qtr. to Sept. 26	119,827,000	816,000	.11
1994-qtr. to Sept. 26	123,509,000	408,000	.06

Company & Period	Revenues	Net Earnings	Per Share
Viacom			
1995-9 mo. to Sept. 30	8,623,200,000	218,000,000	.46
1994-9 mo. to Sept. 30	4,585,800,000	139,800,000	.49a
1995-qtr. to Sept. 30	3,062,400,000	93,800,000	.21
1994-qtr. to Sept. 30	2,135,400,000	327,300,000	1.41
Video Jukebox Network			
1995-9 mo. to Sept. 30	15,613,256	(18,163)	---c
1994-9 mo. to Sept. 30	13,318,690	(3,418,135)	---
1995-qtr. to Sept. 30	5,963,304	414,725	.02c
1994-qtr. to Sept. 30	4,774,612	(1,069,492)	---
Videonics			
1995-9 mo. to Sept. 30	25,449,000	2,882,000	.50
1994-9 mo. to Sept. 30	22,045,000	3,386,000	.80
1995-qtr. to Sept. 30	8,691,000	332,000	.06
1994-qtr. to Sept. 30	8,929,000	1,899,000	.44
Wells-Gardner Electronics			
1995-9 mo. to Sept. 30	21,782,000	(445,000)	---a
1994-9 mo. to Sept. 30	25,162,000	(1,804,000)	---a
1995-qtr. to Sept. 30	7,842,000	(742,000)	---a
1994-qtr. to Sept. 30	8,943,000	112,000	.03
Westinghouse Electric			
1995-9 mo. to Sept. 30	6,342,000,000	22,000,000	---a
1994-9 mo. to Sept. 30	5,914,000,000	184,000,000	.38c
1995-qtr. to Sept. 30	2,130,000,000	(52,000,000)	---a
1994-qtr. to Sept. 30	2,193,000,000	73,000,000	.15

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

**Eveready** and **National Semiconductor** (NS) have signed deal to build nickel metal hydride (NiMH) and nickel cadmium batteries for laptop and notebook PCs. First 2 packs are expected to be available for OEMs in early 1996, with 4-5 others to follow later in year, NS spokesman said. NS has developed ICs that provide charge control, fuel gauging, protection circuits. Chip set will extend battery life 10%, NS Battery Mktg. Mgr. James Chase said. Eveready's Energizer Power Systems Div. will build batteries containing chips at Gainesville, Fla., plant. Eveready formed unit after buying Gates Energy Products in 1993 (TVD Sept 20/93 p15). NS also is developing chip set for lithium ion batteries for eventual application to cellular phones and camcorders, Chase said. Arch-rival Duracell has similar development deal for rechargeables with chip maker Intel, but has focused on retail market since introducing first PC models in 1993 (TVD Nov 22/93 p19).

**JVC** reported recurring parent-only profit of 2.5 billion yen (\$25.2 million) for first fiscal half, compared with loss of 2 billion (\$19.4 million) in 1994 period. Operating loss was reduced and after-tax profit was achieved vs. loss year ago. Consumer electronics sales were flat, professional and educational electronics up 4%, electron devices up 47%, entertainment software up 16%. More meaningful consolidated report, including subsidiaries, is due next month.

**People who like videogames** \$3,300 worth will be attracted to new NEC computer introduced in U.S. designed primarily for game playing. Ready PowerPlayer PC has 133-MHz Pentium microprocessor, 6-speed CD-ROM, 1.6 Gb hard drive, 16 Mbytes of standard memory, 2 Mb video memory, 28,800-baud modem, speaker phone and answering machine, 45-w Yamaha speakers, Microsoft SideWinder joystick, 11 computer games.

### OBITUARY

**Jeff Rabinovitz**, 38, Columbia TriStar Home Video vp-sales, died of heart failure Oct. 30 in L.A. Rabinovitz began career in video with Ingram Distribution, then joined Sony Video Software in N.Y., where he held several marketing and sales positions before joining Columbia TriStar in 1991. Wife survives.

# TELEVISION DIGEST®

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

With Consumer Electronics

NOVEMBER 13 1995

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**HDTV FUTURE THREATENED** by auctions, broadcasters argue. MSTV celebrates 'birth' of HDTV as agreement is reached on standard. FCC rulemaking likely in Jan., decision in June. Fields backs flexibility. (P. 1)

**FCC PASSES SURVEY** on kidvid issues, despite opposition by 3 commissioners. Survey said to violate Paperwork Reduction Act, be too time-consuming. Stewart says information needed for good decision. (P. 3)

**TELECOM BILL UNLIKELY** to be finished this week, target set by leaders of Senate-House conference on legislation. Satellite broadcasters, others, send messages to Hill in last-min. pleas. (P. 4)

**USTA OPPOSES TIME WARNER** deal with Turner in presentation to FTC. Telcos fear programming deal could limit their access. Agency expected to demand more information from TW, Turner, TCI. (P. 5)

**RATINGS HURT PROFITS** at Fox Network and parent News Corp., but stations' growth is 'strong.' NBC expecting big full-year profit. CBS debt rating downgraded. Other financials. (P. 6)

### Consumer Electronics

**REBORN ZENITH BOARD** votes to start picture tube expansion immediately as first step after purchase of control by LG Electronics. (P. 8)

**BROADCASTERS CELEBRATE HDTV SUCCESS:** As broadcasters "celebrated the birth" of HDTV at MSTV conference in Washington Nov. 9, Fisher Bestg. CEO Patrick Scott said they worried that "there are people in the nursery who want to smother it." Speakers at conference repeatedly said that congressional proposals to auction digital channels, limit broadcasters to less than 6 MHz per channel or impose 18-month moratorium on allocating channels would seriously damage or even kill HDTV.

Speakers spent much of meeting congratulating themselves and others on completing technical work on HDTV standard, which awaits only rubber stamp of FCC Advisory Committee on Advanced TV Service (ACATS). Proposed standard then goes to Commission for final approval. Grand Alliance HDTV system should become standard to be approved by FCC for U.S digital advanced TV system, according to draft of recommendations that are expected to be approved by ACATS Nov. 28. Meeting at FCC hq isn't expected to be contentious, with virtually all 24 votes likely to be in favor of standard, although some computer interests are said to be likely to make final pitch for all-progressive scanning system, instead of both interlaced and progressive.

Final hurdle was Technical Subgroup meeting in which group approved test results for Grand Alliance system (TVD Sept 18 p5). Subgroup agreed that tests showed that system meets most of goals set by ACATS,

**TV WITH CD-ROM, ON-LINE ACCESS** demonstrated by TCE as possible 1998 product. Return to high-resolution monitor tubes for TV/PC hybrids weighed. (P. 9)

**BLEAK OCT. SALES CLIMATE** warmed by record sales of projection TV and camcorders. All other products down but good final week softens blow. (P. 10)

**SONY U.S. ELECTRONICS** sales rose 20% in dollars in 2nd quarter. Parent company's consolidated sales up 18.7%, operating profit at \$619.2 million. PlayStation prominent in rise. (P. 11)

**FRETTER STUDYING SUPERSTORES** as means of replacing some of 68 remaining outlets with 40,000-50,000-sq.-ft. format. (P. 12)

**BEST BUY PLANNING 35-40 STORES** for 1996, including entry in Philadelphia and possibly Pittsburgh. (P. 12)

**DVD TALKS DEADLOCKED** on name of new format, say sources close to Tokyo talks. Other issues remain, including servo system, audio. (P. 13)

**COMDEX HOT BUTTONS** include PC profitability, consolidation, DVD, Video CD, write-once CD-Rs, PCs vs. game consoles, marketplace strategies, CE convergence. (P. 14)

**RENTER'S CHOICE TO EXPAND** through buying other chains as it takes aim at rent-to-own leader Rent-A-Center. (P. 15)

and that it's significant improvement over any of systems proposed by alliance members. Proposed decisions and recommendations to FCC to be voted on by ACATS include: (1) Grand Alliance system meets approved performance objectives. (2) Alliance system is "superior to any known alternative" HDTV system, including coded orthogonal frequency division multiplex. (3) FCC should approve ATSC technical standard for advanced TV.

Saul Shapiro, FCC Mass Media Bureau asst. chief-technology policy, said agency expects to issue rulemaking on standard and channel allotments at Jan. 18 meeting and hopes to complete work on them by late spring or early summer. Broadcasters said that could mean start of regular HDTV broadcasting by late 1997 or early 1988.

New HDTV standard will lead to "worldwide imaging revolution" that will affect many industries outside TV, including automated manufacturing, medicine and even defense, Advisory Committee Chmn. Richard Wiley said. He called standard "greatest technical advance ever in broadcast television." Peter Fannon, exec. dir. of Advanced TV Test Center called Grand Alliance HDTV system "a wonderful system." General Instrument Vp-HDTV Robert Rast said system "exceeded even our own expectations." Outgoing Zenith Chmn. Jerry Pearlman predicted that 2 million HDTV receivers would be sold in first year, even at \$2,000 premium over same-size NTSC set. By 2004, Pearlman forecast, 20% of all TVs would be large-screen digital.

Auctions would "put the whole process at risk," MSTV Pres. Margita White said. McGraw-Hill Bestg. Pres. Edward Reilly, chmn. of MSTV, said auction provision in Senate bill "could kill free, local and universal television service as we know it. I don't mean injure it around the edges, destroy the prospects of marginal stations or delay the transition... to digital. I mean kill the service." FCC Comr. Quello said if broadcasters have to pay for spectrum it will be used only for pay-per-view and subscription services, and competitors such as cable and telcos have much to gain from such scenario.

Suggestions that broadcasters be given less than 6 MHz per channel are "based on a mistaken belief" that it's possible, Wiley said: "That's simply not possible with Grand Alliance technology." He said entire system would have to be redesigned, delaying digital TV for years. However, Pearlman said govt. could force several broadcasters to share 6-MHz channel, accomplishing essentially same goal of giving them less spectrum.

Auctioning spectrum isn't best idea economically in long term, Reilly said, since only "slivers" of broadcast spectrum would be available. He said govt. would benefit "many times as much" by waiting until analog channels are returned and block of more than 100 MHz would be available. Giving broadcast channels to highest bidders also is likely to result in "massive interference," Reilly said. Wiley said auctioning would disrupt orderly transition plan to digital and largely result in subscription services.

Spectrum flexibility was supported by House Telecom Subcommittee Chmn. Fields (R-Tex.). He said flexibility on how new channels are used would give consumers more choice, allow greater emphasis on children's programming and cultural affairs, even allow more 24-hour news broadcast channels. Fields said he hopes to hold hearings on spectrum flexibility soon.

Other comments at MSTV's HDTV conference: (1) Reilly said broadcasters and equipment makers "continue to work on the details" of proposal to build demonstration HDTV station. Group had hoped to announce agreement on station Nov. 8, but officials said some details still needed to be worked out. Reilly said "almost everyone is in favor" of idea and group is "anxious to go forward." (2) FCC isn't likely to force cable to include digital decoders in set-top boxes, said Donald Gips, deputy chief-FCC Office of Plans & Policy. Adding capability would raise cost of box \$150-\$175, he said, and current units would pass digital signal through to TV sets, where they can be decoded. Gips said broadcasters should consider subsidizing cost of digital sets, as cellular operators subsidize cost of cellular phones.

(3) Pearlman said consumers will have to spend at least \$35 billion over next 10-15 years to convert to digital, and equipment premium for broadcaster stations of HDTV over standard-definition digital is only about \$250,000. (4) Lower cost HDTV transmitters are becoming available, CBS Senior Vp Joseph Flaherty said, citing small, low-cost unit being built by Westinghouse. (5) Broadcasters should focus on high-definition programming rather than ancillary services, Cap/ABC Vp-Gen. Counsel Alan Braverman said: "We do best if we stick to our knitting. If we get lost in the lure of businesses that we've never been in, we'll shoot ourselves in the foot." (6) Initial computer runs indicate that about 800 TV stations will get larger digital coverage areas than their NTSC areas, another 650 will get about same, and 100-150 will have smaller area, Flaherty said.

Meanwhile, BellSouth and Grand Alliance successfully transmitted HDTV signals through asynchronous transfer mode (ATM) network as part of field tests in Charlotte, companies said. Officials said HDTV signals were transmitted successfully via ATM network using up to 6 ATM switches and optical fiber, then sent through HDTV broadcast transmitter to cable headend 45 miles away.

**FCC PRESSES KIDVID SURVEY:** FCC Mass Media Bureau isn't backing off from request that networks provide information on amount of children's programming they carry (TVD Oct 30 p1), despite request by majority of Commission. Three FCC commissioners earlier asked Chmn. Hundt to withdraw request that networks survey affiliates about children's TV programming. Comrs. Quello, Barrett and Chong said survey, which wasn't cleared by Office of Management & Budget, violates Paperwork Reduction Act, so networks can't be required to comply.

Concern is that if networks refuse on that basis, they will face public criticism from Hundt, so commissioners said they want request withdrawn. Memo also says that survey would be duplicative, since NAB already has surveyed many of same stations, and that it inevitably would delay children's TV proceeding because it would take months for networks to prepare questionnaires, receive replies, tabulate them. Memo also expresses concern that such large and potentially controversial proceeding was launched without consultation with other commissioners.

Saying that he was responding at request of Hundt, Bureau Chief Roy Stewart said in memo to commissioners that additional data are needed to obtain "a more complete and reliable record" before FCC decision: "We do not believe these data requests are burdensome, nor should they unduly delay the Commission's proceeding." Stewart said Fox already has supplied kind of data that FCC seeks (TVD Nov 6 p1), and was able to compile it within 4 weeks, since most of it is in broadcasters' public files. Data request is "fully consistent with the spirit" of Paperwork Reduction Act, he said, "particularly in light of the voluntary nature of the requests and the fact that the parties will not be penalized if they choose not to respond." He said Bureau is having network letters published in Federal Register to resolve problem with letter of Act.

In separate memo to fellow commissioners, Ness said she supports goal of Stewart letter but shares frustration about lack of consultation before it was sent. Ness said adequate information is needed to ascertain whether broadcasters are fulfilling their statutory duty, and FCC can't rely solely on NAB survey. Information should be readily available from stations' files, she said, so survey could be done expeditiously. Staffer said Ness agrees letter might be technical violation of Paperwork Reduction Act, but believes problem could be resolved easily.

Center for Media Education head Jeff Chester said 3 commissioners' letter certainly was generated by networks' opposition to request: "It's clear that when the networks snap their fingers, a majority of the commissioners respond." Center has been very much in forefront in Hundt's effort to require stations to air minimum of 3 hours of educational children's programming weekly (TVD Oct 23 p1).

**In the Public Interest**, autobiography of late FCC Chmn. Robert Lee, will be published Dec. 1 by University Press of America. Co-authored by former Reagan-Bush speech writer John Shosky, book is subtitled The Life of Robert Emmet Lee from the FBI to the FCC and is described as "an insider's look at Washington politics and policymaking." It's also story of Irish American's journey from streets of Chicago (where his immigrant father was a policeman) to power structure of Washington. Lee was appointed to Commission in 1953 by President Eisenhower, was reappointed 6 times by 4 Presidents, served 2 short terms as chmn. He retired in 1981 after 27-1/2 years at FCC. Before that, he was FBI agent and investigator for House Appropriations Committee. Lee died in Feb. 1993. Prepublication copies of book may be ordered at 20% off \$32.50 price from University Press of America, 4720 Boston Way, Lanham, Md. 20706, phone 800-462-6420.

**NBC and German network ZDF** will cooperate on newsgathering. Networks will give each other access to their news bureaus and assist in coverage in their countries, as well as cooperate on covering international events. NBC News has cooperative agreements with Japan's NTV, Britain's ITN, Mexico's TV Azteca, Reuters TV.

**Major League Baseball** Nov. 6 announced signing of 5-year, \$1.7-billion TV rights contracts with Fox and NBC and 2 cable groups (ESPN and Fox Sports/Liberty Media joint venture). Package will replace agreement that expired with this year's World Series involving ABC, NBC, ESPN. Under new pact: (1) Fox TV will televise 3 World Series games, 2 All-Star Games, one league championship series each year, 5 divisional playoff games (4 in prime time) and regular season game-of-week on Sat. afternoons. (2) NBC gets 2 World Series, 3 All-Star Games, league championship series each year, divisional playoffs. (3) Fox Sports/Liberty will air 4-year cable package beginning in 1997 consisting of 2 prime-time games weekly. (4) ESPN extends its regular season deal with Major Leagues for 3 more years and will televise playoff games not aired by Fox or NBC.

**Saying "enough is enough,"** gen. mgr. of KOAA-TV Pueblo-Colorado Springs said he will cancel Maury Povich, Jenny Jones and Carnie Wilson talk shows Dec. 31 unless there is "major change in the content." John Gilbert said he sent notification to Paramount and Warner Bros. that shows have "become absolutely outrageous... They are going so far beyond any degree of sensibility that we're through presenting this kind of worthless junk."

**TELECOM BILL MAY NOT MEET TARGET:** This is week that congressional leaders had targeted for coming up with deal on telecom legislation for House-Senate conference. But Hill staff and industry observers said it was unlikely complex legislative agreements could be reached by end of week, when Congress is due to adjourn for Thanksgiving recess. Press of other issues, primarily budget-related matters, may disrupt that schedule.

In Nov. 3 memo to conferees, Senate Commerce Committee Chmn. Pressler (R-S.D.), said he hoped they could meet on Nov. 13, 14 and 15, with last session planned to solve "any remaining issues in dispute." Last week, Pressler cancelled tentatively planned sessions of conferees because he said progress was being made by staffs. However, at week-end, there were no major agreements to report, according to Hill and industry sources, who said that leaders now are pointing to mid-Dec. as more likely time to reach accord, before Christmas recess. Proposals were being floated to change cable deregulation language. One would make Senate bill's "bad actor" test more specific, while another would eliminate time frame in House bill for deregulating rates. But no agreements on those proposals had been reached by conference staffers, industry sources said.

While staffs met frequently in closed sessions, several interest groups made sure their positions became known to conferees. Satellite Bctg. & Communications Assn. (SBCA) sent letter to conferees Nov. 7 to counter what it said was misleading information distributed by representatives of cities. SBCA Pres. Charles Hewitt said his group opposed local taxation of direct-to-home (DTH) service because it doesn't need any local services or rights-of-way and group has been forced by competitors into state-by-state battles over attempts to tax industry. SBCA said House version of bill (HR-1555) would allow state taxation of DTH services, with funds distributed to localities while preventing "administrative and efficiency nightmare" that would come about from more than "10,000 local taxing schemes" imposed on industry.

Cyberporn issue also had high presence, as civil liberties and economically conservative groups backed House legislation to refrain from regulating on-line content while not holding service providers liable for content, in move to counter proposal from religious right that wants harsher penalties.

Two members of Alliance for Public Technology (APT) said they disagreed with consumer groups' criticism of telecom bills. APT Chmn. Barbara O'Connor said call for rate-of-return regulation by Consumer Federation of America (CFA) and others was "20th century thinking as we prepare for the 21st century." She said consumer groups' vision of telephone service is limited by plain old service and criticized them for allying themselves with long distance companies that want to keep local exchange carriers from competing. O'Connor and 4 other APT members, including Henry Geller, said in Nov. 3 letter to Pressler that they believe legislation won't cause rates to rise because proposed bill would require that rates be "just, reasonable and affordable."

In background of policy debates, partisan issues are brewing. Leadership of Republican senators and representatives and their staffs met privately Nov. 6, Senate Commerce Committee spokesman said. Meeting raised ire of some Democrats. Session was called to assess progress on bill and to discuss scheduling, and didn't involve policy debate, spokesmen for House and Senate Commerce

Committees said. Kevin Curtin, Senate Commerce Committee Democratic staff dir., said he didn't know what happened at meeting, but said he assumed Republicans would work "cooperatively and collaboratively" with Democrats. If that doesn't happen, it will be harder to pass legislation, he said. This was 2nd time in several weeks that Democrats have felt slighted. First occurred when Democratic Senate staff wasn't invited to one of first conference sessions.

**FCC proposed to fine WNRW Winston-Salem \$15,000** for violations of EEO rules, but renewed license subject to reporting requirements. Action approved joint request for settlement involving NAACP and Act III Bctg., which owns station, and dismissal of NAACP's petition to deny renewal. Commission said it found no evidence of employment discrimination, but station failed to keep adequate records. In other license renewal actions, FCC: (1) Imposed \$20,000 fine on KMPC(AM)/KLIT(FM) L.A./Glendale for inadequate minority recruitment, but renewed license subject to reporting conditions. Renewal was opposed by National Hispanic Media Coalition and competing stations. (2) Rejected reconsideration petition by National Hispanic Media Coalition and Spanish American League Against Discrimination against WLYF(FM) Miami, saying petition included no specific evidence of prejudice. (3) Rejected reconsideration petition filed by NAACP against WWJQ(AM)/WJQK(FM) Zeeland, Mich., saying station had made adequate efforts to recruit minorities.

**C-Tec is latest MSO to consider putting itself on market**, saying it hired Merrill Lynch to explore alternatives. It said it will consider separating, restructuring or selling all its businesses, including cable, telephony and other communications interests. For cable, MSO said new strategy could include seeking joint ventures, selling some or all systems, restructuring or buying more systems. "Each of our businesses is quite attractive in its own right," Chmn. David McCourt said, "but our combination of assets has proven to be confusing to our investors and the market, which has negatively affected our share value." C-Tec is 31st-largest cable MSO, with 365,000 subscribers in 2 clusters -- in Mich. and N.Y.-N.J.-Pa. It also has 40% of Megicable, Mexico's 2nd-largest cable operator, and minority of Mich.-based cable operator Mercom. Its Commonwealth Telephone has 225,000 lines in Pa. Other interests include Commonwealth Long Distance, Residential Communications Network, Commonwealth Communications.

**CBS News pulled on-the-record interview with ex-Brown & Williamson Tobacco Corp. (B&W) executive** because of questions raised by network's lawyers. According to N.Y. Times, unnamed B&W executive had signed agreement not to disclose internal company information, and CBS official said network feared it could be held liable under that agreement. Revised report, scheduled to air last night (Sun.) on 60 Minutes, nevertheless included footage with ex-B&W executive whose face and voice were concealed by CBS. Mike Wallace, who did interview for canceled segment, told AP that ABC's settlement of \$10-billion law suit with Philip Morris "did not chill us as journalists... It did chill the lawyers."

**Transactions:** U S West subsidiary Media One bought private cable systems operated by National CableSystems Assoc. for undisclosed price, broker Daniels reported. National CableSystems provides private cable service to 15 Atlanta suburbs... Summit Communications acquired cable systems with 850 subscribers in Lakebay and Anderson Island, Wash., from Cascade Cablevision. Terms weren't disclosed.

**USTA OPPOSING TIME WARNER:** USTA launched campaign to assure small telcos equal access to programming and fair prices if Time Warner (TW) acquires Turner Bstg. for \$7.5 billion, Vp-Legal & Regulatory Affairs Mary McDermott said. She met with FTC staff to outline concerns that TW-Turner alliance could discriminate in providing programming to other telephone companies offering VDT or cable. "There's enough potential harm here that we're going to spend some resources on it," she said.

FTC seemed interested in receiving additional information on ramifications of TW-Turner deal, McDermott said. Many of USTA's smaller companies with cable operations are worried that favorable deals being arranged for larger systems won't be shared with all companies, she said. She cited TCI's 20-year programming deal with TW-Turner at same price, arrangement she said was unlikely to be offered to telephone competitors: "How can we be assured of access to the programming?"

FTC staff said it was interested in hearing examples of situations in which local companies felt that merged companies would discriminate against smaller players, McDermott said. USTA said consent decree would incorporate "self-executing" language that would ease burdens on smaller companies to seek remedies in instances when discrimination was suspected. Cable Act model, in which mechanism provides for case-by-case complaints, would impose burden on smaller companies if they were blocked in getting access to programming, she said. "It would be a 'most-favored-nations' type clause," she said. "People should be able to see what the rates are."

FTC asked TW and Turner for information about merger, and 2nd request for even more information was expected. McDermott said USTA plans 3-phase effort on TW-Turner deal under which it will: (1) Prepare and distribute questionnaire to members, seeking specific information about markets where TW operates. (2) Submit comments to FTC, including proposed language for decree, using outside counsel. (3) Consult with larger USTA members to offer help or work together on dealing with issues. Goal is to assure access, not derail merger. "We're not interested in blocking this merger," she said.



**Benefits of telecom bill** are many, Alltel Senior Vp Diane Smith said at USTA conference in Orlando, including guaranteed entry into cable. Among risks is "elimination of barriers of entry to our business," she said. Asked whether Congress will act soon on final passage of legislation, Gary McBee, coordinator of Alliance for Competitive Communications, said he thinks passage will come before end of year because of congressional interest in legislation, consumer benefits and "they're sick of us" on Hill. "This is not the time to circle the wagons," BellSouth Chmn. John Clendenin said in keynote, and telcos can can "change or be left behind. That's all there is to it."

**FCC issued guidelines** for document filings. They don't represent significant changes, agency said, but it hopes they will help it "provide faster and more efficient service." They include: (1) Filings should be in 10- or 12-point type and include signed original and 1-14 copies, depending on filing category. (2) No cover letter is needed for self-explanatory filings. (3) Packet, to obtain receipt, should include extra copy of cover letter or first page. (4) Filings seeking confidential treatment must be stamped clearly. (5) Ex parte filings should be marked clearly. (6) Filings should be delivered to Office of Secy. during business hours.

**FCC issued order** proposing to waive certain rate rules for expanded basic cable service in Dover Twp., N.J., where Bell Atlantic (BA) has received permission to build VDT network. Commission requested comments on proposal, including whether it should allow franchise authorities to issue similar waivers of basic tier regulation. "Even though the statutory definition of 'effective competition' will not yet be met," agency said, "the advent of VDT service may produce an effective restraint on cable rates." It said VDT package "may fall within the same product market" as area's cablers' expanded tier, thereby creating "potentially competitive alternative." Pricing similarities could prevent cablers from using market power unfairly, FCC said. Waiver will encourage "innovation and programming diversity" and "serve the public interest by reducing the regulatory burdens faced by cable operators," it said. Comments are due Dec. 13, replies Dec. 28. U.S. Appeals Court, D.C., denied last year's request of Dover's local operator Adelphia, along with NCTA and N.J. Cable TV Assn., to stay BA VDT deployment.

**Citing industry lack of auction experience**, FCC modified and clarified noncollusion rules for companies seeking multipoint distribution service (MDS) licenses in auction Nov. 13 for 493 licenses. Auction Div. lawyers and staff said potential bidders apparently didn't understand rules restricting business dealings between companies seeking same licenses. MDS auction also is first time Commission has sold spectrum without providing relocation arrangements for incumbents, as it did in broadband PCS frequencies. Incumbent MDS operators can bid in auction for existing frequency and new space, agency said. FCC will auction all MDS channels in 487 Basic Trading Areas (BTAs) plus 6 BTA-like areas in U.S. and territories, even those being substantially used by incumbents. MDS auction is one of 3 scheduled through end of year and will be key test of operation of automated auction process, which is designed to handle several simultaneous bidding processes, FCC's Automated Services Dir. Karen Wrege said.

**PBS and Reader's Digest** will develop TV programs for PBS under 5-year deal announced Nov. 6. PBS said productions will appeal to "young families," with focus on topics such as children, family, lifestyle, education, entertainment. Reader's Digest will contribute up to \$75 million. Contract has option for 5-year renewal. Partnership also will develop home videos, books, CD-ROMs, audio books, on-line content, etc. PBS Pres. Ervin Duggan said venture is part of strategy to form alliances with strong commercial partners. Reader's Digest will receive production credits on all broadcast programs, and some related products will carry PBS trademarks. PBS will handle worldwide distribution and domestic home distribution through its catalog and its retail sales agreement with Turner. Reader's Digest will provide international direct marketing of videos, books, CD-ROMs, multimedia.

**Continental Cablevision** will open Washington office, Senior Vp Robert Sachs said. Office will be headed by Brenda Fox, former NCTA gen. counsel and now Dow, Lohnes & Albertson senior partner and head of cable practice. Fox, who will be vp-federal relations, also has worked for NAB, FTC and on Capitol Hill. Office will open in Jan.

**Southern New England Telephone** said applicants for 8 additional analog video channels in VDT trial have until Dec. 3 to apply for allocations, but company is limiting applications to one per entity. If at end of open enrollment, applicants have applied for all channels, assignments will be made as requested. Lottery will be used if applications exceed channels, it said.

**RATINGS HURT FOX:** News Corp. said profits were virtually flat in quarter ended Sept. 30, despite "strong growth" of Fox TV Stations Group. Profit grew to \$227 million from \$224 million and revenue was up 5% to \$2.3 billion. Operating profit growth of 30% at Fox stations helped boost overall U.S. profit 6%, although results were disappointing at Fox TV Network, attributed to lower July and Aug. ratings because of lack of original programming. BSkyB operating profit jumped 36%, with subscribership reaching 4.38 million, up 214,000 since June.

**In other financials:** NBC told analysts that it expects full-year 1995 operating profit to be \$630-\$730 million, and cash flow \$750-\$850 million. Network, whose figures usually aren't separated from parent GE, also said it expects double-digit growth in 1996... Moody's said it reduced CBS debt rating to prime-3 from prime-2 and network's long-term debt to Baa-3 from A-3. Moody's placed CBS rating under review Aug. 1, same day Westinghouse purchase of network was announced. Upon completion of review, Moody's said CBS's ratings could be reduced further to "not prime" and "speculative grade," respectively... ABC affiliate WMUR-TV Manchester, N.H., provided \$3.2 million equity financing for Virtual Entertainment, producer of educational computer software... Moody's downgraded Gannett debt rating to A2 from Aa3, saying acquisition of Multimedia cable systems would raise total debt, but could improve cash-flow predictability.

Turner Bctg. had \$40-million profit in 3rd quarter ended Sept. 30, vs. \$5-million loss year ago. Revenue jumped 36% to \$1 billion and operating profit 33% to \$107 million. News segment revenue rose 8% to \$177 million, operating profit 12% to \$59 million. Entertainment networks revenue was up 10% to \$311.4 million, operating profit 37% to \$70 million... Cox Communications lost \$14 million in quarter ended Sept. 30, vs. \$4.9 million loss year ago, while revenue increased 83% to \$335.1 million as result of Times Mirror acquisition. Profit figure includes \$25.6-million loss by affiliated companies, vs. \$12.8 million loss year ago, because of larger U.K. cable holdings and losses at Teleport. Regulated cable revenue grew 11% to \$227.2 million, premium revenue 6%, pay-per-view 53%. Cox also filed SEC registration for \$250 million of new debt.

Falcon Cable reported \$91,000 profit in quarter ended Sept. 30, vs. \$5.4 million loss year ago, because of \$7.6 million gain on sale of QVC stock. Revenue increased to \$13.4 million from \$13.1 million... Falcon Holding Group lost \$5.7 million in quarter, vs. \$7.9 million loss year ago. Revenue rose 3.6% to \$38.2 million... Mærcom had \$146,000 profit in quarter ended Sept. 30 vs. \$20,000 loss year ago. Cable revenue was \$3.6 million vs. \$3.2 million... Playboy had \$1-million profit in quarter ended Sept. 30 vs. \$1.2-million loss year ago. Domestic TV revenue increased 44.8% to \$9.4 million. Playboy also hired Creative Artists Agency to find investors for expansion into international TV, new media, other activities.

Outlet Communications profit dropped to \$858,000 in 3rd quarter ended Sept. 30, from \$3 million year ago. Broadcast revenue was up 12.4% to \$15.4 million, despite lack of political ads... Young Bctg. had \$251,000 profit in quarter ended Sept. 30, vs. \$801,000 loss. Revenue jumped to \$29.6 million from \$18.2 million... Evergreen Media lost \$3.6 million in quarter ended Sept. 30, vs. \$1.2 million loss year ago. Revenue rose 62.7% to \$47.8 million and operating cash flow 68% to \$19.6 million... Liberty Corp. broadcast operating profit increased 39% to \$3.5 million in quarter ended Sept. 30, and revenue 27% to \$29.3 million.

**U.S. Appeals Court, D.C.,** should force FCC to act quickly on revising cable leased access rules, ValueVision International said in petition filed Nov. 6. ValueVision and others asked FCC in June 1993 to revise rules on terms for cable systems to lease channels to unaffiliated programmers. ValueVision said current rules have allowed cable systems to raise leased access rates 600-1,100% since 1992 Cable Act, effectively foreclosing many programmers from leasing channels: "It appears that leased access is a congressional mandate that has simply disappeared from the Commission's radar screen," company said. "The Commission's failure to address the outstanding petitions for reconsideration has essentially rendered leased access a dead letter." ValueVision operates cable home shopping network and said operators such as TCI and Comcast, which own stakes in other networks, are using leased access rules to keep it off their systems.

**NARUC conference** in New Orleans Nov. 13-16 has attracted 1,200 registrants so far, spokeswoman said, and may include larger cable presence than in past. Main topic is likely to be federal telecom bills now in conference committee, she said. She said stepped-up activity on Capitol Hill has led to impromptu news conference today (Nov. 13) to discuss states' perspective on bill. Briefing will include NARUC Communications Committee Chmn. Lisa Rosenblum (D) of N.Y. PSC, Wis. PSC Chmn. Cheryl Parrino (R), who's incoming NARUC pres., and Mo. PSC Chmn. Kenneth McClure (R), spokeswoman said. Several state cable associations plan to attend, she said, as well as representatives of NCTA and major MSOs with telephony plans: "They want to be viewed as competitors in that realm."

**MCI entered music retailing business** with Nov. 8 launch of 1-800-MUSIC-NOW phone service that connects callers or Internet "soundsurfers" with database of more than 5,000 music titles in 14 formats from pop to country, allowing sampling and immediate credit card purchase of CDs and cassettes. Music will be priced "competitively" with conventional music retailers, MCI said, and will be shipped within 3-4 days of order. Shipping and handling will be \$2.69 for first item, 49¢ for additional item. MCI said it will sell service aggressively, with promotions on more than 100 radio stations in top 30 U.S. markets, supplemented by print and TV ads.

**Fox TV Network and affiliates** "view each other as strategic allies and strive to support each other's interests whenever possible," they said in joint statement last week. "For this reason, Fox and the Fox affiliates have elected not to file initial comments" in FCC rulemaking looking toward relaxing restrictions on TV networks' dealings with affiliates (TVD Nov 6 p5). ABC, NBC and CBS affiliates filed joint comments on proposed rules changes that sharply conflicted with those filed by each of Big 3 networks. Fox and its affiliates said they will "evaluate whether there is a need for joint or separate reply comments."

**Rep. Collins (D-III.)**, 4th-ranking Democrat on Commerce Committee and senior minority member on House Govt. Reform Committee, said she won't run for 13th term next year. Collins was elected in 1973 following death of her husband, Rep. George Collins, in airplane crash, and in 1992 was reelected with 79% of vote in her Chicago district. Collins said she will be 65, retirement age, next year.

**Time Warner** bought Hawaiian Cablevision, which has 10,800 subscribers on Maui, according to broker Daniels. Terms weren't disclosed.

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## EDITORIAL &amp; BUSINESS HEADQUARTERS

2115 Ward Court, N.W.<sup>th</sup> Washington, D.C. 20037  
Phone: 202-872-9200 Fax: 202-3435

e-mail: warrenpub@interramp.com

## WASHINGTON HEADQUARTERS

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## NEW YORK BUREAU

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

David Lachenbruch	Editorial Dir.
Paul Gluckman	Assoc. Editorial Dir.
Mark Scavay	Associate Editor
Cindy Spielvogel	Associate Editor

## CONTRIBUTING EDITOR, EUROPE

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

## JAPANESE REPRESENTATIVE

Editorial and Circulation	
CES International Corp.	
1-11-8 Nishi Shinbashi, Minato-ku	
Tokyo 105, Japan	
Phone: (03) 3592-1531	

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Sixty-five companies and trade groups sent letter to House Speaker Gingrich (R-Ga.) saying House Republican campaign to eliminate Commerce Dept. could hurt U.S. competitiveness. Letter, sent Nov. 3 by Ad Hoc Industry Coalition on Commerce Dept., said that while signers supported "thorough and comprehensive review" of govt., they were "greatly concerned" by efforts to dismantle Commerce Dept. Edward Black, pres. of Computer & Communications Industry Assn. (CCIA), said letter reflects widespread private sector view. Signers included AT&T, Boeing, Corning, Cray, GE, IBM, Motorola, Raytheon, Westinghouse.

PanAmSat received license from Japanese govt. to provide international satellite-based TV services in Japan. Company said license is significant because it has permission to use its own system and won't be required to use one of Japan's 3 international carriers. "We're witnessing a profound liberalization" of Japanese market, PanAmSat Pres. Fred Landman said. "It is appropriate that our first application will be coverage of the APEC [Asia Pacific Economic Council] conference in Osaka, where Asia-Pacific leaders will discuss plans for increasing free trade and commerce through a reduction of regulatory barriers."

## Personals

FCC Chief Economist Michael Katz resigns effective Jan. 1 to explore other telecom opportunities... Rick Osmanski, ex-National Assn. of Regional Councils, named RTNDA dir.-conventions and meetings... Dana Beales, ex-Opticians Assn. of America, appointed vp-finance & administration, CTAM... FCC Calendar: FCC Chmn. Hundt addresses NARUC convention, New Orleans Marriott, Nov. 14, 1 p.m.; he canceled scheduled speech to Community Bcstrs. Assn. convention in Washington Nov. 13; Jane Mago, senior adviser to Comr. Chong, participates on panel at CBA Nov. 13, 10:30 a.m., Washington Hilton.

Wayne Huizenga resigns as Viacom vice chmn. and board member and Blockbuster Entertainment Group chmn.; he had said previously he would step down after transition period following merger... Bill Headline retires as CNN Washington bureau chief-vp Jan. 1, will be replaced by Washington Exec. Editor Frank Sesno; Peggy Soucy promoted to deputy bureau chief; Eason Jordan moves up to head CNN International, succeeding Peter Vesey, who leaves to "start a new business"... Pamela Weisberg, ex-ESPN asst. gen. counsel, appointed FX senior vp-legal & business affairs... Francis Lunger, ex-Nashua acting pres.-CEO, named Oak Industries senior vp-CFO... Steve Necessary, ex-Antec, rejoins Scientific-Atlanta as vp-gen. mgr. of analog subscriber systems... Carol Fanning, ex-Jones Spacelink of Hawaii, appointed gen. mgr., Superaudio Cable Radio Service... Thomas Lerash, ex-First of America Bank-Mich., named gen. mgr., Harron's Caseville, Mich., cable system.

Ronald Maluri, KDRV Medford, Ore., news mgr., promoted to broadcast group news mgr... Jane Flore advanced to gen. sales mgr., WGBO-TV Joliet, Ill... Dujuan McCoy, ex-WTTV Indianapolis, appointed gen. sales mgr., WFXI Morehead City, N.C... Simon Cox, ex-Zenith, named Warner Bros. International TV Distribution dir.-finance, Europe... Rubin Pfeffer, ex-Harcourt Brace, appointed pres., McGraw-Hill Home Interactive.

Cable is getting higher customer service marks from consumers, study by Market Facts said. Firm surveyed 1,259 cable subscribers in March and May, 6th year of tracking issue. Among findings: (1) Only 2% of customers threaten to discontinue cable, down from high of 4% in earlier surveys. (2) Percentage reporting no problems with cable increased to 57% in 1995, from average of 50% in 1990-1994. Percent with serious problems dropped to 3% from 4%. (3) Number of subscribers saying they had difficulty calling cable operator in last 6 months dropped to 14% from 1990-1994 average of 19%. (4) Percentage experiencing cable outages of more than 5 min. in last 6 months dropped to 56% in 1995 from 59% in 1994, 71% in 1993. Average number of outages per household declined.

Christian Network (51%) and Shop at Home Inc. (49%) are buying KLDT (Ch. 55, Ind.) Lake Dallas, Tex., price not announced. Shop at Home started operating station Nov. 1 under marketing agreement with 22 hours daily of home shopping. Paxon Communications has signed letter of intent to acquire Shop at Home.

Federal Communications Bar Assn. (FCBA) will sponsor continuing legal education seminar on Copyright in Digital World Dec. 7, Capital Hilton, 6-8 p.m. Panelists include Assoc. Register of Copyrights Shira Perlmutter, American U. Law Prof. Peter Jaszi, NAB Asst. Gen. Counsel Ben Ivins -- 202-273-6324 or 202-624-2685.

# Consumer Electronics

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

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th week of Oct. and year's first 10 months:

OCT. 21-27	1994 WEEK	% CHANGE	OCT. 14-20	10 MONTHS 1995	10 MONTHS 1994	% CHANGE
TOTAL COLOR TV...	1,219,495*	1,167,714	+ 4.4	743,541	21,013,615	21,916,984*
DIRECT-VIEW....	1,179,075*	1,134,606	+ 3.9	710,442	20,403,918	21,434,200*
TV ONLY.....	1,083,721*	1,027,629	+ 5.5	682,121*	18,702,577	19,799,143*
TV/VCR COMBO..	95,354	106,977*	-10.9	38,321	1,701,341*	1,653,057
PROJECTION.....	40,420#	33,109	+22.1	23,099*	609,697*	482,784
TOTAL VCR**.....	881,105*	823,120	+ 7.0	319,367	12,400,644*	12,149,509
HOME DECKS.....	785,661*	716,043	+ 9.7	281,046	10,699,303*	10,496,452
CAMCORDERS.....	247,295*	189,212	+30.7	70,772	2,884,067*	2,594,848
LASERDISC PLAYERS	8,592	12,547	-31.5	4,688	209,717	228,269

Direct-view TV 5-week moving average: 1995--799,649; 1994--816,028# (down 2.0%).

VCR deck 5-week moving average: 1995--439,433; 1994--482,270# (down 16.4%).

TV/VCR 5-week moving average: 1995--55,381; 1994--60,582\* (down 8.9%).

Camcorder 5-week moving average: 1995--124,748#; 1994--113,543 (up 9.9%).

\* Record for period. # Record for any week. \*\* Includes TV/VCR combinations.

**REBORN ZENITH STARTS TUBE PLANT EXPANSION:** Korea's LG Electronics Nov. 8 took control of cash-starved Zenith, whose new board met same day and voted to put purchase money to work by starting first phase of \$150-million expansion of Melrose Park, Ill., picture tube plant.

Quick action was appropriate first step in financial bailout of 77-year-old company that was triggered by need to modernize tube operation -- transaction that started with negotiations between companies on possibly putting tube plant into new joint venture, and ended with sale of 57.7% of Zenith stock for \$351 million. LGE, which makes GoldStar brand TV, was looking at possible "investments in North America for picture tubes," LGE Pres. John Koo told us last week after purchase was completed. "Partnering with Zenith provides that opportunity," said Koo, who now also is chmn. of Zenith board's Exec. Committee. "Zenith needed capital. We were looking for investment possibilities. It's a good fit."

Zenith stockholders overwhelmingly approved sale of stock to LGE at meeting Tues. (Nov. 7), more than 95.1% of shares voted at meeting favoring transaction. Zenith receives \$165 million -- most of which will be used for tube plant renovation -- in exchange for 16.5 million newly issued shares of common stock and 18,619,000 shares purchased from Zenith stockholders, all at \$10 per share. Following sale, Zenith stock closed at \$8 on N.Y. Stock Exchange.

"In the last few months" of constant talks and interchanges with Zenith officials, "our confidence has grown," Koo said. "We have high hopes and aspirations" for new partnership. He particularly praised "very positive chemistry among the 3 of us" -- LGE Chmn.-CEO H.J. Lee, who was elected Zenith chmn., and Albin Moschner, who continues as Zenith pres.-CEO and now is only Zenith representative on board. Koo noted that he and Lee first worked together during Korean labor crisis of 1989, and "developed a good working relationship," now extended to include Moschner. At first meeting of Zenith's new board, Koo said, Lee "put his reputation and position on the line" to make sure company would maintain and enhance leadership position.

First project approved by board is building 5th production line at Melrose Park for tubes 30" and larger -- line capable of making sizes up to 38W" widescreen -- Moschner told us. "We will have the capability of large-screen production available in 1997." At Dec. meeting, board is expected to approve rest of 3-year plan involving modernizing and automating plant, he said. "By then all the pieces will be in place."

Lee's ideas were described by Moschner as "visionary" and aimed at "growing the entire product lines of both [Zenith and LGE], with more variety, more product proliferation." As for Zenith's nonconsumer line, new ownership will make it "more aggressive in the cable [equipment] business, including cable modems."

In response to our question, Koo said there were no plans to combine distribution of Zenith and GoldStar lines or to develop dual-line dealerships. "Distribution and dealerships will continue as before," he said, "the 2 lines contributing separately" to new partnership. New ownership won't upset long-term Zenith OEM and supplier relationships, Moschner said. LGE has "made it clear that I do business with whoever gives us the most opportunities in the marketplace."

However, there will be major changes in Mexican operations of 2 companies. "There will be better rationalization," Moschner said, "we'll look at what we can do with our plants," with aim of avoiding duplication, ideally combining high-end operations of both companies in one plant, low-end in another, components in another.

Synergies of companies will "give a big boost to joint technologies, Moschner said, noting that LGE's major CD-ROM capacity combined with Zenith's consumer product prowess will be big advantage in such new areas as DVD -- "giving us the ability to integrate widescreen and DVD technology." He added that "we're very excited about what DVD will mean to the industry."

In formal statements, Moschner hailed transaction as beginning "exciting new chapter in our history," promising "a stronger, much more competitive Zenith." Lee called Nov. 8 "landmark day" for both companies. "Our strengthened partnership with Zenith is a major component of LGE's strategy to be a global leader in consumer electronics." Koo said alliance will "capitalize on the complementary brand positions of Zenith and GoldStar in the market."

As we reported previously (TVD Oct 23 p9), Zenith's new board, in addition to Lee and Koo, will consist of LGE Corporate Planning Managing Dir. K.S. Cho, LGE Senior Officer Yong Nam, LGE N. American Operations/LGE USA Pres. Nam Woo and USG Chmn. Eugene Connolly, all designated by LGE -- plus board holdovers Moschner, Barbara Oil Co. Pres. Kimball Booker, Rand McNally Chmn. Andrew McNally IV, MacFrugal's Bargains Chmn. Peter Willmott.

**TCE PLANS TV WITH CD-ROM, ON-LINE ACCESS:** Thomson Consumer Electronics (TCE) revealed plans last week for home theater system with "entertainment" features of PC -- including CD-ROM and access to on-line services. In companion move, officials told us they were studying possible return to high-resolution computer monitor tube production abandoned by RCA after GE takeover in 1986.

In report on its growing digital activities last week in N.Y., TCE said it had signed agreements to supply Digital Satellite System (DSS) receivers to 2 unidentified Japanese CE companies -- presumably Matsushita and Hitachi -- for introduction by mid-1996 and announced its own DSS sales to dealers passed 1.5 million this month and may approach 2 million by year-end. Company remained firm on promise to deliver first DVD players by fall of 1996 at \$499 (see separate report, this issue). TCE said it has completed design review of Tele-TV set-top box and plans to conduct prototype test of Multichannel Multipoint Distribution System (MMDS) in Virginia Beach late this month.

In sounding out prospects of returning to computer-grade displays, TCE plans to show prototype 19", 27" and 35" high-resolution tubes at Winter CES in Jan., and future of project will hinge on interest of existing tube customers and PC companies. Goal is to have Super Virtual Graphics Array (SVGA) quality resolution with 0.28 dot pitch, company said.

TCE demonstrated prototype "Genius Theatre" -- presumably named to contrast with "idiot box" -- using standard 35" tube with invar shadow mask in cabinet with 6-disc CD-ROM changer, Dolby Pro Logic surround sound, 55-w amplifiers and wireless keyboard, with 16 Mbyte memory allowing access to on-line services via modem. There are no immediate plans for product, but version could be available by 1998 with smaller keyboard containing both remote control functions and PC mouse, TCE Americas Design Operations Vp Louis Lenzi said. "Entertainment is changing dramatically and when it does our product will evolve, but the hardware has not yet been defined and this is one concept," said TCE Product Management Senior Vp James Meyer.

Executives emphasized that they're in "entertainment" business, and that entertainment aspects of computer frequently could be enjoyed by family better on giant screen than by peering into 14" box. "We're

intrigued by a low-cost display option that allows people to enjoy other things besides NTSC [TV], particularly making sure it doesn't degrade" computer images, Meyer told us after news conference in N.Y. last week, commenting on possible entry into high-resolution tubes. "We're looking at these, but we haven't made a firm decision yet. I think it will come down to cost and when we can have them."

Sample products were built at TCE Lancaster, Pa., plant this fall, and full production could begin next year, company said. Tubes are designed primarily for TV, but could be used to display "CD-ROM on a bigger screen," N. American Tube Div. Gen. Mgr. Thomas Carson told us. Although plans aren't finalized, 19" and 35" tubes could be built at Marion, Ind., 27" in Scranton. "The idea is to target that portion of our customer base that is looking to put together a multimedia monitor -- something that may have PC or RGB inputs," he said. TCE showed 26W" widescreen monitor at CES last Jan. (TVD Jan 16 p17), but found more interest in conventional tubes, Carson said.

Concept appears similar to that of 20" Toshiba Integrated Multimedia Monitor (TIMM) introduced last fall (TVD Nov 14 p15), combining stereo TV tuner with FST black picture tube with dot pitch "up to 26%" finer than conventional TVs. Toshiba has said it may introduce 27" model. Mitsubishi showed 37" Megaview flat square CRT at Comdex last spring (TVD May 1 p17).

Thomson's DSS OEM agreement is company's latest move to expand on its digital lead. Earlier this fall, it signed pact with Southwestern Bell and plans to supply integrated receiver decoders (IRDs) for 144-channel DirecTV Latin America service scheduled to start in March-April (TVD June 26 p15). DBS system is being marketed as Galaxy Latin America by TCE and partner Hughes Communications' DirecTV Div. Main uplink center has opened in Long Beach while regional facilities in Caracas, Mexico City and Sao Paulo are expected to receive equipment within 30 days, Meyer said. Hughes Galaxy III-R satellite, which will transmit service, is scheduled to be launched Dec. 14.

Tele-TV test with Bell Atlantic (BA) will be major milestone for TCE, which signed agreement in Sept. to supply 3 million set-top boxes for 100-channel service scheduled to start next Sept. (TVD Sept 25 p12). Prototype box was developed in Indianapolis, with full production slated for Juarez plant, Meyer said. TCE remains "very confident" it can "achieve or beat" targeted mid-\$300 cost of box, he said. "Cost will not be the risk in bringing in this new technology," he said. Tele-TV is jointly owned by BA, Nynex and Pacific Telesis.

TCE is continuing joint development of Open TV system with Sun Microsystems with goal of having "end-to-end solution" with "off-line server and in-home box" to offer interactive services by Aug. 1996, Meyer said. Companies originally planned to have Open TV on line as early as this fall (TVD Oct 16/94 p16), but delayed start because of concerns about liability for products sold using interactive shopping service (TVD Aug 7 p12).

**PROJECTION AND CAMCORDERS WARM UP BLEAK OCT.:** Hot windup week prevented Oct. from being disaster in color TV and VCR. As it turned out, sales of all video products were down except projection TV and camcorders, both setting sales records for month, according to EIA compilation of sales to dealers.

First, the good stuff: Projection TV continued to roar ahead in Oct., total sales falling just 17 sets short of all-time record month of Sept. 1995, which had 5 weeks. Oct. easily was best 4-week sales month in PTV history, its sales exceeding those of Jan. and Feb. combined. Month wound up with biggest PTV sales week ever -- 40,420 sets sold were more than those of entire month of April (see State of the Industry). PTVs sold in Oct. at annualized rate of 883,850, and for year's first 10 months at 810,875 -- both figures well above 1994's record 636,177 sales, with 10-month sales 26.3% ahead of last year's figure.

This year's surprise is rate of camcorder sales, which ran at record level in Oct. as they did in 7 previous months of this year, including last 5 consecutive months. Camcorders almost certainly are headed for record this year -- up 11.1% with only 9 weeks to go. Smash final week of Oct. saw them up 30.7% over same week last year, and Oct. sales worked out to seasonally adjusted annual rate of 3.76 million, quite in line with 10-month rate of 3.66 million -- vs. previous record of 3.2 million, established last year.

Good news in color TV came at end of month, with all categories except TV/VCR combinations setting records for year's 40th week. Actually, direct-view TV-only category set records in each of month's 2 final weeks after 6 consecutive weeks of declines. As result, direct-view TV for month was off only 1.9% from 1994's record Oct. For month, direct view's seasonally adjusted annual rate hit new high for year -- 25.6

million, which would easily be a record. However, 10-month seasonal rate was only 23.5 million, more than million sets below actual record of 24.7 million last year.

Slump in TV/VCR combos accelerated in Oct., with sales down 27.1% from year earlier. To look on bright side, EIA said larger screen sizes are up, with smaller and cheaper models accounting for all year-to-date decline. Combos' free fall in all 4 weeks of Oct. saw 40-week lead over last year dwindle to 2.9%. Seasonal average in Oct. was miserable 1.57 million, but 10-month average held up at nearly 2.2 million, as compared with 1994's record of just over 2 million.

VCR decks, which have been selling at surprising record pace this year, now are having their lead and record threatened, 10-month sales dropping to just 1.9% over last year. Although sales were up 9.7% in final week of Oct., month saw 4.8% decline vs. Oct. 1994. Despite decline, on seasonally adjusted basis Oct. and 10-month sales both worked out to annual rate of better than 13.5 million, which would best 1994's record of just under 13.1 million. Here are EIA's figures on sales to dealers for Oct., with 1994 and 1993 comparisons:

Product	Oct. 1995	Oct. 1994	% Change	Oct. 1993
Total color.....	2,845,466	2,941,900*	- 3.3	2,725,457
Direct-view...	2,748,773	2,867,261*	- 4.1	2,672,145
TV only.....	2,567,003	2,617,763*	- 1.9	2,468,550
TV/VCR combo.	181,770	249,498*	-27.1	203,595
Projection....	96,693*	74,639	+29.5	53,212
Total VCR**.....	1,623,340	1,766,367*	- 8.1	1,303,964
VCR decks.....	1,441,570	1,514,740*	- 4.8	1,176,760
Camcorders.....	379,140*	345,279	+ 9.8	330,983
Laserdisc players	23,193	26,312	-11.9	27,976

\* Record for any Oct. \*\* Includes TV/VCR combinations.

**SONY 2ND-QUARTER U.S. ELECTRONICS SALES UP 20%:** With year-ago \$2.7 billion write-off on movie operations behind it, Sony presented rosier picture for first half and 2nd quarter of its fiscal year last week. For quarter, company posted \$87.9-million net profit and \$619.2-million operating profit vs. last year's \$3.2-billion loss, with sales up 18.7% to \$11.8 billion, based on \$1 = 98 yen (see financial table)

Company's electronics sales rose 23%, offsetting slight 0.3% gain in entertainment business. In U.S., Sony said successful introduction of PlayStation this fall contributed to 20% increase in dollar sales of electronics, but attributed major portion of gain here to "substantial expansion of computer-related businesses, including computer displays, semiconductors and CD-ROM drives." U.S. dollar sales dropped 4% in Music Group and 7% in Pictures Group.

After exchange losses totaling \$245 million for all markets, Sony's U.S. sales for quarter were up 8.3% to equivalent of \$3.325 billion, representing 28.2% of company's total sales, while sales in Japan were 30.7% of total, in Europe 21.5%. Sales in Japan gained 38.7%, in Europe 17.7% (16% on local currency basis) and in "other Asia" 15% in local currency. Operating income from electronics soared 249.2% in quarter to \$570.1 million, 38.3% in half to \$673.4 million.

In Electronics Business, TV sales on consolidated basis in quarter increased 14.7%, audio equipment 5.7%, video 5.6% and "others" -- including videogames, semiconductors and CD-ROM drives -- 62.1%. In video, Sony cited increased unit "sales of 8mm VTRs... supported by the popularity of camcorders equipped with liquid crystal displays," as well as broadcast Digital Betacam VTRs. In audio, "sales of the MiniDisc (MD) system expanded substantially and car stereos also achieved sales growth." Color TV "unit sales... grew and computer displays enjoyed very strong sales worldwide."

On Japanese market, sales rose "significantly... mainly due to the contribution of... PlayStation and strong sales of such products as 8mm VTRs, the MiniDisc system, electronic components, CD-ROM drives and telephones" as well as expansion of Sony Life Insurance.

Company called market environment "challenging, mainly because of intensifying price competition" in AV equipment. Substantial increase in operating income was attributed to "sales expansion and companywide efforts to reduce costs and expenses." At end of 2nd quarter, company was concerned about "comparatively

high... inventory levels of consumer-use audiovisual products, particularly in overseas markets," and promised to "aggressively reduce these levels by... such measures as scaling down production."

Sony said Japanese domestic sales of MiniDisc players and recorders in 2nd quarter totaled 200,000, double those of same 1994 period, with forecast for industrywide sales of 1.5 million MD products in year ending next March, with Sony hoping to hold onto 50% share. It forecast sale of 2 million PlayStation consoles in Japan in fiscal year, plus 700,000 in U.S. and 500,000 in Europe, along with 100,000 car navigation systems.

For other products, company forecast it will sell 3.2 million 8mm VCRs (including camcorders) this fiscal year, up 3.2% from 3.1 million last year; 4.2 million 1/2" VCRs (unchanged); 19 million CD players (unchanged); 15.5 million Walkman personal stereos, up 3.3% from 15 million; 11 million color TVs, up 5.8% from 10.4 million. Sales in first half of current fiscal year totaled 1.7 million 8mm products (vs. 1.6 million), 2 million 1.2" VCRs (unchanged), 9.9 million CD players (vs. 9.5 million), 7.5 million Walkman stereos (vs. 7.6 million), 4.9 million color TVs (vs. 4.6 million).

Sony raised its forecast of full-year results. Assuming approximately 100 yen = \$1, company sees consolidated sales and operating revenues up 10% from last year to about \$44 billion, operating income of \$2.2 billion, pretax income of \$1.55 billion, net about \$650 million.

**FRETTER PONDERS SUPERSTORES:** Fretter, which has closed more than 160 Silo stores this year, is considering shutting some of 68 remaining outlets and switching to 40,000-50,000-sq.-ft. superstore format, industry sources said.

Fretter officials declined comment on plans, but sources familiar with strategy said chain would test format with 4 outlets, some possibly in Denver area where it operates Fred Schmid (FS) chain. Fate of dozen or so FS stores hasn't been decided, sources said. Fretter earlier hinted at possible plans for 40,000-sq.-ft. store in Denver area (TVD May 8 p21) within 2 years. CE manufacturers said they expect to be briefed on plans in next several weeks.

Brighton, Mich., chain, which once operated 240 stores under Fretter, FS, Silo and YES! banners, has outlets remaining in Boston, Colo., Mich., Ohio. Boston stores are expected to close.

Fretter showed first signs of trouble in spring when it asked manufacturers to delay shipments of some new products (TVD May 8 p21) and began closing stores last summer (TVD Aug 14 p14). Its problems appeared to stem from downturn in CE business and continued struggle to pay off debt from \$45-million purchase of Silo from Dixon's in 1993 (TVD Dec 20/93 p16).

Mitsubishi will open 200,000-sq.-ft. TV assembly plant in Mexicali by early 1997, augmenting existing facilities in Norcross, Ga., Audiovideo Div. Pres. Jack Osborn said. Decision hasn't been made on screen sizes that will be handled at new factory that's to be built next to circuit board plant scheduled to go on line in Jan., he said. Construction will begin in May-June, he said. New 250,000-sq.-ft. circuit board plant will employ 500 working on products for Mitsubishi projection TV assembly plant in Santa Ana (TVD Feb 13 p14). Mitsubishi has closed TV assembly plant in Canada, but will continue to operate tube factory in Midland, Ont. It shifted TV assembly operation to Norcross.

Circuit City (CC) same-store sales dipped 1% in Oct. despite 26% increase in total sales to \$528 million from \$417.9 million. Executives told analysts that PC sales were strength of operation in Oct., presumably meaning that CE was drag on revenues. CC shares dropped 6.5% to \$30.62 in response to report. Chain operates 390 stores.

**BEST BUY TO OPEN 35-40 STORES:** Best Buy (BB) is tentatively planning to open 35-40 stores in 1996, including first in Philadelphia and possibly Pittsburgh, analysts said.

Size of expansion would be sharp decrease from 1994 and current year when chain opened 53 and 47 stores, respectively. Some 7-8 Concept III stores are slated for Philadelphia area, each featuring 55,000-sq.-ft. format BB launched year ago (TVD Oct 17 p14), sources said. Spokeswoman declined to comment on Philadelphia or Pittsburgh plans, but confirmed chain is "looking at properties" there.

Retailer also is continuing test of in-home product installation program covering PCs, Digital Satellite System (DSS), home theater. Test is being conducted at 12 stores in Minneapolis-St. Paul and 7 in Atlanta, spokeswoman said. Installation fees weren't immediately available, but DSS typically carries \$150 charge.

Harvey Electronics is "cautiously optimistic" it can emerge from Chapter 11 in Jan., Pres.-CEO Arthur Shulman told us. He said N.Y. retailer has negotiated favorable terms with financial community to permit chain to fund "aggressive" ad campaign for 4th-quarter selling season. Support from key vendors has produced steadier supply of goods, he said. Attorneys are working on draft of reorganization plan and expect to file it with N.Y. Bankruptcy Court by end of Nov., he said. Chain's financial difficulties are due "primarily" to insufficient credit facility, failure of proposed private placement and continued net losses, according to Chapter 11 petition filed in early Aug.

Philips' Magnavox standalone StarSight receiver has expanded distribution to nearly 4,000 stores and been picked up by 4 retail buying groups -- Associated Volume Buyers (AVB), MARTA, PRO Group, NATM. Added distribution coincides with decision to cut price of on-screen guide to \$99 from \$149 earlier this fall (TVD Sept 25 p15).

#### 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 TALKS DEADLOCK ON NAME:** What's in a name? Plenty, apparently, when it comes to DVD. One thing is sure, according to sources close to negotiations in Japan: Unified format won't be called either MultiMedia CD (MMCD) or Super Density (SD).

While some observers speculated that only "minor" issues remain to be settled and would be disposed of within 2 weeks, others were more cautious, suggesting substantive issues remain, including agreement on multichannel audio.

MMCD and SD alliances have agreed to choose neutral name for unified format, signaling total impasse on issue that was by no means insignificant. SD alliance would have preferred to have Sony and Philips join as 8th and 9th core companies -- development that would have spelled significant capitulation by MMCD backers Sony and Philips. On other hand, SD alliance refused to give in on Sony-Philips insistence that name -- such as MMCD -- reflect new format as extension of existing Compact Disc, on which Sony and Philips own many key patents.

We're told negotiators were racing clock to agree to final technical specifications in time for substantive announcements at Comdex this week in Las Vegas, where numerous MMCD and SD news conferences and prototype demonstrations were planned.

Early last week, Japanese newspapers quoted senior Toshiba officials as saying DVD technical specs would be finalized in week or 2, barring unexpected complications. Philips spokesman in Europe responded by saying his company didn't "dispute some of the comments made by other companies involved in the unification of the DVD format."

Sony spokesman in U.S. said he couldn't confirm statements by senior Toshiba officials on timing of agreement. He disputed news reports that SD companies rejected 11 technical proposals submitted by MMCD camp. He said agreement had been reached by "mutual concession" on many technical issues he wouldn't specify, while disagreement remained on other points.

Accord hasn't been reached on issues involving tracking servo system for unified format. MMCD companies support "push-pull" tracking method, while SD camp favors alternative "DPD" technology, Sony spokesman said.

Surprisingly, DVD multichannel audio question, described recently by Philips executives as "minor" issue, also remains unresolved. SD camp "strongly" endorses Dolby AC-3 coding for NTSC markets and MPEG-2 audio for PAL territories, while MMCD camp officially supports worldwide adoption of MPEG-2 audio, Sony spokesman said. Sides have agreed to resolve dispute by consulting with pertinent industries on subject, he said.

Executives at Thomson, which has no inside track on Tokyo DVD engineering talks, nevertheless told reporters authoritatively at N.Y. news conference last week that "only minor issues remain to be finalized." Senior Vp James Meyer said "I feel confident we will button those up quickly." He said "complex technical issues require time to investigate and analyze, but tremendous progress is being made" in Tokyo.

Thomson foresees "huge and dynamic" market for DVD movie players, projecting cumulative industry sales in U.S. of 4-5 million decks for first 3 years. Market will "explode after that," Meyer said, predicting that DVD transports for

PCs by 1998 will account for more than half of all disc drives sold. TV/DVD combination products will appear for first time in 1997, achieving "widespread adoption" by 1998, Meyer said.

"Our position remains unchanged" on pricing and launch of first DVD hardware, Meyer told reporters. Company will start "aggressively marketing" DVD product in fall 1996, supported by "an array of merchandising and promotional events" designed to "drive RCA into the leadership position." He said "we firmly believe" \$499 retail target "will be achieved." Responding to questioner on reports quoting unnamed Toshiba executives as saying company's first DVD decks would arrive in U.S. next Sept. at \$600-\$700, Meyer said Thomson price projections were based on "current" information from visits to Japan he made within preceding 2 weeks to companies supplying RCA with first-generation DVD products.

Thomson has refused to identify where it would source DVD players, other than to say it recently had signed agreements with 2 Japanese manufacturing "partners." Japanese news reports have said Toshiba was investing 5 billion yen to set up DVD production lines in Aomori, Japan, and in Philippines. Aomori production is set to start next June, with Philippines production to be launched in 2nd half of 1996. Goal is to reach total monthly production of 300,000 players by end of 1996. At our deadline, Toshiba executives hadn't responded to our questions on whether company would supply DVD players to Thomson.

MMCD and SD companies have scheduled individual news conferences and demonstrations at Comdex. Pioneer said it will demonstrate prototype write-once "SD-Recordable" system with 3.8-Gb data capacity on single side of 5" bonded disc. Pioneer said it plans to start mass-producing "SD-R" and "SD-ROM" products next fall. SD-R will be marketed first as "industrial authoring system," company said. Mass production of SD-ROM will start with monthly output of 100,000 drives. Meanwhile, Toshiba said it plans Comdex showcasing of "world's first" read-only SD drive, built to 5-1/4", "half-height-size" specifications. Drive, compatible with existing CD specs, measures 1.7x5.8x8.1", Toshiba said.

Emerson Radio last week filed 5-million-share shelf registration for stock held by Chmn.-CEO Geoffrey Jurick to provide funding for possible settlement of lawsuits. Settlement must be approved by Emerson board, and stock involved would be sold over several years and limited to institutional investors, Emerson Pres. Eugene Davis said. Jurick owns 30 million shares. "He's not going to dump the stock into the marketplace," Davis said. "This will go to somebody like a mutual fund, fund manager or strategic investor who will come into the stock for a long-term investment." Suits stem from split of Jurick and former partner Donald Stelling, who resigned as chmn. of Fidena Investment Ltd. (FIL) in 1993. Stelling challenged Jurick's use of \$15.2 million in FIL funds to secure Emerson's debtor-in-possession financing in 1993 and filed suit in Bahamas. Court-appointed liquidator sued FIL and Jurick based on claims stemming from purchase of Emerson stock by GSE Multimedia and Fidena.

Japanese CE companies are giving their workers good news, agreeing to increase all-important year-end bonuses for 2nd consecutive year. Top 6 Tokyo companies have offered 1.8% increase, union officials said, while Osaka companies have proposed average of 1.3%. Bonuses generally account for about 30% of Japanese workers' pay.

**HOT TOPICS AT COMDEX:** Earthshaking news promises to be scanty at this week's fall Comdex in Las Vegas. But that doesn't mean a lot of important things won't happen. PC and multimedia hardware and software publishers, manufacturers, distributors and retailers are facing issues that could create either tremendous new profits or enormous financial distress. In many cases, line between 2 could be extraordinarily thin. Executives surveyed by Warren Publishing's Consumer Multimedia Report tagged these issues as hot buttons:

**Competition and Profitability.** More and more PC companies are fighting for share of market that is growing far slower than expected (TVD Nov 6 p19). With U.S. sales at plateau and volume in Europe slowing, PC suppliers are starting to devour each other's market shares instead of generating new business, further destabilizing already uncertain market.

**Consolidation.** Many small players have either already passed from scene or sought shelter of merger in 1995. Victims range from software suppliers such as Medio Multimedia, which folded after merger failed, to Reveal Computer Products, which was bought out by Creative Labs. Industry insiders expect trend to accelerate dramatically in coming year.

**Recordable CD.** Price points for write-once CD-R products are dropping rapidly enough to ensure emergence as mass market product in next year. Predictions are that at least 2 major companies will announce under-\$1,000 units at this year's show, and that Smart & Friendly may sell device at under \$900. Copyright owners aren't happy, but how they will stem technological tide is uncertain.

**High-Tech Modems.** Hardware suppliers and service providers are expected to introduce new on-line communications options as interest in Internet continues to grow. Prices for ISDN modems are projected to continue to drop. Cable modems should get significant attention on show floor for first time.

**Video CD.** Last year, Video CD and other MPEG formats were touted as hot projects to come. Not much happened. Now experts are saying that with DVD coming down pipeline and MPEG-2 soon arriving, MPEG-1 is dead at starting gate. Many companies are expected to showcase MPEG-1-capable boards and PCs at Comdex. Attendee response could prove to be one key way to determine whether there still is life in format.

**Bright Terminals.** As interest in Internet grows, more and more companies are introducing or planning machines that are more high-powered terminals than PCs. Designed for surfing global web, these devices lack many features and most of power of their more costly cousins. But they sell for fraction of price. This show will help determine whether such devices are more than really good concept.

**Digital Video Disc.** DVD will have enormous impact on PC industry -- if negotiations to create unified standard ever are completed. With products scheduled for introduction just year from now, companies already are gearing up strenuous efforts to put PC products on market. It's doubtful that much specific hardware will be on display, but cutting-edge companies probably will be showcasing preliminary concepts, and publishers will be negotiating OEM deals for software that will run on new machines.

**PC As Videogame Machine.** Matsushita's recent licensing deal with 3DO is just one sign of PC's emergence as

increasingly powerful game-playing tool. During 1995, several majors made loud announcements about new products that could boost PC game-playing capabilities. This year's show should provide opportunity to see how products are doing, and what others are preparing.

**Dealing With Microsoft.** Windows 95 already has sold several million copies since Aug. release, driving up volume on everything from memory chips to high-end PCs. At same time, more software players are finding it difficult to carve niche in marketplace increasingly dominated by software titan. Vigorous protests against Microsoft are virtually certain at this year's show -- along with spate of new alliances with giant.

**Marketing Strategies.** PC suppliers tend to focus marketing on year's last quarter. It's increasingly obvious that strategy isn't enough, with sales drooping during low-level marketing months. Pressure is on for PC makers to start promoting their products more vigorously year-round, and it's likely some costly new marketing programs will be announced at this year's show.

**Convergence.** Internet is evolving to resemble interactive TV. PCs are shifting towards becoming home computer entertainment centers. Attendees this year expect significant action on software and hardware fronts as devices debut that mix and match more and more facets of consumer electronics and PC industry.

Fire at Sony Koriyama lithium-ion battery factory Nov. 4 is expected to cause shortages severe enough to change plans of notebook PC and cellular phone manufacturers in and out of Japan, press reports there said. Production and inventories at plant were lost, and shortfall of some 4 million batteries in current fiscal year is expected. Sony moved part of production equipment to Toguchi factory, where it plans to produce 300,000 monthly. Company is proceeding with plans for 2nd Toguchi plant, which will produce 2 million monthly, one million short of prefire scale, and forecasts are that production won't be back to normal before early 1996. Sony is world's largest producer of lithium batteries with estimated 70% market share. Worldwide demand for year ending in March has been put at 40 million, of which Sony had be scheduled to produce up to 30 million.

**Ultimate Electronics will open 1-2 stores in new markets outside Colo.** in 1996 and relocate and expand 3-5 others, as we have reported (TVD Oct 30 p15), according to prospectus for 1.3-million-share offering. UE didn't disclose markets considered for expansion, but Southwest U.S. is said to be among them. Chain opens first 50,000-sq.-ft. store in Tulsa in Nov. Cost of additions is expected to be \$1.8 million, exclusive of \$300,000-\$500,000 in preopening expenses, UE said. Chain's 10 largest suppliers accounted for 60% of sales in fiscal year ended Jan. 31, with Matsushita, Panasonic and Sony each having 10% share. UE Chmn.-CEO William Pearse was chain's top wage earner with \$300,000 annual salary and \$259,126 bonus in fiscal 1995, while Pres.-COO David Workman had \$200,000 salary and \$174,750 bonus.

**Hitachi's Chinese color TV joint venture has been renewed until 2015.** Fujien Hitachi, 48% owned by Hitachi, was formed in 1981, ships color TVs to U.S. as well as Japan and other countries. Company plans to double its annual color TV production to 2 million sets by 2000. Company started 8mm camcorder production last Sept.

**RENTER'S CHOICE EXPANSION:** Renter's Choice (RC), fresh from purchase of Pro Rental rent-to-own (RTO) company, will continue buying binge in bid to expand chain, it said in prospectus for 3.3-million-share offer.

RC, which bought Pro Rental's 135-store Magic and Kelway RTOs in Oct. (TVD Oct 9 p17), said "acquisition opportunities" exist in rent-to-own (RTO) industry and it plans to target chains with underperforming stores or those in markets that complement existing locations.

Chain will use \$49.4 million raised in offering to pay off debt incurred in Pro Rental purchase. For 6 months ended June 30, RC said net income soared to \$4.6 million from \$1.7 million year ago as sales increased to \$50 million from \$35 million. Rentals accounted for 95% of revenues (\$47) million and merchandise sales were \$2.3 million.

With purchase, RC will be operating 325 stores in 27 states, including 56 in Tex. and 38 in both Ga. and Ohio. Typical 3,200-sq.-ft. stores have heavy emphasis on CE and major appliances, with Whirlpool and Magnavox brands accounting for 20% and 12% of sales, respectively.

Other CE brands sold through chain include RCA, JVC, Panasonic, Technics. Stores carry 730 items; TVs, VCRs and audio equipment have \$11-\$44 weekly fee in 18-month minimum rental agreement. TVs and VCRs are rented for shorter periods than major appliances and furniture, with 20% of customers completing full term of rental agreement, chain said. About 3% of contracts were written off as lost or stolen merchandise in year ended Dec. 31, 1994, RC said.

RC said several states regulate rental deals, including Ia. and Ohio, where agreement can't exceed 200% of "disclosed cash price," and W. Va., where pacts can't be more than 240% of "retail" value. N.J. and Pa. have set maximum annual interest rates that can be charged in contracts at 18% and 30%, respectively. RTO industry has been under scrutiny in recent years following investigation of sales and repossession tactics employed by Thorn EMI's Rent-A-Center (RAC) chain (TVD Sept 27/93 p16).

While Magic purchase made RC 2nd largest RTO dealer in U.S., chain said 10 largest chains account for only 37.5% of 7,500 RTO stores. Top 10 chains based on Assn. of Progressive Rental Organizations (APRO) figures were RAC with 1,444 outlets (19.3% of total), RC 325 (4.3%), ColorTyme 322 (4.3%), Central Rents 180 (2.4%), Champion Rent-to-Own 125 (1.7%), Advantage Companies 104 (1.4%), Aaron's Rental Purchase 99 (1.3%), Rent-Way 87 (1.2%), Action TV & Appliance 71 (0.9%), Arcorp 54 (0.7%). RTO industry recorded \$3.8 billion in gross revenues in 1994, prospectus said.

Compression Labs said it has converted all digital encoding equipment for Digital Satellite System (DSS) to MPEG-2 data compression. Conversion of direct broadcast satellite system was scheduled to be completed in spring (TVD March 13 p15), but was postponed several times until fall (TVD June 26 p15) as companies refined software. Switch from MPEG-1 also was partly to blame for glitch in Sony's DSS that forced company to halt shipments briefly earlier this fall (TVD Sept 11 p10), Compression Labs said.

Car TV/audio system with 5" LCD color display, TV tuner, CD player and AM/FM tuner has been introduced in Japan by Mitsubishi at about \$1,780. The 2-DIN-sized dashboard system has provision for connecting to car navigation system.

**THOMSON'S 3D PROJECT:** Thomson Multimedia (TMM) of France has signed agreement to "support the development" of 3D display technology that doesn't require use of glasses or special headsets. Major uses proposed for system are for home videogames and other consumer entertainment products and arcade games.

Initial developmental "proof-of-concept" product is 25" CRT designed for videogame application. System relies on lenticular screen and -- unlike 3D systems using glasses -- can accommodate more than 2 separate views of each scene of image, letting multiple viewers "look around" sides and behind objects displayed, we were told by TMM Corporate Business Development Vp Bruce Allan.

TMM's agreement is with Infinity Multimedia, L.A. entertainment venture, which has alliance with Autostereo Systems, Cambridge, England, to exclusively commercialize 3D "Cambridge Technology" for arcade and home videogames and CE products. Infinity is developing and licensing games for 3D arcade and other entertainment centers.

Under agreement announced last week, Thomson will establish "marketing strategic alliance" with Infinity to commercialize arcade games and CE products "as soon as the prototypes achieve acceptable production status." Allan told us that evaluation of concept still is in early stages.

**WINTER CES PROGRAM:** New feature on program of Winter Consumer Electronics Show Jan. 5-8 in Las Vegas -- or at least newly named feature -- will be 4 "plenary sessions" featuring CEOs of AV companies, leading retailers, computer manufacturers, consumer interactive systems. As previously announced, opening session will be keynote by Compaq Pres. Eckhard Pfeiffer.

Other sessions will focus on DSS, mobile electronics, mobile security, digital cameras, desktop PCs, wireless systems, on-line services, home theater, radio broadcast data service (RBDS), computer accessories, intelligent transportation systems, cellular phones, multichannel sound.

New at 1996 show will be furniture pavilion and international country pavilions, latter organizing foreign exhibitors by country rather than product. Special pavilions will be devoted to intelligent transportation systems and multimedia hardware and accessories.

\* \* \* \* \*

All major TV brands except Mitsubishi and Hitachi are represented on preliminary list of exhibitors for 1996 Winter CES, although they won't necessarily be showing TVs (for example, Zenith will show Allegro accessories). In order of estimated TV market share, these companies associated with TV sets will exhibit: Thomson, Philips, Zenith, Sony, Sharp, Toshiba, Matsushita, Emerson, Sanyo Fisher, Samsung, JVC, LG Electronics, Daewoo.

\* \* \* \* \*

Sharp will triple capacity for optical pickups to 6 million monthly by next spring, adding \$100-million plant in Nara Prefecture, Japan. Other companies that recently have announced increases in pickup capacity, according to Nikkei, are Sony (to 2.7 million in Japan, 9 million worldwide) and Sanyo (to 3.75 million).

Samsung will increase stake in AST Research, computer manufacturer, to almost 50% from 40%, providing \$100 million in additional credit support. It invested \$377.5 million in company in Aug.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
America Online 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	197,865,000 56,936,000	(10,262,000) 1,481,000	__.a .04a
Cox Communications 1995-9 mo. to Sept. 30 1994-9 mo. to Sept. 30 1995-qtr. to Sept. 29 1994-qtr. to Sept. 29	934,370,000 546,337,000 335,087,000 183,240,000	(7,221,000) 22,480,000 (14,017,000) (4,911,000)	__.a .c .a .c
Falcon Cable Systems 1995-9 mo. to Sept. 30 1994-9 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	39,516,000 39,827,000 13,398,000 13,053,000	91,000 (5,352,000) (1,952,000) (2,147,000)	.01d .c .c .c
New World Communications 1995-9 mo. to Sept. 30 1994-9 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	420,906,000 277,792,000 138,494,000 97,027,000	(29,210,000) (28,310,000) (18,956,000) (15,041,000)	__.d .c .c .c
News Corp. <sup>e</sup> 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	2,310,000,000 2,203,000,000	227,000,000 224,000,000	.30d .29d
Outlet Communications 1995-9 mo. to Sept. 30 1994-9 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	46,726,000 39,981,000 15,399,000 13,695,000	4,323,000 5,397,000 858,000 2,998,000	.64 .82 .13 .45
Roberts 1995-9 mo. to Sept. 30 1994-9 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	215,800,000 180,900,000 76,200,000 64,200,000	5,400,000 4,100,000 2,100,000 1,800,000	.91 .69 .35 .30
3DO Co. 1995-6 mo. to Sept. 30 1994-6 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	14,294,000 9,947,000 7,109,000 5,007,000	(16,687,000) (28,887,000) (8,759,000) (12,775,000)	__.c .c .c .c
Turner Broadcasting 1995-9 mo. to Sept. 30 1994-9 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	2,514,782,000 1,983,840,000 1,006,581,000 738,889,000	83,446,000 (5,318,000) 39,756,000 (4,613,000)	.29 .f .14 .f
Voice Powered Technology 1995-9 mo. to Sept. 30 1994-9 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	17,889,000 9,545,000 6,144,000 3,787,000	547,000 (326,000) 199,000 (290,000)	.04 .02 .02 .02
Warrantech 1995-6 mo. to Sept. 30 1994-6 mo. to Sept. 30 1995-qtr. to Sept. 30 1994-qtr. to Sept. 30	43,412,000 30,958,000 23,418,000 17,018,000	1,258,000 1,158,000 608,000 540,000	.08 .08 .04 .04

Notes: <sup>a</sup>Includes special items. <sup>b</sup>Adjusted. <sup>c</sup>Per share results not reported. <sup>d</sup>Includes special credit. <sup>e</sup>Per ADR. <sup>f</sup>After special charge.

Two technician groups -- International Society of Certified Electronics Technicians (ICET) and Electronic Technicians Assn. (ETA) -- have exchanged test questions for standardized technician exam. Goal is to set timetable in meeting at Winter CES in Jan., but differences between groups still must be resolved. ICET Membership Dir. Barbara Rubin said 50-60% of ETA test questions were "acceptable." True-false questions or those offering choice between 2 answers aren't used on ICET exams, she said. ETA Pres. Richard Glass said: "That's what needs to be worked out and it's a little new for the 2 organizations to work together. It appears all the organizations are in tune with the idea of pushing for a single test." Under proposal, 75-question exam would be culled from database of 500 questions to create standard exam. Six service organizations are working on test (TVD April 24 p19).

## Consumer Electronics Personals

Zenith appointments: Willard McNitt, vp-treas. since 1989, becomes acting CFO, replacing Senior Vp-Finance and CFO Kell Benson, who has left company, plans undisclosed; Richard Lueck shifts to acting chief accounting officer from vp-controller; Hector Escobedo becomes vp-mfg.-East, responsible for company's consumer electronics production in Reynosa and Matamoras, Mexico; Philip Savoie advanced to vp-international mfg. partnerships... Lisa D'Angelo, Panasonic TV product mgr., promoted to national TV mktg. mgr.

Harry Hammerly, ex-3M exec. vp, named to BMC Industries board... Donald Bogue, ex-Giga-tronics (test equipment), appointed pres.-CEO of Macrovision affiliate Command Audio Corp.; Fraser Morrison, ex-Ampex, named engineering vp... James Merkle resigns as Allied Digital Technologies pres.-CEO and board member to "pursue other interests," his responsibilities assumed by Co-Chmn. William Smith and George Fishman.

Harold Frank, Applied Magnetics chmn., resigns, remaining on board, succeeded by Craig Crisman, ex-CEO; Jerry Goldress, Wherehouse Entertainment chmn.-CEO, named to board, replacing William Terry, resigned... Rod Keller Digital Equipment consumer products dir., promoted to vp... Charles McQuiston resigns as VAC Service Corp. national service mgr., plans unknown.

Wayne Huizenga resigns as Viacom vice chmn. and board member and Blockbuster Entertainment Group chmn. as previously arranged... Charles Palko remains Fretter mdse. vp, adding video buying responsibilities (our report last week was incorrect); Randy Wick, senior audio buyer, shifts to Colo. senior district mgr... Lance Binley, ex-Good Guys, named mgr.-video mdsg., Best Buy.

Gene Pitts, former Audio magazine editor, to acquire The Audiophile Voice quarterly magazine from Audiophile Society of N.Y., terms undisclosed... Charles Salah, ex-BBC, appointed vp-sales & mktg. at Kultur/White Star Home Video... Cynthia Rhea, ex-Kirshenbaum & Bond ad agency, named vp-mktg., HBO Home Video... Hope Neiman, ex-Knowledge Adventure, named vp-mktg., Disney Interactive.

Sony plans to establish World Repair Parts Center (WRPC) in U.S. in spring, joining similar facilities operating in Belgium, Japan and Singapore, Japanese newspapers said. They didn't specify where U.S.-based WRPC would be located. Plan is for Center to supply repair parts to Sony sales subsidiaries and after-sale service companies in U.S. and overseas on turnaround of less than one week. WRPCs collectively will have inventory of 700,000 parts when U.S. facility is complete, reports said.

Ga. Education Dept. has delayed introduction of EIA national technician skill standards until 1996 as it selects 3-4 high schools to test certification process, Ga. Program Mgr. Ronald Barker said. Test schools will receive manual in early 1996 with standards for EIA certification, including requirements for teaching, equipment and curriculum, Barker said. To receive EIA certification, school must undergo inspection by 3-member team. EIA had planned to test program in Ga. this fall (TVD April 10 p17).

Strong sales of TV tube bulbs was cited as primary reason for 28% increase in pretax profits of Asahi Glass in first half of fiscal year. Sales were up 3%.

# TELEVISION DIGEST®

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

With Consumer Electronics

NOVEMBER 20, 1995

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**FCC DECLARED NONESSENTIAL** during govt. shutdown. Mass Media, Cable Bureaus virtually deserted. Commission meeting cancelled. Wireless cable auctions delayed. Court oral argument still planned. (P. 1)

**WESTINGHOUSE-CBS EMBROILED** in kid TV fight at FCC. Name-calling popular as staffers meet to try to resolve issue. Westinghouse losing \$850,000 each day merger isn't approved. (P. 2)

**INDECENCY GOES TO COURT:** Supreme Court to hear leased access channel case. Definition of govt. action to be debated. (P. 5)

**CABLE COMPROMISE POSSIBLE** as Hill staffers work on telecom bill. Cable rules would stay in effect 4 years before end of expanded basic regulation. V-chip still being debated before conference. (P. 6)

**NARUC EXPECTS CHANGE** in state and local regulatory environment, regardless of telecom bill. Cable and telcos debate at NARUC conference. (P. 7)

**DIGITAL TV LIMITS PRESSED:** Public groups say FCC can't automatically give channels to broadcasters, press for expanded public interest obligations. (P. 7)

**SCHOOLS TO GET FREE GEAR** to receive Primestar educational programming and Cable in the Classroom via satellite, TCI says. (P. 8)

**FCC DECLARED NONESSENTIAL DURING GOVT. SHUTDOWN:** FCC's Cable and Mass Media Bureaus were among most deserted portions of agency last week as result of budget-related shutdown of all govt. agencies. Commission cancelled agenda meeting scheduled for today (Nov. 20) because of shutdown. Four commissioners who were in town (Ness was in Geneva last week) agreed not to hold meeting without staff and not to act on items on circulation. Officials said that even though they could meet, session couldn't have been public because public wouldn't be allowed into building. No new date was set for meeting, which was to deal with uniform pricing for cable operators, international entry and foreign affiliate regulation, antenna structure clearance process, hearing aid-compatible phones, with tentative dates now Nov. 22 or 28. FCC Chmn. Hundt said that even if govt. still were closed, it would have been possible to have agenda meeting with only commissioners present.

Meanwhile, Commission staffers will be present at oral argument at U.S. Appeals Court, D.C., at 2 p.m. today, although case will be argued by Justice Dept. staff. Case is Time Warner v. FCC (93-1266), challenge to FCC rules allowing cable operators to prohibit indecency on leased access channels. After Commission learned that argument on this and 3 others would go ahead despite shutdown, it declared 6 lawyers, including Gen. Counsel William Kennard and Deputy-Litigation Christopher Wright, exempt from shutdown.

### Consumer Electronics

**TV/PC INTERFACE** accelerated by digitization of consumer electronics. Sony plans major consumer PC entry. Sony, Sega, JVC, Yamaha, NTT planning competitor to Internet in Japan next year. (P. 10)

**3M TO DROP AUDIO, VIDEO TAPE** business by late 1996 in restructuring that will cut 5,000 jobs and spin off imaging and data storage divisions. (P. 11)

**MATSUSHITA PROFIT UP** in 2nd quarter, paced by nonconsumer electronics as AV sales decline. (P. 12)

**EMERSON MAY LICENSE NAME** after receiving overtures from several companies seeking to use trademark for video products. (P. 13)

**DVD SPECIFICATIONS PROMISED** by mid-Dec. at joint news conference at Comdex. Anticopy encryption and name for format seen as major hangups. (P. 14)

**PROJECTION TV SALES** topped full-year record in 1995's first 44 weeks with sales totaling 636,532 sets. (P. 14)

**'NETWORK COMPUTER,'** TV-priced, designed primarily for Internet, is hot topic at Comdex, praised by Oracle's Ellis, damned by Microsoft's Gates. (P. 15)

**'TV GUIDE PLUS'** is Gemstar joint venture with Murdoch's magazine, electronic program guide using features announced for Guide Plus. (P. 15)

Closings also put temporary hold on wireless cable auctions (see separate story, this issue) and delayed Commission plans to deliver annual report on cable competition to Congress. Filings due during shutdown will be due day after govt. reopens. Filings due after agency reopens are due on their regular deadlines. Spokesman said, however, that filers can ask for deadline extension based on such extenuating circumstances as claims that they were unable to file because they couldn't consult with FCC staff. Because of shutdown, reply comments on Children's TV and comments on Advanced TV (including HDTV) couldn't be filed Nov. 15.

None of Cable Bureau staffers was considered essential to safety, and only one Mass Media Bureau staffer was on duty to handle emergencies. Most immediate impact was on Commission's annual report to Congress on cable competition, due Nov. 15. Since report hadn't been completed before shutdown, it will be late, although spokesman said that's not critical because FCC imposed deadline on itself -- it wasn't ordered by Congress.

Closest issue to public safety was Cable Bureau's signal leakage program, which monitors systems to assure that RF signals don't leak at level and frequency that could interfere with aeronautical communications. Spokesman said monitoring schedule would slip by number of days agency is closed. Closing also affected all other Bureau activities, such as meetings with MSOs on social contracts or other settlements of rate complaints, and action on such things as must-carry, rate appeals, licensing.

Like other govt. workers, FCC personnel reported to work Nov. 14 to prepare for shutdown but were told to be out within 3 hours. Managing Dir. Andrew Fishel said about 95 of 2,100 FCC employees continued on job, most of them staffing monitoring stations at 13 field offices or as Washington "home team" to support agency's international negotiating team in Geneva. Only persons exempt from furloughs were commissioners, staff involved in essential services such as spectrum monitoring or those in international negotiations. Hundt and Common Carrier Bureau Chief Regina Keeney cancelled trips to NARUC convention in New Orleans and Hundt aide John Nakahata had to return from NARUC. Comr. Ness remained in Geneva at WARC meeting -- she's exempt from furlough requirement and so is her function at WARC, Hundt said. Comr. Barrett had left for NARUC meeting before govt. closed and participated in scheduled session there.

One person each from Common Carrier, Wireless and Mass Media Bureaus were at FCC offices or on call to handle emergencies. Commissioners reported in, at least part of time. Mail sent to agency was stored, as was material sent to Mellon Bank's lockbox facility in Pittsburgh. Outsiders weren't even supposed to leave messages on FCC voice mail system during shutdown. Incoming callers heard messages telling them not to leave message until agency reopened in order to keep voice mail digital storage system from being overloaded. Washington regulars already were feeling effect of shutdown, with govt. documents, such as FCC sunshine agenda released late Nov. 14 for meeting Nov. 20, unavailable on Internet.

Business continued as usual on Capitol Hill, with Congress meeting to discuss budget. Staffers on Senate-House telecom legislation met as scheduled.

Commerce Dept., which was affected by shutdown, at least won't be dismantled right away. Senate stripped that provision from debt-limit bill Nov. 10, one of 2 bills that President Clinton vetoed Nov. 13. Other was continuing appropriations measure. That was needed for continued operation of govt., but Clinton said he wouldn't accept riders that Congress added.

**KID TV DEBATE FIERCE DESPITE GOVT. SHUTDOWN:** Even though FCC was closed most of last week for lack of funds -- like most of rest of federal govt. -- debate over children's TV programming intensified. Most recent dispute centered on whether to include language in Westinghouse's agreement to air 3 hours of children's programming weekly in order approving \$5.4-billion purchase of CBS. There were numerous charges, countercharges, name-calling and appeals by commissioners and staffers to press during week.

On Nov. 17, mass media aides to 5 FCC commissioners meet in home of one in attempt to produce language acceptable to all 5 in approving Westinghouse deal. Debate involved not with approving sale but with children's TV. Meeting was held at suburban Va. home of Jane Mago, senior legal adviser to Comr. Chong, because of shutdown of most of federal govt.

Comrs. Quello, Barrett and Chong are in majority in advocating that Westinghouse commitment to air minimum of 3 hours of children's programming weekly not be cited as one of reasons for approving sale. This, they argue, would set undesirable precedent for future transactions. As originally drafted, staff

document cited children's agreement in connection with granting Westinghouse 12-month waiver, instead of customary 18 months, of station ownership rules in acquisition of CBS stations.

In telephone interview from his home Nov. 15, Chmn. Hundt said he didn't want Westinghouse deal "held hostage" in debate over educational TV programming for children. He said language sought by Quello basically would say allegations against stations by public interest groups were "trivial." On kidvid issue in general, Hundt was sticking to his guns: "In the end, there is no way to avoid looking at names of shows and quantity" in determining whether broadcasters are meeting their requirements.

Asked about other commissioners' charges that Hundt was stalling on Westinghouse order, he said he was "very disappointed" that they would say that: "It's completely untrue. The order [as drafted by staff] has been on the floor for 2 weeks. All they have to do is sign it, sign it, sign it." According to Hundt, stumbling blocks are Quello and Barrett, who he said are "holding Westinghouse hostage in their campaign against kids."

In response to Hundt, Barrett told us: "I'm calling Reed Hundt a gutless, leaderless liar... if he says I'm against kids." Hundt didn't respond.

Following above exchange, Hundt aide said chmn. expected children's issue as it related to Westinghouse to be resolved soon after govt. returned to work, and other "nonworking" FCC employees agreed with that assessment. Said Barrett: "It's time for us to stop acting like children and move forward." However, if budget impasse continues this week, Westinghouse-CBS item won't be approved on circulation, we were told. Commissioners are permitted to work during shutdown since they're paid on annual basis, but their staffs aren't. Regular FCC open meeting, scheduled for today (Nov. 20) has been postponed; new dates are Nov. 22 or Nov. 28.

Commented staffer involved in negotiations: "It's not the polarization that has been reported... Everybody is still working on it [and] seeking language that all commissioners can agree to." Partly because of govt. shutdown, there was no indication when agency would act on transfer. Delay, according to sources, was costing Westinghouse \$850,000 daily in interest charges.

Just as he does at most opportunities, Hundt made impassioned argument Nov. 14 for setting definite rules for how much educational programming TV networks and stations would be required to carry. Speaking hour later, Quello said of Hundt's position: "If this is the new regulatory regime at work, thank God" for First Amendment.

Hundt statement was made at news conference to provide information on shutdown of FCC (see separate story, this issue). Asked by reporters how he feels about fact that 3 other commissioners haven't supported him in his campaign, chmn. said it was too early to say whether he had support of majority. Reply comments haven't even come in yet (they were due Nov. 15, but postponed because of shutdown), he said.

Speaking at Media Institute lunch same day as Hundt news conference, Quello was highly critical of placing any FCC restrictions or requirements on children's programming. He praised efforts of broadcasters since Children's TV Act became law and issued "a resounding First Amendment no" to Hundt's proposal. Asked by reporter if Children's Act should be repealed, he replied: "I think it would be a good idea" but probably impossible because too many "emotional issues" are involved. (Responding to Quello, Jeffrey Chester, exec. dir. of Center for Media Education, said speech "illustrates once again that Jim Quello is the official representative of the NAB at the FCC... His duty is to enforce [Children's Act], not demolish it.")

National Assn. of Secondary Schools is urging school leaders to issue periodic "report cards" on TV networks, cable systems and program producers, grading their efforts on children's programming. Assn. board expressed "deep concern with the pervasiveness on television of violence and moral depravity, the lack of educational value, and the omission of character-building situations." Current status of TV programming "offers little or no assistance to parents and educators in preparing the nation's young people for the future," according to resolution passed by 20-member board. Hundt sent Assn. "my congratulations and compliments for the step taken... to harness the moral authority of secondary school principals to the task of improving children's television."

Hundt also praised proposal made in Nov. 13 letter from Yale U. Profs. Dorothy and Jerome Singer, who suggested setting up "independent nongovernmental board" to offer guidance on children's programming. It could advise networks, cable and local stations on "definitions of educationally oriented and entertainment programming." Board's activities probably wouldn't cost more than \$250,000 per year, particularly if activities were carried out at universities, couple said.

Meanwhile, Rep. Markey (D-Mass.) reentered fray with blast at NAB's and INTV's position that Congress never intended that children's programming requirements be set in "quantitative guidelines" (TVD Nov 6 p2). He wrote commissioners that associations are attempting to "spin congressional intent by citing remarks I made in the Congressional Record" when Children's TV Act was being debated in 1990. Markey acknowledged in letter that he had said legislation didn't "require the FCC to set quantitative guidelines [but] these associations assert that Congress intended no quantification. This is in error. It reflects what they wish I had said, not what I said... There is no bar, in the legislative history or elsewhere, to specifying that each licensee meet a minimum quantified standard or guideline" on children's TV.

Comr. Ness elaborated on her children's TV position in recent speech to Independent Educational Consultants Assn. in Washington. She said that tighter definition of what constitutes children's programming is necessary and that oversight in enforcing standards should "rely as much as possible on the community, not the FCC." Also, Ness said, "we must push a path that is true both to the First Amendment and to our responsibilities to children: History has shown that, when regulatory pressure is on, more and more better-quality children's programming is aired. Conversely, if we don't adopt rules... we will send an unmistakable signal to broadcasters that serving the needs of children is not important."

Meanwhile, at special meeting in N.Y. Nov. 16, holders of 79% of CBS shares approved sale of network and stations. Immediately afterward, Westinghouse Chmn.-CEO Michael Jordan said network name will remain CBS, that his company "will make the investments and provide the resources for our combined broadcast enterprise to be a leader in news, sports and entertainment. We fully intend to make CBS the cornerstone of a broader media organization, grounded in its strength as an over-the-air broadcaster." Jordan, who has been occupying office of late CBS Chmn. William Paley, hasn't announced who will head CBS under Westinghouse, saying that announcement awaits FCC approval of sale. He reportedly is negotiating with CBS Best. Group Pres. Peter Lund to remain, although it isn't known in what capacity; Lund has 3-year contract, signed last Feb., permitting him to leave with full pay if company is sold and his position in company is changed. Also expected to play major role in new CBS are William Korn, pres. of Westinghouse's Group W Bestg., and Leslie Moonves, pres. of CBS Entertainment.

**U.S. Supreme Court** should "determine whether the government can do something that it has not done in some 200 years of constitutional history: Establish sweeping limits on what members of the press may charge for their speech," NCTA said in petition Nov. 15 asking court to review lower court decision upholding FCC cable rate regulation. Supreme Court should take case because "the issue of what 'heightened scrutiny' actually means is one of widespread importance" to every First Amendment speaker, NCTA said. Cable interests had appealed rate regulation on grounds that it limits ability of cable to "speak" and their First Amendment rights. U.S. Appeals Court, D.C., acknowledged that limits on speech are subject to higher scrutiny than nonspeech govt. regulation, but NCTA said court gave too much deference to FCC decision: "To extend that kind of deference... markedly, and improperly, narrows the protections afforded to speech." As result, petition charged, "the proper standard of review remains uncertain... It is not enough for the government to put forward 'reasonable' grounds for regulating speech. A reviewing court... should require that the government make a 'convincing case' for regulation."

**Procter & Gamble** confirmed that it has pulled its ads from several unnamed daytime TV talk shows because of content. Last spring, P&G urged producers of such programming to "raise their standards and improve content" to follow guidelines it had developed. It said it's still discussing with producers its continued support of other talk shows. P&G move follows reduction of ads in some talk shows by Sears and Unilever.

**NAB members will question FCC Comr. Quello** in Dec. 4 "town meeting" carried to TV stations via AT&T Telstar 302. He will be interviewed in Washington studio by NAB officials, then answer phoned-in questions. Session will be follow-up to first such town meeting 2 weeks ago with FCC Chmn. Hundt.

**Sen. Exon (D-Neb.)** joined lawmakers attacking close relationship between House Speaker Gingrich (R-Ga.) and Gingrich adviser Donald Jones, who was partner in business that offered on-line pornography. Gingrich opposes Exon provision in telecom legislation that would penalize service providers as well as those who offer offending material. Exon said: "This confirms what I have said all along. The special interests who are profiting off the explosion of hard-core pornography on the Internet don't want any controls to protect children." He asked whether Gingrich was "putting the amount of money contributed to his campaign coffers [by Jones] ahead of America's children who can now download an entire adult bookstore at the click of a button on their computers?" Wall St. Journal reported that Jones had contributed \$125,000 to Republican party and \$25,000 to GOPAC, committee that Gingrich formerly headed.

**House passed total ban** on receipt of gifts from lobbyists by 422-6 vote last week. Senate adopted its version in July with \$50 limit for one gift or \$100 from single source. Two bills will be reconciled in conference, and outcome could limit further appearance of legislators at industry conventions. Attendance dropped off sharply when lawmakers were barred from accepting honoraria from outside groups. House also has under consideration separate bill to tighten reporting requirements on lobbyists.

**Greater Media** said it hired Goldman, Sachs to advise it on selling cable systems. MSO is 37th largest, with 237,000 subscribers in Philadelphia area and Mass., putting potential value of sale at about \$500 million. Greater Media owns 14 radio stations and several weekly newspapers.

**CNN acquired long-term satellite** newsgathering capacity on Hughes SBS-6 to meet "growing newsgathering requirements," including new CNN Financial News channel. TBS assumes control of transponders Jan. 1.

**INDECENCY GOES TO COURT:** Provision in 1992 Cable Act that permits cable systems to black out programming on access channels that they consider indecent will be taken up by U.S. Supreme Court. Last fall, law was ruled unconstitutional by 3-judge panel of U.S. Appeals Court, D.C., but that decision was overturned by full 11-judge Appeals Court (TVD June 12 p4), which said provision doesn't limit First Amendment rights and is least restrictive means of protecting children from indecent material.

Decision was appealed to Supreme Court by access programmers and public interest groups, including Alliance for Community Media. NCTA supported govt. position before Appeals Court but didn't respond to Alliance's petition to Supreme Court. Many First Amendment protectors -- such as NAB, RTNDA and Reporters Committee for Freedom of the Press -- didn't intervene. Law, which also makes cable systems liable for indecent programming, hasn't gone into effect pending resolution of court action.

In ruling that restriction on access channels is acceptable, Appeals Court said law is constitutional because it doesn't require cable companies to block indecent programming but merely permits them to do so. Court said that doesn't constitute govt. action so it isn't prohibited by First Amendment. Alliance argued that law constitutes impermissible govt. action that will encourage cable companies to censor programming on such issues as health and sex education, art, feminism. Also, Alliance said, law is unfair because it doesn't affect commercial channels on cable systems. In opposing Alliance's petition, Justice Dept. said Appeals Court ruling is correct because regulation "does not forbid any adult subscriber from receiving indecent programming."

Still pending before Supreme Court is petition by broadcasters and public interest groups seeking review of lower court ruling that FCC restrictions on indecent programming, including 10 p.m.-6 a.m. safe harbor, are constitutional (TVD July 24 p2). Court's acceptance of cable case "bodes well" for its accepting broadcast indecency case also, said attorney involved in appeal.



**Canadian broadcaster CanWest Global** Communications launched \$471-million takeover bid for WIC Western International Communications. If completed, deal would form Canada's largest private TV network with 15 TV stations, 11 radio stations, part of CTV private TV network, stake in New Zealand's TV3 Network Holdings, Australia's Network 10, satellite and pay-per-view interests. Analysts told Reuter that WIC probably would reject CanWest offer unless it increased \$17.80-per-share bid for WIC's Class A and B shares. WIC Class B stock reached 52-week high of \$18.70 on Toronto Stock Exchange after bid was announced, closing up \$1.85 at \$18.42 on volume of 250,000 shares. WIC had \$7.2-million income on \$290 million revenue in FY 1994; CanWest had \$32.5-million income on \$202 million.

**Christian Bcstg. Network (CBN)** has threatened legal action against 4 TV stations if they continue to air ads featuring CBN founder Pat Robertson discussing issue of hate speech and gays. Commercials, sponsored by Parents, Families and Friends of Lesbians and Gays, started last week in Houston, Tulsa, Atlanta, Washington. Spots include antigay remarks by Robertson, Jerry Falwell and Sen. Helms (R-N.C.). In threatening to sue, CBN lawyer Bruce Hausknecht charged spots contain "defamatory material and cast Pat Robertson in a false light..." KJRH Tulsa stopped airing spots after receiving anonymous bomb threat.

FCC conducted first round of bidding in new auction for Multipoint Distribution Service licenses -- wireless cable -- Nov. 13, just before start of govt. shutdown. Total of high bids for first round was \$3.3 million for 500 licenses. Most active market was Grand Junction, Colo., for which there were 8 bidders. Others attracting most interest in first round were Hilo, Hawaii; Lewiston, Ida.; Champaign, Ill.; Missoula, Mont.; Atlantic City, N.J.; N.Y.C.; York, Pa.; Florence, S.C.; Walla Walla, Wash. Office of Management & Budget (OMB) turned down request that auction staff be declared exempt from govt. shutdown to continue sales. Although salaries of auction personnel come from auction proceeds, such employees aren't exempt from furloughs. Broadband PCS auction was put on hold for 2 weeks during Christmas holidays last year and "it didn't cause any harm," FCC Chmn. Hundt said. It's understandable that OMB didn't permit it to continue auction as agency requested, he said, because it had just started and could have lasted several weeks. "If the auction was close to ending, OMB might have said go ahead." All bidding was remote, so "no one had to come to Washington and then go back," Hundt said. MDS auction will begin "no earlier than 3 working days" after govt. operations resume, FCC said.

Despite wide agreement that hooking up schools and libraries to information superhighway is good, it won't happen if advocates don't coordinate efforts and decide on funding methods, state regulators said at NARUC convention in New Orleans last week. Fla. PSC Comr. Julia Johnson said that although task forces are studying educational applications, "parties as of yet haven't come together." Pa. PUC Comr. David Rolka said estimates for "most basic" idea of at least one computer in each classroom could cost \$2.6-\$7.75 billion at startup and \$1.33-\$3.33 billion annually, and equipping each student could run \$65-\$145 billion to start, with \$4.5-\$11.33 billion annually. Short-term funding could come from tweaking cost allocations such as redirecting telcos' productivity offset to schools, Rolka said, but that would produce only \$300 million and could force schools to hire telcos as "consultants" to service proprietary equipment.

Michael Fuchs resigned under pressure as chmn. of HBO and Warner Music Group as result of reorganization announced by Time Warner (TW) Chmn. Gerald Levin. Fuchs will be replaced at HBO by CEO Jeffrey Bewkes. No plans were announced for Fuchs, who had been said to be upset by Turner Bestg. takeover, which would force HBO to report through Ted Turner. Levin announced new strategic operating structure for TW entertainment businesses, uniting Warner Bros. studio and Warner Music under Co-Chmn.-Co-CEOs Robert Daly and Terry Semel. Levin said uniting studio and music business is "natural fit." In statement after announcement, Fuchs said he was proud of 20 years of work at HBO, and most recently at Warner Music: "I'm particularly disappointed not to have been able to finish my tasks at Warner Music Group and I am deeply saddened to leave Time Warner."

Combined revenue of Big 3 TV networks grew 4.9% to \$1.62 billion for 3rd quarter, with sports revenue rising 19% (\$47 million) to \$248.2 million, said report for Best. Cable Financial Management Assn. (BCFM) prepared by Ernst & Young. Prime-time revenues of \$813.4 million were up 5.3%, with late-night programming up 11% (to \$92.5 million). Revenue for children's programming dropped 16.8% to \$25.4 million and news was off 12.1% to \$198.2 million. Revenue for daytime programming increased 2.7% to \$211.1 million for quarter.

**CONGRESS WORKING ON CABLE COMPROMISE:** House members and staff were mulling latest offer from Senate on cable deregulation as part of telecom bill conference process last week. Under proposal, current cable regulations would remain in place for 4 years, after which regulation of upper tier would end. Still undecided were issues involving small cable systems, although it was expected they would be deregulated. Cable industry sources said they preferred House bill (HR-1555), which would deregulate cable. "Date certain" feature of latest Senate offer was attractive, industry sources said, but 4-year period was too long.

Cable offer came as Senate leadership was pushing for swift action. Sources said Majority Leader Dole (R-Kan.) would like to have bill on floor by first week in Dec. Observers said staff work was proceeding quickly as issues were narrowed to those to be decided at staff level, and those to be decided by lawmakers.

House Telecom Subcommittee Chmn. Fields (R-Tex.), appearing Nov. 15 before FCBA, wouldn't predict how long it would take to finish process, joking that he already had forecast passage by July 4, among other dates. Although he said staff was making "good progress," he said he didn't want issue to slip over into next year, but he said he could imagine scenarios in which Democratic White House and Fields' own Republicans would have their reasons for creating delay.

It appeared that progress also was being made on cable-telco buyouts issue. New plan discussed at staff level, with deal said to be near, would allow cable company or telco to buy out other in rural areas, defined as those with 35,000 or fewer residents. That figure splits difference between definitions of rural areas -- Senate had voted limit of 10,000, House 50,000. In areas larger than 35,000, each cable or telco would be able to buy 10% stake in other.

Meanwhile, municipal forces believe they have fought off, at least for now, attempt by cable industry and its legislative allies to change key part of telecom legislation in conference. One provision of House bill, sponsored by Reps. Barton (R-Tex.) and Stupak (D-Mich.), would give states and localities "safe harbor" authority to manage their rights-of-way and to levy fees on competitively neutral and nondiscriminatory basis. As originally written, fees imposed by states and localities were presumed acceptable as long as there were no entry barriers imposed, said attorney Tillman Lay, who represents municipal interests. Draft language from conference began circulating last week that would overturn Barton-Stupak, which was adopted by large margin in House debate. New staff proposal would have separated bill's section on compensation from section on management.

Drafting language would remove "safe harbor" and give cable or competitive access providers ability to complain to FCC about rates even if they were nondiscriminatory and neutral. Rep. Schaefer (R-Colo.) pushed for changes, while Barton led defense of his language, sources said. Cable industry has been concerned about power of municipalities, circulating position paper and proposing language to Hill that states and cities should have authority to regulate disruptions to rights-of-way, without authority to regulate telecom services, directly or indirectly.

Work also was progressing on V-chip wording, with sources saying staff rejected "safe harbor" concept advocated by Sen. Hollings (D-S.C.) to provide time period in which violent programs and those with sexual content would be limited. Fields said he expected there would be some sort of V-chip provision in final bill and said he would urge quick

judicial review if measure became law. In speech to FCBA, Fields said V-chip "is wrong" and unconstitutional.

At NARUC convention in New Orleans, state regulators said they were making lobbying progress on telecom bill but stopped short of saying whether they would endorse measure that didn't preserve key areas of state authority. At news conference, they said bill must allow state certification with competitive checklist, restore language giving states authority over intrastate services, give states more universal service flexibility, preserve state authority over price regulation. Absence of those provisions, they said, could delay competition by encouraging companies to drag out regulatory proceedings and overburden FCC. Key is that Congress allow states to devise own regulatory regimes while preserving universal service, they said.

Those goals won't be met if states don't have significant telecom role, said Wis. PSC Chmn. Cheryl Parrino, who became NARUC pres. after convention. She said concentration of authority at FCC would hurt "small consumers" and small companies that don't have presence in Washington. Mo. PSC Comr. Kenneth McClure, NARUC Communications Committee vice chmn., said that under current language FCC's authority to set interconnection standards would allow one party to delay state decision by appealing to Commission. Parrino said bills would place "enormous burden on the FCC," which would have to meet "physically impossible" deadlines. N.Y. PSC Comr. Lisa Rosenblum, chmn. of Communications Committee, said federal govt. instead should give states time period to address individual concerns, with FCC intervention only when states don't act.

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**Detroit suburbs of Fraser and Northville** awarded franchises to Ameritech to provide video and other services. Fraser franchise is for 15 years and will allow telco to overbuild Comcast, which has 4,100 subscribers in 14,000-population community. Ameritech committed to building 750-MHz system (70-90 channels) within 24 months. Franchise includes 5% franchise fee, carriage of 3 existing public, education and govt. (PEG) channels, providing at least \$10,000 plus 0.5% of gross to support PEG channels. Northville has 19,000 population.

**AT&T and Continental Cablevision** formed joint venture in Chicago suburbs offering discounted phone service for cable customers and free cable installation for AT&T customers. Sprint launched similar promotion with TCI, Cox and Comcast as partners earlier, providing discounts on services of each company. AT&T said customers with \$7 in monthly calls get free installation of basic services, HBO and Cinemax free for one month, 50% discount for year. Benefits increase for customers spending more than \$25 monthly.

**Parent-child themes** were most popular topic on TV talk shows, according to survey by Kaiser Family Foundation. It commissioned study of 10 programs from 11 top-rated shows July 25-Aug. 25, and looked at transcripts of another 80. Survey found 48% dealt with parent-child themes, 36% with dating, 35% with marital relations, 34% with sexual activity.

**Allbritton Communications** is buying WCFT-TV (Ch. 33, CBS) Tuscaloosa, Ala., for \$20 million from Federal Bstg. Allbritton also is taking over operation of WNAL-TV (Ch. 44, Ind.) Gadsden, Ala., under local marketing agreement and said 2 stations will become ABC affiliates for Birmingham market.

**NARUC EXPECTS CHANGE:** Possible lack of action on telecom bill wouldn't affect fast pace of regulatory change in states, officials said last week at National Assn. of Regulatory Utility Comrs. (NARUC) convention in New Orleans. Panelists disagreed on how much influence states should have on issues such as interconnection and pricing flexibility if telcos and cable enter each other's business, but all said state role will change dramatically.

Time Warner Communications Pres. Thomas Morrow said "competition doesn't just happen," so federal standards are needed. Although telecom bill is "most significant single public policy initiative," AT&T Senior Vp Alfred Partoll said, "most tangible and meaningful results" have come from state efforts to open local loop. Telecom industries and regulators didn't agree on facilities- vs. nonfacilities-based competition and other issues. Resellers operating at "deeply discounted" rates offer no new services to customers, said Paul Jones, Time Warner Communications senior vp-regulatory and public policy, so long distance companies could cut into incumbents' market share before cable operators upgrade their networks to offer new services. Cable's stand on facilities-based competition exists because "cable wants to buy some time" to complete upgrades while keeping other entrants at bay, said Donna Sorgi, MCI dir.-regulatory & govt. affairs.

NARUC Communications Subcommittee local competition working group studied specific aspects of competition, including franchise and certification requirements, number portability, directory listings, public rights-of-way, removal of MFJ restrictions. On franchising, group recommended that state regulators assist lawmakers in drafting laws that "do not unreasonably restrict local competitors from obtaining franchises or certificates to operate." Several entrants complained that local govts. and states shouldn't grant exclusive telecom franchises or overburdensome certificates.

Though states usually don't have jurisdiction over local rights-of-way, working group recommended that state regulators lobby their legislatures to "ensure that municipalities and other local governments do not unreasonably discriminate against emerging local competitors." Other working group recommendations: (1) Interconnection terms must be "reasonable and nondiscriminatory." (2) Incumbent retail rates should pass imputation test, and below-cost pricing should be kept at "bare minimum," group said. (3) Regulatory treatment of providers should rely on market forces "to the extent feasible, while not trying to manage the market centrally into a preconceived master plan."

NTIA is being attacked on Capitol Hill and by conservative think tank for awarding \$200,000 telecom infrastructure grant to organization that critics claim is doing improper lobbying. Officials of NTIA and HandsNet defended HandsNet's activities and grant as proper. Issue was raised by Rep. Ehrlich (R-Md.), who, along with Rep. Istook (R-Okla.), wants to limit lobbying by nonprofit groups receiving federal funds. Heritage Foundation also issued report and published article in Washington Times criticizing HandsNet. NTIA made award Nov. 9. HandsNet, with hq in Cupertino, Cal., is private network linking members of 5,000 nonprofit groups that engage in policy research and advocacy.

**SFX Bcstg. is buying 19 radio stations from Liberty Bcstg.** for \$223.2 million, then is selling 11 of them to Multi-Market Radio for \$100.1 million in tax-free deal.

**DIGITAL TV LIMITS PRESSED:** FCC doesn't have legal right to automatically give advanced TV (ATV) channels to incumbent broadcasters without opening allocation proceeding to new entrants, public interest groups said in filing on ATV proceeding. Filing, which was to be submitted when Commission reopened, also said that if FCC did give channels to broadcasters, it shouldn't mandate that they be used for HDTV, but should attach new public interest obligations and should give each broadcaster only enough spectrum for single digital channel.

"It is time to shift the focus to the needs and rights of the viewing public," said filing by Media Access Project, Center for Media Education, Consumer Federation of America, National Federation of Community Bstrs., Minority Media & Telecommunications Council. Giving full 6-MHz channel to broadcasters would be "windfall," they said, so broadcasters should get only single digital channel on 6-MHz multiplex, similar to that proposed for U.K. (TVD Aug 14 p3).

Automatic allocation to broadcasters isn't allowed under "Ashbacker" doctrine governing FCC procedures because digital is new service, groups said: "It must allow new entrants to apply for the spectrum. Permitting new entrants also promotes the most critical goal of the Communications Act and the First Amendment -- viewpoint diversity." FCC believes it can avoid Ashbacker because ATV is simply upgrade of existing service, although staffers acknowledge that will be tested in court.

FCC has "the authority and the duty to require additional enhanced public service obligations" in return for ATV channels, filing said. Groups said obligations should include free air time for political candidates, reserved capacity for noncommercial public use, reserving at least 20% of total program time for children's educational and informational programming. They said cable must-carry should apply only to ATV program services that meet enhanced public interest obligations.

Other suggestions in filing: (1) FCC should set "date certain" for returning NTSC channels 5-15 years after ATV startup. (2) Broadcasters should provide funding for digital receivers or converters for those who can't afford them. (3) FCC must assure universal access to free, over-air ATV service. (4) Spectrum must be "principally used" for free broadcast service, with "principally" defined as 75% of digital capacity.

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NBC, Paramount TV and Procter & Gamble have formed alliance to produce TV programming. Effort will be funded by Paramount and P&G, with NBC acquiring "first-look" rights to programs produced by alliance. Financial terms weren't disclosed. Last March, Paramount and P&G had announced pact to develop and produce shared-equity programs under which development costs were to be shared equally.

As of Nov. 14, Big 3 TV networks are free of govt. restrictions on programming that applied only to ABC, NBC, CBS. Justice Dept. consent decrees, under which they have operated since mid-1970s, expired. Decrees incorporated FCC's finsyn rules, which also were rescinded by Commission.

Multimedia shareholders approved \$1.7-billion sale of cable systems and TV syndication business to Gannett (TVD July 31 p3) in vote Nov. 15. Company said 76% of shareholders had endorsed deal, which awaits FCC okay.

**SCHOOLS GET TO FREE SATELLITE GEAR:** Primestar by TCI (TCI) announced it will outfit at least 10,000 schools with dishes and related equipment at more than \$2,000 per school in first year. Primestar Goes to School, extension of TCI's Cable in the Classroom program, will be free to public and private schools in noncabled areas within TCI's Primestar service area, with goal of reaching 100% of schools in territory. It will provide more than 500 hours per month of educational programming, data and training from programmers such as Discovery, Learning Channel, PBS, Weather Channel, others.

TCI will provide equipment, Cable in the Classroom teachers' guide, PCs and all maintenance, said Primestar by TCI Pres. Gary Howard. He said that while "cost to our business is very great," benefit to schools "is even greater." TCI has been testing program at schools in Denver area and plans official rollout immediately on Indian reservations in Mont. and Ariz. Howard said TCI will announce 1-800 number that school administrators can call to request service. He said expansion would be "demand driven," depending on how quickly educators contact TCI to request service. Situation that would make him "happy," he said, would be if TCI could get all 10,000 schools aboard by this time next year.

TCI commitment is "real, now and in place," and "not just a promise to do something in the future," said Primestar by TCI CFO Lloyd Riddle. He said schools will be served "as soon as the phone starts ringing." TCI has been working with educators, mainly National Education Assn., to prepare service and make its availability known to teachers. Target will be "underserved" schools, NEA Pres. Keith Geiger said, including one-room schoolhouses in rural areas as well as inner city schools that often are difficult to reach with wire.

In addition to broadcast programming, service will provide teachers and students with lesson guides and teaching and learning resources, including What On Earth interactive news service, via PCs using Ingenius X\*Change data service, which adapts to learning level of students. Although Primestar Goes to School will be offered only in TCI service area, Howard said he hopes other partners -- Comcast, Continental, Cox, Newhouse, Time Warner -- will offer similar programs.

Philips is conducting multichannel multipoint distribution system (MMDS) test near Knoxville hq to gauge interest of telcos, MSOs and MMDS organizations, company said. Using Philips equipment developed for interactive cable system trial in Europe, test involves transmitting data 8 miles at varying rates of 1.5-15 Mbps between Philips offices and Tenn. Wireless System hq, said Philips Digital Videocommunication Product Mgr. Joseph Ortiz. Components are "generic in nature" -- including real-time compression and MPEG-2 transport stream multiplexing systems, 64 QAM modulator and integrated receiver decoders (IRDs) -- and not "directly connected" to MMDS, he said. Philips is using ComWave, EMCEE and ITS upconverters and Cal. Amplifier and Galaxis antennas. "It's to demonstrate how our generic products family also is applicable for MMDS and to bring in top-tier telco companies and MMDS service providers and show it to them," Ortiz said, and it's "80% demonstration, 20% technical test." Philips goal is to be "lead integrator" for end-to-end digital video system, but won't rule out working with 3rd party to gain access to U.S. market. It will display system at Western Cable Show in Dec., then consider expanding test with Tenn. Wireless, which operates 26-channel wireless system in Knoxville area with 2,300 subscribers, Ortiz said.

Administration said Nov. 15 it supports legislation (S-1284 and HR-2441) that would amend copyright law to extend many protections to digital world. Measures have bipartisan support in House and Senate. However, testimony at joint hearing of Senate Judiciary Committee and House Copyright Subcommittee pointed out that some problems remain to be worked out, despite endorsement of bills by Asst. Commerce Secy. Bruce Lehman, who chaired group that studied issues and made recommendations on which legislation is based. Senators and representatives attending hearing said bill should provide balance between rights of users and rights of content providers. House Subcommittee Chmn. Moorhead (R-Cal.) and Senate Committee Chmn. Hatch (R-Utah) emphasized need to protect content providers. Lehman testified that much on Internet is for public and without need for copyright protection. Hatch wanted to know whether there was problem with on-line services' unknowingly harboring copyrighted material posted by system users. That question also has been raised in cyberporn debate. Lehman said there's "no evidence" that there's serious problem. Other issue is whether browsing World Wide Web constitutes copyright violation because computers must download copy of material so it can be read. Lehman said that was "theoretical concern." Register of Copyrights Marybeth Peters said issue would bear further examination. Rep. Boucher (D-Va.), who raised browsing issue, told us that there will be more hearings on bill next year.

Mich. version of telecom reform legislation is awaiting signing by Gov. John Engler (R), although long distance groups are said to be opposing it. Like proposed federal bills, Mich.'s would open local loop to competition, including cable-delivered telephony, and would allow local telephone companies to provide long distance and video. Bill was approved by Mich. House Nov. 7 on 80-27 vote, and Senate approved House version Nov. 9. It received strong support from local telcos. Cable industry also believes it's "a pretty good bill," said Colleen McNamara, exec. dir. of Mich. Cable TV Assn. (MCTA). In addition to allowing cable into new markets, she said, cable is pleased that it limits pole attachment fees and fees for access to rights-of-way, although that provision probably will be tested in court. Measure also appears to assure "decent" interconnection and number portability, McNamara said, but it's unclear how state will deal with disputes over them. MCTA bid for inclusion of provision requiring uniform franchises for cable and telco video services also failed, McNamara said, but cable still is pleased with bill.

Low-power TV (LPTV) stations are being left out in industry's rush to switch to digital advanced TV (ATV) from analog, panelists and delegates said at Community Bestrs. Assn. (CBA) convention in Washington last week. George DeVault of Holston Valley Bestg., Kingsport, Ind., owner of full-power station and LPTV, said that if ATV frequencies were auctioned, LPTV would be left out. Barbara Kreisman, chief of Video Div. of FCC Mass Media Bureau, agreed that LPTV operators should be concerned. CBA Pres. Sherwin Grossman said: "It's inconceivable to me that the government would destroy half the TV [LPTV] stations in the country for the sake of advanced TV." CBA counsel Peter Tannenwald predicted FCC would shut down LPTVs only if there isn't spectrum for them; he said space can be found, except perhaps in major markets. Consulting firm Abacus was at convention with computer, taking down LPTV operators' comments to send to FCC.

**WICZ-TV (Ch. 40)** Binghamton switches to Fox from NBC in market with only 3 commercial TV stations. WICZ-TV has been carrying Fox afternoon children's strip.

## Personals

**Claudia Pryor**, ex-ABC News, appointed senior producer-special projects, NBC News... **Matt Jacobson**, ex-Creative Artists, named exec. vp-mktg., News Technology Group... **Jim McGee** and **Johanna Persons** promoted to vps-film production, NBC Studios... **John Filippelli**, ex-NBC Sports, named coordinating producer-baseball, Fox Sports... **Steve Smith**, ex-WXIA-TV Atlanta, appointed ABC News southern bureau chief... **Arthur Sando**, ex-Abernathy MacGregor Scanlon PR firm, Turner Bestg. and Comsat, named senior vp-corporate communications, King World Productions.

**Karen Gulick**, ex-Latham & Watkins Washington law firm, named special counsel to FCC Gen. Counsel **William Kennard**... **B.W. St. Clair**, Larcan-TTC Inc., Louisville, Colo., elected pres., National Translator Assn., succeeding **Edwin Ridges**, U. of Utah... **Cynthia Merifield**, American Medical Assn. asst. dir.-congressional affairs, joins MPAA Dec. 18 as vp-congressional affairs, succeeding **Matt Gerson**, resigned... **Colony Brown** promoted to senior project dir., RTNDA Foundation.

**Steven Antoniotti**, ex-WJBK-TV Detroit, named pres.-gen. mgr., WTVS Detroit, succeeding **Robert Larson**, who resigns Dec. 4 to become WTVS pres. emeritus and senior exec. for community development and humanities programming... **Gary Stokes**, ex-WAVY-TV Portsmouth-Norfolk-Newport News, Va., named gen. mgr., WIVB-TV Buffalo... Promotions at WGTE-TV Toledo: **John Gibson** to program mgr., **Leslie O'Connell** to asst. program mgr.

**Steven Kalin**, ex-McKinsey & Co., named vp, ESPN Enterprises... **David Lavin** promoted to exec. dir.-business affairs, Viacom Productions; **Christina Sanagustin**, ex-St. Clare Entertainment, joins as dir.-development... **Lori Spagna** advanced to corporate dir.-new products, Falcon Cable TV... **Mimi James**, former talent coordinator, Letterman show, appointed dir.-talent & creative development, VH1... **Bonnie Boyle**, ex-SportChannel, appointed dir.-mktg., CTAM.

**Japhet Asher**, ex-Colossal Pictures, appointed exec. vp-programming and product development, Tele-TV Media; **Tom Tyrer**, ex-Electronic Media, named vp-communications... **Tina Ravitz**, ex-Newsweek Inc., appointed vp-technology and business operations, Viacom, responsible for development of company's satellite portfolio... CNN anchor **Bernard Shaw** will receive RTNDA Paul White Award Oct. 12 at 1996 convention in L.A.... **Joseph Widoff**, Advanced TV Test Center vp, joins WETA-TV Washington Dec. 4 as CFO and senior vp-operations & administration, new post; **Richard Heiman** promoted to vp-finance.

—  
About 125 NBC employees who are members of N.Y. chapter of NABET-CWA marched into NBC hq Nov. 17 to protest network's offer of new contract. NABET-CWA official said NBC executives refused to meet with union delegation, but would be willing to do so later. Union has been operating without contract with network since March 1994.

**British govt. banned adult service XXXTV.** Swedish-based satellite-delivered service, formerly called TV Erotica, began broadcasting there in Feb. British outlawed supplying viewers with smart cards, program listings or ads for channel.


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**EDITORIAL & BUSINESS HEADQUARTERS**  
 2115 Ward Court, N.W., Washington, D.C. 20037  
 Phone: 202-872-9200 Fax: 202-293-3435  
 e-mail: warrenpub@interrange.com

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**NEW YORK BUREAU**

276 Fifth Ave, Suite 1111, N.Y., N.Y. 10001	Phone: 212-586-5410	Hampstead, London NW3 1ST
	Fax: 212-889-5097	Phone: (071) 435-6244

**CONTRIBUTING EDITOR, EUROPE**

David Lachenbruch	Editorial Dir.
Paul Gluckman	Assoc. Editorial Dir.
Mark Seavy	Associate Editor
Cindy Spielvogel	Associate Editor

**JAPANESE REPRESENTATIVE**

Editorial and Circulation	Barry Fox
CES International Corp.	5 Denning Rd.
1-11-8 Nishi Shinbashi, Minato-ku	Hampstead, London NW3 1ST
Tokyo 103, Japan	Phone: (071) 435-6244
Phone: (03) 3592-1531	

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**KNBC-TV L.A. told FCC it doesn't oppose waiver for Disney to own 2 L.A. VHF stations temporarily after its acquisition of Cap/ABC is approved.** However, KNBC-TV said, Commission should require that Disney maintain independence of each station's operations during waiver period. Application for approval didn't specify that 2 stations would be operated "completely independently of each other" during waiver period, KNBC-TV said. Disney owns KCAL (Ch. 9, Ind.), Cap/ABC KABC-TV (Ch. 7, ABC).

**Cook County Circuit Court** should dismiss suit seeking to block Ameritech from operating cable system in Glendale Hts., Ill., in competition with Time Warner, court filing by Ameritech and village said. Village also said that if case filed by Ill. Cable TV & Communications Assn. (ICTCA) is heard, it should be moved to DuPage County, where Glendale Hts. is located. Ameritech and village contend that Ill. law prohibits associations from filing suits as representatives of members unless group itself is harmed.

**CNN said it will launch financial news channel to compete with CNBC Dec. 29.** CNNfn will carry business programming throughout day, beginning at 7 a.m. ET, will switch to CNN International evenings and weekends. No major cable MSOs have signed carriage deals for CNNfn.

# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for first week of Nov. and year's first 44 weeks:

	OCT. 28- NOV. 3	1994 WEEK	% CHANGE	OCT. 21-27	44 WEEKS 1995	44 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	676,271*	541,863	+24.8	1,219,495*	21,689,886	22,476,847*	- 3.5
DIRECT-VIEW....	649,436*	524,863	+33.7	1,179,075*	21,053,354	21,977,063*	- 4.2
TV ONLY.....	567,120*	485,481	+16.8	1,083,721*	19,269,697	20,284,624*	- 5.0
TV/VCR COMBO..	82,316*	39,382	+109.0	95,354	1,783,657*	1,692,439	+ 5.4
PROJECTION.....	26,835*	17,000	+57.9	40,420#	636,532##	499,784	+27.4
TOTAL VCR**.....	520,426*	282,267	+84.4	881,105	12,921,070*	12,431,776	+ 3.9
HOME DECKS.....	438,110*	242,885	+80.4	785,661*	11,137,413*	10,739,337	+ 3.7
CAMCORDERS.....	132,141	37,566	+251.8	211,765 <sup>r</sup>	2,980,678*r	2,632,414	+13.2
LASERDISC PLAYERS	6,617	5,615	+17.8	8,592	216,334	231,884	- 8.1

Direct-view TV 5-week moving average: 1995--679,642\*; 1994--678,425 (up 0.2%).

VCR deck 5-week moving average: 1995--377,136; 1994--351,978 (up 7.1%).

TV/VCR 5-week moving average: 1995--52,751; 1994--57,776\* (down 8.7%).

Camcorder 5-week moving average: 1995--95,150\*; 1994--76,569 (up 24.3%).

\* Record for period. # Record for any week. \*\* Includes TV/VCR combinations.  
## Full-year record. <sup>r</sup> Revised by EIA (see report, this issue)

**DIGITIZATION ACCELERATES TV/PC INTERPLAY:** As PCs increasingly become consumer products and digitization takes over traditional consumer electronic products, cross-pollination of TVs and computers is accelerating. While each product begins to take on some characteristics of the other, there's still no sign that they will merge or that one will replace other, despite prognostications by professional pundits.

Latest manifestation is Sony's decision to enter consumer PC market in earnest through deal with Intel, leading maker of CPUs and computer motherboards, as announced simultaneously last week in Tokyo and at Comdex in Las Vegas. Two companies announced that they're beginning joint development of "hardware and software architectures and key devices for PCs," with first products to be sold in U.S. in fall 1996, to be followed by Japan and Europe debuts. Announcement was short on details.

"The move of PCs into the home, combined with the wave of digitization within the consumer audio/video industry, is leading to the birth of a new consumer electronics market," Sony Pres. Noboyuki Idei said. Sony has been manufacturing computers since late 1960s, but for first time it will make real effort in consumer-featured PCs. Sony spokeswoman said plan is to develop "a PC which can be operated as easily as a TV."

Misinterpretations of Sony's logic continue to abound, despite Idei's explanation. Financial Times reported that "markets for AV products are saturated, and price is a decisive factor in consumers' purchasing," while Reuter quoted analyst as speculating that "home electronics makers who do not produce PCs are only destined to drop out of the market." Neither mentioned that margins on PCs are lower than those on AV products, or that AV products are selling at near-record pace. While Sony's brand name will be boost -- particularly for new computer buyer -- more likely its decision is designed to bring innovation appealing to consumers in PC design and use. While Sony's home PCs may not be any more profitable than anyone else's, company is making profits from such components as disc and CD-ROM drives, semiconductors and displays, as it reported in releasing first-half financial data (TVD Nov 13 p11).

Sony's announcement comes one week after Thomson demonstrated proposed TV set that could play CD-ROMs and access Internet. Sega and Philips are introducing add-ons to their videogame machines for Internet access via TV set. Virtually all PC makers in Japan now feature models with TV tuners. On access

side, cable TV industry is on verge of widespread introduction of cable modems, permitting PC owners high-speed communication undreamed of with twisted pair phone connections, and DVD promises extremely high-capacity video, audio and data storage (see reports elsewhere in this issue).

As diversified entertainment company, spanning recordings, movies, TV game and computer software, Sony isn't neglecting cyberspace either. In N.Y., company announced "multiyear agreement" with Visa to develop new kind of "entertainment, information and consumer transaction environment" on World Wide Web to be called "Sony Station." Significantly, Sony and Visa bypassed existing "networks" such as America On-Line and Compuserve, going directly to WWW. Service will draw on products and services from all Sony companies and presumably will sell both on-line entertainment and concrete products.

"First came radio, then TV and now it's the Internet that will serve as a vehicle for global entertainment and commerce," Sony America Exec. Vp Jeff Sagansky said, predicting that Sony Station will "develop and showcase new programs, shows, stars and products."

In Japan, meanwhile, arch-rivals are uniting to develop sort of closed-loop competitor to Internet, "multimedia communication service" that can use not only PCs but game machines and AV equipment as terminals. Sony, Sega, NTT, JVC and Yamaha are equal partners in new service that's to have "freedom of Internet and reliability of PC networks." Group plans to offer high-speed compressed digital video and audio, e-mail, moving picture and sound conferencing, videogames, virtual shopping, news on demand, etc. Service is scheduled to start in mid-1996, with goal of million subscribers in first year.

Popularity of PCs shows no sign of wiping out traditional AV market, but instead appears to promise vast enlargement of CE field as TV digitizes and PCs add AV versatility. "Convergence," meanwhile, was buzzword at Comdex. Other reports on Comdex will be found in these pages this week and next, and in greater detail next week in our Consumer Multimedia Report newsletter (please contact our Washington office for sample copy).

**3M TO LEAVE AUDIO-VIDEO TAPE BUSINESS:** 3M will shut down Audio and Video Markets Div., leaving audiotape and videotape business by late 1996 as part of restructuring that will cut 5,000 jobs and spin off to shareholders imaging and data storage units as separate company, it announced last week. Also last week, another recording tape pioneer, Ampex, sold off its magnetic tape operation.

After reshaping, which affects about 6% of St. Paul, Minn., company's 85,000 worldwide work force, 3M will be left with businesses that contribute about 80% of its expected revenue this year -- some \$16 billion. Audiocassette and videocassette business generated \$650 million a year. 3M, which will take \$600-million pretax charge in 4th quarter, will consist of Industrial and Consumer Sector and Life Sciences Sector when spinoff is completed by mid-1996.

By choosing to stay in more profitable businesses such as Scotch tape and adhesives, specialty chemicals and medical supplies, 3M showed unwillingness to compete in categories such as recording tape that offer razor-thin margins. It said decision was prompted by "intense" price competition in audiocassettes and videocassettes and lack of "prospects for significant improvement."

While decision appeared to catch industry by surprise, 3M has long been under pressure from shareholders to unload unprofitable businesses. And while there were few signs of radical change, 3M's AV Div. has been scrambling for profits. It led charge last year to boost audiocassette and videocassette prices in face of increased raw materials costs (TVD Oct 31/94 p15) and as recently as this fall reentered CE hardware business after 15-year absence (TVD Oct 23 p13). Whether it will continue CE hardware or accessories businesses wasn't clear by week-end, although 3M spokeswoman said products were handled by same AV Div. being shuttered.

Departure will mark end of 3M's history in cassette business. It introduced first commercially acceptable magnetic recording tape in 1947 after carefully studying 2 German recorders and tape obtained at end of World War II. And by 1956, 3M researchers had designed videotape for world's first broadcast video recorder, developed by Ampex (TVD April 14/56 p4). But 3M stopped making audiocassettes years ago, switching to Far East supplier because business had become commodity-driven, fate now suffered by videocassettes that company continued to produce in Hutchinson, Minn.

Plant has 200-million annual capacity and was major source for duplicators that supply film studios with prerecorded videocassettes. About 900 workers will be affected by closing, but 450 may be rehired as

plant switches to production for remaining divisions, spokeswoman said, adding that no decision has been made on possible sale of cassette manufacturing equipment.

3M's strongest position was in professional markets and consumer VHS tape. In latter, it had share approaching 14% and claimed to be No. 1 brand in U.S. Its tape is sold worldwide and company has joint venture in Japan with tape maker Sumitomo. Its share in audio, 8mm and VHS-C cassettes was less than 4%, sources said.

"The industry is shrinking, there was overcapacity and there were too many brand names, so while they were our best seller, there are 5 other people willing to step in," said executive at Target, one of 3M's largest customers for VHS tape.

Void left by 3M's departure is sure to touch off scramble among remaining leaders BASF, Fuji, Maxell, Sony, TDK and others and is likely to result in competitors boosting capacity. Emerging Korean tape suppliers SKC and Kolon Industries are likely to seek to larger share of U.S. market.

Undetermined is fate of Scotch brand for cassettes. 3M spokesman said decision hasn't been made on selling or licensing name, but industry observers doubted new competitor would seek to buy it in bid to enter market. "The magnetic tape business is a very difficult, highly capital-intensive business to enter and I don't believe we'll see new entrants," Fuji Vp-Gen. Mgr. Stan Bauer said. "I think what would logically happen is expansion of current capacities."

Increased capacity is likely to be attractive to 3M's OEM customers that are beginning search for new suppliers. 3M has said it will honor contracts through next year and is meeting with customers to discuss complete plans, said Rank Video Services Pres.-CEO David Cuyler, duplicator that relied on 3M for about 20% of its pancake tape supply used for manufacturing prerecorded videocassettes.

Other duplicators see further erosion of near-invisible margins in VHS movie duplicating business. "There's already a tape shortage, and this will further consolidate the [pancake tape supply] business into fewer hands, which will lead to higher prices" for duplicators -- prices that can't be passed on to movie studios because of highly competitive nature of duplication business, Central Video Pres. Howard Kropf said.

Action also may be first major move in shakeout of consumer cassette industry, which long has suffered from falling retail prices and slimmer profits. Change could favor companies that spread investment evenly across range of formats to guard against downturn in single category. For example, single standard grade T-120 VHS tape carries \$1.33-\$1.50 average retail price while typical manufacturing cost in 2nd quarter was \$1.67 (TVD Sept 18 p19), industry observers said. Videocassette factory sales plunged 15% in units and 19% in dollars in quarter. "The business is really taking a turn in terms of where pricing can move," Maxell National Mktg. Mgr. Peter Brinkman said. "In the near term and the long term it's not a profitable business."

\* \* \* \* \*

Another magnetic tape pioneer left market last week when Ampex completed sale of subsidiary to Quantegy Acquisition Corp., affiliated with Equitable Life. Purchase includes Ampex plant in Opelika, Ala., that produces audiotape and videotape. Renamed Quantegy Corp. will continue to use Ampex trademark into 1996. Ampex, which was at forefront of videotape development in 1950s and once was a leader in consumer audiotape, switched to professional markets only, policy that will be continued by new owner. Ampex began slow exit from audio and video recording in 1993 when it discontinued recording equipment business. Ampex is retaining advanced metal particle tape business and will continue to supply products for digital data storage, video and instrumentation tape drives, robotic libraries.

**MATSUSHITA QUARTER INCOME UP, CE SALES DOWN:** Nonconsumer electronics paced Matsushita to 6% increase in consolidated operating profit and 24% rise in income for 2nd quarter ended Sept. 30. For first half, company reported loss of \$1.356 billion (based on \$1 = 98 yen) as result of currency adjustments related to its first-quarter sale of 80% of MCA to Seagram (TVD Aug 28 p10). Although sales were down in both periods due to lack of MCA revenues in 1995, company said that if MCA's results were excluded from first half results, sales would have risen 2% (see financial table).

Commenting on first half, company cited mounting uncertainty in U.S. and Europe "as a result of mixed trends," while slowdown in "pace of Japan's economic recovery became more apparent" and Asian countries "continued to show firm growth." Like Sony's report week earlier (TVD Nov 13 p11), Matsushita's consolidated statement showed electronics gains were in communications, industrial equipment, components.

Video and audio equipment sales were down 9% and 8%, respectively, in half (3% and 4% in quarter) "due largely to a shift in consumer tastes to lower priced models and yen appreciation, despite increased sales of widescreen TVs in Japan." Home appliance sales were flat. Communication and industrial equipment sales rose 4%, thanks to "significant growth" in domestic sales of mobile equipment, including cellular. Company's combination TV/PC receiver-monitors, CRTs for PC display and CD-ROM drives boosted sales, with overseas fax and phone equipment dropping. Factory automation sales "marked solid growth in both domestic and overseas markets."

Communication and industrial equipment displaced combined audio/video as No. 1 sales generator in first half, moving to 29.2% of total from 25.5% in 1994 period, while AV sales declined to 26.1% of total from 26.5%. Components constituted 15.2% of sales, up from 12.7%. In 1995's half, video equipment sales totaled \$3.161 billion, audio \$1.356 billion, appliances \$2.429 billion, communication and industrial \$5.047 billion, components \$2.638 billion, batteries and kitchen related \$1.016 billion, other \$1.643 billion. Overseas sales fell 14% in half due mainly to exclusion of MCA revenues in 1995 period, while domestic sales rose by 6%.

Company raised full-year forecast slightly to 4% decrease in sales, from previously estimated 6%, with pretax income down 68% (vs. 69%). However, if MCA revenues are excluded from last year's results, company sees sales up 3% from last year, pretax income up 10% and income rising 19%.

**EMERSON MAY LICENSE NAME:** Emerson Radio has received "overtures" from several companies seeking to license trademark for video products, Pres. Eugene Davis said.

While he declined to identify companies, he said Emerson hopes "to wring more value" from name. Negotiations come after lien on trademark was lifted as part of \$80 million refinancing package (TVD Sept 11 p13).

Davis made comments as Emerson reported net dropped to \$126,000 in 2nd quarter from \$3.5 million year earlier as direct sales declined to \$87 million from \$197 million. For 6 months ended Sept. 30, Emerson recorded \$1.2-million loss as direct sales dropped to \$144 million from \$334 million.

Direct sales downturn resulted largely from agreement under which Otake Trading (Orion) builds and sells Emerson brand video product to Wal-Mart (TVD Feb 27 p16). Pact requires Emerson to record Wal-Mart revenues as royalties instead of direct sales. In 3rd quarter, Emerson received \$74 million in royalties as part of agreement. While Wal-Mart accounted for 53% of Emerson revenues in fiscal 1995, direct sales to discounter hit "economic limit." Deal with Orion made "money-losing" business profitable and allowed brand to keep spot at Wal-Mart, Davis said.

"Since we bargained away the risk in the transaction, we only kept the profit and we were no longer entitled to report the sales," Davis said.

Earnings also suffered from downturn in TV business and retail market that's "weaker than it has been in the last 5-10 years," Davis said. Emerson has "a few hundred thousand" dollars tied up in retailers operating under Chapter 11, he said. Company turned away \$150 million in "incremental" video business this year because of low margins, he said.

Emerson plans to ship car audio (TVD Oct 9 p18) and home theater products in "promotional" quantities by Dec., with full line expected by April. Emerson is negotiating with K mart and Sears to carry car audio, including speakers and subwoofers, Davis said. However, introduction of ready-to-assemble furniture will be delayed so "we can look at what our product offerings are and how they compare" with competitors', he said.

**U.S.-MADE ELECTRONICS SALES:** U.S. factory sales of electronic equipment rose 15.5% in first 9 months of 1995 over 1994 period, according to preliminary data released last week by EIA. Telecommunications and components showed greatest growth, up 23.2% and 22.6%, respectively, contributing 44.2% of total \$273.7 billion for 1995 period.

Former consumer electronics category is replaced in newest tabulation by "audio, video and blank media," presumably because of blurring of lines between consumer and other products in computer and telecom areas. Category rose 4.9% to total just short of \$6.5 billion in 1995 period. EIA's table below, based on Commerce Dept. figures, isn't seasonally adjusted:

**U.S. FACTORY SALES, 9 Months 1995 vs. 1994  
(preliminary, in millions of dollars)**

Sector	1995	1994	% Change
Electronic components....	76,562	62,433	+22.6
Audio, video, blank media	6,488	6,182	+ 4.9
Telecommunications.....	44,511	36,136	+23.2
Defense communications..	22,003	21,566	+ 2.0
Computers & peripherals..	50,748	43,597	+16.4
Industrial electronics...	25,457	22,266	+14.3
Electromedical equipment.	7,119	6,841	+ 4.1
Other related products...	40,829	37,948	+ 7.6
<b>TOTAL.....</b>	<b>\$273,718</b>	<b>\$236,970</b>	<b>+ 5.7</b>

Taiwan's Chung Hwa Picture Tube will build plant to make tubes for TVs and computer monitors in Scotland, employing 3,300 and costing \$408 million over next 4 years. Chung Hwa was founded in 1971 as Taiwan govt.-blessed joint venture, with bulk of capital supplied by RCA (TVD March 29/71 p9). By 1975, RCA owned 49% and sold its interest to only other remaining investor, Tatung, Taiwan's biggest electronics and appliance company, which currently is sole owner (TVD June 2/75 p11).

**THIS WEEK'S YEN RATE**

Yen values have been converted to dollars in this week's issue at 101 yen = \$1, except where noted.

**DVD SPECS 'BY MID-DEC.:** Delegates of both former rival DVD camps held first joint news conference at Las Vegas Comdex last week to report substantial progress in negotiations on specifications for unified format. They wouldn't discuss details of talks, but said "further announcements" are expected by mid-Dec.

Since announcing plans Sept. 15 to work toward single unified DVD format, MMCD and SD alliances "have reached agreement on a number of specifications regarding a single disc standard," groups said in joint statement. It said MMCD and SD companies, "converging into one group, are now entering additional technical discussions. Separately, a name, licensing scheme and other outstanding issues will also be discussed within the unified group. We expect further announcements to be made by mid-December. By providing final specifications and information in this manner, we will enable companies to start designing high-density discs, players and drives in a timely fashion."

News conference participants from Hitachi, JVC, Matsushita, Mitsubishi, Philips, Pioneer, Sony and Toshiba shed little new light on subject. As we reported, choice of DVD audio and tracking servo systems remains unresolved (TVD Nov 13 p13). Pioneer Senior Vp Michael Fidler said parties haven't agreed on anticopy encryption system, presumed to be high-priority issue for movie studios. Negotiators also are at impasse on mutually acceptable name for unified format and have reached understanding only that system won't be called MMCD or SD.

Prepared Q&A briefing document obtained by our affiliated Audio Week newsletter put best possible spin on delay in unified specifications. On anticipated question, "Why did it take you 2 months longer than originally planned" to finalize unified DVD standard, suggested response was: "Considering the amount of work we did, we feel that we have moved very fast." Briefing papers suggested that choosing format name "will be one of the first issues we will handle." Product introduction announcements remain responsibility of individual DVD companies, papers said, but "we do not foresee a delay" in late-1996 launch because of prolonged negotiations. While existing CDs will be playable on new DVD machines, document responded curtly to anticipated question on whether existing CD players would play new high-density DVDs. Papers said: "No. Black-and-white TVs do not show color."

Among few points of specificity in briefing papers was section describing as "inaccurate" recent Financial Times report that SD companies had rejected all 11 unspecified technical proposals submitted by Sony and Philips. Account in briefing documents was consistent with claims by Sony spokesman who had said agreement had been reached "by mutual concession" on many technical issues, while disagreement remained on other points.

Negotiators "are discussing copy protection issues with the various legislative bodies and the software industries," papers said. But document avoided specific references to proposals on table and remaining disputed issues. Among leading contenders is believed to be proposal by Philips executive Gijs (Gerry) Wirtz, former DCC project mgr., who played key role in developing technology that later became Serial Copy Management System (SCMS) for digital audio. We're told another key encryption proposal goes by name "Colorstripe," but specifics of that system were unavailable.

JVC's "world's smallest" digital camcorder (TVD Oct 9 p14) will be introduced in U.S. next month.

**PROJECTION SETS YEAR'S RECORD:** With 8 weeks to go, projection TV sales to dealers passed previous record for any full year in 1995's first 44 weeks, EIA reported. Jan. 1-Nov. 3 sales totaled 636,532 (see State of the Industry), just 355 more than 636,177 for full 52 weeks in 1994, previous year's record.

Projection TV crashed through to record on 57.9% increase in first week of Nov. in EIA's statistical calendar. But that wasn't biggest advance of week -- camcorders soared 251.8% and TV/VCR combinations 109% over same 1994 week. Direct-view TV sales (excluding combos) recorded biggest single-week advance since Jan., rising 16.8% and marking 3rd consecutive week of increases, following 14 declines in 15 preceding weeks.

Direct-view color and all other color TV categories set records for first Nov. week. Big surge vs. comparable 1994 week owes something to vagaries of EIA's statistical calendar, which gave nominal first Nov. week extra day in Oct. (actually Oct. 28-Nov. 3), giving it greater share of traditional month-end sales surge than same week had last year (when it covered sales Oct. 29-Nov. 4). Final week's sales bulge is result of billing practices in industry -- many manufacturers report sales to EIA only on week they're billed.

\* \* \* \* \*

**EIA last week reported** correction in camcorder sales figures for Oct. final statistical week. In place of its reported sales of 247,295 units that week, corrected figure is 211,765, still record but only 11.9% above 1994 week instead of 30.7% as EIA originally reported (TVD Nov 13 pp8&10). That brings revised camcorder sales for Oct. to 343,610 instead of 379,140, which would have been record. However, revised monthly figure is 0.5% below Oct. 1994 (345,279), which remains record for any Oct.

Revised Oct. figure changes seasonally adjusted annual rate for that month to 3.4 million from our published 3.76 million. While still record rate (up from 1994's record 3.2 million), revised Oct. rate was 2nd lowest this year, only Feb. being lower.

Commenting on Oct. sales, EIA's CEMA said sales of projection TVs 55" and larger were double those of Oct. 1994. In direct-view TV, 19" sales were up 6% and sets 24" and larger rose 4%, despite overall 1.9% decline in direct-view color. While VCR sales for month were down 4.8%, stereo models registered 27% increase, accounting for 35% of month's sales.

Foreign Trade Zone status is being requested for 4 Ind. sites at Thomson Consumer Electronics plants. Indianapolis Airport Authority submitted application seeking "special purpose subzone status" for 4 TCE locations -- export distribution facility and TV tube warehouse in Indianapolis, TV distribution facility in Bloomington and CRT storage facility in Marion. Application said some 6% of products shipped from facilities are exported. If granted, subzone status would exempt TCE from paying duty on foreign items that are reexported. On domestic sales, it would defer duty payments until items are shipped. Application said savings would help improve facilities' international competitiveness. Comments to Foreign Trade Zone Board, Washington, are due Jan. 8, replies Jan. 23.

Motorola is joining consortium of IBM, Siemens and Toshiba to develop 1-gigabit DRAM semiconductor for such uses as superpowerful PCs, high-definition digital video, multimedia and telecom systems.

**COMDEX AIRS 'NETWORK COMPUTER':** Furious debate among computer industry leaders -- and at least some of 205,000 attending last week's Fall Comdex computerfest in Las Vegas -- was over idea of "network computer." That seems to be new generic name of gutless wonder terminal with limited memory designed primarily for utilizing Internet software and priced like a TV, at about \$500 (TVD Oct 16 p12).

Although such "internet appliances" weren't actually shown at Comdex, they were subject of heated battle of words between opponent Microsoft Chmn. Bill Gates ("stupid idea [that will] never happen") and proponent Oracle Chmn. Larry Ellison ("so inexpensive and easy to use that nearly everyone will have [one]... like a TV set...").

Ellison called PC "ridiculous device which is so complicated and expensive" and proposed simpler computers for people who want to use e-mail or utilize simple programs via Internet. Oracle already has promised to offer stripped-down model with 4 Mbytes of D-RAM for temporary data storage and 4 Mbytes of flash memory for programs and \$50 microprocessor. It's scheduled for unveiling in Feb.

In keynote speech, IBM Chmn. Louis Gerstner said people are becoming sick of rapid obsolescence of their computers and revealed his company is developing "inexpensive network appliances" for shipment early in 1996.

"Convergence" was buzzword in Vegas, and there were those who suggested that rather than stripped-down computers, other appliances -- such as TV sets, personal digital assistants or cable boxes -- could accomplish many of same purposes.

"Convergence at Comdex" was title of speech by Sony Pres. Carl Yablonski, who noted all 6 divisions of company were present in biggest Comdex booth ever. Speech was springboard for Sony's entry to branded PC market (see separate report).

Multimedia mania and convergence leveraging was underscored by massive presence of Japanese and Korean CE manufacturers on main floor of convention center. Scene was reminiscent of heyday of CES. Sony, Mitsubishi and Panasonic pavilions wowed pocket-protector crowd with technologies to come. In fact, futuristic CE sight-and-sound shows overshadowed booths of PC marketers, whose me-too wares increasingly resemble "WinTel" commodity product (propeller-head code for PCs with Intel microprocessor running Microsoft Windows operating system).

One of ironies of Comdex was that as feature-laden PCs show potential for learning even more multimedia tricks, discussion has turned to feasibility of stripped-down terminal to be used simply for surfing Internet or cruising on-line services.

LG Electronics will buy just under 53.7% of all stock tendered by Zenith shareholders. Company announced from Seoul that total of 34,702,297.557 shares were offered under its offer to buy 18,619,000 shares at \$10 each -- thus it will get 53.653508% of tendered shares. Company deposited purchase price Nov. 17 for distribution to shareholders, will return unpurchased shares on or about Nov. 22. Shares tendered represent about 73.8% of 47 million issued by company. LGE also bought 16.5 million newly issued shares at \$10 each (TVD Nov 13 p8). Zenith stock closed Nov. 16 on N.Y. Stock Exchange at 8-1/8.

**GEMSTAR'S 'TV GUIDE PLUS':** Gemstar and Rupert Murdoch's TV Guide have launched joint venture to develop electronic program guide based on Gemstar's Guide Plus. TV Guide will supply programming information while Gemstar supplies Guide Plus (GP) technology expected to appear in TV sets in 1996. There won't be monthly fee for guide, but chip built into TVs will carry \$50-\$100 premium, industry has said.

Companies that have licensed GP for TVs and VCRs include Hitachi, JVC, LG Electronics (GoldStar), Matsushita, Mitsubishi, Philips, Sanyo, Sharp, Son, Zenith.

GP gives program listings and summaries through data downloaded daily via TV's vertical blanking interval (VBI). System allows for real-time updates of listings by broadcasters. Gemstar has deal with ABC-TV network to supply information via extended data service (XDS). There was no information whether Murdoch's Fox TV Network also would supply data.

Unique feature of Guide Plus is "live" video window of current channel integrated into on-screen text guide. Program listings were to be provided by Tribune Media Services (TMS), but it wasn't clear at our deadline whether TV Guide agreement replaces or supplements TMS pact. Gemstar spokeswoman didn't return phone call seeking comment. GP information will be confined to next 48 hours, unlike fee-based StarSight and VideoGuide, which offer programming for week.

Agreement won't affect TV Guide online and TV Guide On-Screen projects, both under development, TV Guide spokesman said. On-Screen device won't compete with Guide Plus because it's designed as interactive guide for cable boxes, he said.

Where are Chinese camcorders? Nov. 13 Wall St. Journal describes Sony's 18-month-old Shanghai plant as "one of the first sites outside Japan it chose to make pricey camcorders." Article quotes Gen. Mgr. Horie Shoji as saying he hopes Chinese will buy camcorders eventually, but "for now it is Japanese and American customers buying his products." Number of Americans buying Chinese camcorders apparently wasn't more than 200 in this year's first 8 months -- at least, that's number Commerce Dept. reports were imported directly from China, as opposed to 2,145,900 from Japan, source of 94.7%, and Korea, 124,300. Sony has said it will move some camcorder assembly to plants in Shanghai, Thailand, Malaysia (TVD Oct 30 p14). Malaysia also was source of 200 camcorders imported in Jan.-Aug., lagging behind Portugal (source of 720), Switzerland (600) and Taiwan (360), but well ahead of Singapore (31), Hong Kong (5), Thailand (none).

Harvey Electronics said it received \$1.5-million cash infusion from unidentified "investor group." Funds represents additional support for reorganization plan and Harvey's emergence from Chapter 11, company said. Said Pres. Arthur Shulman: "We have used the \$1.5 million, coupled with significant support from our specialty audiovideo vendors and our bank, to build more than adequate inventory levels for the upcoming holiday season. In addition, we will have sufficient working capital available to support operations."

China produced 24,698,900 TV sets in 1995's first 9 months, up 14.4% from 1994 period, Beijing govt. said. Color sets totaled 13,715,900, up 22%, and monochrome models 10,983,000, up 6.1%.

**'SEGA SOFT' FOCUSES ON INTERNET:** In effort to stay on cutting edge of game development for PCs and Internet as well as consoles, Sega is creating new software development unit. With Sega's current 32-bit games struggling in market (TVD Oct 9 p12), pressure to find new revenue sources is intense.

New Sega Soft, based in Cal., is joint effort of Sega and CSK. Sega Chmn. Isao Okawa has same post at CSK, Nobuo Mii becomes Sega Soft chmn.-CEO, retaining post as partner at Accel, venture capital firm specializing in gaming industry. Sega of America (SOA) Pres.-CEO Tom Kalinske is vice chmn.-co-CEO of Sega Soft.

Sega Soft will start operations in Dec. with 250 employees, with plans to at least double total in 2 years. "The interactive entertainment market will grow tremendously in the next decade as multimedia PCs are installed in more and more U.S. homes and the Internet becomes a mainstream mode of communication," Mii said. "Technology for the home will truly become a mass market category, not just a large niche."

Insiders said desire to stay on cutting edge of game technology was primary reason Okawa pushed to establish Sega Soft and is basing company in San Francisco area. Sega Soft will concentrate on developing software products for variety of platforms, while SOA will continue concentration on marketing hardware and software. Some leading members of SOA's development teams will be moved to Sega Soft.

Internet-based gaming is expected to be major focus of Sega Soft, specializing in games that can be bought and played on-line, especially titles that can be played simultaneously by any users from around country and world. Such games already are drawing dozens if not hundreds of users at once to several sites.

Sega Soft is crucial to global strategies of Sega and CSK, Okawa said. "Sega Soft's efforts will pave the way for the future of the CSK group," he said. "Our goal is to extend the overall market for interactive experiences in the home so that everybody, regardless of age and gender, actively participates in interactive applications," he said. Different platforms on market will support rather than cannibalize each other, Okawa said. "We believe that PCs and videogame machines will co-exist in many U.S. households." Sega Soft will operate as independent company developing software for "all the volume platforms -- the multimedia PC in the home office, TV-based set-top box in the family room, and the Internet."

Company will focus on all phases of interactive entertainment, edutainment, educational, home business and reference software, Sega said. Besides developing software for new platforms, it plans more intensive marketing efforts, Kalinske said: "Now we're going to apply our expertise to the growing market for PC and Internet entertainment software."

Multiplayer games currently are drawing more attention than profits on Internet and on-line services. "Right now, developing on-line games isn't even close to being as profitable as box games," said developer Domark Software's simulations producer Bryan Walker. Largest provider probably is GE Information Services' Genie, which has only 50,000 subscribers despite several years of operation. "One of the things that worries a lot of people who are in the on-line gaming business is the fact that Genie is still so small," Walker said.

Potential of multiplayer games is clear. They go far beyond traditional 2-, 3- or 4-player capabilities of traditional game consoles and allow users to compete or cooperate with dozens if not hundreds of people from U.S. and around world. Activities range from traditional games such as Doom to recreations of vast World War II bombing missions.

Major appeal of such products to software publishers is ability to cash in not just once but on continuing basis. First they sell software for game itself. Then they charge users for access to Internet or on-line site where games are played.

**ROBERDS, SOUND ADVICE EARNINGS:** Roberds reported rise in quarterly income as Sound Advice recorded loss, blaming bad weather and increased competition in Southern Fla.

Sound Advice lost \$757,000 in first quarter ended Sept. 30, compared with year-earlier income of \$436,000, on 5.5% sales decline (see financial table). Retailer blamed results on "decreased store traffic" caused by bad weather, including Hurricane Erin, which coincided with company's popular annual "scratch and dent" sale. Earnings also were hurt by increased competition in Southern Fla., presumably recent incursion by Best Buy and Tandy's Incredible Universe into Miami area. SA said it competes with big chains "primarily on lower-end electronic products" and said it cut price on those items to eliminate them from merchandise mix. Same-store sales declined 10.8% in quarter but rose 4.5% in Sept. "

Roberds reported 17.2% rise in income for 3rd quarter on 18.8% gain in sales (TVD Nov 13 p16). For 9 months ended Sept. 30, income rose 32% on 19.3% gain in sales. Same store-sales inched up 1.7% for 9 months. Chmn.-CEO Kenneth Fletcher said 23-store chain is "continuing to make progress" on developing plans for 300,000-sq.-ft. outlet in Cincinnati area to open in 3rd quarter 1996.

Travelers with camcorders or computers will welcome new Zenith lodging TVs. As reported here, company's new sets have front audio and video jacks to accommodate rushes of day's vacation shooting (TVD Sept 25 p20). Separately, new "SuperPort" TVs, with housing to accommodate interactive and pay services, now also can be used as computer display by travelers with portable PCs. Focus Enhancements Inc. is offering plug-in card to make computer display option for inn guests. LodgeNet Entertainment Corp. will be first pay-per-view company to use SuperPort technology. At N.Y. Hotel-Motel Show last week, Zenith announced it will supply 30,000 25" TVs as part of upgrading by La Quinta Inns, with similar sets to be supplied to La Quinta's new U.S. locations.

Sony and Corning Asahi Video Products broke ground last week on 500,000-sq.-foot glass plant in Mt. Pleasant, Pa. American Video Glass (AVG) joint venture is expected to begin production in late 1996 next to existing Sony factories. AVG first proposed building 400,000-sq.ft. facility, but increased size for expansion "if all the forecasts of continuing growth in big screen TV prove accurate," Chmn. Suehiro Nakamura said.

Mobile Electronics Wiring Guide, covering 52 vehicle models, has been published by CEMA at \$50. -- 703-907-7601.

**SBCA PITCHES CE DEALERS:** Satellite Bestg. & Communications Assn. (SBCA), organization of C-band industry, is making pitch to CE dealers. Goal is to lure CE retailers to semiannual SBCA show March 4-6 in Las Vegas by offering 40 seminars and product demonstrations covering programming and hardware, said SBCA Pres. Charles Hewitt, who conceded that annual CES in Jan. is better forum for hardware.

"We don't expect 80,000 retailers to show up because we don't offer what CES does," Hewitt said, adding that show hoped to attract Digital Satellite System (DSS) retail buyers. "If you're a retailer, CES is a show you have to go to, but you're not going to be able to find out about programming and how that fits together with hardware."

SBCA and its show have long been province of C-band dealers, but with emergence DBS, Hewitt said there's need to broaden base. SBCA consists of about 2,000 dealers, and Hewitt conceded group has experienced "some attrition" since CE retailers began selling DSS in 1994.

Hewitt projected C-band sales would hit 350,000 units this year and remain at 250,000-350,000 in future. DSS sales to dealers are projected to reach 2 million by year-end.

SBCA has launched 2-day training programs at Alexandria, Va., hq to provide information to retailers on direct-to-home (DTI) satellite business. Group also has developed audio cassettes and workbook on satellite technology.

Effort to attract CE dealers, however, may be difficult. Several retailers said their needs were better met at CES and that separate trip to Las Vegas wouldn't be cost-effective. "We're really not out to sell satellite systems, we're out to sell home entertainment," video buyer said. "That's pretty well covered by the vendors we do business with and the CE show. It's like saying 'why don't we have a VCR show?' I'm sure it would be informative and interesting, but I'm not sure there's a need for it from our perspective."

**ANTAR SEEKS \$1.5-MILLION BAIL:** Crazy Eddie founder Eddie Antar has neither financial means nor incentive to flee federal prosecutors if he's freed on \$1.5 million bail, his lawyers said.

Antar has "reestablished strong ties" with his family and has "learned the hard way" that decision to flee country in 1990 was "ruinous both personally and legally," attorneys argued in maintaining that keeping him in jail violated his due process rights. Antar, arrested in Israel in 1992, is awaiting retrial after federal appeals court overturned his conviction and that of brother Mitchell, who is free on bail (TVD April 24 p16). Bail hearing is scheduled Dec. 11.

Construction has begun on 500,000-sq.-ft. factory and dormitory complex in China by Nam Tai Electronics (NTE) for April opening. Spokeswoman said \$25-million complex will supplement 200,000-sq.-ft. factory that opened in 1992. Plant will employ up to 4,000. NTE supplies calculators, electronic organizers, translators and dictionaries to Seiko, Sharp, Texas Instruments, others. Separately, NTE agreed to develop software for Seiko personal organizers. Accord, which runs for year with option to renew, calls for Hong Kong company to develop printed circuit boards and plastic cases to Seiko specs. NTE already builds hardware for Seiko under agreement signed in 1990.

**MACROVISION ENTERS AUDIO:** Macrovision, which made mark supplying encryption and copy protection, formed new subsidiary to target technology.

Command Audio (CA), as name implies, will be "audio oriented" and will offer products that "allow listeners more control over what they listen to on the radio," said CA Pres.-CEO Donald Bogue, who declined to disclose details.

Technology can be implemented "in a number of ways" including using existing broadcast networks or "other alternatives" that would require "infrastructure investments," Bogue said. CA technology will be "significantly different" from Radio Best. Data Service (RBDS), he said. CA appears likely to focus on wireless technology given Bogue's background in wireless communications, including launching Giga-tronics.

"We think that since we're not pushing the technology too hard with our concept, there won't be years and years of engineering ahead of us before we accomplish anything," Bogue said, and CA product could be assembled in "not less than" 15 months.

CA will be "significantly different" from Macrovision, which is supplying subsidiary's startup capital, Bogue said. "Macrovision has focused on encryption and copy protection technologies and we don't anticipate working outside of the audio realm," he said. Some product may carry CA brand, although company also will seek "strategic partners who can help us execute certain parts of our concept."

Hiring of CA engineering staff will be completed within 60 days, and company will be based at Macrovision's Sunnyvale, Cal., hq, Bogue said.

**MULTIMEDIA RETAIL CHAIN:** Leo's Gallery International (LGI) will launch Multimedia To Go chain in Dec., targeting airports, with opening of outlet at Hartsfield International in Atlanta.

Seattle-based LGI will supply hardware and software to 500-700-sq.-ft. kiosk and 2,800-sq.-ft. store at Hartsfield, scheduled to open Dec. 8 and Jan. 1, respectively, spokeswoman said, adding that another will open at Seattle-Tacoma International Airport Dec. 18.

Larger outlets will be stocked with 800-1,000 items including IBM and Compaq PCs, audio CDs, videos. Cellular phones, pagers and videogames will be offered as rentals, spokeswoman said. Prices will match those found in each market. Stores will contain 15 PCs designed to allow consumer to test CDs and TV monitors for videos, she said.

Among vendors supplying product are Broderbund, Davidson & Assoc., Microsoft, Polaroid, Sega, Sierra On-Line, Targus. Cancall Cellular, which is providing \$20 million in equity financing for venture, will offer 2-week cellular phone rental through Multimedia.

Lowe's Companies, planning 110-120 new warehouse superstores in next 2 years, said construction will begin by year-end on 750,000-sq.-ft. distribution center in Valdosta, Ga., to open in Dec. 1996, replacing 10-year-old facility in Villa Rica, Ga. Plans come as work continues on million-sq.-ft. centers in Tex. and N.C. Lowe's is launching new format that features 85,000-sq.-ft. home centers including 10,000-20,000 sq. ft. for CE. Lowe's also will relocate another 30 outlets in existing markets.

**3DO, STARSIGHT NARROW LOSSES:** 3DO and StarSight reported reduced losses in 3rd quarter, although latter said delays in bringing StarSight-equipped hardware to market forced it to cut operating expenses.

3DO, citing increased royalties and publishing fees, said loss fell 45% as revenues jumped 42% (TVD Nov 13 p16). Rise in revenues was tied primarily to publishing -- \$2.7 million vs. \$500,000 year ago. Royalties and pressing fees rose to \$2.8 million from \$2.3 million.

3DO will move into black as result of \$100-million licensing agreement signed with Matsushita in Oct. for 64-bit M2 graphics technology (TVD Oct 30 p9). It plans to continue licensing technology to video and arcade manufacturers and to expand to PCs. On software side, 3DO said it plans to "significantly grow" Studio 3DO by designing titles for 64-bit M2, PCs and Internet applications.

StarSight said loss was reduced 8.4% (see financial table) as it reported first revenues of \$437,000 stemming mainly from agreement with Sony to license on-screen guide for RCA Digital Satellite System (DSS). For 9 months, loss increased 18.7% as revenues totaled \$987,000.

Quarterly earnings also include \$3.3 million in write-offs and noncash inventory reserves. Company said it has moved to cut expenses by focusing business development on areas that are "most cost effective." While company declined to comment on specific areas, LG Electronics (GoldStar), Thomson Consumer Electronics and Zenith postponed shipments of StarSight-equipped VCRs to late this year or 1996. StarSight also reported delays in deployment of cable set-top boxes, with demonstration models to be shown at Western Cable Show in Dec.

StarSight said it received \$2-million prepayment from Thomson for license to use features of on-screen guide with 2nd-generation DSS, but won't earn revenues until products ship.

In light of new revenues, StarSight said funding is sufficient to operate at "current level" into first quarter 1996. It expects to close \$5-million equity deal with current investors to provide time to secure more strategic partners.

Recoton said gains in sales in cellular and PC accessories boosted income 14% in 3rd quarter as sales jumped 20% (see financial table). For 9 months ended Sept. 30, income increased 20.8% on 23.5% gain in sales. Company said it plans to introduce RF wireless universal remote at CES in Jan. that can control up to 6 products with range of 125 ft., retailing under \$100. Device, which converts RF signal to 900 MHz, will be sold under Recoton and SoleControl brands. Recoton plans to show noise reduction headphones targeted to industrial applications at under \$100 as well as first hi-fi loudspeakers to be sold both separately and as home theater package. Loudspeakers are first developed since Recoton formed The Audio Group with former Infinity Pres.-CEO Cary Christie last spring.

Voice Powered Technology (VPT) said shipments of Voice MessagePad digital voice recorder failed to meet "distribution and sales objectives" and may cause \$2-million drop in 4th-quarter revenues. VPT made disclosure in reporting income rose to \$199,000 in 3rd quarter from \$290,000 loss year ago on 62% gain in sales (TVD Nov 13 p16). Retailers were critical of \$50 unit price, and VPT said it was attempting to lower it to \$40 by shifting production to China from Singapore. VPT will introduce new version of

Voice Organizer (VO) in 1996 featuring 1 Mbyte of flash memory, 8-min. recording time, at \$149, CFO Mitchell Rubin said. VO size of cigarette lighter also could be available at \$50-\$60, he said. Switch to flash memory will cut production costs \$10 per unit, analysts said.

**Noise Cancellation Technologies** said it cut loss 61% during 3rd quarter despite 58% decrease in revenues (see financial table). For 9 months, NCT reported loss was reduced to \$4.8 million from \$14.4 million year ago as revenues increased 8.3%. NCT will show prototype flat car audio speaker at CES. In cars, actuator is built into sections of interior trim that together serve as speaker, converting electrical signals to sound. Audio signal can be processed digitally to augment sound coming from trim. NCT ended 6-year joint venture with Tenneco Automotive's Walker Mfg. Div. seeking to develop noise reduction technology for mufflers. NCT transferred 50% stake to Walker and said it will receive \$300,000 cash and 1.1 million shares of NCT stock previously sold to Tenneco. It reported private placement of 4.8 million shares expected to generate \$3.35 million.

**Spectrum Holobyte**, citing decrease in new products shipped, said income plunged to \$11.8 million loss in 2nd quarter from \$98,000 profit year earlier. Revenues sank to \$13.8 million from \$26.5 million as company shipped only 6 titles. For 6 months ended Sept. 30, loss expanded to \$20 million from \$3 million as revenues slipped 33%.

"Is It Payoff Time at Thomson?" Business Week asks that question in Nov. 20 issue, but doesn't answer it. "Success without profits" continues to plague French Thomson Multimedia, and article forecasts some of company's "slim operating profits... will evaporate if the French government privatizes Thomson next year, as expected." Exec. Vp Joseph Clayton of TCE (U.S.) is quoted as saying "we're up \$200 to \$300 million [in revenues] this year, and we're depressed." Company's future, article suggests, lies in capitalizing quickly on digital spin-offs from Digital Satellite System. Transition to digital TV means "opportunity to replace tens of millions of TV sets," Business Week says, "and each one is likely to have a built-in DVD [Digital Video Disc]." Article says "Clayton is exploring software-related acquisitions, though he won't specify targets." At recent news conference in N.Y. (TVD Nov 13 p9), Clayton suggested possibility of "new digital products and services for the RCA brand," adding that Thomson "is no longer just a hardware manufacturer," recognizing "that services and software are also products, and in many instances are more profitable than hardware products alone."

**DirecTV and Hughes Network Systems** have signed agreement to supply Best Western (BW) chain with DBS programming starting in mid-Dec. About 6-10 channels from DirecTV's basic programming package, including CNN and ESPN, will be available free to guests. HNS will handle sales and install system. Low-end Sony and Thomson Consumer Electronics (TCE) equipment will be used. BW franchisees operate 2,000 hotels in N. America with 80,000 rooms. Programming will be sold in packages and a la carte, although pricing hadn't been set.

**Chinon** has introduced "Pocket Digital" camera that stores eight 24-Mb images, available in Feb. at \$499. Camera has 6.5mm lens, equivalent of 47mm in 35mm camera, weighs less than 5 oz., is packaged with 3v lithium battery. Optional 16 Mbyte flash memory card provides storage for 128 more 24-Mb photos. Images are stored in camera and can be downloaded to PC.

## Consumer Electronics Personals

Sony Pres. Nobuyuki Idei will deliver keynote luncheon address at First Worldwide TV Conference, sponsored by National Academy of TV Arts & Sciences, today at N.Y. Hilton... Gerald Habbeck, ex-K mart, named mktg. vp, Tandy's Computer City... Gregory Coules, ex-Roberds, joins Steinberg's as TV/video buyer... Nobuo Mii is chmn.-CEO of new Sega Soft software developer, retaining post of partner in Accel venture capital firm (see separate report); Sega of America Pres. Tom Kallinske is vice chmn. and co-CEO of Sega Soft.

Henry Kaplan, ex-Hi Tech Entertainment, appointed Philips Media Software pres.-COO, new post... David Smith, ex-McIntosh Lab, joins ADS as vp-engineering... Graham Hallett, ex-Onkyo, named interim pres., Snell Acoustics, replacing William Osgood, who resigned but will remain consultant; Deborah McGrath, Snell senior vp, departs, plans unannounced; Kevin Voecks, who recently resigned as Snell chief engineer, reportedly will join Harman International in unspecified post... Norris Communications Vp-Corporate Development Alfred Falk to head company's new OEM Sales Div.

Lynn Ward-Kenney, ex-BIS Strategic Decisions, joins CD replicator Kao Infosystems as brand mgr... Sarah Olson-Graves, exec. dir., New Line Home Video, promoted to vp-mktg... Appointments at LIVE Home Video: Tim McCreary, ex-A-Pix and Academy Entertainment, named Southeast Regional Sales Mgr.; Marle Di Perna, ex-Troma Team Video, Video Business and FoxVideo, joins as Northeast Regional Sales Mgr... Japhet Asher, Colossal Pictures, named exec. vp-programming & product development, Tele-TV Media... Appointments at Hemdale: Ray Bennett as chmn., Larry Glauber as CEO.

Ron Marsiglio, senior vp-gen. mgr., color TV, Philips Consumer Electronics, named pres.-CEO, Philips Automotive Electronics, new unit of Philips Electronics N. America with hq in Cheshire, Conn., that formerly was part of Philips Technologies. Our report 2 weeks ago erroneously described him as pres. of Philips Technologies.

**LCD Developments:** Head-mounted display for TV, games and education weighing less than 3 oz. -- claimed to be smallest ever developed -- has been demonstrated by Canon. It uses two 0.7" 180,000 pixel TFT LCDs, one for each eye, is claimed to offer viewing experience equal to watching 30" TV from distance of 3 ft... Hitachi has developed 13.3" TFT display with vertical and horizontal viewing angle of 140°, compared with traditionally restricted angles of 40 and 90°, respectively, for conventional LCDs... LG Electronics displayed "world's thinnest, lightest" TFT LCD at Comdex last week. The 10.4" computer display weighs 10.4 oz. and is about 1/4" thick.

**Video CDs are booming** -- in China. China Daily said player sales could hit 1.5-2 million next year. Beijing dealer Super Wave Hi-Fi Garden said it sold 100 players and 50 home entertainment centers containing players last month, as compared with about 500 VCRs. Prices of both systems are comparable -- equivalent of \$240-\$600. Currently, fewer than 200 Video CD titles are available in China, article said. Unidentified govt. official is quoted as warning that "video CD may be short-lived, because major electronics and computer firms have vowed to manufacture [DVD] next year... which would likely push VCD technology out of the market."

Satellite carrying first 100 channels for Echostar's Digital Sky Highway (DISH) DBS service is tentatively scheduled for Dec. 28 launch in China. Timing, however, is contingent on successful launch of Asiasat-2 bird Nov. 28, Echostar officials said. DISH originally was scheduled to be available this month, but was delayed by investigation that followed explosion of Chinese Long March rocket at Great Wall Industries launch site in Jan. Echostar made disclosures in reporting 77% drop in loss in first quarter despite 11% decrease in revenues (see financial table). In quarter ended Sept. 30, Echostar said C-band sales and repairs fell 11.2% to \$39.3 million from \$44.3 million year ago. For 9 months, Echostar reported \$4.3-million loss vs. \$1.9-million profit year ago as revenues were off 11.1%. C-band revenues were down 11.7% to \$110.5 million.

Federal appeals court upheld piracy conviction of former Ark. retailer who had eluded U.S. agents for 5 years before being convicted and sentenced to 46 months in prison for selling modified integrated receiver decoders (IRDs) (TVD Dec 19 p19). Eighth U.S. Appeals Court, St. Louis, also backed lower court ruling that ordered Jan Manzer to pay \$2.7 million in restitution to HBO and other programmers. Manzer ran Hot Springs dealership that sold \$400,000-\$600,000 worth of IRDs and computer software designed to modify decoders in 1987-1988, officials said. Manzer, who fled U.S. in 1988, was arrested by federal agents in Netherlands in 1993.

Motorola will relaunch RSVP cellular phone/pager brand in Dec., pricing combination cellular battery and pager at \$259. Product fits 15-20 models of Motorola phones, combines nickel-metal hydride (NiMH) battery with numeric pager. Pager is version of Motorola Encore that retails separately at \$129. Battery, produced by Motorola's Energy Products Group in Atlanta, has one hour of talk time, 8 hours standby. It's first of expected line of RSVP products that may include alphanumeric pager by mid-1996, Motorola's Shirlynn Brown said. Paging and cellular services will be billed separately. Motorola's previous effort was scrapped after test marketing.

"Megabrand," based on ad spending for products or services, as tabulated by Advertising Age, show widespread presence in top 200 retailers. No. 1 advertised brand, in terms of 1995 spending, is AT&T for telephone services. Sears is No. 5, with Circuit City 14th, K mart 40th, Macy's 60th, Wal-Mart 64th, Home Depot 74th, Target 79th, Blockbuster 88th, Wiz 96th, Best Buy 118th, Radio Shack 127th, CompUSA 180th. Among nonretailers ranked: Disney 12th, Microsoft 62nd, Kodak 105th, Canon (for electronics) 119th, Hewlett-Packard 161st, Apple 175th, Nintendo 187th, digital 194th, Motorola 196th.

Image stabilization should be booming feature, judging from camcorder owners' answers to question in U.S. News/CNN survey conducted by Gallup. Total of 57% said "keeping camera steady" was biggest problem, 8% cited sound, 6% said "keeping subject in center" as top problem. Of 820 adults surveyed, 38% said member of household owned video camera -- almost double results of CEMA June 1995 telephone survey that indicated 22% of households owned camcorders.

Portable CD-I player for multimedia presentations, introduced by Philips Professional products, weighs less than 3 lb. and is priced under \$2,000. It contains built-in 5.6" screen and can be connected to TV set or monitor for larger display. It can accommodate Photo CD, Video CD, enhanced audio CDs.

## 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
Adelphia Communications 1995-6 mo. to Sept. 30	194,003,000	(58,302,000)	--
1994-6 mo. to Sept. 30	174,815,000	(53,558,000)	--
1995-qtr. to Sept. 30	97,082,000	(28,058,000)	--
1994-qtr. to Sept. 30	90,795,000	(24,267,000)	--
Comcast 1995-9 mo. to Sept. 30	2,357,427,000	(37,282,000)	--a
1994-9 mo. to Sept. 30	1,015,087,000	(57,482,000)	--a
1995-qtr. to Sept. 30	870,249,000	(7,360,000)	--a
1994-qtr. to Sept. 30	345,744,000	(17,246,000)	--
Davidson & Assoc. 1995-9 mo. to Sept. 30	97,939,000	7,088,000	.20b
1994-9 mo. to Sept. 30	54,159,000	1,647,000	.05c
1995-qtr. to Sept. 30	36,055,000	4,129,000	.12b
1994-qtr. to Sept. 30	22,777,000	3,619,000	.10b
EchoStar Communications 1995-9 mo. to Sept. 30	123,271,000	(4,387,000)	--
1994-9 mo. to Sept. 30	138,699,000	1,952,000	.04
1995-qtr. to Sept. 30	43,606,000	(360,000)	--
1994-qtr. to Sept. 30	48,958,000	(1,619,000)	--
Emerson Radio 1995-6 mo. to Sept. 30	144,406,000	(1,274,000)	--
1994-6 mo. to Sept. 30	334,778,000	695,000	.02
1995-qtr. to Sept. 30	87,348,000	126,000	--
1994-qtr. to Sept. 30	197,638,000	3,589,000	.08
Federated Department Stores 1995-39 wk. to Oct. 28	9,783,624,000	(170,320,000)	--
1994-39 wk. to Oct. 29	5,176,542,000	80,337,000	.63
Graff Pay-Per-View 1995-9 mo. to Sept. 30	39,189,561	(647,436)	--
1994-9 mo. to Sept. 30	36,635,111	1,183,758	.10d
1995-qtr. to Sept. 30	12,540,333	(1,938,807)	--
1994-qtr. to Sept. 30	13,194,769	882,857	.07d
Image Entertainment 1995-6 mo. to Sept. 30	44,136,162	3,260,658	.21
1994-6 mo. to Sept. 30	35,926,588	2,049,792	.16a
1995-qtr. to Sept. 30	26,006,905	2,001,962	.13
1994-qtr. to Sept. 30	19,824,008	1,310,273	.10a
International Family Entertainment 1995-9 mo. to Sept. 30	202,825,000	13,358,000	.36
1994-9 mo. to Sept. 30	162,589,000	10,001,000	.25
1995-qtr. to Sept. 30	77,962,000	6,230,000	.17
1994-qtr. to Sept. 30	57,694,000	5,511,000	.15
Jones Intercable Investors L.P. 1995-9 mo. to Sept. 30	22,246,502	1,173,110	.14
1994-9 mo. to Sept. 30	20,532,939	437,234	.05
1995-qtr. to Sept. 30	7,522,301	442,609	.05
1994-qtr. to Sept. 30	6,905,746	670,641	.08
King World Productions 1995-year to Aug. 31	574,186,000	117,312,000	3.14
1994-year to Aug. 31	536,184,000	100,110,000	2.64d
1995-qtr. to Aug. 31	140,738,000	30,332,000	.81
1994-qtr. to Aug. 31	131,978,000	25,177,000	.67d
Lee Enterprises 1995-year to Sept. 30	443,188,000	58,459,000	2.49
1994-year to Sept. 30	402,551,000	50,854,000	2.17
1995-qtr. to Sept. 30	114,353,000	14,082,000	.58
1994-qtr. to Sept. 30	102,519,000	13,606,000	.58
Matsushita 1995-6 mo. to Sept. 30	32,876,000,000	(1,356,000,000)	--a
1994-6 mo. to Sept. 30	34,404,000,000	242,000,000	1.14f
1995-qtr. to Sept. 30	17,290,000,000	188,000,000	.90f
1994-qtr. to Sept. 30	17,647,000,000	152,000,000	.71f
Noise Cancellation Technologies 1995-9 mo. to Sept. 30	6,481,000	(4,802,000)	--
1994-9 mo. to Sept. 30	5,982,000	(14,468,000)	--
1995-qtr. to Sept. 30	1,121,000	(2,332,000)	--
1994-qtr. to Sept. 30	2,659,000	(5,975,000)	--
Osborn Communications 1995-9 mo. to Sept. 30	28,802,257	(4,986,435)	--a
1994-9 mo. to Sept. 30	23,675,365	(436,329)	--a
1995-qtr. to Sept. 30	12,001,802	(3,694,167)	--a
1994-qtr. to Sept. 30	11,547,756	407,438	.08

Company & Period	Revenues	Net Earnings	Per Share
Price Communications 1995-9 mo. to Sept. 30	20,670,000	9,586,000	.91
1994-9 mo. to Sept. 30	16,194,000	2,807,000	.22b
1995-qtr. to Sept. 30	6,656,000	989,000	.10
1994-qtr. to Sept. 30	5,543,000	220,000	.02b
Recoton 1995-9 mo. to Sept. 30	135,210,000	8,758,000	.78
1994-9 mo. to Sept. 30	109,395,000	7,245,000	.70
1995-qtr. to Sept. 30	55,729,000	4,158,000	.36
1994-qtr. to Sept. 30	46,129,000	3,649,000	.33
Rentrak 1995-6 mo. to Sept. 30	68,735,074	(563,020)	--
1994-6 mo. to Sept. 30	42,685,966	2,585,775	.22
1995-qtr. to Sept. 30	38,590,306	(226,903)	--
1994-qtr. to Sept. 30	22,714,460	823,954	.07
Savoy Pictures Entertainment 1995-9 mo. to Sept. 30	55,632,000	(39,786,000)	--
1994-9 mo. to Sept. 30	57,450,000	(28,882,000)	--
1995-qtr. to Sept. 30	22,506,000	(31,660,000)	--
1994-qtr. to Sept. 30	10,728,000	(15,145,000)	--
Sonye 1995-6 mo. to Sept. 30	20,891,184,000	164,143,000	.42f
1994-6 mo. to Sept. 30	18,747,018,000	(3,156,806,000)	--
1995-qtr. to Sept. 30	11,782,163,000	1,87,888,000	.22f
1994-qtr. to Sept. 30	9,926,276,000	(3,198,694,000)	--
Sound Advice 1995-qtr. to Sept. 30	44,165,000	(757,000)	--
1994-qtr. to Sept. 30	46,721,000	436,000	.12
Spectravision 1995-9 mo. to Sept. 30	95,807,000	(62,099,000)	--a
1994-9 mo. to Sept. 30	108,239,000	(51,943,000)	--
1995-qtr. to Sept. 30	30,599,000	(22,455,000)	--a
1994-qtr. to Sept. 30	34,602,000	(22,631,000)	--
Spectrum Holobyte 1995-6 mo. to Sept. 30	30,774,000	(20,989,000)	--
1994-6 mo. to Sept. 30	45,697,000	(3,453,000)	--
1995-qtr. to Sept. 30	13,845,000	(11,591,000)	--
1994-qtr. to Sept. 30	26,550,000	98,000	--
StarSight Telecast <sup>g</sup> 1995-9 mo. to Sept. 30	998,000	(25,527,000)	--
1995-qtr. to Sept. 30	437,000	(8,977,000)	--
Tele-Communications 1995-9 mo. to Sept. 30	4,945,000,000	(92,000,000)	--
1994-9 mo. to Sept. 30	3,427,000,000	63,000,000	.12d
1995-qtr. to Sept. 30	1,761,000,000	36,000,000	.12
1994-qtr. to Sept. 30	1,286,000,000	25,000,000	.04d
Young Broadcasting 1995-9 mo. to Sept. 30	88,937,567	(8,589,439)	--a
1994-9 mo. to Sept. 30	51,367,486	(3,106,533)	--
1995-qtr. to Sept. 30	29,593,496	251,417	.02
1994-qtr. to Sept. 30	18,156,056	(801,034)	--

Notes: <sup>a</sup>After special charge. <sup>b</sup>Adjusted. <sup>c</sup>Adjusted; after special charge. <sup>d</sup>Restated. <sup>e</sup>At \$1 = 98 yen. <sup>f</sup>Per ADR/ADS. <sup>g</sup>Comparative results unavailable.

**"Commercial Brake," VCR accessory designed to skip commercials automatically on playback, finally is being delivered -- nearly 2 years after it was shown at 1994 Winter Consumer Electronics Show (TVD Jan 17/94 p16). In "first phase of distribution," Arista Technologies is shipping product to national catalog channels. Suggested list price of \$198 is higher than starting prices of many VCRs. Thomson Consumer Electronics is marketing RCA brand VCRs with built-in commercial elimination system starting at \$399 suggested list. Both Arista and Thomson products are licensed by Arthur D. Little Enterprises, developer of system**

**Musicland plans to file SEC registration next month for initial public offering of up to 49% of shares of affiliated Suncoast Motion Picture Co., 403-store video sellthrough chain. Offering is expected to be completed in 1996 first quarter. Proceeds will be used to reduce debt and "ultimately to support the future growth" of company's Media Play and On Cue superstore operations.**

# TELEVISION DIGEST®

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IN THIS ISSUE: Warren Publishing's List of Top 100 Cable Operators  
Western Cable Show Hq: Booth 506, phone 714-490-2394

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**CABLE SUBSCRIBER GROWTH LEVELS OFF** among Top 100 MSOs to 2.7%, our survey shows, but pay units are flat after several periods of modest growth. (P. 1)

**WESTINGHOUSE TAKES OVER CBS** following FCC approval on 5-0 vote. CBS name kept, top executives to be announced Nov. 28. Commissioners argue over whether kid TV commitment sets precedent. (P. 3)

**WRIGHT'S WORLD:** NBC head defends children's programming, industry's moral responsiveness, in interview. Broadcaster contribution 'special,' Cotton says. (P. 6)

**HDTV DIVIDES BROADCASTERS:** Some endorse HDTV minimum. NAB, INTV seek 'maximum latitude.' Hundt questions need. Computer groups hit standard. (P. 8)

**KID TV RULES DEBATED** in FCC reply comments. Networks say they're complying. Consumers, educators applaud proposals for quotas, definitions. (P. 9)

**McCAIN ISSUES WARNING** on telecom bill as conference work resumes. No deal yet on cable pricing. (P. 10)

**CABLE VS. MCI ON DBS:** CATA seeks end to cable ownership limits. MCI wants withdrawal penalty. (P. 10)

**ACCESS RULES ATTACKED** in Appeals Court oral argument. Time Warner argues they're unconstitutional. DoJ argues rules are justified. (P. 11)

**BASIC SUBS GROWTH FOR TOP 100 LEVELS OFF:** Basic subscribers for Top 100 cable system operators grew 2.7% in 6-month period ending Sept. 1, but rate drops to 2.1% when companies new to list are factored out. Basic subscriptions for 100 largest cable companies increased to 60,412,225 since our last survey (TVD May 8 p1), representing 62% of U.S. TV households, using Nielsen Jan. 1996 estimates.

Numerous long-time cable operators are gone from list due to consolidations and sales that closed since last survey. Cable operations of Newhouse Bctg. (last ranked 8) were taken over by Time Warner (TW -- now is 2); Colony Communications (15) went to Continental Cablevision (3); KBLCOM (19) to TW; Gaylord Bctg. (43) to Charter Cable (14); Summit Communications Group (45) to TW; United Video (47) split among Charter (14), Classic Cable (51) and Frontiervision (57); Leonard Communications (72) sold most of subscribers to Fanch Communications (30); Twin County Cable (79), which had been sole single-system operator in Top 100 for some years, to C-TEC Cable (27); Telesat (93), operator of Fla. overbuilds, to Adelphia (7).

### Consumer Electronics

**DVD SECURITY PLAN** developed by Philips. Copy Generation Management System would prevent even single digital copy. (P. 14)

**DVD PROPONENTS DISAGREE** on timing of public acceptance. Sony's Idei sees 3-5 years, doubts \$500 price. TCE's Clayton predicts 4-5 million sales in 3 years. (P. 15)

**SONY PRES. IDEI** forecasts TV set containing features of computer and says company hopes to develop 'more simplified TV-type computer.' (P. 16)

**NINTENDO ULTRA 64** game to be sold in U.S. at under \$250 starting in late April. System shown in Japan. PlayStation retail drops to \$245 there. (P. 17)

**'DIGITAL EXPLOSION'** will lead consumer electronics to \$100 billion sales early in 21st century, TCE's Clayton predicts; good business for 1996 seen. (P. 18)

**JVC TAKING OVER** management of Hughes-JVC projection-TV venture, increasing share to 80% from 40%. (P. 18)

**TDK POSTS GAIN** in consolidated operating profit, crediting increases in sales of magnetic media products and recording devices. (P. 18)

**VIDEO AND AUDIO TAPE** sales will continue to grow in 1996, but at cost of price attrition, Sony's Striano tells ITA Forecast & Update Seminar. (P. 19)

Marcus Cable and Sammons Communications are biggest movers in survey, both as result of deal in which Marcus acquired 675,000 subscribers from Sammons. Marcus jumps to 10 from 22, Sammons falls to 25 from 12. Pending were sales of rest of Sammons subscribers to Lenfest Communications (16) and TKR Cable (18). Other pending sales affecting Top 100: E.W. Scripps (15) to Comcast (4); 57% of Douglas Communications (56) subscribers to several companies; Cablevision of Texas (62) to undisclosed entity; First Carolina Communications (94) to Adelphia.

Here are other key figures from our latest semiannual survey: (1) Pay units now total 46,011,818, down 0.4% after estimated 2.5%-3% growth in previous 6 months. Pay-to-basic ratio fell 3%. (2) Homes passed are flat at 92,533,313, causing basic-to-homes passed penetration to climb again to 65.3% from 63.5% in last survey. (3) Top 100's addressable homes grew 2.24% to 23,584,220, keeping addressable homes-to-basic subscribers penetration essentially flat at 39%.

Our figures, which are based on reports from MSOs as of Sept. 1, are significantly lower than big growth rates that many companies reported along with quarterly financials (TVD Oct 30 p5). Most then said basic subscriber growth was in 4-6% range, with many saying that was internal growth, not result of consolidation. Earlier report was based on Sept. 30 figures, and MSOs with strongest growth may have highlighted figures in quarterly reports.

**Note:** We continue to offer most up-to-date cable TV information available anywhere, based on our 50 years of tracking TV data. Information is available for use on your own computers or as customized reports. We will be demonstrating services at Western Cable Show in Anaheim, Nov. 29-Dec. 1: Booth 506, phone 714-490-2394. Attending for Warren Publishing: Gene Edwards, Mike Feazel, Mike Grebb, Lynn Levine, Brian Meeley, Gaye Nail.

Rank	System Operator	Number of Subscribers	Pay Cable Units	Homes Passed by Cable	Miles of Plant	Addressable Homes
1.	Tele-Communications Inc. <sup>a</sup>	12,700,000	12,400,000	19,140,000	260,000	4,000,000
2.	Time Warner Cable <sup>b</sup>	10,000,000	6,880,000 <sup>c</sup>	15,500,000 <sup>c</sup>	165,000 <sup>c</sup>	4,100,000 <sup>c</sup>
3.	Continental Cablevision Inc.	4,100,000	3,200,000	6,152,486	67,106	1,900,000 <sup>c</sup>
4.	Comcast Cable Communications Inc.	3,361,000	2,873,000	5,582,000 <sup>c</sup>	64,000 <sup>c</sup>	1,558,000 <sup>c</sup>
5.	Cox Communications Inc.	3,216,158	1,841,822	5,001,645	54,563	1,442,868
6.	Cablevision Systems Corp.	2,674,419	4,005,000	4,265,658	43,063	1,600,000
7.	Adelphia Communications Corp.	1,642,000	829,000	2,334,000	27,042	684,650
8.	Cablevision Industries Inc.	1,402,561	812,436	2,114,867	35,000	437,573
9.	Jones Intercable Inc.	1,362,765	1,025,691	2,259,373	28,300	484,825
10.	Marcus Cable	1,238,267	760,680	1,800,000	13,108	340,828
11.	Viacom Cable	1,160,832	934,861	1,776,697	14,520	510,404
12.	Falcon Cable TV	1,088,492	349,804	1,269,229	28,698	390,000 <sup>c</sup>
13.	Century Communications Corp.	1,034,288	420,672	1,625,000	22,000	725,000
14.	Charter Communications Inc.	811,396	547,615	1,455,117	30,542	419,300
15.	E. W. Scripps Co.	752,240	641,915	1,182,622	18,483	384,634
16.	Lenfest Communications Inc. <sup>d</sup>	729,534	522,798	1,081,886	13,187	275,557
17.	Prime Cable Corp. <sup>e</sup>	632,881	499,441	1,249,026	9,295	389,408
18.	TKR Cable Co.	623,752	517,285	923,493	10,350	157,787
19.	TCA Cable TV Inc.	567,961	385,246	765,000	12,268	260,448
20.	InterMedia Partners	559,944	427,440	837,797	17,949	140,903
21.	Media One (formerly US West Inc.)	514,069	275,121	838,167	12,029	231,416
22.	Post-Newsweek Cable Inc.	509,524	299,691	702,032	9,601	185,837
23.	Multimedia Cablevision Inc.	452,324	332,563	733,720	9,200	100,000
24.	Tele-Media Corp.	432,597	159,019	614,844	10,284	N/A
25.	Sammons Communications Inc.	402,901	226,298	590,651	6,861	205,828
26.	Triax Communications Corp.	387,514	235,647	574,377	14,105	20,000
27.	C-TEC Cable Systems	367,192	134,552	601,297	6,885	141,911
28.	Rifkin & Associates	335,133	195,955	468,094	8,787	7,750
29.	Western Communications	317,716	170,261	437,628	4,555	95,346
30.	Fanch Communications Inc.	300,000	120,000	460,000	N/A	N/A
31.	Columbia International Inc.	272,000	188,000	424,000	5,000	145,000
32.	SBC Media Ventures	250,198	227,141	405,000	4,053	155,744
33.	Harron Communications Corp.	245,414	154,186	352,850	6,674	118,616
34.	Service Electric Cable TV Inc.	243,000	81,000	370,000	5,580	85,000
35.	Greater Media Inc.	239,637	246,737	368,311	3,069	170,200
36.	Media General Inc.	234,050	312,450	338,019	4,401	218,817
37.	US Cable Corp.	227,395	134,320	360,338	5,332	109,940
38.	Bresnan Communications Co.	208,000	133,000	306,000	5,439	18,089
39.	Armstrong Utilities Inc.	189,053	105,718	235,304	4,747	2,252
40.	Northland Communications Corp.	173,575	55,235	250,565	5,540	10,000
41.	Insight Communications Co.	163,000	100,000	310,000	4,900	52,000
42.	American Cable Entertainment	156,900	60,000	218,000	4,056	65,150
43.	Buckeye Cablevision Inc./Blade Communications	155,835	79,094	241,716	2,000	110,000

Rank	System Operator	Number of Subscribers	Pay-Cable Units	Homes Passed by Cable	Miles of Plant	Addressable Homes
44.	Pencor Services Inc.	149,000	61,000	175,000	5,600	35,000
45.	Booth American Co.	140,642	67,194	201,033	4,135	52,653
46.	MultiVision Cable TV Corp.	136,298	74,806	219,605	2,035	56,340
47.	Midcontinent Cable Co.	135,030	64,107	183,822	1,998	2,501
48.	Susquehanna Cable Co.	132,387	70,824	176,295	2,732	70,824
49.	Buford Television Inc.	132,114	103,041	234,090	8,526	28,058
50.	Prestige Cable TV Inc.	129,674	63,255	178,914	5,215	69,855
Total—First 50 .....		57,390,662	44,404,921	87,885,568	1,107,813	22,766,312
51.	Classic Cable	124,209	45,972	167,158	2,373	N/A
52.	New Heritage Assoc.	121,833	77,346	238,997	3,948	85,979
53.	Coaxial Communications	118,622	95,499	212,789	4,033	99,613
54.	WEHCO Video Inc.	114,341	50,126	153,000	2,700	2,893
55.	Sonic Communications	108,987	62,457	178,868	1,880	30,000
56.	Douglas Communications Corp. II	105,451 <sup>d</sup>	56,250	180,000	4,286	6,000
57.	Frontiervision Partners L.P.	89,000	35,300	118,000	3,840	N/A
58.	Helicon Corp.	87,000	33,000	115,900	2,738	20,000
59.	Great Southern Printing & Manufacturing Co.	86,788	50,681	118,050	3,848	2,812
60.	Galaxy Cablevision	82,937	37,582	129,145	4,500	3,615
61.	Chambers Communications Corp.	80,611	24,814	119,257	N/A	N/A
62.	Cablevision of Texas Ltd.	80,538 <sup>d</sup>	39,157	129,000	4,100	1,200
63.	News Press & Gazette Co.	79,500	37,500	129,000	1,950	19,200
64.	James Cable Partners <sup>d</sup>	78,947	29,471	127,231	3,425	N/A
65.	Benchmark Communications	74,100	72,178	106,425	1,740	74,100
66.	Star Cable Associates	68,155	38,374	111,945	0	N/A
67.	State Cable TV Corp.	66,057	33,500	70,425 <sup>c</sup>	2,130	N/A
68.	Schurz Communications Inc.	63,356	45,566	81,493	1,017	32,875
69.	Cable America Corp.	62,907	52,531	131,099	2,510	29,195
70.	Sunflower Cablevision	60,316	14,491	75,549	1,000	15,962
71.	Americable International Inc.	60,244	31,072	118,427	1,700	28,000
72.	Donrey Media Group	59,825	31,283	80,388	835	9,800
73.	Wade Communications Inc.	58,600	89,600	166,000	523	58,000
74.	Verto Cable TV	57,412	25,137	78,672	639	4,183
75.	N-Com	56,476	34,880	92,242	1,297	56,476
76.	Fairbanks Communications Inc.	54,235	23,009	72,919	893	1,400
77.	Daniels Communications Inc.	53,990	32,088	64,947	698	24,092
78.	Masada Corp.	52,373	18,304	93,852	3,001	9,510
79.	Community TV Corp. <sup>d</sup>	48,400	19,240	69,990	1,459	29,775
80.	Nathan A. Levine	46,232	25,250	74,000	1,600	N/A
81.	Omega Communications Inc. <sup>d</sup>	45,132	14,687	85,500	1,825	N/A
82.	Eastern Connecticut Cable TV Inc.	44,463	20,512	53,124	1,040	20,112
83.	Raystay Co.	43,484	19,556	58,291	1,182	9,280
84.	Alexcom Ltd. Partnership	43,471	23,781	67,584	963	4,413
85.	Mark's Cablevision	42,911	32,910	67,141	680	18,000
86.	Catawba Services Inc.	42,616	20,642	69,506	N/A	32,859
87.	Massillon Cable TV Inc.	41,990	19,034	55,000	865	15,000
88.	Moffat Communications Ltd.	40,835	24,240	69,271	1,407	9,230
89.	WestStar Communications Inc.	40,575	17,598	60,968	936	2,100
90.	Summit Communications Inc.	36,200	9,700	58,000 <sup>c</sup>	1,125	6,000
91.	Phoenix Cable Inc.	35,884	13,945	53,681	1,664	3,300
92.	Harmon Cable Communications	35,000	17,775	45,750	700	5,000
93.	Mid-Atlantic Cable	34,168	25,322	62,700	758	19,640
94.	First Carolina Communications Inc.	34,000	13,000	36,000	900	N/A
95.	Phonoscope Inc.	30,000	0	45,000	250	2,000
96.	Joseph S. Gans <sup>d</sup>	27,659	9,646	29,500 <sup>c</sup>	620	N/A
97.	Alaskan Cable Network	25,910	21,107	39,328	460	N/A
98.	Cable Communications of Palo Alto Inc.	25,613	18,169	56,300	520	15,950
99.	Cable USA Inc. <sup>c</sup>	25,403	10,000	N/A	N/A	N/A
100.	New England Cablevision of Massachusetts Inc.	24,807	13,615	30,333	440	10,344
Total—Second 50 .....		3,021,563	1,606,897	4,647,745	80,998	817,908
GRAND TOTAL—Top 100 .....		60,412,225	46,011,818	92,533,313	1,188,811	23,584,220

<sup>a</sup>Numbers represent TCI & consolidated subsidiaries where ownership is greater than 50% as of September 1, 1995. Figures also include Primestar. Pay units include Encore subscriptions. <sup>b</sup>Includes Kansas City Cable Partners. <sup>c</sup>Warren Publishing's estimate. <sup>d</sup>As of March 1, 1995 or earlier. <sup>e</sup>Includes G. C. Assoc. figures.

**CBS NOW REPORTS TO WESTINGHOUSE ELECTRIC'S JORDAN:** Westinghouse Electric closed on its \$5.4 billion purchase of CBS Inc. Nov. 24, just one workday (with Thanksgiving in between) after transaction was approved in 5-0 FCC vote following bitter and at times personal dispute between commissioners. A major reason for fast action was fact that under terms of deal, Westinghouse had been paying CBS holders

just under \$1 million daily in interest. CBS, which was merged with Westinghouse's Group W Bcstg., will keep its name, famous eye logo and N.Y. hq (Westinghouse is based in Pittsburgh). Immediate result was dropping of CBS from Standard & Poor's index of top 500 U.S. publicly traded companies, replacing it with PP&L Resources Inc., which provides electrical power in 29 Pa. counties.

No other details were announced at Westinghouse takeover, but its Chmn.-CEO Michael Jordan has scheduled 10:30 a.m. news conference Nov. 28 at CBS. Among major items left dangling is who will run merged CBS-Group W operations, and that announcement, along with several other executive appointments, will be made at news conference, according to Westinghouse official. Expected to play major roles, although no confirmation has been made, are Peter Lund, pres. of CBS Best. Group; William Korn, pres. of Group W; Leslie Moonves, pres. of CBS Entertainment. Fate of many CBS executives is "very much up in the air," one of them told us. "We are waiting to find out, too." Lund has 3-year contract, signed last Feb., permitting him to leave with full pay since company has changed hands. Moonves, who joined CBS last May during time that rumors were widespread that company would be sold, has contract calling for him to be paid \$5 million if CBS ownership changes.

Under terms of sale, CBS Chmn.-CEO Laurence Tisch will receive \$11.6 million for "vested and unvested" stock options. Payments to other CBS executives: Peter Keegan \$2.34 million, Anthony Malara \$2.32 million, Lund \$2.15 million, Eric Ober \$1.46 million, Nancy Widmann \$1.2 million, Ellen Kaden \$1.19 million, Johnathan Rogers \$1 million, James Warner \$873,000. Neal Pilson, who left CBS earlier this year, will receive \$1.56 million. With consummation of merger, CBS advisers Salomon Bros. will be paid \$3.12 million (it already has received \$1.87 million for evaluating terms of deal) and Allen & Co. \$3 million.

Westinghouse takes over CBS at time when network's news operation has been receiving much criticism, some of it from within company, for severely editing 60 Minutes segment on smoking, reportedly on advice of lawyers. As result of incident, Brown & Williamson Tobacco Corp. filed suit against its former research executive Jeffrey Wigand (who had been paid \$10,000 by CBS News), charging that he broke confidentiality agreement by leaking company secrets to CBS.

CBS sale had become embroiled in dispute at FCC over whether TV stations should be required to carry certain amount of educational programming for children weekly (TVD Nov 20 p2). Majority of commissioners disputed Chmn. Hundt's view that Westinghouse commitment to air 3 hours of such programming weekly should be cited as setting precedent and one of reasons for approving transfer. Hundt told reporters to check paragraphs 60 and 104 of order, which was made available Nov. 24, to buttress his contention.

Paragraph 60 states: "Programming commitments are public interest benefits which the Commission has found tilt the balance in favor of granting a duopoly waiver... We also note that Westinghouse... has made a voluntary commitment to augment the amount of children's programming broadcast over the CBS network and its owned and operated stations."

Paragraph 104 states: "Our diversity of ownership rules ensure that our overall system of licensing serves the public interest by fostering competition in the broadcast station marketplace and facilitating the widest possible dissemination of information from diverse and antagonistic sources. In determining whether this transaction is in the public interest... we weigh the impact on competition and diversity against other aspects of the transaction that promote the public interest."

In unusual move after meeting approving transfer, Hundt and Comr. Quello held separate news conferences, still in disagreement on children's issue -- and all 5 commissioners issued separate statements. Quello maintained that no precedent on children's programming has been set, stating that Hundt has "a right to say what he wants." Quello added that Hundt's statement that kid TV commitment was deciding factor in decision was "wishful thinking."

Included in transfer are CBS TV and radio networks, 7 full-service TV stations, 3 satellites, 13 FM and 8 AM radio stations, along with waivers to comply with FCC cross-ownership rules because of stations already owned by Westinghouse. All told, Commission granted Westinghouse 7 permanent and 12 temporary waivers of multiple ownership waivers; 10 waivers are for 12 months, 2 (covering TV stations in Boston and Providence) for only 6 months. Both telecom bills now in Senate-House conference would increase level of TV-station ownership and could save Westinghouse from having to sell some stations if that provision should become law.

Hundt called Commission action "a major event in broadcast history... As a public trustee, Westinghouse will be correcting the disappointing performance of its stations and the CBS stations in terms of educating children." He said decision whether Westinghouse has complied with Children's TV Act will be taken up when stations seek license renewal: "Westinghouse's commitment to increase greatly its performance under the Act... will go a long way to helping its case at the time of renewal." Hundt told reporters there "were some very serious allegations" about Westinghouse's kid TV performance and "they have a serious problem" in that area.

Dispute, in which commissioners freely called each other names, wasn't mentioned directly during meeting, Comr. Barrett saying: "The less we say about it, the better off we are." Quello said he didn't respond to Hundt at open meeting because "I didn't want to start it all over again." In prepared statement, Quello said: "In this case, a great deal has been said," but order approving sale "is just as significant for what it does not say as for what it does say" -- which is that Westinghouse commitment to children's shows is "truly voluntary... But what this item does not say is that approval... is in any way conditioned on Westinghouse's implementation of the agreement [on children]. The item before us does not embark on this thorny and treacherous path."

Barrett said that while stations should air more educational programs, "I am loathe to use government intrusion as a means of ensuring this objective... My support of this transaction was in no way contingent" upon commitment by Westinghouse. "I remain skeptical" that Westinghouse commitment was "purely voluntary" since no mention was made of increasing kid programming until after petition was filed to deny sale: "I am deeply troubled by the notion that the Commission prohibits 'greenmail' tactics in other instances, but in effect appears to endorse use of a similar strategy here."

Comr. Ness said approval accommodates "the realities of the commercial marketplace and promotes our public interest objectives." In granting temporary waivers, "we properly allow the time necessary" for Westinghouse to seek buyers, she said: "Overall, we have allowed for the orderly, but not leisurely," sale of properties required by FCC rules. She also said action "relates solely" to sale of CBS and "is not rulemaking" to enforce requirements of children's TV law. "I'm delighted" by Westinghouse commitment, she said. "It's a commendable example for all broadcasters."

Comr. Chong said she supported waivers "because I believe the government should facilitate and not impede business transactions that are in the public interest." Given scope of merger, she said, it would have been "appropriate" to grant full 18-month waivers sought by Westinghouse: "I accept the majority's conclusion, but I want to make clear that, if needed, I would entertain a request for an extension of the temporary waivers." She also said her decision was based partly on significant cost savings that will lead to better programming. All 5 commissioners hit allegations in press that approval had been held up, saying they acted in timely manner.

**TCI and Galavision sponsors** PanAmSat and Televisa joined News Corp. and Brazil's Globo to form Latin American direct-to-home (DTH) satellite TV alliance. PanAmSat spokesman said Galavision project will be "folded into" still unnamed new alliance in effort to begin service in early 1996. Televisa earlier had decided to join News Corp. and Globo rather than engage in 3-way competition for Latin American DTH. Hughes is planning similar DTH service called Galaxy Latin America. Spokesman said 12 transponders will serve Mexico, 12 will be aimed at Brazil for Portuguese-language programming, 24 will cover rest of countries. Venture will pay for 48 PanAmSat transponders -- on PAS-3, PAS-5 and PAS-6 -- under formula that provides "revenue sharing commensurate with DTH subscriber revenues in addition to minimum service fees," PanAmSat said.

**Firing of HBO Chmn. Michael Fuchs** and reorganization of Time Warner Music Group could violate partnership terms with U S West (USW), USW officials told AP. However, Time Warner (TW) spokesman said reorganization was carefully structured to avoid violating terms of embattled partnership. USW recently sued to block TW takeover of Turner Bestg. in move that could lead to breakup of partnership.

**Canadian Bcstg. Corp. (CBC)** said it will drop all U.S.-produced programming from its prime-time schedule by next fall. Public network (which sells ads on limited basis) currently airs 2-1/2 hours of such programming weekly, on which it makes money. CBC, which received large majority of its current \$961-million budget from govt., has been ordered to cut spending by \$168 million in 18 months. That will result in dropping about 2,000 staffers from work force of 11,200, CBC Pres. Perrin Beatty said, with hq staff to be reduced 50%. He said CBC will stop trying to imitate privately owned TV networks (which carry U.S. programming, as do Canadian cable systems) and increase its emphasis on children's and cultural programming. New projects under way at CBC include Canadian biography series and joint production with BBC on history of TV news.

**Multimedia Notes:** Partners in **Kaleida Labs** are shutting down multimedia joint venture, they said. Apple Computer and IBM said products will be transferred to Apple... **Multimedia Wire** filed expanded copyright infringement suit against Walt Disney Co., adding affiliated companies. Suit claims Disney Interactive employees in Cal. copied each day's version of **Multimedia Wire** and shared copies with Disney affiliates in other parts of U.S. and Canada.

**WRIGHT'S WORLD:** Children's programming, advanced TV, broadcasting industry's moral responsibility to its audience, international developments, telecom bill, daytime soaps, NAB and industry togetherness, interactive TV, industry mergers. Those are among many subjects discussed by NBC Pres.-CEO Robert Wright and Exec. Vp-Gen. Counsel Richard Cotton in recent interview. We asked about FCC Chmn. Hundt's praise of Fox response to Commission on children's TV rulemaking and his request that Big 3 networks present similar type study. Wright responded:

"I think it was unfortunate that he [Hundt] made reference to the Inside Edition [NBC program on NBA] as an example of a program that he didn't feel was the type of children's program that he was looking for. I think the chairman goes too far when he gets into program content issues and expresses his opinion as to exactly what kind of content he thinks is appropriate for children versus other people. I don't think that's the role of the FCC and I don't think it will be sustained in Congress or it will be sustained in the courts. We take a much more pragmatic view that the show has to have educational elements, but it also has to be watchable and it has to be something that our audiences would enjoy seeing or otherwise we're wasting our time and they're [audiences] going to reject it."

#### Moral Responsibility

As for network's moral responsibility to society, Wright said there's "a great deal more freedom in this country than there is in any other country in the world for access to information, entertainment or news. People are not supportive of unnecessary restrictions on that access. Americans are used to it, enjoy it and consider it a privilege to have broad access without national government-imposed restrictions.

"I think when the Commission goes into program content areas for a so-called better theory to create a national value system as to what children should be seeing, and for the FCC to make judgments about how programs will be formulated, you're running right against the grain of what is a unique asset in this country, [and] people don't like that. And legislators don't like it. And our court system is designed to oppose that. Our Constitution opposes that. So, when somebody says why don't we adopt the violence rules of Canada, or the libel rules of Germany, or the sexual innuendo rules of another country, the answer is that they're all much more restrictive than we are and that's not what we're about here in this country. In the area of children's programming, we're not opposed to the broad concepts and we're not opposed to guidelines to have children's programming which has an improvement orientation. As soon as you get into content, I think you've gone too far."

Asked about daytime soap operas, Wright said that's "a really messy issue... I think the soap operas are a genre that's been around... since radio was introduced... The content changes over time, but the content that's on talk shows is arguably even more graphic and more distasteful to many people than anything could possibly be in a soap opera. I think our programming probably would always end up to be more mild than more extreme programming local stations might air."

#### Broadcasting's Special Contribution: Cotton

Gen. Counsel Cotton said news and local programming provided by Big 3 networks and their affiliates is "a true public service and the foundation of the business. So that when you start asking about public interest, everybody

[critics] hops over that: 'They've done that for a long time, so that's not worthy of discussion.' That is a huge public service. It is not provided by any of the broad array of cable channels... They've got 2 C-SPANS and they've got 2 CNN channels and then everybody else is off to the races."

On children's TV, Cotton said: "The reality is that the industry... has moved up the number of children's hours... by a factor of 2 or 3. There's a debate about the number of hours, but there's no disagreement that it has moved up. When the Communications Act was passed, there was agreement in the Congress that no numerical standards were going to be set. The fact that was the original understanding and the industry believes that we ought to stay with that and it's consistent with the Constitution, shouldn't lead people to ignore the fact that the industry is prepared to accept standards and prepared to increase the number of hours if you go back just within the last 5 years."

#### HDTV, and the Nets on the Net

On HDTV and Advanced TV (ATV), Wright said: "Ten years ago, the Congress directed the FCC to pursue ATV and challenge broadcasters privately to support that. The industry's put over \$500 million into the development of high definition pursuant to a directive of Congress and the Commission over the last 10 years. Was everybody thrilled about that? Probably not. But we were able to support the development of a much better system than... the Japanese analog high-definition system and that system has proven to be technologically obsolete. And now you've got a digital high-definition television system which the Grand Alliance has crafted which is clearly the best for video in the home that exists anywhere in the world.

"Now the Congress is changing gears again a little bit and saying this Congress's priority is not high definition; this Congress's priority is more effective economic use of the spectrum... They're saying there may be great technology, but maybe we can sell that spectrum for more money and lower the budget deficit. I think as broadcasters our position is, we support that system. We are prepared to implement that system. We think it will take a long time for consumers to spend the money to buy sets and so forth. We think it's realistic to utilize the technology in non-high-definition dayparts for a period of time until the rest of it comes along... It might generate more enthusiasm for high definition. Digital television is going to happen regardless. There is no way to transition from analog to digital without introducing very expensive electronic componentry into the home. It could be paid for by the consumer, a cable company or by a telco, but it's got to be done in the home... That's kind of a \$600 bill."

"The ability to bring a digital signal into the home will be happening all during the next 5 to 10 years and it will probably be driven as much by cable and telephone companies as it is by consumers, and the high-definition picture will come along as those converter boxes and/or sets approach." Cotton said that "NBC right now is starting the conversion at the network transmission level. Bob's got a huge construction project going on there."

Interactive TV "is clearly here to stay and it's going to become much more a part of people's lives," Wright said. "As it affects traditional television viewing, it won't be as obvious. The issue is not to clutter the screen up with aimless multimedia tests but to use access to on-line services and the [World Wide] Web for information related to our programming. It's a hard business to develop right now. It requires such expensive equipment and is so specialized in

the hands of the consumer that it's a pretty small business... It'll happen, but it's still a number of years away. The most compelling thing that's happened is this Internet usage. It will work its way to television at some point."

#### Disney, Westinghouse... and NBC

On Disney takeover of Cap/ABC and Westinghouse purchase of CBS, Wright said: "I think CapCities puts us on notice that companies that are vertically integrated are going to make a big effort to use broadcast television and that's something we have to pay a lot of attention to. I think Westinghouse doesn't create any unique issues. Their stations will be better positioned to develop and distribute syndicated programming because they'll have 33% of the country... There's a competitive challenge from program development distribution and Disney, because it's integrated, is a competitive challenge."

#### 'Just In a Good Market'

On rumors that NBC has threatened to withdraw from NAB if TV networks lose votes on Assn.'s board, Wright said: "I don't know exactly what position we have taken but probably not that extreme a position. But we certainly discussed it. I would hate to see it happen. The business is healthy today and everybody thinks they can be independent and survive and we have a bright, rosy future in front of us -- and I don't really see that at all. I see that we're just in a good market. Four years ago, the television station business was a drag. Then we had an upturn in the economy. The networks all entered into very attractive compensation agreements for stations and everybody feels that the problems are solved forever. That's ridiculous. We're always going to be stronger acting together as an industry than we are separately. I think for us to be effective we have to stick together on a lot of things. So I hope that doesn't happen."

Wright said NBC agrees with NAB on most issues, "but unfortunately on some we disagree, and those disagreements become very well-known and they take away from a lot of the luster of our commonality. The issue in the telecommunications bill of the network ownership of television stations has been a very big issue, apparently dividing us. I look at that as just one issue where we don't agree." Cotton said that to be put in position where all members of NAB "do not each have a voice within the deliberating body seems to us highly inappropriate and we have conveyed that in no uncertain terms. The question of whether we pull out ultimately would be Bob's decision, but it hasn't reached that point." (Note: Proposal to remove up to 3 of 4 TV network voting members from NAB TV board reportedly is on hold.)

#### Washington, Asia and Beyond

Wright said he would be happy with no station ownership limits but "I don't see that as a possibility." Telecom bills passed would place station ownership limits at 35% of U.S. households. Cotton said: "I think 35% will clearly be in there. But I think that there's some very significant unanswered questions in terms of what the bill will do elsewhere on broadcast regulations."

Wright said NBC is satisfied with its international activities, but always seeks more opportunities: "It will take a number of years to settle in. These are the toughest times for us. When you're in the midst of extending yourself in both Asia and Europe, very challenging. But I'm happy... Asia has slowed down because of the lack of infrastructure.

The loss of Apstar II [satellite] was a setback for a number of us. The loss of the timing of Star of Asia is a disappointment. And in Europe, there is a growing nationalism which is troublesome to us because in many cases it's designed to block out American broadcasters or programmers."

Criticism of network news by NBC News Pres. Andrew Lack was "justified and appropriate," Wright said. "I think Andy's words were designed to be a challenge to all of us, NBC News included. I think it benefits us to be critical of ourselves."

Trend toward long-term affiliation contracts (up from 2 years to as many as 10) will continue, Wright predicted, with NBC paying in compensation "probably close to double what we paid 3 years ago... We were paying something over \$100 million a year of compensation and we'll be paying probably \$170 or \$180 million a year." He said NBC alone among Big 3 networks opposed Fox at FCC "because we were impacted by Fox's ownership structure... The others chose to ignore it and we chose not to ignore it." Cotton said major issue for NBC was that Fox was "structuring its relationship with other partners to avoid the national ownership cap. And our position was that if you're going to allow more people to own more stations, then let everybody do it, but don't write a special set of rules for Fox. The precipitating issue was when Fox proposed to do a deal which involved 3 NBC affiliates where avoiding the national cap restriction was going to allow them to do it. [The FCC] actually ultimately agreed with our position on foreign ownership."

With finsyn out of the way, "we're open for business now" to make joint program ownership arrangements, Wright said. "This is the first time since 1970 where we can actually sit down and deal with producers, writers, talent on the same basis as the studios and it just happened this month. We feel very comfortable. We're engaged in those kinds of discussions and... we're not going to put shows on the air because we have a financial interest in them. We're only going to put shows on the air that we really think have a high probability of success. We've proved over and over again that financial ownership is not the governing rule of why a show gets on the air."

INTV will release independent survey at its Jan. 21-22 convention in Las Vegas reflecting industry leaders' views on "new realities" of television and how Assn. should change to meet them. Richard Frank, CEO of Comcast Content & Communications, will keynote convention, which will feature session on "program alliances and opportunities that will shape the future," headed by Brandon Tartikoff, New World TV, and producer Steven Bochco. FCC Comr. Quello will speak and introduce panel of FCC staffers. Convention will close with govt. affairs session, held jointly with NATPE convention that follows immediately, featuring Comrs. Ness, Chong and Barrett. FCC Chmn. Hundt is expected to send videotape message.

Pacific Telesis (PT) is considering acquiring wireless cable licenses separately or jointly owned by Groupe Videotron Ltd., Canadian telecommunications carrier, and Transworld Telecommunications Inc., Salt Lake City, which would be RHC's 2nd wireless cable acquisition for about \$190 million, Wall St. Journal said. In April, PT agreed to acquire Cross Country Wireless for \$120 million and month earlier, Nynex and Bell Atlantic jointly invested up to \$100 million in CAI Wireless Systems. Transworld and Videotron own frequencies in several U.S. cities, although PT is said to be interested in properties in San Francisco and San Diego.

**BROADCASTERS DIVIDE ON HDTV:** Broadcasters diverged on whether they should have to provide minimum amount of full HDTV programming, in comments on FCC's advanced TV (ATV) rulemaking. Joint comments by 96 broadcast organizations, including NAB and INTV, said Commission should set HDTV minimums "to the extent necessary," but NAB and INTV filed separate comments saying there's no need to require minimum.

NAB said providing "maximum latitude" on ATV signal "will encourage development of diverse new programming services that will facilitate the most rapid acceptance of ATV and lead to the most rapid return of NTSC spectrum." Too-rigid regulation would be mistake, NAB said, and using ATV for other services may help attract consumers if acceptance of HDTV itself is slow: "We appreciate that many broadcast entities do not oppose minimums because broadcasters most certainly will present full HDTV programming, irrespective of government mandate."

FCC Chmn. Hundt questioned proposals that Commission mandate minimum amount of HDTV in Nov. 21 speech to IRTS in N.Y. He said broadcasters "asked the FCC to micromanage their businesses" with HDTV quota, and compared that with requiring N.Y. Times to print one 12-page section on high-gloss paper instead of 4 sections on newsprint: "Putting aside the question of whether that's constitutional, does it make any sense?" Hundt asked why FCC should "substitute its judgment for the judgment of the marketplace?" Hundt also said it's "bad idea" to tax or charge fee for use of digital spectrum.

HDTV Grand Alliance said broadcasters should have to provide at least 25 hours of true HDTV per week, and FCC should set simulcasting minimum. Members said price isn't major factor since stations would have to spend more than 70% of cost of full HDTV just to provide digital signal. They said cost to pass through network HDTV signal would be just over \$1 million per station, and full HDTV conversion would cost each station \$6-\$8 million. Thomson said FCC should shorten construction period for HDTV, to less than 6 years for top-25 markets, and absolute maximum of 6 years for smaller markets.

Major networks supported HDTV minimum program requirement, although Cap/ABC said it should be only 5 hours per week. NBC said FCC should require 50% of programming to be simulcast. CBS said it would be "misguided" for Commission to use digital as excuse for new content regulations and auctions.

FCC should avoid setting definite date for giving back NTSC channels, broadcasters said in joint filing. They also said that if they have to change channels after transition, new users should pay relocation expenses. They endorsed "sensible" fees to be paid by broadcasters that use portion of ATV channels for subscription-based ancillary and supplementary services. Other comments in joint filing: (1) Each broadcaster should get full 6-MHz channel. (2) ATV construction must be generally completed within 6 years, but with slower schedule and waivers for less financially capable stations. (3) Both NTSC and ATV channels should be regulated under single license. (4) Existing public service obligations should apply. (5) Must-carry, retransmission consent and cable signal quality rules should apply to ATV channels. (6) ATV sets and set-top converters should be able to receive any format in digital transmission.

NAB filing said FCC shouldn't set simulcast rule for ATV since "surest way to hasten the transition... is to give

consumers enhanced program offerings on the new ATV channel." INTV said it has "substantial reservations" about revenue-based fees for ancillary services, public interest obligations should apply only to free broadcast ATV services, and FCC should consider preempting local zoning laws to facilitate optimal location of towers.

Apple Computer said ATV standard is "flawed," mainly in area of picture quality and conversion cost. Problem could be solved by eliminating interlaced ATV in favor of computer-friendly progressive scanning, Apple said, and increasing display refresh rate to at least 70 Hz from 60. Information Technology Industry Council said ATV "must be fully interoperable with the computer and information technology industries" and only progressive scanning is fully interoperable.

NCTA said it's "premature" to impose must-carry on ATV since must-carry itself is under legal attack. Even if it's upheld, Assn. said, there's "no justification for expanding broadcasters' carriage rights beyond existing analog channels," FCC would have to prove that lack of must-carry would be real threat to broadcasting, 1992 Cable Act says Commission can deal with ATV must-carry only after standard is set, and FCC should prevent broadcasters from unfairly leveraging retransmission consent to get carriage of ATV signals.

Among other cable comments: (1) TCI said that if ATV must-carry is imposed broadcasters should have to pay to upgrade cable systems. (2) Technical changes allowed by digital ATV "do not warrant a major shift in... ATV policies," EIA said. (3) Community Bstrs. Assn. said LPTV is being excluded from channel allotment process, which it said is controlled by full-power broadcasters through MSTV and "behind closed doors" in violation of Administrative Procedure Act. (4) Public broadcasters elaborated on their plan to fund ATV transition through aggregating signals and leasing excess spectrum and backed full 6-MHz channels, limiting ATV licenses to existing broadcasters, and assuring must-carry for ATV. (5) New World TV said it's unfortunate that FCC and others "have decided that [ATV transition] is an opportunity to completely redesign the broadcasting industry, from its sources of revenue to the function and character of its output." (7) General Instrument supported mandated amount of HDTV programming, saying that if ATV is used mainly for standard-definition, smaller channel bandwidth "would be the most appropriate."

Chicago City Council voted to levy 7% amusement tax on direct-to-home (DTH) satellite TV programs. Satellite Bctg. & Communications Assn. (SBCA) charged new tax, scheduled to begin in 1996, "could herald the beginning of a series of local taxes enacted by local governments on national DTH services. Should the telecom bill or local tax preemption be defeated, other cities are almost certain to begin taxing DTH satellite programs." SBCA has been lobbying for federal preemption of local taxing authority on DTH. Backers say tax is fair because cable operators, who compete with DTH, pay franchise fees. Satellite proponents say tax is unfair because technology doesn't use local rights-of-way, facilities, regulation or other services.

Canada's Groupe Videotron is buying cable systems with 428,000 subscribers from CFCF Inc. for \$380 million, including debt assumption. CFCF in turn will pay \$150 million for Tele-Metropole, broadcasting venture controlled by Videotron. Deal would give CFCF control of both French-language broadcast networks in Que.

**KID TV RULES DEBATED:** FCC shouldn't set more specific kidvid rules since commercial broadcasters already are meeting requirements of Children's TV Act, Cap/ABC and NBC said in reply comments in rulemaking. However, Children's TV Workshop (CTW), National Education Assn. and Center for Media Education, applauded FCC proposal to set quotas and stricter definition of what programs can be considered educational and informational. Most parties agreed broadcasters should air at least some "core" children's programming, but disagreed on which shows constitute core programming.

Evidence compiled by FCC shows "a marketplace failure as far as free, over-the-air broadcast delivery of educational TV for kids," FCC Chmn. Hundt said in Nov. 21 speech to IRTS in N.Y. Children's TV debate doesn't impinge on First Amendment since it would be "much worse" if FCC didn't tell broadcasters terms required by federal law and "not give any clues until the [license] renewal period," he said. In last year, Commission has, in approving waivers and transfers, voted for "micromanagement of programming" in other areas, he said.

Cap/ABC denied that only shows specifically designed to educate should be included in core programming definition, urging FCC to "make clear" that children's programs need not be instructional or scholastic to serve educational interests. ABC would include programs such as *Free Willy*, *Winnie the Pooh & Friends* and *ABC Afterschool Specials* that it said contribute to children's intellectual, social and emotional development. Commission also shouldn't require greater age specificity in qualifying programs since some shows appeal to broad range of ages, network said.

FCC shouldn't narrow definition of children's TV since Congress never intended that only instructional programs fulfill requirements of statute, NBC said. It said it responded to children's TV law with fivefold increase in amount of educational shows for teens, including *Saved By the Bell* and *NBA Inside Stuff* that some argued have little educational merit.

National Assn. of Black Owned Bstrs. (NABOB) agreed that broadcasters are providing enough educational children's TV, but supported clarifying kidvid policies as long as revisions are limited to providing licensees and public clearer guidelines. Assn. said it would support minimum standard of 2 hours of core programming per week, but said FCC shouldn't penalize those that don't meet minimum but do air more than 3 hours of noncore children's TV and one of educational TV per week.

Joint filing by Action for Children's TV founder Peggy Charren, American Psychiatric Assn., Center for Media Education (CME), National Assn. for the Education of Young Children, National Assn. of Elementary School Principals, National Education Assn., United Church of Christ and others "strongly supports" proposed quota, clarified definition of children's TV, improved flow of information to public. It said FCC should clarify that core programming includes only shows aired after 7 a.m. specifically designed to educate and inform children.

State broadcasters in Ala., Conn., Ga., Kan., Me., Mich., Minn., Mo., Neb., N.H., N.D., N.Y., Okla., Tenn., Tex., Utah, Wash., W. Va. and Wis. said new rules, such as quota or programming standard, pose "serious First Amendment concerns." CTW supported FCC's proposed 6-part definition of kidvid, offered some revisions and voiced strong opposition to sponsorship proposal that would allow

commercial broadcasters to pay to have other stations, including public TV, air kids' TV in their markets.

If policy is implemented carefully, allowing commercial stations to sponsor children's programs on public stations could result in net gain in number of educationally effective kids' shows, PBS and Assn. of America's Public TV Stations (APTS) said. Public broadcasters had proposed allowing commercial broadcasters to contribute to regional or national children's program funding pool, to be overseen by PBS, that would pay for production of kid TV.

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**FCC granted DBS system construction extension to Continental DBS.** International Bureau Chief Scott Harris said "the blame for not having done more to construct the system rested almost entirely with the government." He said it took FCC 5 years to act on company's request for frequencies and slots, leaving it with only 8 days to act before deadline. Under circumstances, he said, company went to "extraordinary lengths" to attempt to meet due diligence requirements. Order said Continental now has until Aug. 15, 1999, to construct, launch and begin operating system. It said Continental situation differed from Advanced (which had extension request denied and permit revoked) because Continental "has demonstrated its intention to move expeditiously toward implementation and operation of its own system." On other hand, order said Advanced had plenty of time build system, but instead chose to propose transaction with Tempo that "would have required the total and immediate liquidation of the company... Thus, Tempo is just plain wrong in arguing that granting Continental's request would be inconsistent with our disposition of Advanced's award."

**FCC was back in full swing** last week as result of funding agreement between Congress and Administration. Commission, like rest of govt., was shut down for 4 days. It announced new dates for 3 spectrum auctions: (1) C Block PCS will begin week late -- Dec. 18 -- with upfront payments due Dec. 1. Bidding seminar for Block C auction will be Nov. 29. (2) Multipoint Distribution Service spectrum -- wireless cable -- will resume Nov. 27. (3) 900-MHz Specialized Mobile Radio spectrum begins Dec. 5. Meanwhile, FCC Comr. Chong is back at work full-time after devoting nearly month to jury duty. She had been working with staff on Commission business in time off from jury.

**FCC Chmn. Hundt will be among speakers** at forum on free broadcast time for political candidates, 11:45 a.m., Dec. 8, sponsored by Twentieth Century Fund and Princeton U. Lunch and panel will be at Robertson Hall on Princeton campus. Other speakers include Lawrence Grossman, former pres. of NBC News and PBS; Don Hewitt, exec. producer, *60 Minutes*; Ellen Miller, exec. dir., Center for Responsive Politics; Paul Taylor, Washington Post -- 212-535-4441.

**TvB said it added 8 more member stations.** LIN TV stations joining: KXAN-TV Austin, Tex., WAND-TV Springfield-Decatur, Ill., WANE-TV Ft. Wayne, WAVY-TV Norfolk-Portsmouth-Newport News, WOOD-TV Grand Rapids, WIVB-TV Buffalo. Stations owned by Gateway Communications are WTAJ-TV Altoona and WOWK-TV Huntington-Charleston, W.Va.

**FCC scheduled brown-bag lunch** on document filing, Nov. 29 at hq. Judy Boley, chief of Records Management Branch, and Thomas Martin, FCC Warehouse mgr., will speak on FCC forms, ordering procedures, other issues -- 202-418-0261.

**McCAIN ISSUES WARNING:** Senate and House telecom bill conference staffs will get back to work this week after having time off for Thanksgiving. Many key issues still are unresolved, and one conferee, Sen. McCain (R-Ariz.), warned last week that there's potential that final product will be more regulatory than law it will replace.

There's no deal yet on cable pricing among Senate and House staffers working on telecom bill. Senate's offer of 4 more years of regulation followed by deregulation of upper-tier programming was met with House response of 3 years of regulation followed by deregulation of programming equipment, which would include set-top boxes. Staff members have agreed to House version of V-chip legislation, dropping Senate version that proposed private-sector Television Rating Commission. House bill would require FCC advisory committee only if industry isn't able to come up with voluntary guidelines within one year. Agreement also would tone down language on GAO study and set up technology fund for TV industry. Staff agreement would require TV stations to keep on file letters or summaries of letters dealing with TV violence, although it wasn't certain whether file would be public, sources said.

In Nov. 20 letter to Senate Commerce Committee Chmn. Pressler (R-S.D.), who also chairs Senate-House conference on bills (S-652 and HR-1555), McCain said: "I am very concerned that a reregulation bill will be produced by the conference committee." McCain, who voted against telecom bill, said House version was "substantially more deregulatory" than Senate's. Staff said he's concerned that Sen. Hollings (D-S.C.) was having too much sway over conference results.

To put proceedings back on track, McCain laid out list of 10 principles that he said should be followed in bill: (1) All federal price regulations, profit regulations and Sec. 214 requirements should be eliminated. (2) States should have "principal responsibility" for universal service, with support based on income of telephone subscribers. (3) Regulation of local exchange carriers should be turned over to states, with minimal federal protections for nondiscriminatory access. (4) U.S. telecom markets should be open to foreign competitors and investment. (5) Private industry should make decisions about allocation of spectrum. (6) Existing licensees should be able to use their spectrum for any purpose as long as it doesn't interfere with other licensees. (7) Unallocated private spectrum and underused federal spectrum should be available for flexible assignment. (8) Spectrum use should be determined by auction. (9) Mergers and acquisitions regulation should be done on case-by-case basis. (10) Federal regulation of programming content should come through legislation or enforcement, not from bureaucrats.

AFL-CIO said in legislative alert that separate subsidiary requirement for telcos to enter new telecommunications businesses, as proposed in telecom reform legislation, is "unnecessary and also potentially harmful to existing telecommunications workers." Labor group said provision isn't needed because both versions of bill would require FCC to determine that telcos wouldn't violate cross-subsidy rules before launching new services, so separate subsidiary rule "could be used as a means to decimate the existing telecommunications work force." AFL-CIO also said it's "serious defect" that neither version would require FCC to assess impact of future competition on work force: "It is important to remember that a leading justification for this bill is... to provide jobs for the future." Other arguments in alert: (1) FCC should allow LECs to get enough revenue to ensure their viability and continue

providing universal service. (2) Labor "strongly opposes" cable rate deregulation. (3) Proposal to eliminate foreign ownership limits "is a major flaw" since U.S. Trade Representative almost always okays deals on ground of reciprocity. (4) Lifting broadcast ownership limits would increase media concentration unduly.

**CABLE VS. MCI ON DBS:** Commenters in FCC proceeding to auction reclaimed DBS resources of Advanced Communications differed on proposal along predictable lines: Cable-affiliated entities that had opportunity snatched away continue to oppose plan, while new potential DBS entrants support it with special requests.

Proposed auction process for DBS permit has "one fatal flaw," said economist hired by MCI. Lawrence Ausubel of U. of Md. said "the lack of any withdrawal penalty in the proposed rules would invite bidders to gratuitously impose costs upon their rivals." Similar auctions in Australia lacked withdrawal penalty, he said, leading to unwinding of bids that resulted in ultimate payments that were fraction of original bids. FCC should "assess the same withdrawal penalties it has applied in the PCS auctions," Ausubel said. Also, he said, FCC should identify bidders during auction "since an open, ascending bid format may induce participants to bid more aggressively."

Primestar said Advanced order won't help FCC meet goals of promoting competition and providing prompt DBS service. Instead, it said, Commission "decided to embark on a comprehensive, unnecessary and likely litigious rewrite of the rules that have governed DBS for 13 years." However, Primestar said it supports auctions as way to allocate "lawfully reclaimed" permits and FCC should toughen milestones and accelerate deadlines for construction. NCTA said FCC shouldn't "adopt sweeping and unnecessary new restrictions on cable operator participation in the DBS market, but should proceed with minimal governmental regulation in this competitive market." Auctions are "solution in search of a problem," it said, because cable already is competing in DBS. FCC said it didn't halt Primestar's deal because of cable affiliation but because Advanced didn't meet due diligence requirements.

CATA said proposed restrictions on cable ownership of DBS "are not based in fact, but rather rooted only in economic conjecture." Assn. said departure from Continental precedent -- where FCC approved cable participation in DBS -- "will not withstand scrutiny." It said DBS companies oppose cable participation "because they do not want competition." CATA said plans to establish Headend In The Sky (HITS) should be allowed to proceed, and then FCC could inquire about competition.

GE Americom urged FCC to "act carefully and narrowly": "It is one thing to establish the mechanics for auctioning the Advanced channels next January. It is another to rewrite in just 2 months the regulatory rules that have governed DBS for over a decade." It said anticompetitive safeguards already are in place and DBS competition is expanding.

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FCC International Bureau will host 2nd roundtable discussion on satellite licensing policies, Dec. 19, 1:30-3:30 p.m., hq meeting room, 1919 M. St. It said suggestions are encouraged on how satellite licensing policies can be changed "to better reflect the evolving global communications marketplace..." Comments are expected to form basis for formal rulemaking proposal next year.

**ACCESS RULES ATTACKED:** Govt. failed to prove there's lack of diversity in cable programming before Congress approved leased access rules in 1992 Cable Act, Time Warner (TW) attorneys said in oral argument Nov. 20 at U.S. Appeals Court, D.C. (Case 93-5349). TW contended that rules violate First Amendment because they require systems to devote limited channel capacity to outsiders, curbing systems' ability to "speak."

Judges repeatedly asked attorneys whether case would have to be remanded to lower court if they found that govt. hadn't provided adequate justification. TW attorney Stuart Gold said court could decide rules are unconstitutional without remand because "you already have all the record you are likely to get." Another TW attorney, Robert Joffe, said govt. had ample chance to supplement record with additional justification: "They failed to prove there is a problem, that this would solve the problem and that it is narrowly tailored. How many cracks at it do they get?"

Rules are subject to "strict scrutiny" under First Amendment because they favor individual speakers, Joffe said, but they don't even meet intermediate scrutiny test because they affect vertically integrated programmers even when they are dealing with unaffiliated cable operators. Responding to question by Judge James Buckley, Joffe said access rules are different from must-carry, which has been upheld, because must-carry was justified by belief that it was needed to protect broadcast industry.

Access rules are justified by long series of congressional hearings and findings over many years that showed that cable operators are prone to anticompetitive acts, Justice Dept. attorney Jacob Lewis said. He said Congress adequately determined that cable systems "can and have served as a bottleneck" to diversity of speech. He said access channel rules aren't tied to content since govt. doesn't know what's on them or how many there are. Impact of vertical integration on speech is "virtually undisputed in the congressional record," Lewis said.

Among other questions: (1) Judge David Tatel asked what's in record to justify need for access channels and why percentage of channels devoted to access increases as number of channels available increases. (2) Judge Raymond Randolph asked for proof that vertical integration is harmful. He also questioned whether it matters what source of views on cable is as long as they are diverse: "Doesn't it require a value judgment that what people see is not diverse enough?" (3) Tatel asked why case is "ripe" now. (4) Randolph asked how FCC can make judgment on channels without knowing what criteria local govts. use for them.



**Technology Notes:** CableSoft and Wink Communications will cooperate to develop commercially supported software applications for interactive TV. CableSoft-developed applications will be based on Wink's industry-standard interactive TV applications... FONS Corp. introduced new product that it said allows cable and telecom companies to provide high-speed Internet access, video-on-demand and interactive video at affordable costs via fiber networks. Fiber transmitter uses external modulation system.

**Australia's Telstra** said it will build Network2000 for Sydney Olympics in 2000. It will provide satellite services, telephone, fax, mobile communications, high-speed data, video and audio, cable TV, interactive telecom, optical submarine cable links to international network, HDTV infrastructure.

**Decision on whether to field test WavePhore's** broadcast data transmission system is expected to be made at meeting of National Data Bestg. Committee (NDBC) evaluation working group at NAB hq today (Nov. 27). Tests are to determine whether systems to insert high-speed data transmissions into NTSC signal can operate at adequate level without impairing TV picture. Systems developed by WavePhore and Digideck of Menlo Park, Cal., underwent testing at Advanced TV Test Center (ATTC), but questions about WavePhore system remain. In extra round of ATTC testing in Oct., officials said WavePhore system showed some improvement but still had problems, causing NDBC to question whether to field test it. WavePhore, in turn, admitted there were problems. Tests of effect of data stream on NTSC signal, using CCIR scale, showed NTSC picture ranged from slightly worse to worse, according to mailing to NDBC members. Immunity to random noise was 4-dB better in 2nd round, but fell short of WavePhore's prediction of 8-10 dB improvement. Officials also said improvement could have been affected by data injection level that was 4-dB higher than before. WavePhore also reduced its data rate to 300 kbps, from earlier 384 kbps.

**Financials:** Argyle TV in first report as public company, said it lost \$1.3 million in quarter ended Sept. 30, vs. \$1.9-million profit year ago. Revenue grew to \$13.1 million from \$9.1 million... K-III Communications, which recently bought Channel One from Whittle, announced \$14.6-million loss for 3rd quarter ended Sept. 30, vs. \$5.6-million loss year earlier. Revenue increased 6% to \$265.6 million... International Family Entertainment board approved 5-for-4 stock split, effective Jan. 5.

**Group W Network Services (GWNS)** and Hughes Communications signed lease for life-of-satellite use of TR-6 on Galaxy 7 beginning in March. GWNS said it will make 4 compressed channels available to cable clients, and already has signed ESPN for its Latin American feed and Speedvision, 24-hour network for automotive, marine and aviation programming. GWNS said it's offering temporary compressed channel capacity on Galaxy 1R, TR-24, until Galaxy 7 capacity is available.

**TVN Entertainment** said it will launch digitally compressed near-video-on-demand cable service in 1996 in alliance with Grundig, which will produce digital set-top boxes. TVN said its service will include 40 pay-per-view channels at start, potentially expanding to hundreds of channels. TVN leased 9 C-band transponders on Hughes Galaxy IIR satellite to be launched in Dec., plus 2 on AT&T Telstar 402R, some of which will be used for digital service.

**MCI** asked for extension in FCC's investigation of Bell Atlantic (BA) VDT rates for Dover Twp., N.J., service. MCI said Commission is trying to mediate disagreement between it and BA on how much cost information has to be made public as part of investigation but because of govt. shutdown and "Bell Atlantic's unwillingness to negotiate," meetings between parties and Commission staff haven't occurred, MCI said.

**FCC's MDS Reference Room** will be open 12:30-4:30 p.m. Mon.-Fri. under new schedule. FCC gave priority to keeping room open during MDS auction, officials said -- 202-418-0267.

**CableLabs** will use Nortel DMS-500 telephone switch to test ability of equipment to provide telephone service via cable networks. Switch can handle local and long distance, CableLabs said.

**INDUSTRY LEADERS ON TV's FUTURE:** Industry leaders had encouraging words on future of TV in upcoming convergence with other media and predicted that terrestrial TV won't be replaced by other forms of home entertainment. Foreign broadcasters were quizzed by their U.S. counterparts in earlier session at Worldwide TV Summit Nov. 20 in N.Y., sponsored by NATAS and Variety magazine.

Moderator of leaders panel Richard Franks, chmn. of Comcast Content & Communications, asked what significant changes are coming in way people watch TV, and panelists didn't see many. Ex-FCC Chmn. Alfred Sikes, pres. of Hearst New Media & Technology, replied that terrestrial TV won't be replaced by other media and on Internet "we'll all in one way or another become participants." And, he said, in that environment "the [TV] media will continue to be prosperous." NBC Pres. Robert Wright said "I think that convergence will happen in ways that we can deal with" but it would be difficult for broadcasting to compete in future with only one revenue stream.

Herbert Granath, pres. of ABC Cable & International Best. Group, said "enough people will pay enough money to watch whatever the network is showing... We see the TV set as primarily for entertainment." However, he said, there are many other uses and convergence "doesn't cause us undue alarm at this point." Richard Bodman, AT&T senior vp-corporate strategy and development, said that "convergence to us is very, very messy... It isn't going to be any nationwide convergence" all at once.

Govt. never will get totally out of regulating broadcasting, Wright said: "Not totally, no," adding that it always will be there to act on complaints. But, said Sikes: "The days of the FCC being the arbiter of TV are over." He said that "as a practicable matter, there's going to be plenty of diversity" of programming in future.

TV already is "much more interactive than we realize," Wright said. Program producers have ways to determine "very quickly" what public reaction will be to pilots, he said, and don't have "to sit back and wait for database reactions." Interactive TV will be great tool for networks in deciding in advance what people will watch, Bodman said: "You can try things out" without major expensive on-air failures. On advanced TV, Bodman said "if we don't buy on to the new standards" to be recommended by Grand Alliance, U.S. will have given up communications leadership for many years. He said AT&T has "paid about \$2.5 billion" for right to use frequency space in last 1-1/2 years.

Panel was asked how many boxes would be on home TV sets 10 years from now. "I'll take a guess," said Bodman. "You'll have a lot of boxes on your set" and public is going to pay for them. More than one box will be required because of diversity of programming and fact that everybody doesn't want all that's available, he said. Counter Wright: "I think you're going to have 2 boxes and it won't be all that expensive."

Granath said "I can hardly wait to find out" impact of Disney takeover of Cap/ABC. He said it's "necessary" that there be "a coming together" of TV networks and Hollywood producers. But, he said, that doesn't mean that only very small number of producers will end up providing all TV programming.

Sony has no plans to own broadcast or cable network, Sony Pres.-COO Nokoyuki Idei said as keynote speaker. He said Sony's role in "distribution" of programming will be expanded with growth of such products as digital videodisc

(DVD), PlayStation and other upcoming hardware formats, in addition to its movie theater business in U.S.

Digital technology is eliminating lines that formerly separated consumer electronics manufacturers, broadcasters, computer industry and telephone companies, Idei said in his first major U.S. speech. He said Sony no longer is content to "compete for market share within one industry," but is concerned "more about creating and finding new markets and business opportunities" using digital technology. Outlining his "new concept of television," he envisioned "the intelligence of computers, the access power of on-line communications and the visual power of full-motion video... integrated into a new form of viewing experience which will seamlessly blend the best of both television and computers."

None of 15 panelists in 3 separate sessions was enthusiastic about digital transmission's replacing analog, although most agreed it's not matter of "if" but "when." "The easiest way to make money is to stay in analog," News International TV Exec. Dir. Richard Dunn said. "It can be a long time away in many, many countries." Major problem, he said, will be "managing the transition" to digital from analog. Helmut Thoma, pres. of Europe's largest commercial TV network RTL, said digital would have no influence on way people watch or what they watch.

Main concerns about shift to digital are cost and who's going to pay, panelists agreed. Gerhard Zeiler, dir.-gen. of ORF in Austria, predicted there wouldn't be any digital transmissions in Germany for 10 years and that when it comes it will be in pay TV. S. Skvortsov, chmn. of Russian State TV-Radio, citing problems of providing programming in 11 different time zones, said digital transmissions would be "very much acceptable to us" because it would provide many more TV channels. He didn't say who would pay for conversion from analog.

Dietrich Schwarzkopf, vp, European ARTE, said he also doesn't fear digital because of new channels it will create and many specialized types of programming already are offered by cultural ARTE. But, he said, big question is who will pay: "There is not enough advertising money to go around" and people won't be willing to pay "much more than they do now." Dunn said "there's no convincing evidence" that public will pay. Saudi Arabia's Alexander Zilo, pres. of Orbit Group, predicted that in few years digital and analog will co-exist, "although perhaps not a peaceful co-existence."

Canadian govt. increased maximum foreign holding in Canadian cable and broadcasting companies to 33.3% from 20%. Canadian Heritage Minister Michel Dupuy said new rules, expected to take effect late this month, will attract more foreign capital while keeping "effective control" in Canadian hands. Change also will eliminate requirement that holding company chmn., CEO and directors be Canadian, although top operating-level officers still would have to be.

**KDKA-TV Pittsburgh** is naming winners of cash contests sponsored by competitors WTAE-TV and WPXI in local news during Nov. sweeps. Said KDKA-TV Gen. Mgr. Gary Cozen, in explaining unusual announcements: "We feel that viewers should not have to chose between our top-quality newscast and the contest information."

**FCC Cable Reference Room** will be open to public 12:30-4:30 p.m. Mon.-Fri. beginning today (Nov. 27) -- 202-418-0267.

## Personals

**Kenneth Schanzer**, pres.—The Baseball Network, returns to NBC Sports as exec. vp, position he last held in 1993... **William Stolp** replaces Donald Holley, resigned, as Poloma Bestg. pres.-gen. mgr... **Greg Veon** resigns as KOIN-TV Portland, Ore., gen. mgr. at end of Dec. to join Lee Enterprises as vp-mktg... **Vicki Montet**, ex-KCNC-TV Denver, appointed senior exec. producer-news & special projects, WUSA Washington... **Spencer McCoy** promoted to local sales mgr., WFLD Chicago... **Scott Steiner** moves up to local sales mgr., KSAZ-TV Phoenix... **Michael Lennon**, ex-YTE Communications dir.-sales, named KTVA Anchorage gen. sales mgr... **Kenneth Whipple**, Ford Motor exec. vp, appointed chmn.-elect, Detroit Educational TV Foundation board... **Mark Pimentel**, WXIA-TV Atlanta news dir., named gen. mgr., WAFF Huntsville, Ala... **John King** promoted to senior vp-COO, Vt. Educational TV... **Dorothy Fuchs** resigns as Md. PTV (MPT) national publicist to become dir.-mktg. & special events, B&O Railroad Museum, Baltimore City, Md; **Gladys Kaplan**, MPT human resources dir., appointed to board, Public Telecommunications Financial & Administrative Mgrs. Assn.

**Reese Schonfeld** resigns as TV Food Network pres., "turning more of my attention to other projects." He will remain vice chmn. of board and retain equity interest in network... **Richard Franklin**, ex-Reebok International, appointed vp-Central Div., TCI Communications... **Jerry Bennington**, TCI Technology Ventures, joins CableLabs as "executive on loan" for 2 years... **Victoria Kent**, ex-Encore Media regional vp, named International Channel vp-sales and mktg., newly created position... **Robert Scanlon**, ex-ESPN senior coordinating producer, appointed Speedvision exec. producer-vp... **David Zaslav** promoted to exec. vp-cable distribution & domestic business development, NBC Cable... **Tom Alexander**, ex-Frankel & Co. ad agency, named mgr.-promotions, Cartoon Network... **Peter Bergen** promoted to supervising producer, CNN Special Assignment... **Doug Meer**, ex-Ziff Davis regional sales mgr., named Jones Education Networks vp-Western region advertising sales... **Joaquin Blaya**, former Telemundo pres.-CEO, appointed pres., Solomon International Latino, new division of Solomon International Enterprises.

**Amy Zoslov**, FCC Cable Bureau, moves to Wireless Bureau as deputy chief-legal, Auctions Div... **Albert Kramer**, **Lew Paper**, **Robert Aldrich** and **David Jeppson**, formerly with Keck, Mahin & Cate law firm, Washington, join Dickstein, Shapiro & Morin, Washington.

**Casey Silver**, former Universal Pictures pres., appointed chmn., MCA Motion Picture Group... Changes at Disney TeleVents: **Diana Ritchie** advanced to vp-new media development; **Ben Bellinson**, ex-Walt Disney Co., named vp-network licensing; **Howard Meiseles**, ex-Vyvx, appointed vp-technology; **Maureen Whalen**, Disney Channel, moves to vp-business & legal affairs; **George Gerba**, Walt Disney Imagineering, named vp-navigator development; **Michael Nichols**, ex-Disney Channel, appointed vp-creative development & design... **Howard Kurtzman**, ex-Cannell Entertainment, joins New World TV Programming as senior vp-legal & business affairs; **Lorna Shepard** moves from New World TV to New World Animation as senior vp-business affairs & administration... **Ryan Shiotani**, ex-MTM International, appointed dir.-mktg. & program development-Asia, Children's TV Workshop; **Janice Farrell**, ex-Equal Employment Opportunity Commission, named public affairs mgr.

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2115 Ward Court, N.W., Washington, D.C. 20037  
Phone: 202-472-9200 Fax: 202-293-3435  
e-mail: warrenpub@interramp.com

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Brian C. Meoley	Assistant Director

### NEW YORK BUREAU

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

David Lachenbruch Editorial Dir.  
Paul Gluckman Assoc. Editorial Dir.  
Mark Seavy Associate Editor  
Cindy Spielvogel Associate Editor

### CONTRIBUTING EDITOR, EUROPE

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

### JAPANESE REPRESENTATIVE

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

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To no one's surprise, consumers prefer MPEG-2 digital compression over MPEG-1 and VHS-formatted video, according to joint study by AT&T, Bell Atlantic, Nynex, Pacific Telesis. Study also showed that consumers prefer MPEG-1 delivered at 1.5 Mbps over VHS. MPEG-2 was delivered at 3 Mbps. Himanshu Choksi of Pacific Telesis said study was conducted because "industry needs to converge on a benchmark that produces the high-quality picture and sound that customers and movie studios want, at a cost that telecommunications networks can support." Random sample of 400 consumers in L.A. area was used for study.

**CNN** said it will launch 24-hour Spanish-language edition of CNN International for Latin America. Network, to bow March 1, 1997, will be CNN's first independently produced full-time channel in language other than English.

# Consumer Electronics

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

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 2nd week of Nov. and year's first 45 weeks:

	NOV. 4-10	1994 WEEK	% CHANGE	OCT. 28- NOV. 3	45 WEEKS 1995	45 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	603,419*	564,774	+ 6.8	676,271*	22,293,305	23,031,621*	- 3.2
DIRECT-VIEW....	590,095*	553,889	+ 6.5	649,436*	21,642,449	22,520,452*	- 3.9
TV ONLY.....	528,383	518,891	+ 1.8	567,120*	19,798,080	20,803,515*	- 4.8
TV/VCR COMBO..	61,712*	34,998	+76.3	82,316*	1,845,369*	1,727,437	+ 6.8
PROJECTION.....	13,324*	10,885	+22.4	26,835*	649,856#	510,669	+27.3
TOTAL VCR**.....	275,068*	246,730	+11.5	520,426*	13,196,138*	12,678,506	+ 4.1
HOME DECKS.....	213,356	211,832	+ 0.8	438,110*	11,350,769*	10,951,069	+ 3.6
CAMCORDERS.....	44,667	37,217	+20.0	132,141	3,025,345*	2,669,631	+13.3
LASERDISC PLAYERS	5,039	3,763	+33.9	6,617	221,373	237,647	- 6.8

Direct-view TV 5-week moving average: 1995--728,506\*; 1994--710,222 (up 3.9%).

VCR deck 5-week moving average: 1995--383,116; 1994--363,748 (up 5.3%).

TV/VCR 5-week moving average: 1995--60,831\*; 1994--58,450 (up 3.9%).

Camcorder 5-week moving average: 1995--97,199\*; 1994--79,348 (up 22.5%).

\* Record for period. # Full-year record. \*\* Includes TV/VCR combinations.

**DVD SECURITY PLAN WOULD BAR ALL DIGITAL COPIES:** "Copy Generation Management System" (CGMS) is working name of Philips encryption proposal being developed for DVD, said Gijs (Gerry) Wirtz, former Philips DCC project mgr. who is supervising R&D. However, unlike its Philips-developed audio predecessor, Serial Copy Management System (SCMS), new system would make all digital copying impossible.

CGMS is adapted from work performed in developing SCMS, in which Wirtz also played key role. Outstanding difference is that while audio version permits making of one digital copy for playback in portable or car stereo -- as is mandated in Audio Home Recording Act (AHRA) -- CGMS would bar all such digital copies. Wirtz wouldn't comment on contention by Toshiba source in Japan that CGMS is leading contender at DVD negotiating table. As we have reported, choice of suitable DVD encryption system, along with multichannel audio and tracking servo system, is among few unresolved technical issues in negotiations for single DVD standard. Additional announcements on specifications of unified format have been promised by mid-Dec. (TVD Nov 20 p14).

Wirtz wouldn't comment directly on DVD encryption talks, other than to say it was "premature" to speculate on outcome. Technical challenges facing development of any system include way to assure it can't be circumvented. With system as restrictive as CGMS, Wirtz said, there would be greater incentive to find ways of defeating it. AHRA provides stiff criminal penalties for those who would market devices to defeat SCMS. Wirtz said additional challenge in DVD proceedings is how to mesh need for video encryption system with requirements of multimedia PC downloads. Technical challenges are formidable, he said, and DVD negotiators may well decide not to tackle all of final issues until later.

Outcome would be pivotal in determining shape of legislation on digital video copying, which EIA's Consumer Electronics Mfrs. Assn. (CEMA) has predicted could be introduced in Congress next year. Bill would be based on negotiations now taking place between EIA and MPAA on copyright compromise.

It's not clear how CGMS relates to other technical encryption proposals mentioned in legislative context and in course of DVD negotiations now centered in Tokyo. Macrovision is putting impetus behind another technology, called "Colorstripe," now several months in development. It's chip-based device that alters phase of color burst in composite NTSC or PAL video signal. Dubbing VCR accurately records such phase

shifts, but on playback interprets them as errors and tries to correct them. Net effect is to put stripes of inverted color across screen.

How all this figures in European patent application by Sony also is unclear. March 29, 1994, application is for anticopy system adapted from SCMS for use in digital VCRs, with Sony engineer Masaki Oguro listed as inventor. After allotted number of copies have been made, application says, SCMS signal prevents digital video recorder from making additional copies from original recording, as is case with digital audio recordings made on DAT, DCC or MiniDisc deck. Added dimension of Sony invention is that it also prevents copies from digital tape made on analog recorder from being copied on another analog recorder by inserting "copyright protection signal" in vertical blanking interval of reproduced image signal.

**DVD PROONENTS DISAGREE ON TIMING OF BOOM:** Will DVD burst forth as greatest immediate success in history of CE or will boom follow slow and arduous multiyear path? Both views were abundantly expressed last week.

"It will take 3 to 5 years before taking off," Sony Pres. Nubyuki Idei told journalists last week in N.Y. Idei, who was closely associated with Sony's MMCD DVD system before ascending to presidency 7 months ago, didn't disagree with rivals that market "will become very important." But he forecast at least 3 "difficult" years of marketing "that kind of new hardware and software" before major success is in sight. He said view was based on "many experiences," including CD launch in 1983 and "our recent experience" with MiniDisc (MD).

DVD drives for PC market are likely to be launched next year at high-end pricing, accelerating in 2nd year of availability, Idei said. "The market opportunity" for DVD movie players and computer drives "will be great," he said, but burden at start of marketing new hardware and software products will be like "lifting a heavy stone from the floor."

Idei cast doubt on Thomson's stated ability to make profit on DVD players at projected \$500 price because of complexity of key components that will be required in first-generation players. He didn't speculate on price of first Sony DVD player, saying only that his company would "try" to have machine based on unified DVD format on market "by the end of next year." Had Sony gone ahead with own MultiMedia CD (MMCD) launch without agreeing to unified standard, Idei indicated it would have been ready for June 1996 introduction. "Our engineers are crying," he told reporters, presumably because company was ready with own MMCD version.

Nevertheless, Idei was unequivocal in supporting talks to merge MMCD and SD into unified format. "If 2 formats were marketed, it would be very difficult" for either contender to "survive," he said. He indicated Sony foresees "no problem" in DVD licensing administration issues, adding that "Philips and Sony have the licensing know-how so we can share this know-how" with other companies chosen for administrative role. In N.Y. speech last week (see also separate report), he said: "The single format will offer us huge new markets, in which we can compete," and "I'm happy to say that the single DVD format appears to be technically superior to either of the independently proposed formats. The DVD user will enjoy the benefits of the very highest level of computer and video technology."

Idei brushed aside questions on status of DVD talks, which are expected to yield additional announcements on unified specifications in mid-Dec. (TV Nov 20 p14): "I don't care or know about the details." He said "more important" task is working toward combining best features of MMCD and SD systems into unified standard for benefit of consumers, "so I instructed my engineers to do their best to communicate with Toshiba. There is no winner or loser."

Despite Idei's doubts, Thomson Exec. Vp Joseph Clayton restated earlier claims at ITA Annual Update seminar last week in N.Y. "We have a source and contractual terms" on both price and availability date," and expect "\$500 retail price in September of next year," he told ITA. "Our expectations are for a huge and dynamic [DVD] industry rivaling the growth pattern of the VCR," Clayton said, repeating earlier projections that industry DVD sales would reach cumulative total of 4-5 million players in first 3 years. "And it's going to get even better after that," Clayton said. "By 1998, we expect more than half of all computer disc drives to be DVD drives. Within 2 years, you're going to see TV/DVD combination products on the market and widespread adoption by 1998."

Toshiba America Consumer Products (TACP), at N.Y. news briefing last week, declared intention to come out fighting next year as leading DVD contender in face of expected competition from Sony and

Thomson. Company banners hailed TACP as "the leader in digital video disc technology." TACP Pres. Hitoshi Ohashi said U.S. would be first market in world to receive DVD players. "The significance of this introduction is enormous," he said. "Never before has one system held so much capability for revolutionizing the entertainment and computer industries."

"The industry has never experienced the introduction of a product or a technology in a way that this product will be brought to market," TACP Mktg. Vp Stephen Nickerson said. Through intensive industry promotion effort planned for 1996, he said "every household in the United States will have heard of this product" by time it reaches store shelves late next year. "Very, very conservative estimate" is that \$200 million will have been spent on industry promotion before first product is launched, Nickerson said.

TACP will announce DVD product and promotion specifics Jan. 4 on eve of Las Vegas CES, Nickerson said. DVD commitment will place TACP back on main floor of Las Vegas show for first time in 4 years, he added, with exhibit officially kicking off massive awareness campaign that will continue every day through 3rd-quarter product launch.

Nickerson said TACP believes "we have all the things required" to be a DVD leader as "primary manufacturer and... developer of the technology... We will have early market entry. We hope to be in the marketplace at least as early as anyone else." He promised "multiple product lineup" in "the very first month" of introduction.

Studio support for DVD is "mixed," Rank Video Services Pres.-CEO David Cuyler told ITA seminar. Company is major VHS duplicator. Some studios think of DVD merely as "another transitional format that will co-exist with the VHS format until some point in the future when a genuine mainstream video-on-demand system finally becomes practical," he said. Copy protection remains major concern for studios, he said. And "no playback-only home video system has ever achieved meaningful market penetration at any retail price. Even if current trends indicate consumers are recording less, we believe they'll always want the option."

No consumer electronic product in history -- not even VCR -- ever has achieved more than 5% penetration in first 5 years of existence, he said. "Assuming the hardware manufacturers can deliver the product at \$500 or less, that a large selection of affordably priced software exists to play on the system and the consumer adopts a playback-only device as a replacement for VHS, we believe there still won't be meaningful production for at least another 5 years." He even ventured that "this time next year we'll still be discussing the introduction timetable for the first DVD players."

**SONY'S IDEI FORECASTS BLEND OF TV AND PC:** Nobuyuki Idei, in first U.S. speech as Sony pres.-COO, said company plans TV that will provide "viewing experience which will seamlessly blend the best of both television and computers." In meeting with journalists after his talk, he made it clear that in addition to adding computer functions to TV, Sony plans to transform personal computer, which he said is too difficult to use, into "more simplified TV-type computer."

In keynote speech to First Worldwide TV Summit in N.Y., sponsored by National Academy of TV Arts & Sciences, Idei outlined plan for "Intelligent TV" that appears to resemble prototype "Genius TV," demonstrated 2 weeks earlier by Thomson Consumer Electronics (TVD Nov 13 p9): "I believe a new concept of television will be created as the intelligence of computers, the access power of on-line communications and the visual power of full-motion video are integrated into a new form of viewing experience... Whether delivered via broadcast, satellite or cable, this 'Intelligent TV' format will transform linear programming into a hybrid media format offering explosive growth potential."

Idei demonstrated working model of "Visortron," eyeglass display with 2 tiny color LCDs for use with TV, VCR or computer. He said CE hardware companies no longer can be content to compete for "market share within one industry," but must create and find "new markets and business opportunities," and as "everyone is jumping into everyone else's domain, all the old rules are broken... boundaries among industries are disappearing... The traditional paradigms of television viewing must be reexamined in a digital world."

As for Sony's entry into consumer PC market (TVD Nov 20 p10), he made it clear that company isn't considering "me-too" product in long run. In session with journalists, he said: "I'm not so interested in today's personal computer. I don't think this computer will become very popular worldwide, because it is difficult to use." He forecast current PC boom will be short-lived with consumers who "even have trouble

with clock-setting on VTRs." While he said TV and PC will continue to co-exist, he expects Sony to pioneer in developing "more simplified" computer as simple to use as TV.

Deal with Intel is for cooperation at "technology level," he said, but Sony isn't exclusively committed to Intel. "We want to study how to design a computer, how to market a computer... and as a consumer company we want to develop a simpler solution." He indicated computers would have much in common with other digital home products in that they will require closer "communication with the user" than CE tradition of "selling the box to the big dealer."

PlayStation "will sell approximately 4 million players and over 20 million games by the end of this year," Idei said. Asked later whether Sony loses money on PlayStation, he responded: "How do you define losing money? By week, month or year? I think on a 12-month basis, the Japanese operation is already making money."

Conceding that there "are differences in the management of the entertainment and the hardware business," he nonetheless denied any plan to split Sony's hardware and software operations. Commenting on report that Sony may sell stock in U.S. operations to public, he reiterated earlier comment that Sony doesn't "deny any possibility" and "we are studying our financing options, but it is still in the early stages." Even if U.S. restrictions on foreign ownership were lifted, Sony wouldn't be interested in owning TV network, he said. (Idei's comments on DVD are in separate report in this issue.)

**NINTENDO ULTRA 64 DUE IN APRIL BELOW \$250:** Nintendo officially unveiled long-awaited -- and long-postponed -- "world's first true 64-bit home videogame system" last weekend in Japan, promising delivery in U.S. at end of April at suggested retail price of "under \$250."

Japanese launch will come at about same time, April 21, at approximately same price, 25,000 yen (currently \$249). On same day as Nintendo's announcement and demonstration, Sony announced "open-price policy" for PlayStation in Japan, dropping suggested list price of 29,800 yen (\$295), with dealers expected to sell console at 24,800 yen (\$245). PlayStation and Sega Saturn carry list price of \$299 in U.S.

Nintendo's announcement and demonstration, at company's 7th Annual Shoshinkai software exhibit at Shiba, near Tokyo, should come as no surprise, since company last May said it would exhibit game at this year's event for launch in April using high-performance chipset developed with Silicon Graphics that would let it market hardware for under \$250 (TVD May 8 p16).

"Nintendo 64 delivers beyond our expectations," Nintendo of America (NOA) Chmn. Howard Lincoln said, citing "revolutionary multidirectional controller," which allows 360° movement. "3-D stick" lets players identify any angle and control speed of character's movement. "C-Buttons" change player's perspective, and new "Z Trigger" is designed for shooting games. Included is "Memory Pack" that lets players use Memory Card to save game play information for later play or for playing on another Ultra 64. In Japan, system will be sold with one controller and one AC adaptor, with additional controllers and memory cards available separately.

There was no word on whether any software would be bundled with console or how much software would be available at launch. At exhibition, Nintendo previewed Super Mario 64 and other new games it's developing for system. While other software companies showed latest Nintendo games at Shoshinkai, none displayed any 64-bit games. Last May, Nintendo said postponement of Ultra 64 debut was to give software companies time to develop library of games.

Another widely touted multimedia venture has bitten dust as IBM and Apple Computer agreed to kill Kaleida Labs. Founded with much fanfare in 1991, Kaleida was formed to develop software that would allow consumers to play programs of any kind on PCs, set-top boxes, game players. Several other companies participated in effort, including Motorola and Scientific-Atlanta (TVD June 14/93 p4). Kaleida was 2 years behind schedule when it was shut down, and IBM and Apple are estimated to have invested \$150 million in project. Kaleida's closing calls into question Taligent, another Apple-IBM venture charged with producing powerful, multiplatform, object-oriented operating system. There were no outward signs that Taligent was due to get axe, although it also is behind schedule and over budget.

Nintendo scheduled official unveiling of its Nintendo Ultra 64 game system for annual Shoshinkai Software Festival last weekend in Japan. Consumers elsewhere could get peek at system through Nintendo Power Source, company's on-line area on America OnLine or World Wide Web. -- [www.nintendo.com](http://www.nintendo.com).

#### THIS WEEK'S YEN RATE

Yen values have been converted to dollars in this week's issue at 101 yen = \$1, except where noted.

**CLAYTON SEES CE 'DIGITAL EXPLOSION':** Growth of consumer electronics from today's \$60-billion industry to \$100 billion "by the beginning of the 21st century is well within our reach," with "veritable explosion of digital-based products and services." So said Thomson Consumer Electronics Exec. Vp Joseph Clayton at ITA's Annual Forecast & Update Seminar last week in N.Y.

Both near- and long-term prospects are for new records, said Clayton, who also is chmn. of EIA's Consumer Electronics Mfrs. Assn. (CEMA). In immediate future, he forecast direct-view color TV sales (excluding TV/VCR) at just over 23.5 million sets this year, vs. 24.7 million last year, with projection TV at nearly 825,000. While color TVs 30" and larger "represent only 10% of overall unit sales volume," he said, "they account for nearly 50% of industry profits."

Camcorder sales this year will total record 3.5-3.6 million, Clayton predicted, with 1996 sales at 3.6-3.7 million. Compact models represent 80% of U.S. sales, he said. While 8mm format still is volume leader, he said its growth this year will be just over 11%, while VHS-C sales will increase 28%.

Clayton estimated 1995 VCR sales at more than record 13.5 million, with hi-fi stereo models at more than 35% of sales. TCE will introduce D-VHS digital recorder for DSS subscribers next year, he said.

As for digital HDTV, he said "technology is in place for a market introduction by late 1997," and any slippage will be "of a political rather than a technical nature." Clayton's comments on DVD are in separate report this week.

**Cash-starved Carver Corp.** announced \$2-million sale of its professional audio operations to Phoenix Gold International, Portland, Ore., car audio supplier, which said it will use acquisition as springboard for entry into "pro sound arena" and "platform" on which to market its first multichannel amplifiers for custom home audio installations. Carver also announced plans aimed at raising additional cash by putting its 74,000-sq.-ft. Lynnwood, Wash., plant up for sale. Benefit of Phoenix Gold deal for Carver is that it will allow company to "focus on the consumer audio business, reduce staff and overhead, and improve Carver's liquidity and balance sheet," Pres.-CEO Robert Fulton said. "In addition," he said, "we gain the potential to increase short-term revenues as Carver becomes able to purchase previously deferred shipments of offshore-sourced products."

**Satellite Bcstg. & Communications Assn. (SBCA)** board last week approved \$4.3-million 1996 operating budget and formed 2 committees at annual meeting in Phoenix. It created Exec. Committee of board members, Satellite Industry Assn. (SIA) officer and 7 elected representatives, and Executive Policy Committee that will focus on legislative and regulatory issues.

**Camcorder retail prices** appear to have hit new lows. Thomson Consumer Electronics' GE "Images" 8mm model has had \$329 tag in some Circuit City ads. TCE introduced Sanyo-made fixed focus camcorder with 3X zoom earlier this year at \$499 list (TVD Feb. 27 p16).

**Packard Bell** will begin producing PC monitors in China in joint venture with Japan's NEC and Taiwan's GVC. Production is scheduled to start in May in Guangdong Province.

**JVC TAKING OVER HUGHES-JVC:** JVC is increasing its interest in Hughes-JVC Technology Corp. to 80% from 40% and taking over primary role in management of projection-TV venture. JVC Projection System Div. Gen. Mgr. Fusao Kishi has been named pres.-CEO, succeeding William (Willie) Donaldson, who left company several months ago.

JVC in Japan confirmed that it's taking leading role in joint venture and said it will make "formal announcement... in the near future." Hughes-JVC venture was announced with fanfare in 1992, with mission to "develop, design, manufacture and market worldwide consumer and professional projection-TV systems based on Hughes' liquid crystal lightvalve (LCLV) technology" (TVD June 1/92 p11).

Hughes had been looking for several years for partner with consumer know-how to work on low-cost version of system used in Pentagon war room and other high-cost govt. projects. Hughes-JVC has fielded high-brightness high-resolution professional projection systems in U.S. and elsewhere under Image Light Amplifier (ILA) name.

All projectors sold to date have been built at Hughes' Carlsbad, Cal., plant. However, lightvalve manufacture now is being transferred to Japan, it's understood, and it's believed assembly of systems eventually will be moved to JVC plant in Japan. Venture originally was capitalized at \$62.5 million. There has been no word on progress toward consumer version.

**TDK POSTS GAIN:** TDK said consolidated operating profit soared 38.3% in 2nd quarter, citing sales gains in magnetic products and recording devices.

For first half, TDK reported 73.1% rise in net earnings to \$98.3 million (based on \$1 = 99 yen). Gain was tied to increases of 9.9% in sales of magnetic products to \$630 million, including ferrite cores used in PC monitors, and 36.6% in recording devices to \$362.1 million, including magnetic heads for hard-disc drives. Export sales were up 10.6% to \$1.4 billion, accounting for 57.3% of total sales.

At same time, TDK said recording media sales fell 8.9% to \$596 million. It conceded that recording media results were weakened by "mature" audiotape and videotape markets and that while price competition has "slackened somewhat," demand "remained soft." However, sales of blank MiniDiscs, CD-R and other optical media more than doubled.

**Emerson** doesn't plan to leave video business, despite search for "strategic partner," Pres. Eugene Davis said last week in elaborating on our report (TVD Nov 20 p13). "We need to be in the business with a strong industrial partner," Davis said, but similar alliances aren't being sought for other product categories. However, Emerson will continue selling video products "with or without" partner, he said. Company also received royalties in 3rd quarter of fiscal 1995 on \$74 million in sales under agreement in which Otake Trading builds and sells Emerson brand video product to Wal-Mart. While Wal-Mart accounted for 53% of Emerson revenues in fiscal 1995, direct sales of video products to discounter hit "economic limit," Davis said. Company also has "no [financial] exposure" in retailers currently operating under Ch. 11 bankruptcy protection and "even if the worst happened, it wouldn't be more than a couple of hundred thousand dollars," he said.

**TAPE GROWTH, PRICE ATTRITION:** Video and audio tape sales will continue to grow, but with price attrition also continuing, according to presentation by Sony Tape Mktg. Vp Robert Striano at last week's ITA Forecast & Update Seminar.

Citing 3M's sudden announcement that it's dropping recording tape (TVD Nov. 20 p11), Striano warned that "there are no givens for any person or any company in this business," citing "many difficult challenges ahead." However, he said, despite technological change, older formats continue to show growth.

In video, he put 1995 VHS cassette sales at 355 million, with factory value of \$564 million (indicated average price of \$1.59), and forecast growth in 1996 to 370 million at \$518 million (average \$1.40). As for camcorder tapes, 8mm is running somewhat ahead of VHS-C, with sales of 21.4 million cassettes this year at \$68.8 million (average \$3.21), rising to 22.3 million next year but with dollar volume falling to \$65.4 million (\$2.93 per cassette). VHS-C, he said, will sell 18 million cassettes this year at \$50.4 million (\$2.80 each) and 20.6 million in 1996 at \$51.5 million (\$2.50).

VHS pancake tape sales will increase as well, Striano indicated. Based on tape for 22 T-120s in each pancake, he put this year's sales at 18.6 million units with value of \$309 million (\$16.61 each), rising in 1996 to 19.5 million at \$313 million (\$16.05).

In professional market, metal Betacam tapes will sell 5.1 million units at \$105.7 million this year, rising to 5.9 million at \$118.9 million, he forecast, while U-Matic shows slight decline from 6.1 million at \$49 million to 5.5 million at \$43 million.

In audio, Striano estimated 1995 sales of compact cassettes at 364.6 million tapes at \$260 million (average 71.3¢ each), dropping to 360.5 million at \$239 million next year (66.3¢). Type I normal bias tapes will sell 266 million units both this year and next, but dollar volume will drop from \$144 million to \$1.33 million (54.1¢ and 50¢ each).

Microcassettes constituted 33.9-million unit business this year at \$28.5 million (84.1¢) and should grow to 34.5 million in 1996, dollar volume staying at \$28.5 million (82.6¢). In digital domain, Digital Audio Tape (DAT) format continued last year to outsell all other digital audio categories, exceeding "combined sales of the 2 most popular professional recordable disc formats." Striano put all DAT sales this year at \$24 million, up from \$22 million in 1994 and predicted increase next year to \$28 million.



**Thorn EMI of U.K. will announce** plans by next fall for split that would create separate rental and music divisions, Chmn. Sir Colin Southgate told Financial Times last week. Southgate made disclosure in reporting rental business's operating profits increased 36% for 6 months ended Sept. 30 on 9% gain in sales. Thorn has been considering split since June 1994 (TVD June 13/94 p16) when it renamed flagship music business (Capitol and Virgin Records) EMI Music. Rental business, including Rent-A-Center (RAC) and Remco stores in U.S., was named Thorn Group. Thorn EMI's Thorn America unit has since begun plan to acquire some RAC franchise operators (TVD July 17 p14). Thorn operates 990 company-owned RACs in U.S.

**International Recording Media Assn. (ITA)** is in final stages of negotiations on lease that would move offices to Princeton from N.Y.C. by Jan.

**HITACHI TV/PC MONITOR:** Hitachi will introduce 27" combination TV/PC monitor next year. Containing TV tuner and RS232 port to connect to PC, it will carry \$999-\$1,999 retail price and be sold by Hitachi's CE and Multimedia divisions., Exec. Vp Gary Bennett said.

Hitachi joins Toshiba, which was first to offer TV/PC monitor in U.S. with 20" Toshiba Integrated Multimedia Monitor (TIMM) last year (TVD Nov 14/94 p15).

Bennett conceded that drawback will be tube's standard TV 0.55 dot pitch, well above 0.28 favored for PC monitors. "We're not totally sure about the market for this product, but we've had numerous buyers ask us for a product like this," he said, projecting 1996 sales of TV/PC monitors at 300,000-400,000 units. "The guy that's going to spend that much money on a monitor is concerned about dot pitch. We think a lot of people might use this for videogame playing and spreadsheets."

Toshiba, meanwhile, is weighing introduction of larger screen sizes, including 27", which has been available in Japan. "We believe there is definitely a market for this. It's just a matter of when we introduce other products," Toshiba TV/VCR Mktg. Vp Stephen Nickerson said, adding that 2nd 20" Toshiba Integrated Multimedia Monitor (TIMM) will be available in April in "TV gray" finish. While TIMM's 0.55 pitch has slowed sales, perceptions change "once people understand what the product is and what the differences are," he said.

TCE Tube Div., as we have reported, is sounding out TV manufacturers on market for finer pitch tubes for multimedia monitor use and plans to show prototypes at CES in Jan. (TVD Nov 13 p9).

**TOSHIBA, SEARS TALK PACT:** Toshiba and Sears, which have had on-and-off relationship over years, are discussing possible distribution involving TV sets and notebook PCs.

While both sides said no agreement has been reached, Sears in recent months has sought to expand product offerings, especially in audio, where it added Denon, JVC, Yamaha.

Toshiba Senior Vp Michael Larson said Toshiba has had "serious discussions" with Sears, which characterized talks as "ongoing conversation." "We try to talk to a lot of sources, but I also keep tight control on the number of suppliers we buy from," Sears Brand Central Vp-Gen. Mgr. Charles Cebuhar said. "We support the people that support us."

Sears earlier carried Toshiba TVs, but companies parted ways in 1992. Toshiba also once supplied Sears brand LXI TVs, but since has been replaced by Thomson Consumer Electronics (TCE). LXI, which accounts for 10-12% of Sears CE sales, also is used with select VCRs supplied by LG Electronics (Goldstar), TV/VCRs (Funai), camcorders.

Sears also said last week it was buying 9 former Broadway and Emporium stores in Cal. from Federated Dept. Stores. Outlets will be converted to traditional Sears format that includes Brand Central, Sears said. Federated will convert another 40 former Broadway locations to Macy's, including units in Ariz., Cal., N.M., Nev. Another 12 Broadway stores will be sold and final decision hasn't been made on 21 more, Federated said. Federated purchased 82-store Broadway chain in Oct.

**DIGITAL CAMERAS BIG AT COMDEX:** Picture looked upbeat for digital cameras at Fall Comdex as devices took big step from specialty niche toward broader market -- more functionality and lower price points -- keyed to flash memory.

Chinon, Epson and Fuji bowed point-&-shoot cameras that use flash memory to store digital stills with 24-bit color. Chinon ES-1000 (\$499) records 8 shots in internal 1-Mb storage, and accepts optional flash-memory PC cards up to 16-Mb for 128 photos. Epson's PhotoPC (\$499) has same storage scheme but offers choice of 32 standard or 16 hi-resolution images. Fuji's unpriced Fujix DS-220 uses 15-Mb flash card good for 84 images, depending on which of 3 resolution modes is used. LCD 2" monitor is optional.

Ricoh's RDC-1 (\$1,800) is unique device that stores stills, motion video and digital audio in varying combinations. Shirtpocket-size snapshooter resembling Kodak Disc camera uses 24-Mb flash card, can record 492 stills, 100 min. of monaural audio or 4 S-VHS quality full-frame, full-motion video clips of 5 seconds each. Modes may be mixed in any order. Up to 10 seconds of audio narration can accompany stills.

Current digital cameras use either internal flash memory and must be downloaded to PC to make room for more shots, or interchangeable PC-format flash cards. More configurations are likely next year once standards for downsized, removable flash memory are established. Two different types of tiny flash are vying for space in future products: Intel's MiniCard and CompactFlash developed by SanDisk (TVD Oct 16 p15).

Each is about 1/4 size of credit card. Each developer will license royalty-free to other parties. Both are meant to be removable by end user, for deployment in PC or to load new memory in handheld audio, imaging, communications or other devices. Difference primarily is in physical design.

CompactFlash has external pin array and needs onboard microprocessor and other hardware to manage flash memory. MiniCard has no exposed pins, using elastomeric connector to host hardware. Software driver manages flash memory, eliminating components and related cost. Intel claims MiniCard cost to OEMs is half that of CompactFlash.

Both camps want standard method for midget memories to communicate with PCs and other devices. Target is first quarter of 1996 for published specs.

**Note:** Name of Sony Pres. Carl Yankowski was misspelled in last report on Comdex. We regret the error.

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Direct-view color TV sales (excluding VCR combos) were up from last year for 4th consecutive week in year's 45th week (through Nov. 10), EIA figures showed. This was longest streak of weekly advances in more than full year (since Sept.-Oct. 1994). In 2nd Nov. week, TV/VCR combos and projection TVs set records, and sales of all products listed in EIA's weekly release were above same 1994 week (see State of the Industry).

Wall-hanging flat TVs using plasma display panel (PDP) are planned for introduction by Fujitsu General and NEC. Former says it will start sales of 42W" widescreen version in Nov. 1996 at about 1 million yen (currently \$9,900), while NEC plans 40W" model in fall 1997 at about 500 yen. Both companies aim at sales of 2,000-3,000 in first year.

**ULTIMATE, GOOD GUYS EARNINGS UP:** Ultimate Electronics and Good Guys (GG) reported slight gains in earnings in latest quarter (see financial table). GG said new Wow! multimedia stores are among 8-10 outlets it plans to open in existing markets in rest of fiscal 1996.

Good Guys posted decline in net income to \$1 million in 4th quarter from \$1.8 million year earlier, while sales rose 19% (see financial table). Same-store sales for quarter ended Sept. 30 increased 1%.

For full year, GG said net income rose 2% and sales 23% on 7% gain in same-store sales. Flat results were due to 1.9% decrease in gross profit margin tied to "rapidly growing, but low-margin PC business" that represents "larger portion of our sales," Pres.-CEO Robert Gunst said. Home office products, which include PCs, represented 12% of GG's \$724.7 million in sales in year.

In addition to 4 outlets opened in first quarter of fiscal 1996, GG will open 8-10 more in existing markets in Cal., Nev., Ore., Wash. Gunst said GG "most assuredly" will open more Wow! stores in joint venture with Tower Records (TR), but declined to disclose number or locations. Trade sources have said GG and TR are considering adding 6 in 1996 (TVD July 10 p12). First 60,000-sq.-ft. Wow! store opened in Las Vegas in Aug. (TVD Aug 14 p11).

Ultimate Electronics (UE) said net income edged up 5% in quarter ended Oct. 31 as same-store sales increased 1% and sales 70%. Wheat Ridge, Colo.-based chain's same-store sales have suffered in recent months as 2 stores in Salt Lake City and single outlet in Layton, Utah, displaced sales from one another, CFO Alan Kessock said. Excluding those outlets, same-store sales rose 11%, he said.

New 52,000-sq.-ft. store was to open in Tulsa late last week and chain will add 1-2 stores in markets outside Colo. next fall, Kessock said, but he declined to disclose locations.

**IU TESTS C-BAND SALES:** Incredible Universe (IU) has reached agreement with Action Antenna (AA) to supply its Woodbridge, Va., store with C-band satellite equipment.

Baltimore-based distributor and installer is stocking IU store with C-band display with 3-4 General Instrument integrated receiver decoders (IRDs) and 7.5-10' Superior Antenna Mfg. (SAM) C-band dishes. Equipment is sold alongside RCA and Sony Digital Satellite System (DSS) equipment at \$2,000-\$3,500, AA Pres. Roger Spurgeon said.

C-band sales appear to be limited to 185,000-sq.-ft. Va. store, in area that traditionally has been fertile territory for C-band, Spurgeon said. IU staff receives commission on sales, while AA handles installation and product related questions, he said, and one C-band system has been sold since program began.

While C-band setup is unique to Va. store, each of 16 other IUs has option of adding product to mix, Tandy spokesman said. "It could be someone else, somewhere else," he said. "It just depends on the individual store and its market." Tandy previously has sold C-band through Radio Shack.

"Their people can give out general information, but when somebody is interested in a big dish, our people can go out to a home and do a site survey," said Spurgeon, whose company has sold antennas since 1959.

## Consumer Electronics Personals

John McNenney promoted to national mktg. mgr. for telecommunications products, Matsushita Consumer Electronics... Edward Hobson, ex-Graham-Patten Systems, joins Sony Business & Professional Products Group as vp-production systems... Fusao Kushi, gen. mgr., JVC Projection System Div., named pres., Hughes-JVC Technology Corp., succeeding William (Willie) Donaldson, who left several months earlier... Dan Stanzione, pres., Bell Labs, will become pres., Network Systems Div. of AT&T's new \$20-billion equipment spinoff Jan. 1; William Marx, exec. vp, AT&T Multimedia Products Group, will be senior exec. vp of new company; as previously announced, Henry Schacht, ex-Cummins Engine chmn., will be chmn.-CEO of spinoff and Richard McGinn, Network Systems exec. vp-CEO, will be pres.-COO.

Roy Diner joins CD replicator Allied Digital Technologies as national accounts mgr... William (Pat) Weber, Texas Instruments, and Alfred Stein, VLSI Technology Inc., elected Semiconductor Industry Assn. chmn. and vice chmn., respectively... William Hayes, Texas Instruments exec. vp, software business and corporate venture projects, will keynote Display Works 96 conference and trade show sponsored by Society for Instrument Display (SID) Feb. 6-8 in San Jose... Charles Hewitt elected pres., Satellite Broadcasting & Communications Assn. (SBCA); Taylor Howard, Chaparral Communications, chmn.; Stanley Hubbard, U.S. Satellite Bstg. (USSB), first vice chmn.; Vinny Bauer, HBO, senior vice chmn.

Ronald Mitsch named to new post of 3M vice chmn., retaining title of exec. vp, Industrial & Consumer Sector and Corporate Services... Named consultants to Aristo International (videogames): Nolan Bushnell, ex-Atari; Michael Katz, ex-Sega and Atari; William Cravens, ex-Nintendo and Capcom USA; Robert Orbach, ex-computer software retailer... Sarah Olson-Graves, exec. dir.-mktg., promoted to vp-mktg., New Line Home Video... Appointments at LIVE Home Video: Tim McCreary, ex-A-Pix and Academy Entertainment, as Southeast Regional Sales Mgr.; Marie Di Perna, ex-Troma Team Video, Video Business and FoxVideo, joins as Northeast Regional Sales Mgr... Changes at Hemdale: Ray Bennett appointed chmn., Larry Glauber CEO... Tracy Ames, senior product mgr., Republic Pictures Home Video, promoted to dir.-mktg.

**MPEG-1 and MPEG-2** formatted digital videos were rated better than VHS in picture quality by 400 L.A. area consumers tested, in project funded by AT&T, Bell Atlantic, Nynex, Pacific Telesis. Study found MPEG-2 preferred over MPEG-1 and said bit rate of 3.0 Mbps "will provide the best improvement in perceived picture and sound quality" over current standards, although MPEG-1 compression delivered at 1.5 Mbps was found "very acceptable" and preferred over VHS. Study was made to find best standard for digital compression of movies, Pacific Telesis said. In tests, consumers viewed pictures in small groups on 3 sizes of new Sony Trinitron consumer TVs.

**Biggest LCD TV to go to market** probably is Sony 10.5" model, set for availability in Japan Dec. 15 at equivalent of \$1,635. It uses TFT active matrix LCD with 921,600 pixels, can be connected to antenna, cable or VCR by infrared transmitter to free user to move it without wire or cable connections. Sony plans production of 1,000 sets monthly at start, hasn't commented on export plans.

## 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
Good Guys			
1995-year to Sept. 30	889,206,000	14,166,000	1.06
1994-year to Sept. 30	724,713,000	13,893,000	1.06
1995-qtr. to Sept. 30	213,488,000	1,043,000	.08
1994-qtr. to Sept. 30	178,938,000	1,809,000	.14
TDK <sup>a</sup>			
1995-6 mo. to Sept. 30	2,579,141,000	98,333,000	.74 <sup>b</sup>
1994-6 mo. to Sept. 30	2,377,530,000	57,397,000	.42 <sup>b</sup>
Ultimate Electronics			
1995-9 mo. to Oct. 31	163,340,000	2,359,000	.42
1994-9 mo. to Oct. 31	95,076,000	2,204,000	.40
1995-qtr. to Oct. 31	62,547,000	1,212,000	.22
1994-qtr. to Oct. 31	36,872,000	1,157,000	.21

Notes: <sup>a</sup>Converted from yen at current rate. <sup>b</sup>Per ADS.

**AUDIO COMPONENTS SOARED IN SEPT.:** Rare 25.3% increase in Sept. audio factory dollar sales salvaged otherwise lackluster month, but 3rd-quarter shipments managed only scant 1.1% increase over year earlier, EIA Market Research Dept. reported.

Overall Sept. audio shipments climbed 4.9% to \$984.24 million from \$938.04 million, spurred by unusual 25.3% rise in components to \$246.36 million from \$196.59 million. Components' surge was more than sufficient to negate 10% decline in aftermarket autosound. EIA's 2 remaining audio categories were sluggish in month, portable audio rising 4% and systems only 0.8%.

Total industry shipments eked out 1.1% gain in year's 3rd quarter, to \$2.35 billion from \$2.32 billion, based on our tabulation of EIA figures for July-Sept. For 9 months, sales increased modestly at 4.5% rate, components again leading way with 10.6% rise. Other categories were weak for 9 months, but managed to avert declines. Aftermarket autosound rose 3.5%, systems were up only 2.7% and portable audio kept pace, rising 2.6%.

Here's EIA breakdown of audio factory dollar sales for Sept. and year's first 9 months:

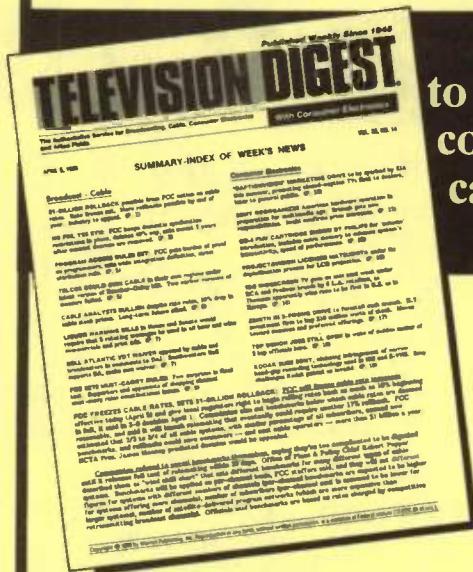
FACTORY SALES OF AUDIO EQUIPMENT  
(add 000)

Product	Sept. 1995	Sept. 1994	% Chg.
Portable audio*.....	\$362,772	\$348,764	+ 4.0
Components.....	246,360	196,594	+25.3
Systems.....	203,344	201,816	+ 0.8
Autosound (aftermarket)	172,760	190,869	-10.0
<b>TOTAL.....</b>	<b>\$984,236</b>	<b>\$938,043</b>	<b>+ 4.9</b>
Product	Sept. 1995	Sept. 1994	% Chg.
Portable audio*.....	\$1,940,059	\$1,890,696	+ 2.6
Components.....	1,320,407	1,193,583	+10.6
Systems.....	1,188,330	1,157,319	+ 2.7
Autosound (aftermarket)	1,518,738	1,466,957	+ 3.5
<b>TOTAL.....</b>	<b>\$5,967,533</b>	<b>\$5,708,555</b>	<b>+ 4.5</b>

\* Includes home radio.

**EIA Consumer Electronics Mfrs. Assn. (CEMA)** said it's soliciting proposals for exclusive vendor to produce and broadcast "CES-TV" service at "Digital Destination" show May 23-25 in Orlando.

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