

# TELEVISION DIGEST®

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

With Consumer Electronics

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## SUMMARY-INDEX OF WEEK'S NEWS

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### Broadcast - Cable

**WESTERN SHOW GOES HIGH TECH** as focus lands on modems, high-speed video, Internet. Moguls and movie stars debate industry issues. (P. 1)

**GROUP RECOMMENDS FCC ACCEPT HDTV STANDARD** based on Grand Alliance system. Unanimous vote comes despite concerns by computer and cable industries. System touted as 'world class.' (P. 3)

**STATIONS TO BECOME PBS INVESTORS**: Duggan says that would give them greater access to more and better national programming. First Reader's Digest-PBS productions announced. (P. 4)

**'REGULATORY CONVERGENCE' SEEN**: At Western Show, FCC told it must change old ways as competition increases. NCTA's Bailey promises continued fight on in-home wiring, compatibility. (P. 4)

**FIGHT OVER RELAXING NETWORK RULES**: Only Big 3 favor removing restrictions on dealings with affiliates. Emerging networks and affiliates opposed. (P. 5)

**MODEMS DISPLAYED AT WESTERN SHOW**: CableLabs announces work on protocols. CableNET exhibit touts home office capabilities. Western Cable Show Notebook. (P. 6)

**FCC SAYS RATE-SETTING MAY BOOST CABLE**: Begins rulemaking on revenue-neutral proposal. Several questions unanswered. (P. 7)

**WESTERN SHOW FEATURES HIGH-TECH THEME**: Last week's Western Cable Show in Anaheim turned away from traditional focus on programming and regulation, instead providing showcase for what cable will be able to accomplish pumping data and high-speed video through its systems instead of more common fare. From star-studded general sessions with industry magnates to panel discussions and displays on convention floor, future of cable as provider of today's Internet services and online offerings were feature attractions. Even regulators got into act, with Michael Katz, who will leave his FCC post as chief economist at end of this year, warning that content would no longer be king, saying instead that cable operators should concentrate less on content because of importance of telephony and data.

High-tech talk wasn't only highlight of convention as attendees were also treated to thoughts of industry leaders on more cosmic issues. This year's program featured three media chiefs and one movie star, who engaged in colorful debate on future of cable industry and new telecom services, saying high-speed data and new video capacity will broaden reach. Barry Diller, who earlier brokered deal to expand Silver King broadcast group and run Home Shopping Network, said he hopes deal might lead to new cable channel. He said Silver King, of which he's chmn., had "enormous reach but very little grasp," and restated his belief that electronic retail industry eventually would merge with ad content on broadcast TV.

### Consumer Electronics

**SONY TO MAKE 35" TVs** and picture tubes in Pittsburgh for sale next summer. Integrated plant joins aperture grille and glass facilities. Plant making projection tubes, assemblies 800 PTVs daily. (P. 11)

**CE RETAIL SALES FLAT** over Thanksgiving weekend, with big-screen and projection-TV bright spots, but audio continuing year-long slide. (P. 12)

**RECORDING INDUSTRY BEGINS** work on high-density music disc version of DVD. RIAA forms task force to study possibilities, with work starting in Europe and Japan. (P. 13)

**PROTON WIDESCREEN SETS** will be shipped in first half. Company plans 15" and 17" combination TV/PC monitors with VGA resolution. (P. 15)

**GO-VIDEO PLANS PROJECTION TV** in joint venture with Cal.-based Prolux, aiming at 60" LCD rear projector by late 1996. (P. 15)

**VHS GROWTH TO CONTINUE**, duplicator tells ITA. Penetration of 90% by 2000 forecast, with software sellthrough market peaking in 3-5 years. (P. 16)

**PIONEER CLOSES OUT LASERACTIVE** system at \$299, promoted as high-priced multimedia system. (P. 16)

**HITACHI SALES AND EARNINGS UP**: It cites U.S. big-screen sales. (P. 17)



## Consumer Electronics Personals

**Adam Yokoi**, ex-Matsushita senior vp-corporate liaison and technology, joins Warner Home Video as vp-business development, reporting to Pres. **Warren Lieberfarb**, responsible for forming "strategic marketing partnerships with hardware manufacturers" for worldwide DVD launch in 1996... **Pieter van der Wal**, Philips Communications Systems Div. chmn., named Grundig CEO, replacing **Pieter Harmsen**, who will be shifted to as yet undetermined job within Philips group... **Joseph Fogliano**, former pres.-CEO of Thomson Consumer Electronics and exec. vp of TV Group, resigns as pres. of Maytag's N. American Appliance Group; he can be reached at 312-578-4507.

**Leo Delaney**, onetime Mitsubishi product development & mktg. vp, is pres. of Delaney & Assoc., retained by Go-Video to manage product development and start-up production for joint projection-TV project with ProLux Corp. (see separate report)... **Joel Ginsparg**, ex-Logica (business systems integration), named PrimeStar senior vp-technology & operations... **William Monahan**, vp, 3M Electro & Communications Systems Group, appointed CEO of as-yet-unnamed subsidiary encompassing company's 4 data storage divisions... **Ron Haverkamp** named Velodyne Acoustics dir.-international sales; **Eileen Tuuri**, ex-Dolby Labs, joins as mktg. mgr... **Richard Groves**, ex-Eton Properties, Hong Kong, appointed vp, new Sony Retail Entertainment subsidiary in Europe, based in Berlin.

**Liz Arends**, ex-IBM, appointed Sony PR mgr. for DVD, DSS, personal video and Maximum TV products... **Clinton Newby**, ex-IBM and Falcon Microsystems, named CompUSA govt. & education sales dir... **Emilio Robles**, ex-Apple Computer, joins Philips Semiconductors as PR dir... **Mel Lewinter**, ex-Warner Music Group, appointed chmn., MCA Music Entertainment Group, based in N.Y.; **Zach Horowitz** advanced to pres. from COO, based in L.A... **Erik Holmberg**, ex-Miramax, joins LIVE Entertainment as vp-physical production.

**Ken Schlager** promoted to Billboard dir.-strategic development, succeeded as managing editor by **Susan Nunziata**; **Marilyn Gillen** replaces Nunziata as news editor... **Rob Sabin** appointed Stereo Review senior editor, replacing **Robert Ankosko**, recently promoted to exec. editor.

**Dillard** may leave videogame business by year-end because of low profit margins, retailer said. Chain, which has CE depts. in 150 stores, hasn't been big force in games, mainly carrying Nintendo's Super Nintendo Entertainment System (SNES) and Game Boy and Sega Genesis hardware and software. Chain recently ran 50%-off sale on 16-bit games. "We'll have to wait until the end of the year to see how we come out," Dillard Electronics Div. Mdse. Mgr. **Lloyd Dabbs** said. "Normally, you give away the hardware to sell the software, but in this case we started to give away the software." Dillard plans to open new 200,000-sq.-ft. store with 2,500 sq.-ft.-CE dept. in Houston area in March. Space vacated by videogames most likely will be filled by cellular phones, which retailer has been adding.

**Clarification:** Sony has licensed "certain" StarSight technology for use with its Digital Satellite System (DSS) products.

## 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
<b>Handleman</b>			
1995-26 wk. to Oct. 28	525,959,000	(3,104,000)	--
1994-26 wk. to Oct. 29	559,624,000	16,381,000	.49
1995-13 wk. to Oct. 28	295,170,000	3,365,000	.10
1994-13 wk. to Oct. 29	347,160,000	15,480,000	.46
<b>Hitachi<sup>a</sup></b>			
1995-6 mo. to Sept. 30	39,263,000,000	583,000,000	1.67 <sup>b</sup>
1994-6 mo. to Sept. 30	37,773,000,000	500,000,000	1.46 <sup>b</sup>
<b>Katz Media Group</b>			
1995-9 mo. to Sept. 30	133,044,000	(150,000)	-- <sup>c</sup>
1995-qtr. to Sept. 30	43,611,000	557,000	.04 <sup>c</sup>
<b>TSX</b>			
1995-6 mo. to Oct. 28	44,325,000	6,936,000	.65
1994-6 mo. to Oct. 29	32,474,000	2,967,000	.30
1995-qtr. to Oct. 28	23,998,000	3,734,000	.35
1994-qtr. to Oct. 29	18,573,000	1,758,000	.17
<b>ValueVision International</b>			
1995-9 mo. to Oct. 31	61,743,270	7,777,677	.27 <sup>d</sup>
1994-9 mo. to Oct. 31	36,720,075	(6,363,246)	-- <sup>e</sup>
1995-qtr. to Oct. 31	22,017,237	8,131,378	.28 <sup>d</sup>
1994-qtr. to Oct. 31	13,025,009	(811,851)	--
<b>Walt Disney</b>			
1995-year to Sept. 30	12,112,100,000	1,380,100,000	2.60 <sup>d</sup>
1994-year to Sept. 30	10,055,100,000	1,110,400,000	2.04 <sup>e</sup>
1995-qtr. to Sept. 30	3,123,600,000	264,000,000	.50
1994-qtr. to Sept. 30	2,698,400,000	225,900,000	.42 <sup>e</sup>

Notes: <sup>a</sup>At rate of 99 yen = \$1. <sup>b</sup>Per ADS. <sup>c</sup>Comparable figures not available. <sup>d</sup>Includes special credit. <sup>e</sup>After special charge.

**Phillips** is making major sales pitch in China, which it considers "its most important business development opportunity," China Daily said. Newspaper said company is spending \$2.4 million on image promotion alone in Sept.-Dec. period and additional \$960,000 to push its latest TV set, "especially developed for the Asian market with soft color compared with the reddish visual effect popular in Europe." In interview with **Stephen Young** of Philips' Sound & Vision Div., China Daily said Philips will have more than 20 ventures and offices in China by year-end, with sales topping \$44.3 million annually and employing more than 9,000. Company has more than 600 sales outlets and 65 service centers in more than 50 Chinese cities, article said.

**U.S. Satellite Bcst. (USSB)** has filed registration statement with SEC for 8.3-million-share public stock offering. Offering represents about 9% of USSB's equity and "substantial amount" of proceeds will be used to fund marketing and promotional costs for DBS programming it supplies to Digital Satellite System (DSS). Money raised also will be used for general corporate purposes, including increasing transponder power, repaying outstanding amounts under credit agreement, building additional satellites.

**CDs** strengthened their dominant position as world's leading prerecorded music carrier, International Federation of Phonographic Industry (IFPI) said in releasing interim first-half 1995 statistics for 31 countries. Estimated retail value of all shipments climbed 14% in year's first 6 months, spurred mainly by 19% rise in unit sales of CDs, IFPI said.

**Duracell** is scheduled to formally open 310,000-sq.-ft. world hq in Bethel, Conn., this week. Hq was built next to existing offices and address remains same: Berkshire Corporate Park, Bethel, Conn. 06801, 203-748-2990.



**HITACHI, NINTENDO EARNINGS:** Hitachi reported 17% increase in both consolidated pretax and net income on 4% rise in sales for first half of fiscal year (see financial table), while Nintendo's parent-only operating profits were rescued by gain in foreign exchange despite 19% dip in sales.

Hitachi, whose consumer product sales constitute only 10% of consolidated total, specifically noted that "sales of large-screen TVs fared well in the U.S." However, it added that "owing to the high yen, [consumer product] sales barely rose, in overall terms, above the previous year's level." Total consumer product sales were up 2% from year earlier.

Company saw "signs of a consumer spending recovery in Japan" in period ended Sept. 30, but strong yen continued to hurt economy there. "Overseas, while the slowdown in the U.S. economy continued, economic activity in Asia was brisk," Hitachi said. PCs, semiconductor and memory sales were spurred by PC boom, it said. Information systems and electronics had largest sales, representing 29% of total (up 10%), followed by power and industrial systems 24% (down 2%), services and other 24% (up 10%), materials 13% (up 5%).

Nintendo revealed that its Virtual Boy hardware sold only 470,000 units in U.S. and 140,000 in Japan in first half, against target of 500,000 in each, blaming lack of attractive software, which it said it hopes to remedy in 2nd half. Company reiterated goal of selling 3 million Virtual Boy consoles in first year. Sales of Super Nintendo Entertainment System were down 23%.

Parent-only sales dropped 19% to \$1.68 billion and operating profits 43% to \$528.3 million, but recurring profits gained 25% to \$645.5 million thanks to foreign currency gains of \$260 million (at \$1 = 99 yen). Nintendo said its first-half profits were affected by extraordinary loss of \$99 million on closing of subsidiary in U.K., where marketing now is conducted by independent company. Nintendo slightly raised its forecast of net and recurring profits for full year.

**Status of Texas Instruments' Digital Micromirror Device (DMD) projection TV,** according to Business Development Mgr. Gary Feather: OEMs using DMDs "have stated they expect to put DLP- [Digital Light Processing] based projection displays into the market" before year-end 1995." The 640x480 resolution (VGA-Virtual Graphics Array) will be followed by 800x600 resolution (Super Virtual Graphics Array-SVGA) in first quarter 1996. The 1,280x1,024 resolution (XGA) has completed design and initial fabrication. Applications of XGA into products will occur in 2nd-3rd quarter 1996. Professional products will follow closely behind first business products. Applications in home theater will continue development and prototype demonstrations in 1995, and OEMs will announce their schedule of product plans by year-end.

**JVC formally announced takeover of majority control of Hughes-JVC Technology Corp. (HJT) last week,** following our exclusive report on transaction (TVD Nov 27 p18). JVC will increase holdings to 80% from 40% "in order to further develop its ILA (Image Light Amplifier) super projector business," company said in Japan, adding: "JVC will take the primary role in managing the joint venture company and move its light valve manufacturing operations from the U.S. to Japan. HJT will continue to develop and manufacture ILA superprojectors in Carlsbad, Cal." JVC said high-brightness projector "plays a key role in JVC's medium-term business plan." Transaction is subject to regulatory approvals. JVC said there's no plan to move assembly of professional projection systems to Japan, as we had speculated last week.

**CIRCUIT CITY-CARVER DEAL:** Carver Corp., trying to dig out of financial hole (TVD Nov 27 p18), began telling specialty retail accounts last week that it plans to sell Carver products nationally through Circuit City (CC) starting in mid-Jan. Commitment to CC will be chainwide, involving same line of products sold to audio specialists, said Carver Exec. Vp-COO Steve Williams, who helped broker deal. He said there are no plans to market derivative Carver goods through Circuit City. Move had been fodder for rumor mill for months, but Williams said there was no truth to reports that CC would make cash investment in financially beleaguered supplier -- agreement is conventional distribution deal.

Volume of product shipped to CC will provide Carver with "critical mass" needed to boost R&D spending and expand U.S. product in bid to return to profitability, he said. By taking on Carver brand, Williams said, Circuit City is "establishing a beachhead in the [high-end audio separates] category and doing it full-strength."

U.S.-designed line, much of which still is being sourced from Far East, will be positioned by CC as alternative to "the one-box solutions" offered by Japanese manufacturers such as Denon and Yamaha, he said. Goods will be rolled out to CC stores on region-by-region basis starting in mid-Jan. to permit sales training and assure sufficient stream of product, he said, estimating all stores could have product within 90 days.

Williams acknowledged strong possibility of dissent from traditional Carver audio specialists, but said specialty accounts will be told they "now have a volume partner" in CC, which he described as "nonabusive megaretailer." Development is "a win-win-win" for Carver, CC and Carver specialty accounts because of higher visibility that will accrue to brand and economies of scale in production that will benefit all, Williams said.

**CIRCUIT TESTS DIRECT SALES:** Circuit City (CC) is testing 2 sales strategies, one of them central toll-free number that allows consumers to order products.

CC Direct, which retailer began testing in Nov. in Phoenix and Salt Lake City, involves publishing toll-free number with print ads. Using number, consumer can buy via credit card products listed in ad or any other items CC carries. AV products are shipped via UPS from store within 50-mile radius of consumer's home. Shipping charges range from \$4.95 for 4-lb. item such as VCR to \$29.95 for major appliances.

"It's a small business," said executive at rival retailer that has tried similar approach. "But in small stores where you have a low assortment, it allows you to draw off the warehouse and provides a benefit to salespeople who can sell products they may not have on hand."

Second strategy, Direct Select (DS), has been tested in Cal. and 8 locations in Houston area. DS allows consumers buying 19-27" TVs or VCRs to take shelf tag and make purchase at register, bypassing floor sales staff. Program appears similar to low-pressure sales approach employed by rival Best Buy for several years.

**RF modulator that can switch video and audio output from camcorders, VCRs, laserdiscs, videogames, computer screens, etc., to unused TV channels for transmission throughout home,** is offered by NetMedia, Tucson, at \$225. Model is claimed to be "world's smallest" -- 520-544-4567.



**VHS GROWTH SEEN CONTINUING:** Predicting annual output of duplicated videocassettes will grow to 843 million in 1996 from 759 million in 1994, Rank Video Services Pres.-CEO David Cuyler told ITA's recent annual Update Seminar in N.Y. that company is expanding its VHS duplicating capacity. He announced plans for 2nd duplicating, packaging and fulfillment center in N. Little Rock less than 6 months after Rank opened first one there in June.

Number of VHS cassettes duplicated this year should total 794 million, Cuyler said. Although colleagues at Allied, Technicolor, Premiere and West Coast with whom he consulted for presentation agreed on growth figures over last year, they were more conservative on future gain, he said, putting it at 3% or less. He broke down numbers as rental and sellthrough, 643 million in 1994, 675 million in 1995, 715 million in 1996; premium and promotion, 71 million in 1994, 80 million in 1995, 90 million in 1996; nonconsumer (industrial, educational) 45 million in 1994, 39 million in 1995, 38 million in 1996.

Sellthrough market won't peak for at least another 3-5 years, Cuyler predicted. With studios' increasing move toward direct distribution of sellthrough product, duplicators will become experts at "complete turnkey operations," he said -- duplication, packaging, distribution, etc. Over last 10 years, Rank has been shipping to 300-800 locations; within 5 years, number could grow to as many as 25,000-30,000, with each shipment smaller and involving more custom handling. He doesn't foresee same situation for rental, however, saying that traditional distributors seem to be handling that market well.

VHS won't be affected significantly by video-on-demand (VOD) for at least 6-8 years and perhaps longer, Cuyler said. VCR still is more affordable and user-friendly. "It's still cheaper to rent than to download," and retail stores offer more variety, he said. Also, installed base of VCR owners, which he put at 81% now, should grow to 90% before 2000, he said. Even DBS, which has been getting increased attention as alternative video delivery system, won't cannibalize VHS products because it provides "that much more programming to record and play back." VCR sales continue to grow 5-10% per year, and this quarter nearly 100 million sellthrough videos will be sold, he said.

Cuyler also cast aside challenge of digital videodisc (DVD). Although once-warring sides are talking, they still haven't come to agreement on specifications for new format and he said it appears increasingly unlikely that product will be delivered by scheduled time frame. Price will be key issue for consumers, he said (TVD Nov 27 p16).

Sony's 2nd optical pickup plant in China will start production in Jan., with monthly capacity expected to reach 2 million CD and CD-ROM pickups by end of 1996. New Sony Precision Devices (Huizhou), combined with Shanghai Suoguang Electronics, Sony's first optical pickup plant in China, is scheduled to have capacity for 40 million units in fiscal 1997. At outset, all pickups will be exported, but Sony said domestic market sales would be considered later. Sony currently is producing optical pickups at 6 locations worldwide.

Sony Theaters will promote PlayStation videogame with 30-sec. trailer on screen as well as interactive console displays in lobbies -- both plugging "Holiday Sweepstakes," which will award one PlayStation console for each of 75 theaters.

**PIONEER DROPPING LASERACTIVE:** Pioneer's LaserActive (LA) system, its much ballyhooed entry into interactive media, is quietly being closed out, with players at \$299.

Pioneer will sell through remaining inventory by early 1996 and is packaging Sega module with player, AV Brand Mgr. David McCollough said. Low-key departure is contrast to high-profile campaign Pioneer waged in introducing product in early 1993 (TVD Jan 4/93 p10). LA targeted upscale consumers with system that retailed at \$800 for player, \$500 for modules that allowed it to play Sega games or NEC's TurboGrafx software, \$300 for laser karaoke module. In recent months, however, LA dealer cost was cut to \$250 and retail to \$299, same price as Sony PlayStation and Sega Saturn.

In seeking to expand business opportunities, "sometimes you get a win with a hit product and sometimes you don't," McCollough said. "In the game industry, a lot of people make the money on the software, not on the hardware. We were trying to making some profit on the hardware side as well as the software side, which is not how that industry is structured." LA suffered from software developers' "reluctance" to invest in authoring tools needed to create games for system, McCollough said.

Ironically, retailers who have been carrying LA at closeout prices have recorded strong sales -- one dealer said he sold 50-unit shipment within 2 months. "The drawback to the machine was it didn't have flipside play," said Darryl Wilkinson of Bjorn's Audio/Video.

There are no plans for 2nd-generation LA, and Pioneer instead will focus on "entertainment and home theater aspect" of laserdisc (LD) by adding features to standard LD players, McCollough said. "We're still dedicated to the laserdisc format," he said. "We also will be a player in DVD, but we won't abandon laserdisc."

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LG Electronics cut \$100 from price of GoldStar 3DO player late last week, dropping it to \$199 as key selling season for videogames gets under way. Price reduction was 2nd this year. It wasn't clear at week's end whether Panasonic would respond with similar move. Repriced player will be packaged with 3DO controller and comes with 2 games, "Shock Wave" and "FIFA International Soccer." LG HiMedia Vp James Ireton said "advances in technology" enabled company to hit new price. Both LG and Panasonic slashed retail for player to \$299 from \$399 in June (TVD July 3 p11). LG also is launching first licensed titles, including "Primal Rage" and "Defcon 5." New tag drops LG 3DO player below Sega Saturn, Sony PlayStation and Pioneer LaserActive, all of which now are at \$299. New prices are big drop from \$699 tag that first Panasonic model carried when it was introduced in 1993.

Second IBM-Apple venture bit dust last week. Taligent Inc., formed with Hewlett-Packard to create new PC operating system, will be disbanded, its technology moved to IBM, with Apple and H-P continuing to have rights to use its developments. Move came just week after IBM and Apple agreed to kill Kaleida Labs. Founded with much fanfare in 1991, Kaleida was supposed 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. Kaleida was 2 years behind schedule when it was shut down, and IBM and Apple are estimated to have invested \$150 million in project.



**PROTON WIDESCREEN, PC/TV:** Proton will ship 30W" and 34W" TVs in early 1996, nearly 2 years after first showing 16:9 widescreen product, and plans to deliver 15" and 17" TV/PC monitors by midyear.

Widescreen sets will feature dual-tuner PIP, 600 lines of horizontal resolution and allow consumer to choose among 4 picture formats. TVs were delayed as Proton switched set designs to analog from digital and will buy tubes from Matsushita or Hitachi, assemble them at Cerritos, Cal., plant, Proton Sales & Mktg. Vp William Tovatt said.

While Thomson, Matsushita, Philips and others tried unsuccessfully to jump-start widescreen market in U.S. 2 years ago, Proton's plans are modest. It's projecting sales of 34W" at 5,000 units in 1996, with 30W" in 2,700-2,800 range, Tovatt said, noting that Proton customers are strong candidates to buy widescreen sets since 65% of them own laserdisc players.

Tovatt called his sales projections for widescreen sets "a drop in the bucket -- that's how many some manufacturers may sell in a week. We know that, so what we're going after is that niche market that is interested in the picture quality, not the volume."

Proton dealers we canvassed said company "didn't miss anything" by postponing introduction, but said there's "legitimate interest" among videophiles. "Are there thousands of people out there who want to own this product?" Harvey Electronics Vp Franklin Carp asked. "Probably not. But I think there are enough people out there who now understand that there are different aspect ratios."

Testing PC waters, Proton also showed prototype PC/TVs, including 17" version with videophone capability. Both 15" and 17" models will be available in 1996, but might not find market until 1997, Tovatt conceded. Products will be priced 10-15% below conventional PC monitors. Smaller monitor will be sold on OEM basis, while 17" carries Proton brand, he said. Both models have 0.28 dot pitch, for VGA resolution (as opposed to conventional 0.55 pitch). Proton already builds PC monitors for IBM and Unisys in Canada.

In attempting to overcome lower brightness found in finer pitch monitors, Proton is studying high-contrast "Microfilter" tubes currently available from Toshiba that boost brightness without electronically increasing contrast by placing color filter in front of each phosphor dot (TVD July 11/94 p13). Toshiba offers these tubes for PC monitors in U.S. and uses them on some TVs in Japan. Proton monitors will focus first on corporate market before moving to consumers in bigger screen sizes, Tovatt said. Monitor will have sharpness and tint controls to make it viable for both PC and TV use, he said.

In audio, Proton returned to single-disc player market after 3-year absence with Philips-sourced product expected to be available by mid-1996, pricing not set. Player will be sold with speakers to create book shelf system, Tovatt said. Company will add 5- or 6-disc changer based on Nakamichi's MusicBank design by late 1996. Car stereo products introduced at CES last Jan., including head units, amplifiers and speakers, have shifted to OEM business, largely for RVs, Tovatt said. With Proton accounting for 70% of assembled car audio business in Taiwan, decision to OEM product was "logical because we do a lot already so it's simple to build for the RV market," Tovatt said.

**GO-VIDEO PLANS LCD PROJECTOR:** Go-Video and Cal.-based Prolux last week announced alliance that they said would yield 60" LCD-based rear-projection TV by late 1996.

TV will be designed using Prolux's LightCast single-lens projection technology that reportedly collects light and "optimally illuminates diverse and sharp images," companies said. Product also will include "light engine" as well as GV "proprietary" video electronics and software. Prolux technology is used in projectors in 75% of theaters in U.S.

Plans call for companies to have prototype ready by late Jan. at price "competitive" with CRT-based sets, GV Corporate Development Vp Edward Brachocki said. Production will be based at Prolux's San Juan Capistrano hq and GV retained former Mitsubishi Vp Leo Delaney to direct project.

Joint venture will start with rear projection because of shorter focal length required for lens, then will shift to front projection, Brachocki said, and GV also is studying entry into conventional direct-view TV business.

Prolux was described as company that sells products to OEM customers in "professional presentation and consumer electronics industries," featuring its "patented illumination technology, LightCast," which is "the basis for the Prolux digital projection product line."

GV-Prolux project is most recent entry in growing field of companies developing alternatives to CRT-based PTV technology. Nine companies have signed licenses to develop projection TVs around Texas Instruments' Digital Light Processing (DLP) technology using Digital Micromirror Device chips. Hughes-JVC venture was formed in 1992 and is continuing project to develop professional projection TV systems based on Hughes' liquid crystal lightvalve technology (TVD June 1/92 p11).

Major Korean conglomerates accused of paying bribes to former President Roh Tae Woo were named by prosecutors in growing Korean scandal. Prosecutors indicated heads of groups named would be indicted, following arrest of chmn. and owner of Hanbo Group. Heading list of companies accused of bribery were Hyundai and Daewoo, charged with paying 15 billion won (\$19.5 million) each, LG Group (\$18.2 million), Samsung (\$13 million). Shares in 6 of Daewoo's 14 companies fell maximum permitted limit on Seoul stock market, based on fear that its Chmn. Kim Woo-choong would be arrested.

**TCE-Sun Microsystems Open TV joint venture** is supplying set-top boxes for Sprint video-on-demand (VOD) test at 8 Pacifica, Cal., elementary schools. Pilot project, now in 2nd year, involves placing 32" RCA TV in each of 103 classrooms, along with box connected via fiber to Sun video server in Sprint lab in Burlingame, Cal. Teachers have access via remote to about 100 titles containing 200 hours of programming, Sprint spokesman said. Sun/TCE joint venture supplied each school with one set-top box and TV in first year of test and expanded it to all classrooms this year. VOD project will include live educational programming from Cal. Polytech in 1996, 2-way video between Cal. Poly and schools in 1997 and 2-way video between schools in 1998, Sprint spokesman said. Sprint is funding project with Sun/TCE as equipment supplier, spokesman said. Sun/TCE alliance, formed in 1994, also signed agreement with Ikonix Interactive, which plans to integrate Open TV technology into line of products including navigator.



Former Decca Records executive Tony Griffiths, now consultant to PolyGram, agreed there isn't common agreement on what new format would look like or how it might mesh with existing music CD. He's member of group of British hi-fi engineers, marketing executives and academics called Acoustic Renaissance for Audio (ARA). Group has circulated proposal "to increase awareness of the issues involved in developing a standard" for ultra-high-quality music CDs envisioned as next implementation of high-density technology to follow DVD and ROM applications. "If you ask members of the ARA what the issues are, they probably will all say something different," Griffiths told us.

While "numbers grumblers" in music industry and audio hardware community have starting clamoring for high-density music disc sporting more bits and higher kilohertz rating than present CD system, "is that going to give people the quality they want?" Griffiths asked rhetorically. "Tony Griffiths doesn't think so." If present CD system "were that bad, don't you think the record producers would be jumping up and down in protest?" Shortfall of today's music CD isn't audio quality, he said. "The answer is that it is not realistic." He said ARA has prepared demonstration tape compilation to show benefits of exploiting high-density media for advanced discrete 5-channel sound. He declined to identify material on demonstration tape.

Japanese Advanced Digital Audio (ADA) conference, part of Japan Audio Assn., also is playing role in developing music-only high-density applications. ADA, formed last July, includes delegates from most major Japanese audio hardware companies as well as ARA. ADA, which is chaired by Eichi Miyasaka of NHK, plans to make proposals on high-density music applications by spring.

\* \* \* \* \*

Toshiba America Consumer Products (TACP) projects "minimum" of million DVD players can be sold in U.S. by all suppliers in first 12 months of introduction, Mktg. Vp Steve Nickerson said. Potential is for 10 million players to be installed in U.S. homes by 2000, he said, which would make DVD fastest product out of gate in history of consumer electronics industry. DVD has power to invigorate sales of big-screen TVs and other core home theater products in which TACP has strong market-share position, Nickerson said. As for DVD's potential to spur sales of audio products with Dolby AC-3, he said TACP has no plans to return to audio business per se, but might market audio "accessories" such as speakers and receivers.

Toshiba spokesman in Japan declined comment on our questions whether company would supply Thomson with RCA-brand DVD players for first-generation launch next year. Issue is strictly "internal business matter," spokesman said. Thomson Exec. Vp Joseph Clayton said his company is "in the finishing stages of negotiations" with Pioneer, Matsushita and Toshiba on sourcing first-generation machines, "but I'm not at liberty to tell you who the front horse is right now." He repeated claims that "I'm pretty confident about what my costs are, what the timing is, the availability and the price," saying company still is on target to deliver player at \$500 late next year.

Philips executive Gijs (Gerry) Wirtz responded to our report last week on DVD encryption developments (TVD Nov 27 p14) by saying Philips alone isn't developing Copy Generation Management System (CGMS). He said Philips is cooperating with manufacturer members of EIA and its affiliated Home Recording Rights Coalition (HHRC) in fashioning CGMS-type solution for digital video copyright legislative proposal now being hammered out in negotiations with movie industry. CGMS is adapted from Serial Copy Management System for digital audio, based on Philips Solocopy technology. CEMA Pres. Gary Shapiro would say only that negotiators are studying "a variety of technological alternatives" in legislative talks with movie industry.

Elder-Beerman Stores (EB), which filed for Chapter 11 in Oct., will close 2 Ohio outlets by Jan. 31, sources close to company said. EB operates 51 dept. stores in Midwest. Two that will close are in Cincinnati-Dayton area, employ 110. Workers were told they would have option to move to another store or subsidiary El-Bee Shoe Outlets. Dayton, O.-based chain listed Sept. 1 assets of \$281.2 million, liabilities of \$229.1 million. EB reported \$640 million sales in 1994.

"Family Locator" paging system is being introduced this month by Parallel Communications in Little Rock, Nashville, St. Louis and surrounding areas through Wal-Mart, Target and Venture stores, to be extended to East next spring. System boasts coverage of 90% of U.S., with no activation or monthly service fees and 50¢ per 30-sec. message. Each family member is assigned 800 number that's called when pager beeps or lights. Pager sells for \$70, including 800 number and 5 message units.

Intentions to buy TV sets continued at low level in Nov., Conference Board said. Preliminary results of Nov. survey indicated 6.3% of households planned to buy TV sets in next 6 months, compared with 6.2% (revised from 5.7%) in Oct. and 7.3% in Nov. 1994. However, Consumer Confidence Index rose 5 points in Nov., considered "solid gain" by Board.

Softkey International said it will supply software to Sears. Children's, entertainment, lifestyle and productivity titles from Softkey's Platinum line will be sold through 750 Sears stores starting at \$13. Among titles are "Bodyworks" and "Time Almanac of the 20th Century."

#### THIS WEEK'S YEN RATE

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



On downside, audio products continued year-long slide, with many retailers reporting 10-12% declines during weekend. Components including cassette decks and entry-level CD players were chief reason for sales plunge, although Dillard's Electronics Div. Mdse. Mgr. Lloyd Dabbs said such items as boom boxes and personal stereos priced at \$50 or less also suffered. However, he held out hope for commodity audio, noting that sales of those products typically surge in 10 days before Christmas. Speakers and amplifiers also appeared to register gains, while products containing Dolby Surround AC-3 technology, including those from Yamaha and Pioneer, were "selling like crazy," said Darryl Wilkinson of Bjorn's Audio/Video in San Antonio.

RCA Digital Satellite System (DSS), strong seller year ago, appeared to suffer from lower demand on holiday weekend, retailers said, with overall performance "steady, but not record-breaking," L.A. Tronics video buyer Robert Becker said. Several specialty dealers expected slight upswing when high-end Sony DSS arrives later this month, but most were more concerned about regional Wal-Mart ad that offered RCA DSS at \$549. Sam's Club has carried GE model at \$528-\$538. "RCA has succeeded very rapidly in making it a mass market product," Wilkinson said. Wal-Mart has been carrying RCA DSS in national ads at \$579 and lower price is "competitive response" in some regions to C-band market and Sam's GE promotions, TCE Exec. Vp Joseph Clayton said. "I'd like it [the price] to be higher, but I don't have any control over those things," he said.

While projection TV sales already have broken record for any full year and VCRs and camcorders appear set to break unit sales records this year, individual store sales constantly are being diluted by more super-retailer competition, so every year must be substantial record-breaker to keep retailers' sales from falling behind. Industrywide, direct-view color TV sales were off to lackluster Yule season start, Sony TV Products Senior Vp James Palumbo agreed last week, echoing widely accepted forecast that direct-view sales this year would be down about 5% from 1994, in keeping with current year-to-date pace.

While retailers are focusing on holiday sales, manufacturers are readying new consumer financing programs for post-Christmas doldrums in late Dec. and early Jan. TCE will have 24-month, no-interest plan Dec. 26-Feb. 11 covering RCA projection TVs, while Mitsubishi is countering with 18-month version that continues through Jan. offering no payments, interest or accrued interest on purchases of any Mitsubishi product. TCE will have same terms in 12-month offer for RCA 31-35" TVs and DSS, but both programs require minimum monthly payments and accrue interest. "What they're effectively doing is making sure that in January through August 1997 it will be very tough to do business in the electronics world," said dealer, noting that many financing programs already under way don't require payment until early 1997. "Unless they can find some customers to come out of the woodwork, there's going to be a lull in the business."

Retailers' concerns are "valid," but Jan. financing program should help clear inventories, Clayton said. "If you're going to run a finance program, doesn't it make sense to run it in January to help blow out the old high-end product after the Christmas holidays?" he asked. "If you're ever going to do it, this is the time of the year it does make sense. If you do it in some of the other time periods, you may be pulling some of the people out of the market at an inappropriate time."

**WORK BEGINS ON HIGH-DENSITY MUSIC DISC:** Recording industry is taking first steps toward drafting wish list of features desired in music-only applications of high-density CD technology now being developed for DVD and ROM markets. Music industry officials didn't give timeline, but high-density music discs aren't expected to reach market before 1997.

RIAA's Engineering Committee has formed task force to examine applications of high-density music discs, Exec. Vp David Leibowitz said. Discs presumably will feature ultra-high-quality (24-bit, 96-kHz) audio and perhaps multichannel surround playback. Leibowitz said it's conceivable task force, composed of delegates from RIAA member companies, could have first meeting as early as Jan. Plan is to coordinate effort with RIAA counterpart trade groups throughout world under umbrella of International Federation of Phonographic Industry (IFPI), London-based trade group with which RIAA and other associations are affiliated.

IFPI Dir. Gen. Nic Garnett told us he expects worldwide activities to be coordinated through his group's London hq to take first preparatory steps toward drafting "laundry list" of features that music industry wants incorporated into future high-density music disc, he said. "We don't want to be faced with a fait accompli from the hardware companies," Garnett told us. Foremost on any such laundry list would be need for more "sophisticated" copy-protection solutions than those that exist now, Garnett said. "There's no such thing as a private copy any more." Challenge is "getting people to sit down" and reach consensus on desired features in new systems, he said.



packaging, etc. Since last April, Sony has been making aperture grilles for Trinitron picture tubes, supplying San Diego and other Sony tube plants. Pittsburgh facility is only place company is producing own aperture grilles, has developed new production technologies for them and eventually will supply grilles for tubes made in Pittsburgh.

Pittsburgh center currently assembles 41", 46", 53" and 61" projection TVs for sale worldwide, and produces all electronics and tubes for them as well, procuring vast majority of other materials and all mechanical parts from local sources. Factory produces average of 800 PTV sets daily, varying from 600 to 1,000, said Pittsburgh Mfg. Center Senior Vp Anthony Abbot, formerly operations dir. of Sony's Bridgend color TV plant. In addition to its various TV and parts operations, Pittsburgh plant houses Sony Chemicals Corp., which makes magnetic ribbon used for bar codes -- process similar to manufacture of magnetic tape.

Noting expansion capacity at plant, Palumbo said Sony's PTV business will be up at least 40% this year over 1994, "perhaps 43 to 44%," thanks to very strong Nov. -- and he expects it to double in next 2 years. Industrywide, he forecast sales of 830,000 PTVs this fiscal year (ending in March), up from 673,000 in 1994, rising to 970,000 in 1996, 1.1 million in 1997, 1.2 million in 1998. He predicted 50" and above could constitute as much as 60% of total in 1998. In direct-view category, he saw double-digit growth continuing in 27" and above, with those sizes up 34% in 1998 from 1995, while 25" and smaller sizes decline 12%.

Asked about plans for 16:9 widescreen TVs, Palumbo cited focus group sessions by Sony in which consumers have been enthusiastic about HDTV picture and sound quality ("When can we buy one?"), but expressed no interest in widescreen.

**HOLIDAY SALES OFF TO SLOW START:** Retailers banking on holiday sales to salvage relatively bleak year for CE profits were greeted during Thanksgiving weekend by consumers who did a lot of shopping, but not much buying.

Most dealers we canvassed said sales were flat to down 5-10% from year ago, many blaming disappointing results on consumers' choice of low-margin PCs over TVs and growing belief that prices would drop as holiday season creeps closer to Christmas. Overall, same-store sales in Nov. rose 2.9% from year ago, compared with 4% increase in Nov. 1994, Goldman, Sachs said. Hardgoods retailers, including those selling CE products as well as furniture and home improvement items, saw same-store sales in Nov. decline 0.9%, Goldman said. That compares with department store group that posted 3.9% gain and discounters who had 4.9% increase.

"I believe consumers are under no pressure to purchase this early because they've been conditioned to know that if they wait a little longer, blood will flow and prices will get a little cheaper," Harvey Electronics Vp Franklin Karp said. "They're in the wait-and-see mode and they're going to wait us out. I can't say I blame them because we taught them to do that." (Financially pressed Harvey may have given them incentive to wait by announcing in direct-mail flyer: "10% off every item in our stores" [except sale items] Dec. 8-9.")

Those consumers who did buy were looking for home theater-related products, with 31-35" direct-view and 50-52" projection TVs leading charge. But while TVs were bright spot, gains paled in comparison with PCs, which have become profit center for dealers seeking to boost otherwise flagging same-store sales. Pentium-based 100-133 MHz PCs appeared to be top sellers, with Packard Bell's 75-MHz models bearing brunt of change in consumer tastes, retailers said. East Coast dealer said: "PCs are becoming a have-to-have kind of product -- unfortunately TVs and home theater are wonderful items, but they're a want-to-have item, not have-to-have."

But PCs also proved double-edged sword. In reporting 41% rise in Nov. sales to \$750 million from \$533 million year ago, Best Buy CFO Allen Lenzmeier said last week that "expanding computer segment" was "highly promotional" contributing to Nov. and Thanksgiving weekend sales that were "less than planned." Best Buy reported 15% increase in same-store sales in Nov., while Nov. same-store sales gains were posted by several other retailers, including Dayton Hudson (1.7%), K mart (4.3%), Sears (5.1%), Wal-Mart (4.9%), Dillard (3%). Wal-Mart's increase compares with 8.3% rise year ago.

Success of TV sales, however, were tied largely to promotions, including financing programs that require no payments until Jan. 1997. Sears Brand Central Vp-Gen. Mgr. Chuck Cebuhar credited "strong" ads and "outstanding" values for gains in PCs, big-screen TVs and other home theater-related products. Only disappointments were corded and cordless phones, which showed only slight increase, Cebuhar said.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 3rd week of Nov. and year's first 46 weeks:

	NOV. 11-17	1994 WEEK	% CHANGE	NOV. 4-10	46 WEEKS 1995	46 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	646,262	750,095	-13.8	603,419*	22,939,567	23,791,716*	- 3.6
DIRECT-VIEW....	632,631	731,456	-13.5	590,095*	22,267,080	23,262,408*	- 4.3
TV ONLY.....	588,707	679,362	-13.3	528,383*	20,386,787	21,482,877*	- 5.1
TV/VCR COMBO..	34,924	52,094*	-33.0	61,712*	1,880,293*	1,779,531	+ 5.7
PROJECTION.....	22,631*	18,639	+21.4	13,324*	672,487#	529,308	+27.1
TOTAL VCR**.....	328,218	379,972	-18.0	275,068*	13,525,356*	13,078,478	+ 3.4
HOME DECKS.....	293,294	347,878 <sup>r</sup>	-15.7	213,356	11,644,063*	11,298,947 <sup>r</sup>	+ 3.1
CAMCORDERS.....	77,593	95,501*	-18.8	44,667	3,102,938*	2,765,132	+12.2
LASERDISC PLAYERS	4,318	6,144	-29.7	5,039	225,691	243,791	- 7.4

Direct-view TV 5-week moving average: 1995--754,336\*; 1994--737,800 (up 2.2%).

VCR deck 5-week moving average: 1995--391,732\*; 1994--367,892<sup>r</sup> (up 6.5%).

TV/VCR 5-week moving average: 1995--62,525\*; 1994--59,370 (up 5.3%).

Camcorder 5-week moving average: 1995--107,388\*; 1994--86,370 (up 24.3%).

\* Record for period. # Full-year record. \*\* Includes TV/VCR combinations.

<sup>r</sup> Revised by EIA.

**SONY TO MAKE 35" TVs AND TUBES IN PITTSBURGH:** In what is probably worldwide first, Sony is building integrated tube and TV set manufacturing facility in its huge Pittsburgh-area plant, where it also is making aperture grilles, otherwise known as shadow masks, for tubes and has broken ground for joint glass manufacturing operation with Corning Asahi (TVD Nov 20 p16).

First product of new plant, to be shipped starting next summer, finally will put Sony in 35" direct-view TV race, supplying set its dealers have long requested to meet competition from most other major manufacturers. Tube and set production equipment is being set up now in vast 2.8-million-sq.-ft. plant formerly occupied by Volkswagen and acquired by Sony in 1990. Thus Sony is beginning its oft-postponed production there of color picture tubes and direct-view TV sets.

Sony showed prototype of set with 35" Trinitron to journalists visiting plant last week, but TV Products Senior Vp James Palumbo said exact details of 35" product would be announced later. At start, glass for 35" Trinitron will be shipped from Japan, although tube will be made only in U.S. In Japan, Sony is in process of switching all of its large-screen tubes to 16:9 widescreen format. American Video Glass plant to be built across street from Sony Pittsburgh facility at outset will produce 27-32" tubes only, starting in mid-1997, presumably eventually will make 35" glass. Glass plant is joint venture of Sony, Corning, Corning Asahi.

New 35" tube, claimed to have flattest face of any to date, with 1.3R curvature, is vertically flat like other Trinitrons. Although Sony officials declined to be specific on future production of other direct-view TV tube and set sizes, big manufacturing center is only half occupied. Section where tubes and sets will be produced has "an additional half-million square feet" unused, and "we are committed to filling it," said Sony Display Products Pittsburgh Vp Frank Sweas, veteran of Sony tube plants in San Diego and Bridgend, Wales. Sony's other N. American direct-view TV plants are in San Diego and in Tijuana, Mexico, latter being company's largest TV plant worldwide. Pittsburgh plant is its global engineering and production center for rear-projection TVs.

Sony officials said combination TV and tube factory probably is unique in world, providing unmatched efficiencies -- carrying just-in-time manufacturing to logical conclusion, eliminating warehousing,



## Personals

**James Held**, ex-pres.-CEO of designer **Adrienne Vittadini**, appointed pres.-CEO, Home Shopping Network... **Deborah Service**, ex-Columbia/TriStar, named dir.-movies and miniseries, Fox Bestg... Promotions at Discovery Communications: **Judith McHale** to pres.-COO, **Gregory Moyer** to pres. and chief editorial and creative officer... **Steve Maddox** advanced to vp-Southeast region, Columbia TriStar TV Distribution... **Terry Press** resigns as Walt Disney Studios senior vp-mktg. to join DreamWorks, where she will oversee marketing studiowide (DreamWorks executives don't have titles)... **Joel Ginsparg**, ex-Logica, appointed senior vp-technology and operations, Primestar Partners... **Raymond Hillson**, ex-M/A-Com, named vp, Digital Microwave's Quantum/Magnum Div... **Joseph Kraemer**, managing dir., also appointed a vp at A.T. Kearney consultants... **Peter Risafi** advanced to exec. producer, on-air promotion, fX Networks... **Beverly Nix**, attorney, named senior vp-business affairs, Columbia Pictures TV... **Marc Cohen**, ex-ICS Communications, appointed exec. dir.-affiliate relations, NET-TV, "The Political NewsTalk Network".

**Ripperton Riordan**, vp-gen. mgr., WFTC Minneapolis, appointed exec. vp-COO, parent Clear Channel Communications... **Michael Brunette** promoted to vp-gen. mgr., WTNZ Knoxville... **Joe Foretich** advanced to station mgr., WHLT Hattiesburg, Miss... **Randall Cleland** promoted to vp-gen. mgr., KSFY-TV Sioux Falls... **Richard Dyer** advanced to vp-gen. sales mgr., WUSA Washington... **Brian Loring** promoted to mgr.-news systems and planning, new post, KCBS-TV L.A... **Rebecca Munoz-Diaz**, ex-KXTJ-AM-FM Houston, named vp-gen. mgr., KUVN Garland, Tex... **Brian Jones**, ex-National Empowerment TV, joins Fox Bestg. as vp-news... **James Saunders** retires at year-end as pres.-gen. mgr., KXTV Sacramento, will continue as consultant for parent A.H. Belo; **Kathy Clements-Hill** promoted to KXTV vp-gen. mgr., effective Jan. 1.

House Judiciary Committee member **Patricia Schroeder** (D-Colo.), 12-term veteran, said she won't run for reelection next year... **Suzanne Toller**, ex-CMT Partners, named legal adviser to FCC Comr. **Chong** for wireless and cable matters, succeeding **David Furth**, who moves to Wireless Bureau... **Joshua Sapan**, Rainbow Programming Holdings pres.-COO, also named CEO, succeeding **James Dolan**, appointed CEO of parent Cablevision Systems... **Richard George**, ex-Comsat, appointed vp, S.A. Ventures, Continental Cablevision subsidiary... **Scott Whiteside**, ex-Times Mirror, named dir.-strategy and technology, new media, Cox, new post... **Beverly Herman**, Lifetime TV, elected pres., 1996 Women in Cable & Telecommunications board.

FCC events: Chmn. **Hundt** keynotes Brooklyn (N.Y.) Law School luncheon, Dec. 4, 12:30 p.m.; **Pamela Gerr**, Common Carrier Bureau Network Services Div. attorney, participates on customer choice panel, Dec. 7, National Assn. for State Relay Administration conference, Hyatt Regency, Bellevue, Wash., 8:30 a.m.; **Linda Dubroff**, Network Services Div. deputy chief, speaks Dec. 7 via teleconference to State Relay Administration conference on FCC Updates & Disabilities Issues Task Force, 9:30-11:30 a.m.; **Kathleen Levitz**, Common Carrier Bureau deputy chief, delivers presentation Dec. 12 on constructing universal service mechanisms compatible with competition, Mich. State U. Annual Conference for the Institute of Public Utilities, Colonial Conference Center, Williamsburg, Va., 10:30 a.m.

## TELEVISION DIGEST

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## OBITUARY

**Clair R. McCollough**, 92, pioneer broadcaster who was leader in industry affairs for more than 40 years, died Thurs. in Lancaster, Pa. (where he had resided all his life), in nursing home following long battle with Alzheimer's Disease. Graduate of Millersville U. in 1926, McCollough joined Lancaster Newspapers, moved to radio in 1929 when WGAL(AM) Lancaster was acquired. It grew into Steinman Stations, which acquired several more radio stations, and McCollough entered TV in 1949 by helping put WGAL-TV on air. Several more TV stations were acquired later by Steinman. McCollough headed many broadcast organizations, was first chmn. of NAB joint board in early 1960s and headed committee that picked LeRoy Collins as NAB pres. in 1961. Before that, he headed task force that ran NAB following sudden death of then Pres. Harold Fellows in 1960. McCollough was instrumental in creation of NAB TV Code, Best. Music Inc., TV Information Office and TV Bureau of Advertising, and served all those groups as chmn. He also was chmn. of NBC TV affiliates. McCollough received NAB Distinguished Service Award in 1960, plus numerous other awards including DuPont and Peabody. He retired from Steinman Stations in 1974. Daughter survives.



**CHINESE HIT ON COPYRIGHT:** Chinese govt. is doing poor job of enforcing 9-month-old agreements to protect copyrights and crack down on pirated products, Administration and industry witnesses testified at Senate hearing Nov. 29. Deputy U.S. Trade Representative (USTR) Charlene Barshevsy told East Asia Subcommittee that, while China has made some progress, its "overall implementation of the agreement falls far short of [its] requirements."

Barshevsy said that under Feb. 26 agreement, China was to have set up special enforcement period, undertaking "intense raids" against plants producing bogus products and seriously punishing offenders while opening its market by allowing joint ventures in 2 Chinese cities. Beijing govt. said it has conducted 3,200 raids and seized 2 million pirated CDs and laser discs, 700,000 videos and 400,000 books while launching more than 1,000 investigations of possible criminal copyright and fining some offenders, Barshevsy said.

That's better than in past, when enforcement was nonexistent, Barshevsy said, but U.S. industries claim they have lost \$866 million this year while agreement was in force. She said major problems are: (1) CD production. Chinese govt. has certified all but one of pirate CD factories, while converting output from pirated music CDs to CD-ROMs with more expensive software. Seizure of exports of pirated CD-ROMs has doubled, and exports of music and video CDs hasn't "demonstrably declined," Barshevsy said. (2) China isn't stopping shipment of pirated products across its border, particularly in southern part of country. (3) China has continued to slow entry from outside, instead of opening its market, instituting 50% royalty tax on sound recordings and video tapes and using censorship as market barrier. China's new rules also bar direct investment by outsiders in movie theaters and distribution of films, Barshevsy said, and govt. has barred outsiders from owning software companies.

Industry leaders generally offered equally harsh evaluations. Steven Metalitz, vp, International Intellectual Property Alliance, which includes MPAA, agreed that although there have been signs of progress, "the promise of this agreement has not been fulfilled." He said most raids have been conducted against small retailers and "minor players," and fines that were levied weren't enough to deter piracy. RIAA Chmn. Jason Berman said production of unlicensed CDs in China's plants "continues unabated, and measures designed to halt such production remain unimplemented or nonutilized." He agreed that access to Chinese markets by U.S. companies has been stymied.

MPAA Chmn. Jack Valenti put most positive outlook on deal, saying that China is taking more U.S. films and rejuvenating Chinese theaters, and that some checking of film copyrights is taking place, with more than 2,000 American films checked before being imported into China. However, he also called for shutdown of pirate CD plants and for China to open market for investment in Chinese film, video and TV industries. He said rules issued in June prohibit such investment and are "directly contrary" to Feb. agreement.

Turner Bcstg. has agreed to distribute its cable networks on Americast's basic program packages. Deal includes Cartoon Network, CNN, CNN International/Financial Network, TBS Superstation, Turner Classic Movies, Turner Network TV. Americast is venture of Ameritech, BellSouth, GTE, SBC Communications and Walt Disney to develop interactive entertainment.

There's no doubt Bell Atlantic (BA) is subsidizing entry into video with revenues from telephone subscribers, according to telecom specialist Leland Johnson. He told FCC BA is planning to replace phone system in Dover Twp., N.J., with fiber that will carry telephone and VDT, charging 2/3 of cost to telephony. "Even if total investment and recurring expenses are accurately depicted... a massive threat of cross-subsidy remains," Johnson said. He said Bell Atlantic has assigned to telephony "an investment far above that of a standalone network with the same narrowband capability, while video dial tone is assigned far less than its true cost." He said costs should be reassigned "with at least twice as much investment assigned to video dial tone." Johnson said he evaluated BA's tariff at request of NCTA, Adelphia Communications and N.J. Cable TV Assn.

Jones International announced Dec. 31 launch of Great American Country, country music channel, further segmenting market that already includes several similar networks. Jones also announced The Internet Channel, which it will roll out in Alexandria, Va., in Jan. Channel will provide high-speed link to World Wide Web (WWW) and local community services, Internet Channel Pres. Bill Nestel said. Jones Cyber Solutions also announced new software that it said will allow customer service representatives to conduct on-line trouble shooting and access more graphically accurate customer information, such as exact depiction of each bill.

Time Warner Cable's Full Service Network (FSN) and Sports Illustrated TV are offering interactive channel giving viewers access to NFL On Demand for game of their choice and ability to print out game notes immediately. On Demand channel "gives viewers a whole new way of watching their favorite NFL action," FSN Pres. Tom Feige said. "Our initial tests have been very positive." FSN also plans on-demand digital news service that will permit subscribers to watch news when they want it. Service will offer 3 customized features — news, sports, financial. Viewers will be able to pause what is on screen, fast forward or rewind and programming will be updated constantly.

New telephone numbers for FCC Office of Engineering & Technology, effective today (Dec. 4), all area code 202 unless indicated: Chief Richard Smith 418-2470; administrative staff 418-2471; Policy & Rules Div. 418-2472; Spectrum Branch 418-2473; Technical Rules Branch 418-2474; Allocations & Standards Div. 418-2475; Spectrum Utilization & Economics Branch 418-2476; Standards Development Branch 418-2477; New Technology Development Div. 418-2478; Experimental Licensing Branch 418-2479; Technical Research Branch (Columbia, Md.) 301-725-1585; technical hq staff 418-2463; RF Safety Program 418-2464; IRAC Rep 418-2465.

Second U.S. Appeals Court, N.Y., Nov. 29 suspended \$5,000-a-day fine on NBC for refusing to turn over news videotapes in 2 civil cases. Network had appealed order of U.S. Dist. Judge Kevin Duffy to provide outtakes of May 23 Dateline to Graco Children's Products. Graco is being sued in Mass. and Tex. by parents who claim their infants died because Graco baby swing was defective. Appeals Court suggested that Judge Duffy view tapes to determine himself if they're vital to defense's case.

FCC Cable Bureau extended filing deadline from Nov. 29 to Dec. 13 for comments on negotiated rate resolution with TCI (TVD Nov 6 p8). In granting extension, Bureau cited requests by several local regulators, who said they didn't receive copy of resolution in time to comment by original deadline.



**LUND, KORN, MOONVES HEAD CBS INC.:** "The new CBS will be a power in television and radio broadcasting, syndicated and cable programming, marketing and distribution and in the international area," Westinghouse Electric Chmn.-CEO Michael Jordan told reporters Nov. 28 in revealing only a few of new owner's plans for future of what once was called "Tiffany Network."

First priority, Jordan said, "is to establish CBS as a leader in the industry... Perhaps most important, Westinghouse is committed to investing the necessary resources to fulfill our vision for CBS... We will establish a new company with a revered brand... We will create a global media organization, with CBS as the cornerstone... We will create culture that combines the best of both CBS and Group W... In the near future, we will announce details of the steps we are taking to effectively deliver on our strategic plan for CBS... We have 70% of the elements in place."

Westinghouse closed on its purchase of CBS Nov. 24, one work day after \$5.4-billion deal was approved by FCC (TV D Nov 27 p3). Three principal executives announced by Jordan were as expected: CBS Bcst. Group Pres. Peter Lund as CBS Inc. pres.-CEO; CBS Entertainment Pres. Leslie Moonves also becomes exec. vp-CBS Inc.; Group W TV Pres. William Korn named pres., CBS TV Station Group and CBS Inc. exec. vp. Moonves and Korn will report to Lund. In another area, Jonathan Klein will head CBS TV Stations Div., succeeding Johnathan Rodgers, and Dan Mason will replace Nancy Widmann as pres. of CBS Radio Station Group. Tony Vinciguerra moves from vp-gen. mgr. of Group W's KYW-TV Philadelphia to exec.-vp of CBS TV Station Group.

No successor was named for Lund, and Jordan said other appointments at CBS would be announced soon. He and Lund sidestepped reporters' questions as to whether there would be staff cutbacks. Asked specifically about tenure of CBS News Pres. Eric Ober (subject of widespread rumors that he will be out of job), Lund said it was too early "to deal with individual divisions... It's impossible to speculate on individual jobs at this point." Klein and Mason currently are Group W executives. Lund said that Rodgers and Widmann were "displaced, as it were," but top "priority is to find a way to utilize their talents" at CBS.

In other executive announcement, Donald Mitzner will remain pres. of Group W Satellite Communications (GWSC) and will report to Jordan. Jordan said GWSC "will form the platform for growth in cable programming, marketing and technical services, both here and on the global stage." Jordan and Lund made clear that cable is area of growth to be stressed. "We want to plant our flag in the cable ownership area," Jordan said. As for joint investments with movie studios, "we are in the ideal place to pick and choose," he said. At same time, he said, "we believe in the future of the over-the-air broadcasting business... It's very important to consumers and advertisers."

News and sports are among keys, Jordan told reporters: "We've known as station operators that news is the key to running a successful station... We will make sure we have the right resources." He refused to go into detail on recent cancellation of 60 Minutes segment on smoking and health, but said: "In my opinion, CBS management made the right decision."

Lund said programming is source of CBS's ratings problem, not affiliate lineup: "We don't have a distribution problem. Our distribution is just fine." Moonves, who left Warner Bros. TV last spring to become pres. of CBS Entertainment, said quality in programming is answer to

success and network tried this fall to appeal to younger audience too fast. Promotions for prime-time soap Central Park West were mistake, he said, in trying "to turn CBS into Fox... That was not a sound strategy... If we sort of go back to what our roots are, we can turn it around." But, he said, there won't be major changes in programming strategy until fall.

Citing reduced financial flexibility after its takeover of CBS, Standard & Poor's (S&P) lowered Westinghouse's debt ratings in several areas. Westinghouse has about \$8.8 billion in debt, but Jordan said it expects to recoup much of that by selling off some unidentified assets. S&P lowered Westinghouse's corporate credit rating from BB to BBB- and removed debt from CreditWatch. Westinghouse official said it was disappointed by downgrade, didn't elaborate. According to analysts, Westinghouse is obligated to repay \$2 billion of \$5 billion it borrowed to acquire CBS.

**FCC last week officially accepted assignment to** Portals building in Southwest Washington as new hq, with General Services Administration (GSA) assurances that it will come through on promise to increase space that Commission will occupy and assuming agency will have money to make move. Commission originally was assigned 450,000 sq. ft. in new building, but said it needs more. GSA said it could come up with another 10%, which FCC officials said would meet their needs. Commission remains in limbo, however, because Congress hasn't given it \$25 million agency said it would need to move. About \$15 million of that would go for new furniture, because consultants told Commission that current furniture wouldn't survive transfer. FCC also will have to pay some costs of configuring and equipping new space. Sources said House Public Works Committee, which approved transfer, has been asked to hold hearings on move, but nothing has been scheduled.

**New interactive technology "won't change the world** as we know it" but will create "immediate payoff" when cabling start offering high-speed data and video, TCI CEO John Malone said in general session Nov. 30. He said organizations are likely to overbuild current narrowband networks that link Internet with higher speed broadband pipes. Of cable, Malone said, "what's driven it has been choice," and same dynamic will assure success of on-line services over cable. Bran Ferren, Walt Disney Imagineering exec. vp-creative technology, said applications that prosper will "effectively add value" to people in terms of time and money. Like past information advances, "it's all about bandwidth" and increasing consumer choice, he said. Malone said more people will communicate and shop on-line in future, but human nature as "social animals" will always ensure at least some physical interaction.

**Early reports from cable operators suggest that 99%** of them have "consistently and substantially" met on-time service guarantee that industry first implemented last year, said Comcast Pres. and NCTA Chmn. Brian Roberts at luncheon Nov. 30. However, he said that only about 25% of cable customers have heard of guarantee and promised that NCTA and CTAM jointly will begin new publicity initiative this spring to increase awareness. Roberts spoke in place of NCTA Pres. Decker Anstrom, who stayed home from show this year to lobby on telecom bill. Roberts said cable is "better understood, more respected, more accepted than we have been in a very long time," especially on Capitol Hill, where "we've made peace with leaders from both parties." To maintain progress, he warned, "we've got to be obsessed with providing quality customer service."



**FCC PROPOSES REGIONAL CABLE RATES:** In response to trend toward cable clustering, FCC last week at agenda meeting proposed new rules that would allow MSOs to charge same rate for similar programming package throughout geographic area, rather than setting slightly different rates for each franchise area. In proposed rulemaking, Commission said regional rates could help lower cable marketing costs by allowing regional ads, reduce consumer confusion and make cable better able to compete with companies not constrained by franchises.

Comments on proposal are due Jan. 12, replies Feb. 12. Text of rulemaking says averaging rates on regional basis will result in higher costs for many subscribers, while lowering them for others, and asks for comment on whether annual rate increases should be limited. Other questions: (1) Whether uniform rates require any modification to accommodate nonuniform channel lineups and public, educational and govt. (PEG) requirements. (2) How to assure that franchise-specific costs aren't shifted from one community to another. (3) How to compensate cable systems for legitimate expenses while protecting consumers from unreasonable rates.

At meeting, FCC Chmn. Hundt said change is needed because connection between regional clusters and large number of small franchises that were established decades ago is limited: "We have got to be attentive to changes in the marketplace." He said regional rates would promote competition and protect consumers, but agency must be careful that consumers aren't either hurt or unduly benefited by change. Comr. Quello said anything that minimizes cable regulation without hurting consumers is "win-win."

Regional rate-setting would be revenue-neutral under proposal. Commission seeks comment on 2 rate-setting methods: (1) Dropping all rates to lowest in area, then recapturing lost revenue by averaging programming and other costs. (2) Averaging all rates in region. Comr. Barrett questioned what effect recent FCC decisions allowing higher rates for small cable systems would have on averaging.

Rulemaking seeks comments on several other questions, including how to handle differing equipment costs, how to limit regions geographically, how to schedule implementation, how to deal with differences in such costs as PEG channels required by various franchises. Comr. Ness generally supported proposal, but said she seeks input on whether regional rate-setting would result in lower rates or better service: "We need to consider whether the consumer would be unduly harmed."

Hundt, meanwhile, gave "Golden Broom" award to Cable Bureau Chief Meredith Jones, citing Bureau's success at resolving cable rate cases. He said Bureau has resolved nearly all of 11,000 rate complaints in response to first cable rate order, resulting in nearly \$50 million in refunds to consumers. At same time, Hundt said, Bureau disposed of 390 must-carry cases, 137 effective competition petitions, 15 program access cases, 159 appeals of local rate orders. Only previous winner of Golden Broom was Mass Media Bureau Chief Roy Stewart for his Bureau's action on broadcast issues.

Southwestern Bell Video Services will offer 10 screens of movies from Encore Media on its video network in Richardson, Tex., beginning in Jan. Service includes first-run movies, hits from last 4 decades and 6 "mood" channels for love stories, westerns, mystery, action, true stories, drama.

Barry Diller is adding Home Shopping Network (HSN) and Savoy Pictures Entertainment to Silver King Bestg. In transaction announced Nov. 27, TCI's Liberty Media agreed to exchange controlling interest in HSN for 11 million shares of new stock in Diller-controlled Silver King valued at \$300 million. Liberty owns 41% of HSN equity and 80% of voting stock. Board of HSN, where Diller was a dir., named him chmn. and gave him option to buy 15 million more shares at \$8.50, \$1 under Nov. 24 closing price. He agreed to exchange 6 million more shares of newly issued HSN stock valued at more than \$200 million for Savoy Pictures, which owns Fox TV affiliates in Green Bay, Honolulu, Mobile and New Orleans, as well as motion picture and TV production operations. Deal gives Savoy stockholders 20.8% of Silver King equity, but only 6% voting interest. Diller said he "obviously" believes in future of electronic retailing and broadcasting, but wouldn't say whether he was likely to sell stations or keep them in addition to dozen Silver King stations (mostly home-shopping UHF).

FCC has adopted streamlined procedure for owners to register antenna structures that require FAA clearance for safety reasons. Action, brought by FCC staff, also revises painting and lighting requirements to conform with FAA specs. Antennas must be registered with FAA if their height or proximity to airports makes them safety hazards. Most significant change: Towers will be registered by owners rather than by individual licensees using them, which will streamline procedures because there are 75,000 owners and 900,000 licensees, FCC staff said. Chmn. Hundt said streamlining will shorten clearance process to 10 days from 32. Action also will increase air safety because FAA and FCC will have one point of contact in emergency situations -- owner will be point person rather than numerous licensees using structure, agency said. Answering question by Comr. Barrett, staff acknowledged that new rules transfer responsibility to licensees when owner can't be reached in emergency. However, staff said that doesn't mean owners can use that language as loophole to avoid responsibility.

About 71% of on-line users are satisfied with product and only 4% rate it as poor, according to CTAM survey. Study, involving 18,476 random calls, said users are most likely to subscribe to on-line services for information access (28%), 9% for e-mail, 7% for "communications." It found "considerable churn" among on-line users, CTAM Pres. Char Beales said, and "product offering and branding to develop loyalty are challenges which face each of the on-line services." Data delivery speed also is "major concern" for users, with 21% saying service is too slow. CTAM Vp-Research Grace Ascolese said "whoever solves that problem will tap into a wealth of new revenue potential."

Cincinnati Bell said it will enter cable billing and customer management business through acquisition of Information Systems Development Partnership (ISD) from partnership of Cox, Comcast, ISD management. In addition to providing similar services for parent, subsidiary Cincinnati Bell Information Services already serves cellular and other wireless companies. Terms of purchase weren't disclosed. ISD customers include Time Warner, Western Communications, Cox, Comcast.

TCI International said it will form joint programming venture with Canal Plus and Générale d'Images called Multithématiques S.A. Equally owned venture, to be based in Paris, will include 4 thematic channels currently produced by Canal Plus and Générale d'Images. TCI will contribute \$100 million to venture, to serve cable and satellite customers in Europe, eventually Latin America.



**CABLE MODEMS HOT:** Manufacturers showed next generation of cable modems at Western Cable Show in Anaheim last week as operators scramble to sell high-speed data transmission. CableNET exhibit, annual showcase of new technologies, focused on modems and end-user transmission applications. Prices have dipped slightly to around \$300, with most manufacturers expecting to sell modems directly to cable operators, who would rent them to subscribers. CableLabs announced efforts to create interoperability protocols by mid-April.

Zenith announced new group of cable modems it said will deliver up to 40 Mbps of downstream data over 6 MHz cable channel using Cisco Systems network equipment. William Luehrs, pres. of Zenith Network Systems (ZNS) Div., said upstream data rates will vary, depending on each user's traffic needs, but will max out at 10.76 Mbps. He said "true mass market" will use high-speed data transmission to download information, not send it, so "it doesn't require very much high bandwidth upstream." He said option exists for narrowband return path through separate telco modem for systems that haven't yet upgraded to 2-way capability. ZNS will use Cisco's internetworking software along with routers and switches that will allow operators to receive data at 45 Mbps over T3 lines for faster Internet response, he said. Cisco Product Mgr. Mitch Barrie said company plans to cut similar deals with other modem manufacturers, but Zenith will be partner only in short term.

General Instrument (GI) showed "SURFboard" modem that it said sends downstream at up to 27 Mbps but requires separate telephone modem for upstream data. Michael Ozburn, GI Communications Div. vp-telecom, said only 3-4% of cable systems in U.S. have addressable technology for other high-speed cable modems. He said GI modem "will operate on 100% of all cable TV systems today" and provide MPEG-2 video using 64-QAM configuration for "look of television and the feel of PC interactivity." Modems will be "available in quantities" by March at about \$300, he said, with some field testing with Comcast in Dec.

Early trials will determine CableLabs specs, said TCI CEO and CableLabs Chmn. John Malone. He said key is to copy current situation with telco modems, allowing consumers to switch technology easily through retail sales or by leasing modems from operators. High-speed data modems are "uniquely available" from cable, he said, giving industry major competitive advantage over telcos. Malone predicted "boon to localism" because modems will let local operators set up on-line sites with video, graphics and local ads. However, protocols must come from industry, he said: "We want to avoid governmental regulatory involvement."

Difference between new cable modems and 28.8-kbps modems, or even high-speed ISDN, is "airplanes versus cars," Comcast Pres. Brian Roberts said. James Phillips, Motorola vp-Multimedia Worldwide Distribution & Mktg. Div., said slow data rates have created "enormous pent-up demand" among many on-line users. He said new Motorola factories, in Ill. and Mass., have begun work on 300,000 orders for new modems. Company also signed marketing deals with America Online, Compuserve and Prodigy to promote modems, he said. Iwami Asakawa, Toshiba America senior vp-media and entertainment, said company is working with Time Warner in San Diego for trial to run Dec. 1995-May 1996. Robert Luff, Scientific-Atlanta chief technical officer-broadband communications, said focus on interoperability is vital because "consumers just can't be caught in that Beta versus VHS crossfire."

CBS launched, along with broadcasters in 13 countries in Europe, what it called "world's largest satellite newsgathering [SNG] service" on Eutelsat II-F4, TR 5. CBS News Pres. Eric Ober said service, based in Luxembourg, would put network in key competitive position, allowing it to cover breaking news in vast area that includes Europe, North Africa, parts of Middle East. New service is expansion of existing 2-year-old international SNG operation, CBS Newspath, said CBS News Services Vp John Frazee. He said new arrangement, result of several months of negotiations, merges CBS's international SNG operations with those of RTL TV, Germany, and its major shareholder Compagnie Luxembourgeoise de Télédiffusion (CLT), Luxembourg-based media holding company that owns 7 small stations in Europe and had been working as separate SNG operation. Other partners include Antenna TV, Greece; M6, France; Nova TV, Czech Republic; RTL TV and RTL 2, Germany; RTL Tvi, Belgium; RTL 9, France; RTL 4 and 5, Netherlands; Sky News, U.K.; TBS, Japan; TV6, Russia; VTM, Belgium.

Let marketplace know "emphatically" and don't "patronize that which you find unsuitable to you and your family" MPAA Pres. Jack Valenti said. Speaking to World Assn. for Christian Communications in Miami Beach, he suggested members of audience prevent their children from going to movies they consider profane and unsuitable and turn off TV when it offers nothing acceptable. Society is tolerating "too much of what is plainly wrong," Valenti acknowledged while saying some criticism is absurd: "There is a certain view offered by some public officials that if we cut the wires of every TV set in the nation, and darken every movie theater, the surly streets would become tranquil." He criticized "the temptation to seize upon movies and television as alien intruders debasing us. Politicians, in their zeal to confirm themselves as noble guardians of the national ethic, find assaults on visual entertainment to be immune from political risk."

Cox Cable will sell systems with 77,900 customers in Western Ohio and Ky. to FrontierVision Partners for undisclosed price. Cox Senior Vp James Hayes said MSO sold most of systems because they were within Grade B contour of Cox-owned WHIO-TV Dayton and weren't clustered. He said proceeds from sale will be used to buy systems that can be clustered with existing properties. FrontierVision is newly formed joint venture of J.P. Morgan Capital, Brown Bros. Harriman, Olympus Partners, First Union Capital Partners. Deal will give FrontierVision 172,000 subscribers, moving it to 41st among MSOs. Cox had acquired systems as part of merger with Times Mirror Cable.

Time Warner announced it's consolidating Time Warner Telecommunications (TWT), headed by former FCC Chmn. Dennis Patrick, into its Time Warner Cable Div. Patrick was promoted to senior adviser to TW Chmn. Gerald Levin, responsible for corporate strategy and telecom alliances. TWT was division responsible for parent's wireless, cellular, paging and data businesses and launched telephony service in Rochester, N.Y. In separate development, TW sold 2.8 million shares of 3DO stock, valued at \$30 million, reducing its stake to 2% from 13%. Spokesman said proceeds will be used to reduce debt.

Benedek Bcstg. is purchasing 5 small-market TV stations, all affiliates of one of Big 3 networks, plus 4 satellites, from Stauffer Communications for \$60.1 million. Stauffer was bought last summer by Morris Communications. Stations are WIBW-TV Topeka, KCOY-TV Santa Maria, Cal., KMIZ Columbia, Mo., KGWN-TV Cheyenne, KGWC-TV Casper. Benedek owns 9 network-affiliated TV stations.



**KEEP NETWORK RESTRICTIONS, FCC URGED:** Big 3 TV networks received no help in reply comments last week on FCC rulemaking proposing to relax restrictions that have been in place since 1941. ABC, CBS and NBC affiliates joined with INTV and 2 new networks to oppose any changes, just as they had in first round (TVD Nov 6 p5).

Fledgling United Paramount Network (UPN) said backers of current restrictions "make abundantly clear that the rules preserve and promote... localism and local autonomy" and "promote incipient network entry and they do so without weakening the established networks." Warner Bros. TV Network (WBT) said preservation of rules "is absolutely essential to the commercial viability of incipient networks" such as itself. Rules have "increased competition significantly," WBT said, and any supposed benefits of eliminating them are "speculative and unquantified."

Media Access Project (MAP) said it and other commenters "have shown that the rules at issue here remain vital, while [Big 3] have shown no public interest reason" to repeal them. Rules "continue to promote diversity, competition and service to local communities," MAP said: ABC, NBC and CBS "have taken an approach on the issues... which presumes facts that do not exist in the real world... MAP and others have shown that the network commenters assume a level of competition that simply does not exist."

Network Affiliated Stations Alliance (NASA), composed of CBS, NBC and ABC affiliates, said that virtually all affiliates, reps and independents believe rules are necessary to ensure that licensees can serve public interest. "Similarly, the new networks argued strenuously" for retention of time option and exclusive affiliation rules, NASA said. "Extreme view" that rules should be repealed was supported "by the established networks alone and was entirely unsupported by these broadcasters who are meant to be protected by the rules... Many assumptions... of the established networks are simply unsupported by the evidence [and] are based on rhetoric, not fact."

INTV countered arguments by Big 3 that they no longer dominate relations with affiliates. New distribution technologies enhance, not hinder, network power over stations, INTV said, by providing networks with "alternative pathways" to viewers: "On the other hand, local stations suffered the direct competition from new technologies, further weakening their position with the networks." With increase of stations in individual markets, Big 3 gained even more power "from the ability to play stations off against each other," INTV said. As to UPN and WBT, "established networks have every incentive to crush emerging networks so as to reduce competition for national advertising," it said.

Said NBC: "In a marketplace characterized by abundant competition and diversity of programming outlets and sources, there is no public interest basis for government rules that prohibit networks and stations from working out normal, market-driven contractual arrangements on a constructive, mutually agreeable basis." Economic study submitted by NASA comes to "preposterous conclusion," NBC said, and is so "riddled with analytical flaws" that it "simply cannot be taken seriously."

Continued restrictions on program clearances in network-affiliate relationships aren't necessary, CBS said: "On the contrary, deregulation... would help promote the continued viability of free over-the-air networks by providing them reasonable freedom to bargain... a freedom already enjoyed by their subscription multichannel rivals." CBS also hit NASA study, saying it was "flawed" in several

respects and "falls far short of demonstrating that networks today have the upper hand in bargaining with their affiliates." Exclusive affiliation rule is necessary in "competitive environment" in which 69% of U.S. TV households receive 6 or more commercial TV stations, said CBS.

Cap/ABC contended that none of proponents has "presented evidence or arguments to show that the rules remain necessary." Networks don't have market power over affiliates and NASA comments "do not demonstrate otherwise," it said. ABC said study by NASA "fails to prove either its premise -- that networks have superior bargaining power even approaching market power -- or its asserted consequences that affiliates are foreclosed from presenting locally oriented public interest programming."

**FCC gave final approval to social contract with Time Warner Cable (TWC),** that will require company to return to subscribers \$4.7 million, plus interest, in form of bill credits. Agreement resolves all rate complaints against TWC and creates new structure to settle future complaints and establish new rates. Other terms of contract commit TWC to: (1) Spend \$4 billion over next 5 years to upgrade systems. (2) Establish lifeline basic service tiers priced at 10% below benchmark regulated rates. (3) Cap increase for all regulated services at \$1 per year for next 5 years, plus external costs and inflation. (4) Provide free connections at one outlet to all existing public schools within 200 ft. of activated plant. Settlement is "without any finding by the Commission of any wrongdoing by TWC," FCC said. TWC Pres. James Doolittle said: "We are very pleased... We firmly believe the social contract will deliver a wide range of benefits to our customers... It also will reduce the administrative burden and cost of regulation for federal and local governments."

**Gannett and Multimedia plan to close on their \$2.4-billion merger** today (Dec. 4), officials said following FCC approval of waivers last week needed to complete transaction. To avoid various cross-ownership limits, Gannett said it will sell Multimedia's WLWT (Ch. 5, NBC) Cincinnati, where it owns Cincinnati Enquirer, WMAZ-TV (Ch. 13, CBS) Macon, Ga., whose Grade B signal overlaps with Gannett's WXIA-TV Atlanta, and KOCO-TV (Ch. 5, ABC) Oklahoma City, where it will acquire Multimedia cable systems with 105,000 subscribers. Three TV station sales are needed to comply with 12-station limit. Gannett said it also will sell WMAZ(AM) and WAYS(FM) Macon. FCC gave company 12-month waivers of ownership rules (it had requested 18 months) to sell stations. Commission also waived cable antitrafficking rule, allowing Multimedia to transfer ownership of cable systems in Ind., Kan., N.C. and Okla. that it had owned for less than 3 years.

Issue of measuring effective competition at cable systems "is not an open and shut case," said William Johnson, FCC Cable Bureau deputy chief. He said Bureau's push to forgo 15% penetration threshold to measure effective competition in franchise areas where telcos have deployed VDT systems is attempt to "be creative and do something that makes sense." Presence of VDT operator should give cable operators good argument that effective competition exists, he said. Cable Bureau Chief Meredith Jones added that VDT providers must provide certain information to cabling so they can meet burden of proof. Jones also said that 25-30 cost-of-service cases still are pending from first rate order, another 40 remain from 2nd round of cuts. Many have been made moot either by small system regulatory exemptions that came later or by mass rate settlements.



"determine the very ability of broadcasters to compete and continue to exist." NAB Pres. Edward Fritts called it "an historic day for the broadcast television industry" and urged Commission to move quickly on standard.

Full details on transition of ATTC to CableLabs-like facility weren't immediately available. Decision was made by full members of ATTC -- Cap/ABC, Westinghouse/CBS, NBC, PBS, NAB, MSTV, INTV, EIA. Other station groups and Fox also provide financial support to ATTC. PBS Pres. Ervin Duggan said that PBS will provide in-kind funding and administrative support for new facility and said investment presents opportunity for broadcasters to "vote with their dollars" for broadcast TV future.

**PBS STATIONS EQUITY PARTNERS:** In move Pres. Ervin Duggan has been hinting at ever since taking office 2 years ago, PBS announced at Fall Planning Meeting in Washington last week that it would start "station equity investment" plan in which dues would give stations ownership in programs acquired by PBS. Duggan told us that until now dues have been "income tax" on stations and that move reflects major "strategic shift in the way PBS does business."

Most stations are expected to support action, which will give them access to huge library of PBS programs and allow them to pursue revenue-generating ventures with those shows. It also could calm some station heads who have said they have felt left out of PBS's decision to form production partnerships with large private companies, including recent \$75-million deal signed with Reader's Digest to produce family programming.

Step is part of Duggan's plan to build "new PBS" that he described as "modern media enterprise" in which stations' investment would bring them tangible return -- more and better programs and right to use those programs, their names and characters at any time. PBS Exec. Vp-COO Robert Ottenhoff said that while stations probably wouldn't see financial return on their investment, they would see more national programming and freedom to use shows in revenue-creating ventures. Duggan said PBS plans to increase its investment in National Program Service to \$160 million per year from \$110 million -- by 2000.

PBS transition "will not happen overnight," Duggan said, pointing out that giving stations ownership of programming will mean changing way contracts are signed with producers. He said PBS probably will have to spend more money to purchase more programs outright to acquire all rights to them, and as result, some smaller productions that don't fit in with overall strategy may have to go unfunded. He said that in short term that could mean that PBS would fund fewer productions but own more.

Stations, which "naturally" have some questions, seem to be comfortable with plan for most part, Duggan said, because of what he sees as their understanding that PBS is acting as "trustee" and "steward" for their investment. While some producing stations may be uneasy with plan at first, since it means they also would have to negotiate stricter contracts with PBS, Duggan said he hopes they will realize that everyone in system will benefit.

**Revenues from ads on TV stations owned by groups** dropped sharply in Oct., TvB said. Seventy groups representing 344 TV stations reported revenues were down 6.7% for month, national spot down 14.9%, local spot up only 0.5%. For year to date, national revenue was up 2.8% and local 6.7%, for overall increase of 4.9%, TvB said. Vp-Research Harold Simpson attributed drop to absence of political advertising, which in Oct. 1994 had contributed to 32.9% increase in national spot over same month 1993, 17.6% in local ads.

**REGULATORS REVIEW ROLES:** Regulators will have to change along with industries as convergence and competition mold new telecom landscape, FCC officials said at Western Cable Show in Anaheim last week. Panelists admitted some regulations conflict and others shouldn't apply in competitive world, but said they will be needed during and after transition. More will depend on what consumers want, they said, rather than available technology.

"Content is not king," said FCC Chief Economist Michael Katz, who leaves Commission in Jan. He said cable operators should concentrate less on content because of importance of telephony and data. Operators should organize information to help consumers navigate cyberspace, he said: "You have to do more than provide basic transmission... If [consumers] have unlimited choice, most people are just going to get lost." He described as overstated recent projections that user content will drive such networks because "most people are boring, so why would you want to pay to listen to them?"

Regulators must focus on "maximizing benefits to the public," said James Schlichting, chief of Common Carrier Bureau Policy & Planning Div. Main worry is that conflicting rules will lead to delays in rollout of new services, he said, citing different rules for cable and telcos on in-home wiring. Schlichting said rules are under review as competition grows, but it's "extremely uncertain... how this regulatory convergence is going to end." He said Ameritech's decision to build standalone cable systems instead of pursuing VDT model is result of uncertainties over Commission's rules.

NCTA Science & Technology Vp Wendell Bailey said in-home wiring rules for cable represent taking of property because consumers could assume ownership if they switched providers, unless cable removed wiring within 30 days. Video entrants support rules, he said, as part of "creeping effort to get more and more of our wire until they get the whole drop" even though operator paid for original deployment. He said cable also is fighting "stupid... crazy rule" that standardizes infrared coding for converter boxes, which he said saves users from having to buy new remote "that costs less than a pizza" but makes it more difficult for operators to upgrade to new set-tops.

**Columbia International** announced sale of systems in Ore., Wash. and Nev. serving 150,000 subscribers to TCI and system in Prince William County, Va., with 50,000 subscribers to Jones. Sales, totaling about \$600 million, put Columbia International, which in Oct. sold systems with 77,000 subscribers in Mich. to Continental, out of system ownership. Columbia International was formed in 1985 by former executives of UA-Columbia Cablevision.

**Correction:** NBA Inside Stuff is correct name of program for children referred to by NBC Pres. Robert Wright in interview with our affiliated publication Communications Daily (TVD Nov 27 p6).



**GRAND ALLIANCE ADVANCED TV SYSTEM GETS OKAY:** Eight years, one month and 28 days after its first meeting, FCC's blue-ribbon Advanced TV Advisory Committee (ATAS) recommended Nov. 28 that Commission approve Grand Alliance system as U.S. standard for digital advanced TV. Broadcasters, meanwhile, announced that they will continue to operate Advanced TV Test Center (ATTC) in Alexandria, Va., as broadcast laboratory to support design and development of advanced TV equipment.

Voice vote on Grand Alliance standard came despite concerns expressed by computer industry that use of interlaced scanning in addition to progressive scanning would limit interoperability between TV and computers. Although no one actually dissented, Microsoft representative said he abstained in vote. Also, cable industry worried that standard-definition version of standard hadn't been tested adequately and that recommendation didn't adequately consider cable's investment in other digital systems.

Grand Alliance system is "a prime example of what private enterprise, unfettered by strict government guidelines or instructions, can and will provide in a technologically competitive world," FCC Chmn. Hundt said. He said system "far exceeds the vision and goals" originally set out for ATAS by FCC and is "a remarkably capable, high-performance, flexible transmission system." Hundt said FCC hopes to launch rulemaking to adopt standard in Jan., with decision about 6 months later.

"This is a landmark day for many communications industries, and especially for American television viewers," ATAS Chmn. Richard Wiley said. "At hand is a quantum leap in both quality and flexibility." He said standard also will assure U.S. leadership in TV technology, since Europe and Japan are abandoning analog systems in favor of digital. System meets all goals of Advisory Committee, according to recommendation, including: (1) Being better than any of digital systems originally proposed by individual Grand Alliance members. (2) Being better than any other known advanced TV system. (3) Fulfilling all requirements for U.S. standard. ATAS also endorsed formal technical standard drafted by Advanced TV Systems Committee. Joseph Flaherty of CBS, co-chmn. of ATAS technical subgroup, said system was most thoroughly tested of any TV system in history.

However, system was "result of many, many compromises," Co-Chmn. Irvin Dorros of Bellcore said: "Everyone is unhappy with at least some of the compromises made." Wiley said "legitimate and sincere differences of opinion" still remain on standard, particularly among various industries, but said committee "made earnest efforts to find solutions that reasonably satisfied all industries." Robert Graves, representing AT&T, said result of compromise wasn't "4-humped camel" but "a world leader."

Computer companies raised most serious objections to standard, with Microsoft's Craig Mundie saying progressive scanning is "very critical to the ability to use TV for digital information." He said ATAS should "give close attention to allowing the standard to be extended in a way that would expedite the convergence of TVs and computers." Grace Hinchman of Digital Equipment Corp. said fact that ATAS "straddled" issue of progressive vs. interlaced "doesn't end the concerns that the computer industry has. We do have to get to progressive scanning as soon as possible" and sought commitment to moving quickly to progressive.

Computer comments raised ire of James McKinney, chmn. of Advanced TV Systems Committee. He said Microsoft has been involved in ATAS for only about month, even though he personally began making pitches to computer companies in 1989. McKinney said several computer and information industry groups have endorsed Grand Alliance system. Flaherty said ATAS also believes that standard has enough "headroom" to accommodate PC industry and assure compatibility. ATAS might have selected progressive-only standard if 1,000-line progressive were technically possible, Wiley said: "I think we will migrate to that as soon as compression technology makes it possible."

Testing of standard-definition version of standard was raised by Time Warner's Joseph Collins, who said cable needs assurances that it will work as well as high-definition version when passed through cable systems. Standard definition became issue only last summer, too late to be included fully in testing. Mark Richer of PBS, who oversaw testing, said ATAS decided additional testing wasn't necessary because standard-definition is based on same MPEG-2 compression system as fully tested high-definition version, although ATTC did test transport layer. General Instrument Vp Robert Rast said he's "fully confident" about standard-definition, but Grand Alliance is "open to discussion" about demonstrating it.

Other speakers generally endorsed standard. Cap/ABC Chmn. Thomas Murphy said ABC "reaffirmed its commitment" to switching to HDTV as soon as possible, even though there may not be any short-term audience gain. NBC Exec. Vp Michael Sherlock echoed that and said he hopes FCC can move as quickly as possible on remaining issues. Wiley said Grand Alliance system will foster "a worldwide imaging revolution" that will make national information infrastructure possible. FCC Comr. Quello said decisions on HDTV will



Turner Bestg. Chmn. Ted Turner, who will become Time Warner (TW) vice chmn. if pending merger goes through, said deal was necessary to expand Turner's library, but industrywide consolidation could threaten diversity: "I do not like to see less and less entities out there... It would be bad for our country and bad for our world." However, Turner said now that he has economy of scale, "we look forward to fighting anyone who wants to get in the ring with us," including Viacom's Sumner Redstone or News Corp.'s Rupert Murdoch, who earlier said he wants to launch worldwide all-news channel: "We're going to whip their ass. I look forward to squashing Rupert like a bug."

"Major, major focus" of cable in short term must be high-speed data and new cable modems, Comcast Pres. Brian Roberts said. He said cable is "much more credible provider" of residential telephone service, and penetrating markets with cable modems now "leads us right into telephone." Data transmission is "a step closer to reality" than interactive TV, he said, because technology exists to implement it now and realize "tremendous content opportunities" in interim. He said Comcast's movement into cellular domestically, as well as telephony in U.K., have positioned it to start focusing on cable. "The worst tragedy of the last 5 years" was 1992 Cable Act, which Roberts said "pushed a lot of creative people out of the industry" when their ideas were needed to position for new competition.

Actor Robert Redford, who launched Sundance Channel to show and produce mostly independent films on cable systems, said technology will make it easier to distribute and cheaper to produce movies, increasing content diversity. He said "great cultural and entertainment opportunity" exists to increase consumers' access to new types of productions that may not fall within formulas of major Hollywood studios. While Redford said he will focus on program quality, he and other content providers will depend on telecom providers to find best ways of distributing shows efficiently.

Turner said fast-moving industry won't allow companies to settle into one routine, and they shouldn't become satisfied with content on their networks: "You've got to be discontented... You've got to always want more because your competitors want more... You should retire if you feel content." He said rapid change may interfere with his own retirement, noting that "maybe the people who have sold out are the lucky ones."

Returning to high-tech theme, panelists in closing session predicted that functions of TVs and PCs will continue to merge and trade places as amount of content explodes, and that major opportunity exists for companies which can help consumers navigate flood of information. They said more tie-ins between TV shows and on-line services are impending, but as usage increases, providers will have to create ways to protect against capacity overload. High-speed cable modems can speed interactive deployment, panelists said.

"Control of that navigation is going to be a major, major asset," C3 Chmn.-CEO Richard Frank said. He said companies may control and edit way consumers receive content options same way current networks dictate programming time slots, but "giant social question" is how much control such entities should have as passive and interactive services mix. Liberty Media Pres.-CEO Peter Barton said companies may try to steer consumers to certain programming that they might not otherwise have chosen, but if it limits their freedom to browse all options "people aren't going to tolerate it."

Explosion of on-line services and World Wide Web (WWW) sites is "useless... unless you know your way around it," said Anthea Disney, editor of MCI/News Corp. Online Ventures. She said companies must offer "enough variety" to maintain on-line world's current flexibility and that user-created content on Web won't compete with sites created by larger entities but will remain "curiosities" to which most users will want access. Although content still is "everything," Frank said ease of navigation is needed to keep consumers from giving up searching for information on-line: "It's no longer just a great idea."

Capacity bottleneck could develop as use increases, panelists said. Disney said networks already are attaching Web sites to popular TV shows to allow fans to converse and play games about shows. However, as more log on, Frank said companies must devise methods -- such as charging for currently free services -- to discourage mass simultaneous use so that users aren't faced with capacity bottleneck. Barton said "you can't ask that easy a question" when creating services that require customer response. He said show's buzz about high-speed cable modems is encouraging, but "historically there's always been a delivery problem" when manufacturers promise cable industry new technology. Barton cited focus of last year's show on digital set-top boxes, which still aren't available. However, he said cable modems are "huge idea" that will help TVs evolve into "nothing more than a monitor" capable of functions now reserved to computers.



# TELEVISION DIGEST®

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## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**TELECOM CONFEREES TRY AGAIN** this week as major issues are left unresolved. Deal seen near on cable regulation. Radio and TV license extensions, cable-telco buyout terms approved. (P. 1)

**TELCO-CABLE GOES TO COURT:** Supreme Court justices question First Amendment rights of telcos. Both sides heartened by oral argument. (P. 2)

**NEW NEWS CHANNELS PLANNED** by ABC and NBC. ABC to involve affiliates in 1997 startup, lacks cable distribution. NBC looking at deal with Microsoft, 1996 start. (P. 4)

**TRASH TV TRASHED:** Senators, Empower America use TV to urge advertisers to avoid 'questionable' shows. Kraft, Mars drop spots. (P. 4)

**FEW DIGITAL SURPRISES** likely at FCC en banc hearing. Broadcasters, others expected to restate positions. LPTV to be heard. Telcos seek weekly HDTV programming minimum. (P. 5)

**TV SHOULD SELL ITSELF,** Quello tells broadcasters. Public service -- including kidvid -- praised; V-chip and relaxed ownership limits backed. (P. 6)

**TW/TURNER ATTACKED:** USTA and small cable group want equivalent program carriage deal. U S West again seeks court backing. (P. 7)

**TELECOM BILL CONFEREES AGREE ON MINOR ISSUES:** Members of Senate-House conference on telecom bills will pick up Dec. 12 (Tues.) after false start last week, with media ownership and concentration and cable deregulation yet to be decided. Conferees are scheduled to meet at 2 p.m., following session that had been called by Senate for 6 p.m. Dec. 7 but was cancelled when House adjourned for weekend.

At meeting last week, conferees adopted 33 staff recommendations, many of them very general and many which had been agreed upon weeks ago. On list: (1) Cable-telco buyout language agreed to by staffs weeks ago would bar telcos from buying more than 10% or "manageable interest" in cable operator in same market and prohibit joint ventures in same market of 50,000 or larger. (2) House version of V-chip was approved, dropping Senate's TV ratings commission, among other items. (3) License terms were extended, to 8 years for radio and TV. Compromise split difference between Senate and House bills. (4) Local taxation of DBS services would be prohibited, with modification that direct-to-home portion alone would be exempt from taxation. But broadcasters failed again in annual attempt to allow them to carry ads for gambling. It was in Senate bill, but not in House, and staff recommended dropping measure.

Still outstanding are larger issues ranging from cable deregulation to RHCs' entry into long distance to local media concentration. Although basic framework for cable deal has been agreed to by setting date for

### Consumer Electronics

**FINAL AGREEMENT REACHED** on specs for DVD by 9 companies in Tokyo, climaxing talks on compromising 2 systems. Patent discussions next. No surprise in system's new name: 'DVD.' (P. 10)

**TRANSITION AT THE TOP** sees departure of executives who changed fortunes of 2 major CE companies: Schulhof out at Sony; Timmer to retire at Philips Oct. 1, replaced by Cor Boonstra. (P. 11)

**LGE HAS FULL PLATE,** building huge VCR and CRT plant in Indonesia, working with Zenith in joint task force. It concedes \$100-plus loss on each 3DO player at new price. (Pp. 12 & 15)

**NOV. SALES SET RECORDS** in total color TV, VCRs, projection, EIA says. Best month in history for PTV. Camcorders beat full-year record in 11 months. (P. 13)

**BEST BUY IS UNDER PRESSURE** from analysts to scale back expansion plans for 1996 and open 10-15 stores in existing markets. (P. 15)

**NOV. RETAIL SALES FALL SHORT** of projections, with many retailers posting only slight gains tied largely to PCs. (P. 15)

**'NEW BUSINESS MODEL'** for PCs to restore prosperity is part of Sony's plan for 'convergence,' Yankowski says. (P. 16)



deregulation and dropping "bad actor" test, time period hasn't been finally decided, said John Windhausen, aide to Sen. Hollings (D-S.C.). Windhausen said regulations on cable programming for large systems will remain in place for longer than 3 years. Other issues on complaints and volume discounts still are pending. Long distance negotiations are continuing, with staff members saying they're close to resolution. Media concentration issues are far from resolved, with repeal of broadcast/cable cross-ownership and number of stations one organization can own heading list of contentious issues. House Telecom Subcommittee Chmn. Fields (R-Tex.) is pushing for outright repeal of broadcast/cable measure, while Senate negotiators would agree to having law repealed, but want prohibition to exist as FCC rule, so Commission could have flexibility to deal with issue.

To determine how much local media concentration would be allowed, conferees are considering variety of options, including one setting "minimum number of voices" standard and another setting specific ownership limits. Even specific number has problems, however, because some outlets, such as TV station or newspaper, are more significant than others, such as small AM station. Some weighting would have to be included in mix for that standard to work, industry sources said. Public's access to "an open and diverse broadcasting and media system is put in serious jeopardy" by telecom bills, according to study released Dec. 5 by Consumer Federation of America (CFA) and Center for Media Education (CME). Broadcast industry "is dominated by a small group of owners at the local level today," CFA's Bradley Stillman said. "With this control comes the ability to influence political discourse and shape our national culture." Permitting only few large corporations to own most of broadcast stations "is bad for consumers, bad for diversity, bad for program quality and fundamentally dangerous for our democracy," Jeffrey Chester of CME said. Among study's findings: (1) Broadcast industry is "a tight oligopoly." (2) Eighty percent of local markets are "highly concentrated," with less than "a handful of equal-sized competitors." (3) Increasing maximum coverage of U.S. TV households to 35% from 25%, as bills propose, "only serves to make the few largest companies more powerful." Study concludes there's "no good economic reason to make the changes proposed" in legislation, and public "believes that the policy should move in the other direction."

Hill and industry observers are increasingly skeptical that conference can meet deadline of having bill approved before Congress adjourns for Christmas recess, tentatively set for Dec. 22. Not only are there many issues on which decisions have to be made, but there's continued debate on issues on which decisions have been made. In one case, conferees decided to adopt staff recommendation deleting pricing flexibility language for telcos. But Senate Majority Leader Dole (R-Kan.) protested and RHCs are fighting back. That issue may be back, despite first vote. Conference also agreed to compromise on cyberporn, but left several issues unresolved as legislative drafting continued over weekend.

In addition, observers note that it was Sen. Lott (R-Miss.) who called meeting of key legislators last week to discuss long distance issues, not Commerce Committee Chmn. Pressler (R-S.D.), who is chmn. of conference. Pressler's reputation has suffered lately by lagging pace of conference and by scheduling of 2 conference meetings that had to be cancelled when it was discovered there were major conflicts with House schedules. These fits and starts are leading to discussion of possibility of delay beyond Christmas. Some in industry and on Hill believe effort may be doomed if it carries much beyond Feb. By that point, momentum will have slowed as lawmakers will have had several weeks off, lobbyists will have bolstered their arguments, other issues will move to forefront and presidential politics will be about to take off as presidential primary elections are set to start.

**TELCO-CABLE FIGHT GOES TO COURT:** Indicating great interest in case, U.S. Supreme Court justices peppered lawyers with questions in oral argument Dec. 6 on Cable Act ban on telcos' offering video programming or owning cable systems in their service areas. Case, brought by Bell Atlantic (BA), says ban violates telcos' free speech right to offer video programming. Similar cases have been brought by LECs throughout country, and ban has been tossed out by several lower courts. Supreme Court is reviewing Nov. 1994 decision by 4th U.S. Appeals Court, Richmond, that overturned ban in case brought by BA. Case was argued for Justice Dept. by Deputy Solicitor Gen. Lawrence Wallace and for BA by Laurence Tribe.

Every justice asked questions, many pointed, about validity of ban. However, they struggled with whether there's justification for using free speech as basis for dropping it. Justices indicated concern whether applying free speech protections to activities such as arranging programming schedules would open door to overuse of First Amendment. Justice Anthony Kennedy wondered whether software developers and video monitor manufacturers would seek First Amendment protections.



Both sides said later they were "heartened" by debate. Bell Atlantic Vp-Gen. Counsel James Young was encouraged by Justice Steven Breyer's questions as to why there should be concern about telcos' cross-subsidizing programming services, saying it appeared there were more lucrative areas of cross-subsidy than developing programming. He said he couldn't see where there would be common costs between programming and running a telephone service; common costs would seem to be between video and telephone transmission networks.

NCTA Vp-Legal Daniel Brenner was heartened because Kennedy and Breyer also questioned whether programming ban should be weighed under First Amendment or was intended to be economic regulation. To equate BA's business plans with "situations where there really is suppression of free speech, dilutes what the First Amendment is about," he said.

Brenner and Young said free-speech aspect could set tone for future court action on Information Age disputes involving areas such as on-line services that combine text with video. Justices seemed particularly interested in case because of its implications for First Amendment applications as video technology evolves. Kennedy and Breyer expressed concern that if economic regulatory issue were decided on First Amendment basis, it could restrict Congress's ability to impose economic rules.

DoJ's Wallace said ban stems from concern that telcos could use cross-subsidization to stifle cable companies. He said telcos as regulated monopolies had "exclusive franchise" that protected them against competition, gave them guaranteed rights-of-way, assured them proper levels of capital. Justice Clarence Thomas said "that's all well and good," but situation has changed since 1984 when ban was adopted by Congress. He asked whether situation now is "monopolists vs. monopolists... The evolution has taken place. As I understand it, the cable industry is no longer at its infant state."

Wallace said VDT changes situation somewhat and telcos also can get waivers to enter cable service if there's "good cause." Justice Antonin Scalia suggested that good cause might include "the fact that the statute is no longer needed." Justice Sandra O'Connor asked: "If the government was worried about anticompetitive behavior, why did the statute prohibit video programming rather than video transmission? Why select something more speech restrictive?"

Tribe said law is designed to protect economic harms unrelated to speech but "they're shooting at the wrong target." Supreme Court is expected to rule by July, but issue may be moot if telecom reform legislation passes because pending bills would eliminate video programming ban.

SEC filed complaint in U.S. Dist. Court, Philadelphia, against Lenfest Chmn. H.F. (Gerry) Lenfest and his wife in latest of what's likely to be string of insider trading cases involving Bell Atlantic's failed attempt to take over TCI. Complaint says that Lenfest's family, including a son who wasn't charged, made \$120,750 profit on purchase of TCI stock based on insider information Lenfest received as Liberty Media board member 2 days before Oct. 13, 1993, announcement of takeover deal. Lenfest and his wife issued statement that they "categorically deny" improper conduct and that they brought matter to SEC's attention, although SEC spokesman said investigation already had begun when Lenfests contacted agency. SEC is seeking court order forbidding Lenfests from violating securities laws again, forcing them to return profits from trades, imposing civil fine. U.S. Dist. Court, N.Y.C., began hearing evidence earlier last week on SEC complaint that Frederick A. Moran, father of Salomon Bros. analyst Frederick W. Moran, who worked on BA-TCI deal, profited by more than \$2.4 million on insider information on takeover. William Fisher, son of a TCI employee, reached settlement with SEC year ago after charge that he benefited by nearly \$37,000 from insider information on deal. SEC is continuing to investigate other trades made in days immediately preceding Oct. 13 announcement.

In what's expected to be first stage of broader deal, Paxson Communications agreed to \$10-million joint venture with L.L. Knickerbocker Co., companies said. Paxson's infomercial networks, inTV and Shop At Home, will provide air time for joint development of brands with Knickerbocker.

Modern communications technology should be used to "reform and, arguably, to save the [political] campaign process" in U.S., FCC Chmn. Hundt said in speech Dec. 8 at Princeton U. He suggested placing some of proceeds from FCC auctions into trust fund, with interest to be used for matching grants for candidates, or establishing "time bank" with contributions by broadcasters. He said auction proceeds might be used to reduce federal deficit but also suggested another IRS checkoff to create trust fund. On "time bank" proposal, Hundt said: "I realize that time certainly is money for broadcasters," but he said Congress could approve tax deductions for value of time. He said FCC "could consider giving ownership waivers to stations that donate time to be used by candidates for debates or other public issue programming." Other suggestions in speech: (1) Congress should lift restrictions on communications media voluntarily contributing time to candidates and limiting length of campaign ads. (2) Recipients of new digital spectrum might have to contribute to time bank. (3) Senate candidates would be entitled to withdraw time from time bank at any station in their state; House candidates would get time on stations whose broadcast area includes their districts. (4) Candidates would have to have great freedom in how they use their time.

Antec and Northern Telecom set up joint venture called Integration Technologies to provide engineering and consulting services for cable companies that want to add telephony and interactivity. Englewood, Cal., firm will be headed by Andrew Paff, formerly Antec exec. vp-strategic planning & technology, and will have 30 employees at start.



**ABC's 24-HOUR CABLE NEWS:** Plans for 24-hour cable news channel, starting in early 1997, were announced Dec. 5 at N.Y.C. news conference by Cap/ABC Pres. Robert Iger and ABC News Pres. Boone Arledge. ABC News will provide service with "immediate brand identity," Iger said, and he promised it would be "locally relevant" for TV affiliates. He said that affiliates board had "very positive reaction" when informed of ABC's plans, and that "our biggest problem" will be gaining distribution on cable systems."

New service, which will concentrate at start within U.S. before attempting to expand internationally, has no commitments for cable carriage, but negotiations are under way, Iger said, with Time Warner and TCI (which have interests in CNN parent Turner Bestg.) specifically mentioned. ABC Video & International Pres. Herbert Granath said "we're not looking to replace CNN in any way."

Granath said Cap/ABC has "history of patience. We are not after a quick buck and we will stay with it until the distribution [on cable] problem is solved." Asked why ABC was starting cable news channel now since satellite news channel (in which ABC had minority interest) was sold to CNN several years ago, Arledge said he "regretted we started [satellite channel] the way we did... It was a last-minute thing." He said latest news channel has been planned "for a number of years," with ABC's worldwide news organization "backbone."

Commenting on News Corp. Chmn. Rupert Murdoch's threat to form cable news channel (TVD Dec 4 p1), Arledge said: "The difference between us and Rupert Murdoch is that we have a news organization." He said ABC News has excess of talent that network newscasts aren't able to use and "quality we can provide will ultimately prevail."

Iger refused to discuss startup cost, but said "it will not be extraordinary." News channel will be flexible to permit stations and cable systems to work it into their schedules and will use ABC's 70 remote units and 100 worldwide bureaus, network said. It will be designed to "involve all of the 200-plus ABC affiliates to present a unique mix of local, national and international news" and will utilize "extensive resources of ABC-owned Worldwide TV News" syndication service.

News service will be part of ABC News, reporting to Arledge, and using key on-air talent, ABC said. Proposed ABC channel has no name and no executive in charge, and few other details were announced at news conference. Technical survey is under way, as is search for hq, which "is likely to be near a major newsgathering location." CNN official said Turner is confident that it can compete successfully with any 24-hour cable news provided by other networks.

Same day that ABC made its announcement, NBC-TV Network Pres. Neil Braun sent word to affiliates that NBC would announce similar service, and that when announcement is made it will provide many more details than ABC released, including distribution plans. Braun said NBC is much further along in plans than what ABC disclosed. Network had been talking for some time about providing 24-hour news and is negotiating with Microsoft to become equity partner. Microsoft already is partnered with NBC in on-line service NBC Supernet. NBC said it had been working on 24-hour news for more than year and hoped to start service next year, ahead of ABC's planned early-1997 start.

**FCBA celebrates 60th anniversary with black-tie dinner-dance April 20 at National Bldg. Museum, Washington.**

**'TRASH TV' ATTACKED:** Conservative group Empower America (EA), backed by 2 senators, launched campaign last week to convince advertisers to pull commercials from slew of daytime talk shows that group considers "trash TV." EA has targeted 5 cities and started running TV commercials Dec. 8, said EM founder William Bennett, author of Book of Virtues, former White House aide and Secy. of Education. In one spot, Bennett says some advertisers already have withdrawn ads from questionable shows, adds: "Now we want other major talk show advertisers -- companies and products like Philip Morris, Finesse shampoo and Three Musketeers -- to take a similar stand and refuse to sponsor this cultural rot."

At news conference in Washington, in which Sens. Nunn (D-Ga.) and Lieberman (D-Conn.) participated, EA said spots had been rejected by L.A. stations as too controversial and/or advocacy advertising, accepted by only one in N.Y., 2 in Washington. Stations in Hartford and Atlanta hadn't responded, group said. "In a culture of letting it all hang out, these ads are too controversial," Bennett said. "Such exquisite sensibilities should be applied to these shows." Objectionable programs mentioned at news conference included Rikki Lake, Sally Jessy Raphael, Jenny Jones, Jerry Springer, Montel Williams, Maury Povich, Geraldo, Charles Perez, Rolanda, Richard Bey.

Nunn urged viewers to boycott products advertised on such programs. He said they often feature shouting matches and tales of sex and violence and are "spreading the message that conflict should be resolved by emotional outburst and violence." Lieberman said it's time to hear such words as "citizenship" and "sense of responsibility" from hosts of such shows. Speaking to Town Hall and Rotary Club in L.A. Dec. 1, Bennett promised EA would be "more specific who the players are, who are the sponsors... We want one particular company [unidentified] to say: 'Yes, we brought you this show where this 13-year-old girl said she had 50 guys in one day.'"

Kraft Foods said it has dropped ads from 7 talk shows with content considered unacceptable and is monitoring others where its commercials still appear. At news conference, Bennett read letter from Mars Inc. saying that candymaker also has dropped spots from controversial programming. Producers and syndicators of programs in question didn't respond.

**FCC is proposing to continue using Arbitron area of dominant influence (ADI) designations for determining stations' must-carry status, even though ADIs haven't been revised since 1993. Commission launched rulemaking to determine whether other options are better, but tentatively concluded that ADIs would provide stability for process. It also said changing market definition process would raise questions about many already concluded proceedings to revise market areas at request of broadcasters or cable operators. Other options that FCC considered were switching to Nielsen designated market areas (DMAs) or using ADIs for 1996 but switching to DMAs later. Decision is needed before Oct. because stations must make must-carry/retransmission consent decisions by Oct. 1, FCC said. Comments are due Jan. 19, replies Feb. 8.**

**CBS will drop WLYH-TV Lancaster, Pa., as affiliate, retaining sole affiliation for Harrisburg-Lancaster-Lebanon with WHP-TV Harrisburg. WLYH-TV will affiliate with United Paramount Network and operate under local marketing agreement by Clear Channel Communications, licensee of WHP-TV.**



**FEW DIGITAL SURPRISES:** FCC probably won't hear much new at en banc hearing Tues. (Dec. 12) on digital TV, according to written testimony submitted by many witnesses. Hearing, beginning at 8:30 a.m. in Commission meeting room, will feature 25 speakers on public interest, digital applications, consumer impact.

Most of written testimony by networks, NAB and others repeats broadcasters' claims of need for full 6 MHz and opposition to added public service responsibilities and spectrum auctions. Gigi Sohn of Media Access Project repeats charge that giving free channels to broadcasters is "biggest corporate welfare giveaway of the decade" unless new public service obligations are imposed. She also says new channels shouldn't be limited to incumbent broadcasters. Sherwin Grossman, pres. of Community Bestrs. Assn., which represents LPTV stations threatened by digital TV allocations, said FCC should "take your focus off of repacking spectrum... so you have something to sell, until you make sure that everyone who needs service can get it."

Tele-TV Pres. Edward Grebow said even one-hour-per-week HDTV requirement would force broadcasters to add technical capability to provide full-quality HDTV, but FCC should require at least 5 prime-time hours of HDTV per week to assure that transition is success. Full HDTV "won't happen in a reasonable time" unless Commission mandates that each broadcaster getting digital channel devote at least portion of weekly schedule to full HDTV, Grebow said. Without mandate, telcos worry that broadcasters will devote digital channels to multiplexed standard-definition digital TV (SDTV) and ancillary data and pay services, he said.

Must-carry issues also are key to telcos, which fear they might be forced to carry multiple SDTV channels, plus analog channel during transition, on telco-owned video systems that will be somewhat channel-limited at first, Grebow said. He said telcos believe it would be "very unreasonable to expect any system to devote more channels to a single broadcaster than they do today." Since broadcasters almost certainly would opt for must-carry for analog channels at first, one-channel limit probably would mean no must-carry for any digital channels, he acknowledged. FCC also shouldn't require that wired systems carry broadcasters' data and ancillary services, he said. They would be glad to carry data that enhances newscasts, for example, but Grebow said data that enhance ads should be "a subject of negotiations."

Tele-TV is generally pleased with digital TV standard that resulted from Grand Alliance development, Grebow said: "Technically, the Grand Alliance proposal is far better than anyone hoped just a few years ago." He said standard has enough headroom to improve over time and is "very robust." Telcos would prefer progressive-scan system, as advocated by computer industry, because it's more compatible with computers, but Grebow said that's probably not economically practical in short term.

Arrival of digital TV has been big boon for U.S. manufacturers, Grebow said. As recently as 2 years ago, he said, only couple of American-owned companies were building TV production equipment, notably troubled Grass Valley Group. Now, "dozens" of U.S. companies, such as Avid, Adobe, Hewlett-Packard and various computer firms, are producing wide range of production equipment.

**FCC's 60th annual report** (for FY 1994) is available from Govt. Printing Office, 202-512-1800, \$9.50 paperback, stock number 004-000-00500-7.

"An aggressively deregulatory, market-oriented and First Amendment approach to the public interest standard requires that the FCC state clearly what it expects from broadcasters" in children's programming, Chmn. Hundt said. Speaking Dec. 4 at Brooklyn Law School, he again urged mandatory 3 hours weekly of educational programming for children, while admitting debate has "caused unprecedented controversy at the FCC." Under public interest standard, he asked, "how could we justify renewal of television stations that air not zero but only a little educational programming for kids?" He said that in past, "in a kind of semisecret internal process," FCC staff had "quantified minimum standard" of half-hour weekly as sufficient to justify renewal. That wasn't made public, Hundt said, because "the public and Congress undoubtedly would have been shocked and unhappy." Without program standards, he said, it's "inevitable that competitive pressures" will cause stations to reduce educational programming because it isn't as profitable as sports and entertainment. Chmn. said that under his tenure "this is the most deregulatory, procompetitive, market-oriented FCC in history... The public benefits that we should guarantee are those that private competition doesn't necessarily give us" -- such as in children's TV. Comr. Quello, answering broadcasters' questions same day in NAB-sponsored teleconference, said children's TV fight should be over and asked rhetorically why it continues.

**Telecom reform bill** will have positive short-term impact on cable cash flow because of greater freedom to raise rates, Moody's said in annual cable report, but competitive pressure beginning in 2000 will squeeze margins. Report said average rate increases for current services will be at or near inflation, but predicted revenue growth would be in pay-per-view, Internet access, interactivity, telephony. Cable companies probably won't use cash flow to pay down debt, Moody's forecast, instead reinvesting in existing systems and new services. Competition to cable probably will be minimal in next 3 years because of capital constraints, report said, but "aggressive competitive battles" in targeted markets will begin by end of decade, spreading to all cable markets 5-10 years later. Competition and consolidation in industry will result in "modest and gradual deterioration" in cable's average debt rating, Moody's predicted.

This is worst time "to be making a partisan issue of the FCC budget," FCC Chmn. Hundt said. Commission is on verge of major changes in telecom regulation, ranging from access charge reform to altering universal service rules, he said at conference sponsored by Telecommunications Reports, and needs more personnel, not less, because it can't risk making mistakes. Hundt said stripped-down budget proposed for FCC won't cover payroll. He said it's helpful that some states are "way ahead of the FCC" in creating rules for competitive local service. If Congress passes legislation that requires Commission to set national policy goals, state experience will enable it to "hit the ground running," he said.

**FCC International Bureau** said it reduced time to process earth station applications to 60 days from 365, and that will fall to 50 days by Jan. It said backlog of 700 applications (that came to Bureau when it was created last year) has been eliminated and almost 2,000 have been granted.

**FCC Common Carrier Bureau** gave GTE special temporary authority to operate cable system in Cerritos, Cal., in order Dec. 6. Action allows GTE Media Ventures to operate existing system pending Sec. 214 approval.



**QUELLO URGES TV TO SELL ITSELF:** Broadcasters don't do "a good enough job of selling" free TV to public, FCC Comr. Quello said in answering questions from NAB TV Exec. Committee members in Washington Dec. 4, and via satellite from broadcasters. Broadcasters "overall are doing an excellent job of public service," he said, "even in children's programming." He urged them to devote more effort to telling viewers about public services that "you are already doing... and perhaps be more responsible. [But] you can't blame broadcasting for everything" wrong in society. In many cases, people accuse broadcasting for programming considered unacceptable that actually is shown on cable, and, he said, over-air TV is "overblamed" for much bad on TV.

Asked about telecom bill (see separate story, this issue), Quello said "I don't know if it's going to pass or not," but prime concern is to keep TV free. As for specific provisions, he said it's "time for a more liberal approach" to broadcast-cable-telco cross-ownership. He said he "reluctantly favored the V-chip" as least intrusive way to help parents control viewing of their children, and his support is based "on an understanding" there won't be govt. program rating system.

Quello said he favors relaxation of curb on how many stations single licensee can own but there has to be "some kind of reasonable" limit on radio ownership. Bills passed by both houses of Congress would remove limits of 12 stations for TV, 20 for AM and 20 for FM, while setting maximum coverage of U.S. homes by single owner at 35%. "I think 35% is a reasonable extension of 25%," he said. Quello expressed concern that sports and other major events could shift to pay-per-view, which he said would favor "haves" over "have-nots" and signal end of free TV.

EEO and affirmative action are "very sensitive, politically," Quello said, but he predicted that "as the years go on, there's going to be less and less a need" for EEO rules and penalties. NAB Pres. Edward Fritts pointed out that telcos aren't subject to affirmative action requirements, and Quello said entire issue is being reconsidered at FCC because of court decisions.

Asked by caller if he has "personal vendetta" against Howard Stern -- whose talk radio show has been fined several times by FCC for indecent programming -- Quello responded: "There's no personal vendetta... He just carries it too far." Commissioner, who has spoken several times in opposition to Stern show, said complaints were brought to commissioners for vote by Mass Media Bureau.

Joe Macione of WCYB-TV Bristol, Va., said that under plans for advanced TV his station would be required to shift from Ch. 5 to Ch. 66 and would lose about 1/3 of its audience. Responded Quello: "We'll do the best we can [but] I can't promise you anything right now." NAB TV Chmn. Ralph Gabbard of Gray Bestg. said engineering studies show that signal loss by shift to UHF won't be that severe.

Quello's 4th term on FCC expires June 30 and he said he expects to serve well beyond that date in presidential election year when no successor is expected to be confirmed, but "I have a tendency not to go for reappointment." However, at age 82, he didn't close door on that possibility and it's known that Republican leaders in Senate have urged Quello to seek another 5-year term.

This was NAB's 2nd such teleconference. First was Oct. 31 with FCC Chmn. Hundt (TVD Nov 6 p2), and only area of

major disagreement between the 2 in answer to questions was on kidvid. Meanwhile, Hundt was in Brooklyn last week pressing his goal of minimum program standards (see separate story, this issue).

**Senate on 50-48 vote** Dec. 7 approved conference report on FY 1996 appropriations for Commerce, FCC and related agencies, insufficient margin to override expected presidential veto. Vote followed House approval Dec. 6 of conference report by 256-166. Proposed \$4-million cut in NTIA budget is "wrong-headed" approach by Republicans that will hurt U.S. efforts to open foreign markets and jeopardize American leadership on telecom issues, Administrator Larry Irving told reporters. He said congressional conference report approving \$3.46 billion for Commerce Dept. cuts NTIA 20%, to \$17 million, and will require "significant staff cut" if not vetoed. Without adequate funding for staff and travel, Irving said, U.S. will lose advantages in bilateral talks, global issues such as frequency allocations and privacy, and intellectual property discussions.

**CellularVision can go ahead** with construction of 34 transmitter sites for its local multipoint distribution service (LMDS), even though satellite and LMDS industries haven't agreed on spectrum sharing, FCC Wireless Telecommunications Bureau said. Licenses for new sites were conditioned on outcome of FCC proceeding on spectrum sharing. Digital Microwave, Harris Corp., Hughes and Teledesic had argued that Commission shouldn't grant CellularVision licenses in N.Y.C. area because that could prejudice outcome of long-running sharing negotiations, but FCC said problem could be solved by adding condition. Bureau also cited "Commission's desire to facilitate the development of LMDS."

**Westinghouse Chmn.** Michael Jordan said company will sell defense electronics unit, plus another smaller unnamed subsidiary, to help reduce debt acquired in \$5.4-billion CBS purchase. He said sale is expected to bring in \$3.2 billion: "Our plan is to quickly pay down 70% of the CBS acquisition debt. As a result, we will achieve the financial flexibility needed to invest in and grow our broadcasting business into a broader, global media enterprise." He said broadcasting is expected to account for about 65% of Westinghouse earnings in future and told financial analysts that cable, international and new media will account for another 20%.

**FCC has opened inquiry** on closed-captioning and video description of TV programming, Chmn. Hundt announced Dec. 4 at symposium in N.Y.C. sponsored by CPB/WGBH National Center for Accessible Media. He said purpose is to send "clarion call" to media and disabled that "in the fair America of the 21st century information society," Commission will find ways to guarantee participation by all Americans. Commercial stations now close-caption some programming voluntarily, he said, but there's no guarantee they will continue to do so in increasingly competitive environment. Comments are due Jan. 29, replies Feb. 14.

**FCC agenda for meeting** Dec. 15 includes in-home wiring. Commission will consider revising cable and telephony inside wiring rules to make it easier for telecom industries to converge. It also will consider petitions for reconsideration of existing cable in-home wiring rules. Also on agenda is petitions for reconsideration of cable cost-of-service rules.



**TIME WARNER/TURNER ATTACKED:** Takeover of Turner Bestg. by Time Warner (TVD Sept 25 p1) was attacked on 2 fronts last week, at FCC and again in Del. Chancery Court. USTA and Small Cable Business Assn. (SCBA) said FCC should block deal because "sweetheart" cable network carriage deal with TCI will make it difficult for new competitors, and TW partner U S West asked court to block it on grounds that it violates Time Warner Entertainment partnership agreement and that TW hid prior deal with other partners.

Chancery Court should block reorganization of TW that creates "entertainment division," U S West (USW) said in amendment to its earlier suit to block TBS takeover, because it would dismantle TWE, in which USW has \$2.5-billion investment. Plan would force new division Co-CEOs Robert Daly and Terry Semel to "divide their loyalties" between parent and TWE, USW said, and maximize stock value of parent, rather than partnership. USW also charged that Time Warner withheld information on "secret" 1991 agreement with Entertainment partners Itochu and Toshiba that if partnership acquired Turner Bestg., new partnership would be formed. USW said deal wasn't disclosed in 1993 when telco bought into partnership, and came to light only as result of exchange of documents this fall required by lawsuit.

Charges are "entirely unfounded," TW said, and "nothing could be further from the truth" than USW claim that TW had concealed earlier agreement on acquisition of TBS, although it said that "it was understood among Time Warner, Itochu and Toshiba that Time Warner could increase its ownership interest in TBS at any time." TW said USW suit "apparently concedes" that earlier suit was "worthless." It said it remains convinced that TW was "well within our rights" to acquire TBS without USW approval.

FCC should assure that program access isn't limited by TW-TBS merger, USTA said in one of only 2 comments to Commission. "This merger will produce a powerful, vertically integrated cable and programming machine," USTA Pres. Roy Neel said. "Its potential for behaving in a manner harmful to new video competitors must be examined by both the FCC and the FTC." USTA wants assurance that its members will get access to programming on similar terms and conditions. Citing reports that TCI's program prices will be frozen for 20 years, Neel said: "Clearly our members and others trying to enter this market can't compete with an incumbent who's receiving 20 years of programming at today's rates."

FCC should either deny transfer of WTBS Atlanta to TW or impose conditions to protect agreements with National Cable TV Cooperative (NCTC), SCBA said in petition. TW control of Turner programming puts "in jeopardy" carriage agreements, SCBA said, because although "Turner has always made its programming available on reasonable terms and conditions... the same is not true of Time Warner." SCBA said TW signed deal with NCTC for carriage of HBO and Cinemax only 6 months ago "under extraordinary pressure from the U.S. Senate." Assn. said pending TW-Turner merger would jeopardize contracts for Turner cable networks, which expire over next 4 years, as well as TW's programming. SCBA raised same concerns in comments opposing Walt Disney-Cap/ABC merger, charging that both of those companies had discriminated against small operators.

WavePhore said it received 2 more patents for its proprietary in-band digital transport system for carrying data within NTSC broadcast TV signal. Both patents are extensions of those previously issued.

**FCC OKAYS RATE SETTLEMENTS:** FCC continues to give final approval to MSO cable rate settlements, okaying previously announced deals with Cox and Comcast. Commission earlier accepted similar Time Warner agreement (TVD Dec 4 p5). It also upheld Cable Bureau decision that Adelphia's a la carte package in S. Dade County, Fla., violates rules. Municipalities that complain that settlements and social contracts are drafted without their input may be "disappointed" with lack of changes in final versions of agreements, said Eileen Huggard, exec. dir. of National Assn. of Telecommunications Officers and Advisers (NATOA).

Comcast settlement will give \$6.6 million in refunds, plus interest, to 1.3 million subscribers and settle 160 benchmark and 104 cost-of-service cases. Settlement, announced Aug. 1, requires Comcast to forgo inflation and external cost adjustments totaling \$3 million, but allows MSO to move as many as 4 regulated channels to unregulated migrated product tier. Cox settlement will provide \$7.1 million in refunds, plus interest, to one million subscribers to systems operated by Cox and recently acquired Times Mirror Cable. Agreement also requires Cox to drop additional outlet charges for all systems, but finds that expanded basic rates aren't unreasonable and allows Cox to migrate 4 regulated services to unregulated programming tier.

Full Commission affirmed Cable Bureau decision that Adelphia was trying to evade rate regulation by moving 32 of 50 channels from regulated tier to a la carte package. Bureau said a la carte tier wasn't realistic service offering since less than 1% of subscribers chose individual channels instead of tier package. Commission affirmed Bureau decision that channels must be counted as rate-regulated.

Group of TW cities had threatened to sue over settlement procedure, and Huggard said TW is example where FCC staffers may have put too much faith in "single-page form letters" they received from about 400 cities in support of contract. She said many seemed to come from small towns that had received much guidance from company itself. In Cox and Comcast deals, "text didn't seem to indicate they had made any major changes," said Washington lawyer Stephanie Phillipps. FCC official said final text of those deals was "virtually identical" to original. Commission received comments from 25 complainants in Comcast case, 37 in Cox, he said. Phillipps said cities are "appalled and others... outraged" over lack of changes in final versions of rate settlements and social contracts. Despite city complaints, FCC left deals mostly in place because "they think they've considered everything," and making significant changes would require them to reopen negotiations. FCC spokesman said there was "nobody that strenuously objected" to Cox and Comcast deals and noted that first social contract with Continental yielded more changes after comments than recent deals because of learning curve.

FCC will close 6 reference rooms afternoon of Dec. 15, reopen them on regular schedule Dec. 18, Commission said. FCC Reference Center, Tariff Reference Room, Ownership Reference Room, FCC Library, Cable Reference Room and International Reference Room will be open 9 a.m.-noon Dec. 15, and urgent requests for information during closing can be referred to 202-418-0270.

U.S. Satellite Bestg. filed registration statement with SEC for initial public offering of 8.3 million shares of Class A common. CS First Boston, Goldman, Sachs, Invemed Assoc., and Schroder, Wertheim will manage offerings.



**WIDER DBS ROLE SOUGHT:** There shouldn't be any changes in roles on reallocating Advanced Communications' DBS permit, cable and telco groups said in latest round of comments to FCC. Proposed rules would give those groups greater flexibility to enter satellite business than proposals by satellite interests. Satellite interests such as Hughes and Echostar have said allowing cable-owned companies such as Primestar into DBS would be anticompetitive since service would be competing directly with cable. Cable said 2 current DBS companies aren't affiliated with cable and cable's late entry would limit their unfair pricing or anticompetitive acts. They said they would have to keep prices competitive against USSB and DirecTV as well as other media.

Bell Atlantic (BA) said it supported FCC efforts to develop DBS and promote competition, but worried that Commission would make rule changes without evidence that they're necessary since it already has safeguards focused on monopoly cable companies, and any new changes are likely to be challenged when Commission auctions DBS channels in Jan.

NCTA agreed that record is "devoid of any evidence showing that a problem exists that justifies radical overhaul of the [DBS] rules." Assn. said comments ignore "reality" that cable's presence as DBS provider has no anticompetitive effects. NCTA said USSB and DirecTV don't have cable affiliations, and there are host of other services that provide alternatives to cable. It said it's "virtually impossible" that TCI, Primestar or any other cable-affiliated operator could engage profitably in anticompetitive pricing.

EchoStar said FCC lacks authority to do auctions since it hasn't explored other methods for resolving mutual exclusivity issue and alternative methods are "indeed superior to auctions." Echostar said it supports prohibiting large cable operators from DBS unless they divest themselves of cable. Justice Dept. recently announced same position, and companies said FCC should give "considerable weight" to DoJ's "expert views."

MCI urged Commission to proceed with auction -- at which carrier intends to open bidding at \$175 million -- and to reject arguments of Echostar, which it said is trying to "gain access to additional DBS channels at no cost and to forestall entry by a strong market competitor." Advanced said proceeding with auctions and placing at least \$175-million price tag on DBS permit means "Commission will force DBS permittees to offer all-subscription services in order to recover their enormous auction investments. Plans to use DBS for free educational services and other nonprofit purposes necessarily will be scrapped and the public interest will suffer."

NAB already has sold more than 600,000 sq. ft. to exhibitors for April 15-18 convention in Las Vegas, surpassing record 550,000 sq. ft. last April. Assn. will occupy more than 160,000 sq. ft. in Sands Expo Center for first time, plus more than 450,000 sq. ft. in Las Vegas Convention Center. Fastest-growing area of exhibits is NAB Multimedia World (which will be housed in Sands Expo), with average exhibitor increasing space 39%, NAB said.

Unannounced telephone call to controversial person in middle of live newscast poses considerable risk that rule against airing interview without that person's permission could be violated, FCC informed KENS-TV San Antonio Fri. in fining station \$2,000. KENS-TV admitted violation occurred, telling FCC it was "human error."

**HUNDT RECUSES IN EVERGREEN OK:** In item that became somewhat controversial behind scenes, FCC took circulation route to approve Evergreen Media Corp. purchase of 9 FM stations from Pyramid Bestg. for \$306 million, with Chmn. Hundt recusing himself at last minute. Approval required waivers of duopoly rule in Chicago and Charlotte, and early votes found voting commissioners split 2-2 on length of waivers (12 or 6 months). At that stage, Hundt hadn't voted, but his office had participated in making changes in proposed order as drafted by Mass Media Bureau.

Hundt, according to sources, early in discussions had indicated that he would recuse himself, then said he might participate. But, late Dec. 7 Hundt did recuse himself, without explanation, and other commissioners reached compromise on waivers -- which will be 6 months in Chicago, 12 months on national ownership limit of 20 FM stations and in Charlotte on duopoly.

Major problem arose in Chicago because Evergreen already was operating 4 FMs there under 12-month waiver granted by FCC last March. Evergreen owned 2 FMs in Chicago, WLUP and WRCX, then purchased Best. Partners' FMs WVAZ and WEDJ Chicago. Pyramid's WNUA Chicago will add 5th Chicago FM (plus 2 AMs) to Evergreen's stable temporarily. Evergreen now must sell 2 Chicago FMs by March 29, another within 6 months of that.

Eric Bernthal of Latham & Watkins, of which Hundt was partner before becoming FCC chmn., is Evergreen attorney but we were told that wasn't reason for recusal, that "it was a simple technical matter." Hundt reportedly also has withdrawn from issues involving Hughes DBS, which is represented by Latham & Watkins. He couldn't be reached for comment.

Comrs. Ness and Barrett had separate statements, expressing concern about Chicago situation. Said Barrett: "I believe that we are establishing dangerous precedent by allowing an entity to own more than double [2 FMs] the number of stations permitted" in single market under current rules. Ness said Evergreen hadn't sought "expeditiously to divest the 2 FM stations it now 'temporarily' owns" under previous waiver. "We need to be flexible to deal with business realities, but we must not sacrifice our commitment to fair competition and diversity of voices."

Also circulating on FCC's 8th floor and awaiting vote of all commissioners is Infinity Bestg.'s purchase of 7 radio stations from Alliance Bestg. for \$275 million (TVD Oct 2 p5). Just 3 weeks earlier, Infinity had paid U.S. Treasury \$1.7 million to settle indecency complaints brought by FCC, saying it wanted "normal relationship" with govt. regulators.

House Commerce Committee member Barton (R-Tex.) and FCC Comr. Chong will co-keynote FCBA-Practising Law Institute Telecommunications and Policy Regulation Conference Dec. 14-15, Grand Hyatt Hotel, Washington. Panels are scheduled on local exchanges, long distance, telecom future, international and satellite markets. Ex-FCC Comr. Anne Jones and Peter Pitsch, ex-chief of Office of Plans & Policy, will debate future of FCC, 10:40 a.m., Dec. 15.

"Comprehensive overview" of political broadcast laws and regulation will be offered to members by NAB at noon today (Dec. 11) via satellite. FCC, NAB officials and lawyers will participate. Video feed will be on Telstar 302, TR 3; audio on Satcom C5, TRs 23 and 15.



## Personals

**Bill Applegate** resigns as gen. mgr., KCBS-TV L.A.; **John McKay**, KCBS-TV sales dir., will be acting gen. mgr.; **James Eaton**, vp-programming for Group W, appointed vp-gen. mgr., KYW-TV Philadelphia, replacing **Tony Vinciguerra**, now exec. vp of CBS TV Stations Group... **Ralph Gabbard**, pres.-COO, Gray Best. Group and chmn.-NAB TV board, promoted to pres., Gray Communications System... **Kathy Clements-Hill** advanced to vp-gen. mgr., KXTV Sacramento, succeeding **James Saunders**, who retires at year-end... **Doreen Dawson-Wade** promoted to vp-gen. mgr., WLNE-TV Providence-New Bedford; **Theresa Casey**, ex-Apex department store chain, named dir.-social/retail mktg... **Liz Crane** resigns as WTNH-TV New Haven news dir. at end of year to become full-time mother... **Arthur Wood**, ex-WBRC-TV Birmingham, named news dir., WTVH Syracuse... **Bob Ganzer**, ex-WHSV-TV Harrisonburg, Va., appointed gen. mgr., KREX-TV Grand Junction, Colo... **Phil Arrington**, ex-WJZ-TV Baltimore, joins WBZ-TV Boston as mktg. dir... **Glenn Urbanski**, ex-NBC, joins WMAQ-TV Chicago as dir.-finance & administration... **Kate Shackelford** promoted to vp-finance, WHYY-TV Wilmington, Del... **Thomas Cochran**, ex-KOVR Sacramento/Stockton, named local sales mgr., KXTV Sacramento... **Tim Olson** promoted to mgr.-new media & publicity, WTTW Chicago.

**Larry Hoffner**, NBC TV Network exec. vp-sales, promoted to pres.-sales... **Martin Yudkovitz** advanced to pres., NBC Interactive Media; **Edmond Sanctis** promoted to senior vp-exec. producer... **Donna Eckholdt**, ex-NBC, named dir.-casting, 20th Century Fox TV... **John Sturm**, ex-NBC, CBS and FCC, promoted to pres.-CEO, Newspaper Assn. of America, succeeding **Cathleen Black**, recently named pres. of Hearst Magazines... **Josh Grotstein**, ex-NBC Online Ventures vp-gen. mgr., and **Lisa Simpson**, ex-NBC News dir.-business development for multimedia, interactive and on-line affairs, named Prodigy senior vp-content and vp-strategic business alliances, respectively.

**Wayne Huizenga** resigns as Spelling Entertainment chmn. following resignation from Viacom board... **Keith Friedenberg**, ex-Warner Bros. TV, named vp-research, West Coast, New World/Genesis Distribution... **Stephen Rockabrand**, ex-Paramount Pictures, appointed senior vp-programming & new business development, TVN Entertainment... **Donna Brett**, sales dir., Warner Bros. International TV Distribution, appointed vp-European regional sales... **Winifred Nelsser**, consultant, named vp-movies & miniseries, Columbia Tri-Star TV... **Bob Jacobs**, former consultant to producer **Steve Bocheo**, named pres.-Domestic Sales Div., King World Productions.

**Jonathan Cohen**, ex-senior counsel, FCC Office of Plans & Policy, named Mass Media Bureau asst. chief-law... **Josephine Holz**, Children's TV Workshop vp-research, named chmn., Systems for Measuring & Reporting TV (SMART) Children's Audience Measurement Committee... **Alan Bushong**, exec. dir., Capital Community TV, Salem, Ore., elected chmn., Alliance for Community Media... FCC Chmn. **Hundt** receives first "Public Service Award to Children" from Parents' Choice Foundation.

**Eugene Connell**, pres.-CEO, Nynex CableComms Group, moves to Nynex Worldwide Communications & Media Group as exec. vp; **John Killian** promoted to succeed him at CableComms... **Bill Fitzgerald** advanced to senior vp, Daniels & Assoc. Cable TV Div... **Cheryl Daly** promoted to senior vp-PR, Group W Satellite; **Linda Ruggieri**, ex-Nynex, named dir.-communications... **Joe Abbazia** promoted to dir.-U.S. affiliate mktg., GEMS International TV... **Gary**

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**Butterfield**, ex-Worldvision Enterprises, named vp-sales, Midwest region, Turner Program Services... **Loree McBride**, independent media relations consultant, joins USA Network as dir.-media relations, West Coast... **Ken Street**, ex-A&E TV Networks vp-affiliate sales, and **Scott Durand**, Jones Intercable mktg. mgr., named Jones Education Networks vp-national accounts and affiliate mktg. dir., respectively.

## OBITUARIES

**Edwin Bigley**, 88, MPAA administrative assistant and retired United Artists (UA) district mgr., died Nov. 27 of pneumonia at University Hospital, Ann Arbor. Resident of Bethesda, Md., Bigley was in Mich. for abdominal surgery when he died. Bigley worked for UA 1946-1968, joining MPAA in 1970 as asst. to Pres. Jack Valenti, working there until his death. Two sons survive.

**Helen J. Sloussat**, 93, CBS consultant and ex-head of network's Talks Dept., died Dec. 2 in her Washington home. She worked in radio in early 1930s before joining CBS as asst. dir. of Talks Dept. under Edward Murrow. She retired from full-time position in 1962 and returned to Washington where she became CBS consultant. She leaves no survivors.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 4th week of Nov. and year's first 11 months:

	NOV. 18-24	1994 WEEK	% CHANGE	NOV. 11-17	11 MONTHS 1995	11 MONTHS 1994	% CHANGE
TOTAL COLOR TV...	904,672	929,060	- 2.6	646,262	23,844,239	24,720,776*	- 3.3
DIRECT-VIEW....	861,953	900,320	- 4.3	632,631	23,128,673	24,162,728*	- 3.5
TV ONLY.....	768,613	844,450*	- 9.0	588,707	21,155,273	22,317,327*	- 5.2
TV/VCR COMBO..	92,980	55,870	+66.4	34,924	1,973,273*	1,835,401	+ 7.5
PROJECTION....	43,079##	28,740	+49.9	22,631*	715,566#	558,048	+28.2
TOTAL VCR**.....	669,173*	485,121	+37.9	328,218*	14,193,529*	13,563,599	+ 4.6
HOME DECKS.....	576,193*	429,251	+34.2	293,294	12,220,256*	11,728,198 <sup>r</sup>	+ 4.2
CAMCORDERS.....	155,064	112,091	+45.0	77,593	3,258,002#	2,877,223	+13.2
LASERDISC PLAYERS	5,856	5,827	+ 0.5	4,318	231,547	249,618	- 7.2

Direct-view TV 5-week moving average: 1995--780,766\*; 1994-769,027 (up 1.5%).

VCR deck 5-week moving average: 1995--461,323\*; 1994--389,558<sup>r</sup> (up 18.4%).

TV/VCR 5-week moving average: 1995--72,982; 1994--57,864 (up 26.1%).

Camcorder 5-week moving average: 1995--124,246\*; 1994--94,317 (up 31.7%).

\* Record for period. # Full-year record. \*\* Includes TV/VCR combinations.

## Record for any week. <sup>r</sup> Revised by EIA.

**FEW SURPRISES IN TECHNICAL SPECIFICATIONS FOR UNIFIED 'DVD' FORMAT:** New unified high-density videodisc format will be called "DVD" and will feature Dolby AC-3 digital audio for NTSC markets, MPEG audio for PAL and SECAM countries.

Those were highlights of announcement Fri. that negotiators for former MultiMedia CD (MMCD) and Super Density (SD) had completed work in Tokyo on technical specifications of unified DVD format for home theater and PC ROM applications that's said to combine best features of rival systems. While agreement on technical specs appears to give green light to start labor-intensive effort of designing final components needed for late-1996 launch, patent and licensing issues haven't been addressed. Philips Key Modules Pres. Jan Oosterveld, company's key negotiator in unification talks, said no fewer than 9 working groups have been formed to hash out remaining administrative issues. He said working groups will start work on patent administration and other issues as soon as this week, but refused to project how long effort might take other than to say it would have to be finished before products can be launched next year.

Main specifications are same as those reported 3 months ago when warring parties announced preliminary pact on unified standard (TVD Sept 18 p12). Basic disc is adapted from SD proposal for bonded 5" media composed of 2 layers, each 0.6 mm thick. Data capacity is 4.7 gigabytes per side, using "RS-PC" error correction system from SD proposal, "8-16" modulation system from MMCD proposal. System operates at average data transfer rate of 4.69 mbps. Of 11 main technical points that comprise basic system, Oosterveld said unified format draws equally from MMCD and SD proposals.

Unified system adopts Dolby AC-3 as mandatory choice in NTSC countries for DVD digital audio, with MPEG audio as option. Reverse is true in PAL and SECAM markets. Oosterveld said decision using 2 digital audio systems in world heeds suggestions by movie industry to adopt pattern consistent with disparity in TV standards as means of controlling international distribution of home video repertoire for copyright purposes. In worldwide teleconference, he dismissed British reporter's suggestion that unified DVD format is adopting "inferior" MPEG audio system under pretense of disparity between PAL and NTSC systems. Oosterveld responded that MPEG audio in some ways is "superior" to Dolby AC-3. Philips spokeswoman said MPEG also has "future upgradability" for 7.1-channel surround sound. Dolby executives hailed adoption of AC-3 for NTSC markets, but declined comment on Philips claims.



As for choice of DVD name, decision was consistent with negotiated agreement on which we reported month ago that unified format would be called something other than "MMCD" or "SD" (TVD Nov 13 p13). In briefing documents obtained by our affiliated newsletter Audio Week, negotiators said that while DVD is "formal name" of unified format, "it is not meant to be an abbreviation for anything, though in the past, it stood for digital videodisc." Negotiators said "we believe the 'V' can also stand for 'versatile.'" Prepared statement said name chosen for new format already "is a familiar one."

Statement said 9 companies were party to "technical breakthrough," and "will now undertake discussions in an effort to develop a patent licensing system." Companies listed are Hitachi, JVC, Matsushita, Mitsubishi, Philips, Pioneer, Sony, Time Warner, Toshiba. Roster didn't include Thomson, which was described as having "worked closely on DVD development" and "has expressed a desire to join the discussion." Briefing documents, responding to anticipated question from reporters on "Where is Thomson?" said: "We understand that they have expressed a desire to join us. But they were unable to attend due to a transportation strike in [France]." Thomson spokesman said only that his company remains full-fledged supporter of unified DVD standard, but has "philosophical disagreement" with other DVD companies on how system should be licensed. He wouldn't elaborate.

"From today on," statement said, "the companies supporting DVD will propose and promote a wide range of applications for the format. They will continue to develop the technology and work to position DVD optical discs as the ideal storage medium for the age of multimedia." Companies said they plan soon to announce logo for use on all DVD movie players and ROM drives. Oosterveld said "competition" period officially has begun, meaning no format-wide promotional booth is planned at Jan. Consumer Electronics Show or other trade events.

Negotiators tiptoed around questions on DVD video copy protection, and briefing papers suggestion only that variety of "options are possible." Sakon Nagasaki, dir. of Matsushita DVD Promotion Office, told Tokyo news conference that he expects adoption of Copy Generation Management System (CGMS), now being developed by numerous companies (TVD Nov 27 p14). He said CGMS would form basis of congressional legislation in U.S. based on proposal now being negotiated by hardware companies and movie industry.

Predictably, reaction to last week's announcement was positive. Time Warner spokeswoman said "another milestone in the development of DVD has been achieved." She said agreement finalizing technical specifications marked "the first time in recent technological history that a set of standards has been endorsed by leading companies across 3 industries -- consumer electronics, computers and entertainment/information software providers -- before any product was manufactured." She said: "The threat of a format war has been dissipated. All discs will play on all disc players or DVD-ROM drives regardless of manufacturer. Consumers can look forward to new levels of picture and audio quality in their home video theaters or on personal computers equipped with DVD-ROM drives."

**TOP-LEVEL TRANSITION -- SONY AND PHILIPS:** In entirely different ways last week, dominant personalities who radically changed direction of 2 of world's top consumer electronics companies announced their departure. Sudden, explosive and widely publicized resignation of Michael Schulhof as pres.-CEO of Sony Corp. of America and only American on Japanese parent's board contrasted sharply with announcement by Philips Chmn. Jan Timmer that he will retire in Oct. and surprise selection of relative newcomer to company as his successor.

Michael (Mickey) Schulhof's resignation, when it finally came, was shocking surprise -- although there had been speculation for months that power struggle with parent company's new Pres. Nobuyuki Idei was headed for inevitable showdown. Announcement, in succinct news release Dec. 5, caught much of Sony's U.S. operation -- including many of its top officials -- completely off guard. Release merely said he "announced his resignation from Sony Corp.," without even giving his many titles in company, and quoted regrets from Chmn. Norio Ohga, but not from Idei. That timing of departure was unexpected -- by Schulhof and everyone else at U.S. operation -- was exemplified by fact that his name appeared as co-host on invitation to Sony event scheduled for Dec. 14.

Schulhof's posts will be taken over by Ohga and Idei -- former becoming chmn. of Sony Music Entertainment (SME) and Sony Pictures Entertainment (SPE) and continuing as chmn. of Sony Corp. of America (Sonam). Idei becomes vice chmn. of Sonam and chmn. of Sony Electronics. There has been public speculation that American eventually will be named to succeed Schulhof in some posts, but for time being it's evident that management of Sonam will be firmly directed from Tokyo.



Indication of possible new direction emerged late Fri. when Sony released statement quoting Idei as saying he will chair newly formed Sonam Exec. Committee composed of Sony Electronics Pres. Carl Yankowski, SME Thomas Mottola, SPE Pres. Alan Levine. Idei said that he will be making "regular trips" to U.S. in new position and that while Sony businesses will retain some independence, goal of Exec. Committee is "to have them work as a single cohesive unit." Three Sony executives are "all doing very well" and Levine and Mottola will report to Ohga, while Yankowski reports to Idei.

Although Schulhof was backed strongly by Chmn. Ohga, and by Ohga's predecessor Akio Morita, it was obvious that his influence was on wane -- or worse -- during preparations for U.S. launch of PlayStation. Tokyo objected to Sonam's plans for introducing, marketing and pricing of videogame system in U.S. Olaf Olafsson, Schulhof's protege, was removed as pres. of Sony Interactive Entertainment, responsible for PlayStation, which was put directly under committee headed by official of Japanese parent (TVD Oct 30 p10, Sept 25 p16). "Things came to a head," Wall St. Journal reported without specific attribution, "when Mr. Schulhof learned of a plan to return control of the consumer electronics unit directly to Tokyo."

Press accounts of Schulhof's departure made much of company's \$3.2-billion loss on its Hollywood venture and extravagant spending he demonstrated at time parent company was retrenching and reorganizing. There has been considerable speculation about sale of part interest in movie operation.

Effects on electronics operation are unknown, but there are certain to be more shifts in personnel. Although Sony is expected to retain interest in movie business, there's some evidence that Idei is changing focus to some extent to multimedia and convergence with personal computers -- key project he described in N.Y. speech and news conference last month (TVD Nov 27 p15).

After 21 years with Sony, Schulhof, 53, was quoted in Sony news release as planning to "explore a new entrepreneurial role." Variety quoted him as saying "I've accomplished everything that I could" at Sony.

While Schulhof was "a key architect in our strategy to expand into the content and entertainment businesses," as Ohga said, his turbulent regime in which Sony took \$2.7-billion writeoff on value of movie business (TVD Nov 21/94 p11) contrasts sharply to Jan Timmer's rule as chmn. of Philips Management Board during which he downsized company and engineered its turnaround.

Timmer last week announced he was retiring Oct. 1 at 62. His successor will be Cornelius (Cor) Boonstra, 57, who joined Philips last year and previously was chmn. of Sara Lee in U.S. Timmer, who was appointed to head Philips in 1990, inherited company encrusted with bureaucracy and tradition evolved during its 100 years -- and plagued by heavy losses. He trimmed fat, maintaining company morale despite cutbacks and restored profitability and growth during worldwide business slowdown.

Boonstra became Philips exec. vp on joining company in 1994, currently is in charge of Lighting Div., corporate marketing communications and heads Philips activities in Asia-Pacific region. A Dutchman, he joined Sara Lee subsidiary in Europe in 1974, became exec. vp of U.S. parent company in 1988 and pres.-COO in 1993. Passed up for chmn. post -- and reportedly strongly in the running -- was another exec. vp, Henk Bodt, who heads Consumer Electronics Div. Timmer will become member of Philips Supervisory Board on his retirement.

**LGE: INDONESIA VCR PLANT, ZENITH TASK FORCE:** LG Electronics lost no time following its acquisition of Zenith (TVD Nov 13 p8) in setting up joint task force to coordinate operations of 2 companies. Big Korean company will start supplying VCRs to U.S. from new \$450-million Indonesian plant next year. LGE, which chopped price of its GoldStar 3DO player by \$100 (TVD Dec 4 p10), revealed it's losing "in excess of \$100" on each console it sells at new price of \$199. These were major areas covered in meetings of media with officials of LGE's U.S. electronics operations last week.

LGE will produce VCRs outside Korea for first time, in big new complex in Indonesia, in April. At starting rate of 1.5 million annually, majority will be for U.S. about 500,000 under GoldStar brand, rest for OEM market, including Zenith brand. New plant will make 2- and 4-head mono decks, with Korea continuing to supply stereo hi-fi versions. It also will produce 3 million color TV and monitor tubes, 4 million deflection yokes and flyback transformers and 600,000 computers annually, mainly for Southeast Asia. By 2000, company plans to produce 6 million tubes annually in Indonesia.

How Zenith and GoldStar lines will mesh was subject of free-wheeling discussion at sessions. LGE Home Electronics Brand Management Dir. Philip Petescia revealed that joint task force already is working on



"everything from manufacturing, engineering, physical distribution to warehousing -- everything to take advantage of synergy" between companies. He said all combined operations will be "upstream" functions -- "downstream" sales and marketing operations will continue to remain completely separate.

Products will continue to be differentiated. "One thing we could easily do is just make the same 25-inch TV and just put a different badge on it with \$20 retail difference -- something we very definitely will not do," Petescia said. Like other Korean brands, he said, "our company has always wanted [Goldstar] to be a 'premium' brand [but] the reality is it's very difficult if not impossible... It would require a tremendous amount of advertising and resources and support of dealers." However, Petescia said, "with the acquisition of Zenith we have a top-tier player, we have a premium brand in the U.S. Rather than try to make GoldStar a premium brand, a lot of those resources are going to be used to help strengthen [Zenith's] position."

Influence of Zenith ownership will change GoldStar market aspirations, its product line to be aimed at becoming "a very strong bridge line," not selling at lowest price point -- "we leave that to the no-names" -- but to be first step up. GoldStar also plans new role of niche brand -- "to experiment, go after niche products, innovations, take some risks with something different." First such products were displayed -- 2 unique 13" TVs and wall-hanging stereo (see separate report, this issue).

As for advanced products, such as DBS and DVD, they probably will show up first in Zenith line, Petescia said. He implied DBS entry could come soon -- "that's a segment of the market we just can't ignore." He said there have been discussions with various DBS proponents, and both GoldStar and Zenith probably would follow same system, hinting at announcement next month at CES.

Although marketing will be kept completely separate, when asked whether Zenith acquisition would strengthen GoldStar's position Petescia said LGE America Pres. Nam Woo "meets with all our major customers." He's only U.S.-based LGE member of Zenith board, and that "is more of an advantage [to GoldStar brand in terms of prestige] than any ad campaign."

One place where LGE will help with Zenith marketing is in other countries. When it first bought 5% of Zenith stock in 1992, international marketing was part of plan, but "that never really happened," Petescia said. Now with 57.7% of company's stock and universal realization that "if you're not global in the consumer electronics business it's impossible to survive," LGE will back Zenith brand in new markets.

Asked about GoldStar's StarSight-equipped VCR, Petescia said it was too early to generalize on results. LGE started shipping at end of Nov. to Montgomery Ward stores, but has found that sales people still don't understand new VCR or know how to sell it. He said StarSight is sending teams to set up system and educate dealers, but "we don't have tremendously high expectations" because of \$150-\$180 premium for feature.

As for future "convergence" of TV and PC, LGE is helping fund project at MIT looking to products for next century. Petescia said LGE was only CE company among sponsors, which include such companies as Oracle.

LGE HiMedia Vp James Ireton was candid in revealing that at new price of \$199, company is losing "in excess of \$100" per console on 3DO players. While it currently has only 3 software titles, he said "that \$100 could evaporate over the next few months" with 6-10 titles due in 1996 as profit centers. Asked how low videogame prices could descend, he said "we can't apply the consumer electronics formula to videogames -- we can't reach \$99," adding that "we can't actually meet \$199."

He said LG's investment in videogames isn't necessarily intended to be profit stream, but rather part of company's long-term strategy -- "a learning curve into the next 5 years" -- specifically citing upcoming M2 64-bit upgrade of 3DO system, although he declined to elaborate.

**NOV. SALES -- COMBOS, PTV, CAMCORDERS UP 40%:** Dealers may not express much excitement individually about preholiday sales (TVD Dec 4 p12), but their purchases set records for month of Nov. in total color TV and total direct-view, VCR decks, camcorders and projection TV (PTV) -- last-named setting record for any month in history, according to EIA figures.

TV/VCR combo sales showed biggest advance of all -- 49.1% -- but fell shy of record for month because of huge combo sales in Nov. 1993. Projection-TV sales exceeded 100,000 for first month in history and were up 40.7% over year earlier. Final Nov. week's PTV sales of 43,079 -- highest week in history -- were greater than sales for entire month of either April or May.



In year's first 11 months -- with 4 weeks still to go -- camcorders zoomed 50,000 units past full-year record of 3,208,651, set last year, joining PTV in establishing new 52-week highs, with TV/VCR combos likely to follow in next week or 2. VCR decks, up 23.5%, had good month, with 2-3 weeks still to go before breaking all-time year's record. Incidentally, our running count of VCR sales since inception in 1975 shows cumulative total U.S. sales hit 150 million in Nov., after 20 years of sales.

While direct-view color TV (excluding combos) continued to lag last year for 8th consecutive month in Nov., hot sales of combos helped total direct-view set Nov. record by 0.5%. Bolstered by PTV, total color also hit record by slightly more respectable 1.6%.

PTV ran at best seasonally adjusted rate in history in Nov., at 948,650, while VCR decks, at 15.2 million, had their 2nd best month, and camcorders, at 3.75 million, enjoyed 3rd best month. Direct-view color (excluding combos) sold at rate of 24.1 million in Nov., down from 1994's record 24.7 million record, but combos, at nearly 2.2 million, were at record level.

Here's how 1995 probably will go down in record books, based on seasonal rates for first 11 months: Direct-view color (excluding combos), 23.56 million, down 4.8% from last year's record 24.71 million. Projection TV, 828,700, big 30.3% gain on 1994's record 636,177. TV/VCR, 2,190,000, record by 8.5% over 1994's 2.02 million. VCR decks, record at 13.71 million, 4.7% over 13.09 million last year. Camcorders, 3.66 million, topping 1994 record of 3.21 million by 14%.

Following is table of EIA figures on sales to dealers for Nov. (for 11-month results, see State of the Industry):

Product	Nov. 1995	Nov. 1994	% Change	Nov. 1993
Total color.....	2,830,624*	2,785,792	+ 1.6	2,713,898
Direct-view...	2,724,755*	2,710,528	+ 0.5	2,665,970
TV only.....	2,452,823	2,528,184	- 3.0	2,372,512
TV/VCR combo.	271,932	182,344	+49.1	293,458
Projection....	105,869**	75,264	+40.7	47,827
Total VCR#.....	1,792,885*	1,414,090	+26.8	1,501,131
VCR decks.....	1,520,953*	1,231,746 <sup>r</sup>	+23.5	1,207,673
Camcorders.....	409,465*	282,375	+45.0	320,468
Laserdisc players	21,830	21,349	+ 2.3	21,770

\* Record for any Dec. # Includes TV/VCR combinations. \*\* Record for any month. <sup>r</sup> Revised by EIA.

**Philips Display Components (PDC)** will spend \$115 million to expand Ottawa, O., plant to add 2 lines to produce 900,000 32-35" tubes annually by mid-1997. Capacity is slightly larger than 800,000 projected in June (TVD June 19 p13). Each line will have capacity of 450,000 tubes, with Philips' first U.S.-made 32" expected to be available by 3rd quarter of 1996 and 35" in mid-1997, company said. Philips previously imported 32" from plant in Aachen, Germany, and sourced 35." Amount of capacity dedicated to each screen size will depend on market conditions, although 32" recently has been outselling 35" by 2-1, PDC Mktg. Vp Edward Egert said. Production lines also can be converted to handle widescreen format, Philips said. Plant produces 4.5 million 19-32" tubes annually with 2,200 employees. Most of production is sold in N. and S. America, although new products also will be exported to Europe and Asia, company said.

**Rex Stores** net income rose 21.2% in 3rd quarter on 18.4% sales increase (see financial table). For 9 months, income climbed 28.2% on 21% sales gain. Total merchandise sales for 3rd quarter were up 19% to \$92.4 million from \$77.9 million. For 9 months, merchandise sales rose 21.5% to \$271.6 million from \$223.6 million. Same-store sales declined 4% for quarter and 3.5% for 9 months.

**Circuit City**, which surprised CE world with decision to enter used car business, is said to be negotiating with Chrysler to add new cars to CarMax Div. While CC officials wouldn't comment on status of talks, analysts said company appeared more motivated by opportunity for access to factory auctions of used cars than setting up new Chrysler dealerships. Auctions are closed to everyone but franchised new car dealers. CC, which launched CarMax in 1993, operates 4 lots in Richmond, Raleigh and Norcross and Kennesaw, Ga. with 5th under construction in Charlotte.

**Toshiba's consolidated net profit** rose fourfold in fiscal first half to Sept. 30 on 6% sales increase, company crediting booming semiconductor and computer peripherals business. Sales of "home electronics and other" products fell 9% as result of low Japanese demand for VCRs and refrigerators, it said. For full year, Toshiba forecast 79% increase in net on 6% rise in sales.

#### THIS WEEK'S YEN RATE

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



**BEST BUY UNDER PRESSURE:** Best Buy (BB), which has expanded rapidly in recent years, is said to be considering scaling back plans for 1996.

While it was reported to be planning 30-40 new stores for 1996 (TVD Nov 13 p12), analysts said they were advising retailer to pare down plans to 10-15 outlets in existing markets. BB confirmed that it was "looking at properties" in at least 2 new markets, Philadelphia and Pittsburgh.

"We believe Best Buy should eliminate or at least sharply curtail store openings in 1996 and focus exclusively on fixing the company's profitability problems," Sanford Bernstein Research Analyst Ursula Moran said in report that called for opening 5-10 outlets in markets "not yet fully stored" such as L.A. "If Best Buy persists with an aggressive store-opening plan given its high leverage and negative cash flow position, we believe its survival is questionable," report said.

BB spokeswoman said 1996 plans still were "under discussion" and "anything that you've heard at this point is clearly rumor."

"They can and they will slow their expansion," another analyst said. "At this point, they probably wouldn't want to do much more equity and they probably would not want to do much more debt."

BB has financed rapid expansion largely through stock offerings. It had 4-million share offering in 1994 (TVD Oct 3/94 p15) as it launched Concept III format in Washington, D.C. and L.A. featuring 55,000-60,000-sq.-ft. outlets (TVD Oct 31/94 p16). To continue growth, BB may have to rely on internal finances.

BB's major problem has been reliance on low-margin PC hardware and software, which now accounts for about 50% of sales, analysts said. PC hardware typically carries 0-12% margins and software is only slightly more profitable, experts said. Chain has made other attempts to boost profits, including adding high-end audio and testing in-home product installation program for PCs, Digital Satellite System (DSS), home theater.

"There are a lot of areas they need to firm up so they should slow down and take a good hard look at what they have and then go forward," CE executive said. "They have been going during the past 3 to 4 years at an unbelievable pace and sometimes it comes back to haunt you."

Philips Semiconductors (U.S.) has finalized acquisition of Western Digital Corp.'s Multimedia Products Unit, manufacturer of Paradise graphics accelerator cards and RocketChip silicon devices, for undisclosed cash amount. Philips (Eindhoven) also is acquiring majority ownership of BSO/Origin, Dutch software consulting company of which it currently owns 41%. Philips will transfer its own information technology services to Origin, which will have annual sales of \$1.25 billion and employ 10,000. Company specializes in integrated computer services for businesses.

Sony and Qualcomm signed agreement last week for joint marketing to sell CDMA wireless portable phones starting Jan. 1. New Sony/Qualcomm CDMA sales company will handle retail and OEM sales of phones for cellular and PCS. Companies set up Qualcomm Personal Electronics joint venture in 1994 to develop CDMA phones. CDMA trials have been conducted this year, with commercial service expected in 1996.

**GOLDSTAR'S 'NICHE' MODELS:** LG Electronics is introducing 3 GoldStar products specifically designed as special market niche items, in line with new policy of "innovating and taking risks" (see separate report, this issue).

Company says it's world's largest manufacturer of 13" picture tubes and hopes to bring new sets of that size in at respectable margins through unusual design.

Being tested through Good Guys stores in Northern Cal. is 13" set in what LG Electronics calls "advanced retro styling" or "20-year-ago view of the future." Dubbed Fashion TV, set is mounted on stubby legs with high-gloss black finish, has single tuning knob that houses digital tuner, and provides revolving LED display as set is tuned. Remote-controlled set has deluxe features and carries suggested list of \$220. Designed for teenagers, it was tested before focus groups, and if black model succeeds, wild colors could be next.

Another specialized model is 13" TV for RV and mobile trade, with built-in fuse to guard against voltage fluctuations and on-screen battery meter that warns whether car or RV battery is low. In 27" TV, GoldStar says it has first set with inputs on side instead of front.

In stereo, GoldStar premiered wall-mounted remote-controlled AM/FM cassette and CD system with 20w-per-channel output and 4 preset equalization positions, together with scrolling fluorescent display that says "welcome" when set is turned on, "goodbye" when it's switched off. It's equipped with interchangeable green and red front panels, change from built-in gray.

**NOV. RETAIL SALES MIXED:** Retailers reported disappointing sales in Nov., dashing hopes that month would help turn around sluggish year for CE at retail.

Audio King said Nov. sales climbed 12% to \$6.041 million from year-earlier \$5.4 million. Sales for year rose 21% to \$26.8 million from \$22.1 million. Same-store sales declined 11% in Nov., but were up 11% for year. Pres.-CEO Gary Thorne said Nov. sales "did not meet our expectations."

Circuit City posted 22% rise in sales in Nov. to \$693.8 million, but only 1% gain in same-store sales. For 3rd quarter ended Nov. 30, sales rose 27% to \$1.78 billion as same-stores sales edged up 3%. Gains were largely from PCs, while CE products appeared to take downturn, analysts said. CC Chmn.-CEO Richard Sharp said chain was "pleased" that in "challenging" retail climate retailer was able to have "effectively balanced sales and earnings growth."

Tandy sales climbed 23% in Nov. to \$599.2 million from \$488.4 million as same-store sales rose 3%. Chmn.-CEO John Roach said Radio Shack sales of AV products, cellular phones and electronic toys "showed good strength" in month, and said PCs and related products "continue to be hot gift ideas this Christmas season."

Ultimate Electronics sales jumped 47% in Nov. to \$26.8 million from year-earlier \$18.205 million. For 10 months, they were up 68% to \$190.14 million from \$113.281 million. Same-store sales increased 8% for Nov., 13% for year, excluding results of first Salt Lake City store.

Korea's Daewoo is supplying NEC with widescreen TV sets on OEM basis for sale in Japan.



**SONY'S PC/CE 'CONVERGENCE':** Sony plans to bring "the benefits of computing and communications technologies to future AV products -- further blurring the lines between consumer electronics, telecommunications and personal computers."

So said Sony Electronics Pres.-COO Carl Yankowski in elaborating company's plans. PC industry needs "new business model," he told PC Outlook conference last week in San Francisco. "Finished hardware manufacturers are being squeezed out of profitability," with profits moving to component and processor makers and software and services, he said.

Sony doesn't plan to be another "clone" manufacturer, Yankowski said, but hopes to "integrate computers and consumer electronic products into home networks, and take advantage of the plethora of pipelines to the outside world -- from the Internet, commercial on-line carriers, cable, satellite, telephony and wireless."

As samples, he suggested "Sony PC bundled with special Sony music, video and gaming products" or "software that allows you to program your Sony 100-disc CD changer easily from your computer, with instant indexing downloaded from the Internet for every song published on CD."

"Higher density CDs -- or DVDs as many call them" -- represent key technology for next generation of information and entertainment products, Yankowski said. "Within Sony, the program to develop and commercialize high-density CDs cuts across our entire organization, from consumer audio/video to computers, components, recording media and software," he said, calling it "the first digital technology that truly draws upon the combined expertise of the total Sony."

Yankowski said technology was "designed from the ground up... with critical input from both Hollywood and Silicon Valley." That type of "technological convergence... is fundamental to redefining our overall way of doing business."

**Casio/Phonemate (CP) joint venture** will introduce 2nd-generation videophone at CES in Jan. targeting commercial security. It said Image Tel will be delivered in 2nd quarter at \$2,500. Analog videophone is set-top box with built-in video camera that connects to PC-based security system via RS232 ports to deliver frame every 3.5 sec. High-resolution option transmits at 30-sec. intervals. Device can control cameras, works with alarm system to call preprogrammed number automatically and can transmit up to 48 stored images. CP's first videophone was introduced for videoconferencing last Jan. (TVD Jan 16 p21) at \$1,899 and software to upgrade model to add security applications will be available in Jan. at \$149. CP also will show two 25-channel cordless phones with built-in answering machine at \$189 and \$149. High-end model will have all-digital answering with 14-min. recording time, as does lower priced unit.

**Gemstar signed agreement** with Technicolor Video Services to manufacture and sell Index Plus technology for prerecorded videocassette tapes. Index Plus, which allows user to create on-screen index of programs taped on cassette, is scheduled to launch in 1996 in dozen VCR brands. Technicolor will provide duplication services using technology and will market Index Plus to tape manufacturers. Technicolor said it has production capacity of 300 million videocassettes annually.

**FRETTER AFFILIATE FILES CH. 11:** Fretter empire, which covered 240 stores at start of year, continued to crumble last week as its Dixons U.S. Holdings group filed for Ch. 11.

Brighton, Mich.-based Fretter and Fred Schmid Div. said they weren't part of filing, but industry observers said 50-store chain could follow same path. Dixons Holdings filed on behalf of Fretter's Silo Div.

Fretter Exec. Vp Dale Campbell didn't return call seeking comment, but retailer said that given chain's "recent financial performance and competitive environment in which it operates, the company is continuing to explore various financial and other alternatives available to it." Among alternatives is filing for Ch. 11, retailer said earlier in fall (TVD Sept 25 p19). But Fretter also hinted at switching to 40,000-sq.-ft. superstore format that would involve closing additional stores (TVD Nov 13 p12).

Fretter is buying product on cash-in-advance (CIA) basis, possible sign of trouble in lining up financing necessary to obtain inventory, industry sources said. Fretter troubles surfaced in spring when chain asked some suppliers to slow new product deliveries (TVD May 8 p21). That was followed by wave of Silo closings that eventually covered 190 stores.

"I think the Silo filing is the first stage," CE executive said. "Fretter is going to continue to struggle because nothing is changing and the market is getting tougher."

Dixons listed \$118.9 million assets, \$202.8 million liabilities. No CE companies were among list of top 20 creditors, which was headed by Chicago Tribune with \$505,307 claim for ads.

**'COMMERCIAL ADVANCE' LICENSEES:** Hitachi, JVC, Matsushita and Samsung have signed licensing agreement to build "Commercial Advance" feature into VCRs.

Companies, which signed pact with Arthur D. Little Enterprises, plan to introduce feature in 1-2 models in 1996, confining technology to 4-head models in \$440-\$499 range, industry analysts said. Technology adds \$75 to manufacturing cost, they said.

Feature, which debuted in 2 RCA VCRs earlier this year (TVD June 12 p18), is contained in ICs that sense commercials and skip over them in recording mode. Technology marks beginning and end of commercial and notes timing and identification code on tape. When program is interrupted by commercial during playback, device fades to blue and signals VCR to fast forward through up to 3 min. of commercials in 8-10 sec.

"It works pretty well and I believe that the consumer who does a lot of taping doesn't want to watch the commercials and they'll be interested in this," Hitachi Exec. Vp Gary Bennett said, adding that company would introduce 4-head hi-fi VCR with "Commercial Advance." Matsushita also is expected to show 4-head model at CES in Jan., retailers said.

Thomson had exclusive agreement for use of technology in VCRs in 1995, introducing it in RCA 4-head hi-fi and mono VCRs at \$399-\$499. Arista Technologies first showed technology in "Commercial Brake" standalone unit in 1994 (TVD Jan 3/94 p10), but didn't deliver product until this fall at \$198 (TVD Nov 20 p20).



**FCC AND 'NEW TECH' AT CES:** Previously unannounced highlight of Winter Consumer Electronics Show (CES) Jan. 5-8 in Las Vegas will be seminar Sun., Jan. 7, featuring FCC staff officials titled "New Technologies: Status and Views on the FCC's Role."

Speakers and subjects on tentative list: Richard Smith, chief engineer, Office of Engineering & Technology -- "New Technologies, Regulatory Policy and Common Sense -- Views on FCC Role," and "Overview of the Range of Current Issues."

Robert Bromery, deputy chief, Allocations & Standards Div. -- "ATV Status, Views on Standardization" and "Spectrum Allocations."

Saul Shapiro, asst. chief, technology policy, Mass Media Bureau -- "HDTV Implementation and FCC Role" and "Digital Audio Radio (DAR), V-chip, etc."

Richard Engelman, chief, Technical Standards Branch -- "Equipment Authorizations and Technical Standards" and "New Proposals," including changes in RF radiation rules, Family Radio Service, etc.

Mark Corbitt, dir., technology policy, Office of Plans & Policy -- "Cable/CE Compatibility (Issues, Status and Potential Impact on Manufacturers)" and cable home wiring, etc.

Two new multimedia sessions have been added to program, covering software distribution and convergence of CE and PC technologies, with emphasis on Internet's impact on retail. Highlight session, as already noted, will feature officials of major CE companies, including Sony's John Briesch, TCE's Joseph Clayton, Zenith's Gerald McCarthy, Philips' Robert Minkhorst.

CES sponsor Consumer Electronics Mfrs. Assn. (CEMA) said number of preshow registrants is about same as at this time last year, and includes "almost all" of top 100 CE retailers.

Sharp and National Semiconductor announced alliance to promote digital MiniDisc (MD) as recordable storage device for PCs. Format's 140 Mb capacity is 100 times greater than today's high-density floppy diskettes, companies said. Two developments ease way for MD use, especially in portable PCs. In manufacturing, Sharp has reduced height of MD data drive to 17mm -- suitable for laptop installation -- and OEM price has fallen to about \$200. National has developed chip-based interface device that multiplexes MD data over standard floppy-drive interface. Device is called MDIC (for "MultiDrive Interface Controller"). Companies said relatively inexpensive high-capacity MD is consumer-market alternative to more costly recordable CD media.

Two weeks after 3M announced it will phase out tape operations over next 12 months (TVD Nov 20 p11), company's Professional Audiovideo Group in Europe released statement saying decision "does not reflect on the outstanding performance" of subsidiary, "which has shown a consistent improvement in revenues over the past few years." Subsidiary said 3M's "prime consideration" in 1996 will be assuring that customers "continue to receive top quality product and service." Frank Russomanno, European business dir. for professional AV products, promised company "will give our customers ample advance notice of any format withdrawals which have to be made."

**SOFTWARE DOWNTURN:** Acclaim Entertainment and Davidson & Assoc. (DA) braced Wall St. for disappointing financial results last week.

Acclaim, which revised financial results for fiscal year ended Aug. 31, was said to have told analysts that "industry had soured" for publisher, while DA said NewMedia Express software distribution system "will not meet revenue expectations" for 4th quarter.

Acclaim's revised results set off trading blitz that battered stock last week. Shares dropped \$6.97 to \$12.50 by week-end as Acclaim decided "upon further review and analysis, and on advice of our accounting firm" to defer \$18 million in revenue and \$10.5 million in income to later period.

Revenue deferred consisted of special fees paid by distributors and others for exclusive rights to sell Acclaim products, company said. Review showed that fees would be received later than Acclaim had expected, spokeswoman said. Revision lowered Acclaim's income for year to \$45 million from \$55.5 million and revenue to \$566.7 million from \$584.7 million.

DA said failure of NewMedia Express to meet revenue projections was tied to unidentified customer placing orders for first quarter of 1996 instead of 4th quarter of 1995. NewMedia sales to Toys 'R Us, however, "met expectations" for 4th quarter after forecasts were revised to meet "actual store rollouts," company said. Sales of 3rd party products through schools and DA's affiliated labels program also fell short of 4th quarter projections and revenues will be \$40-\$45 million vs. \$35 million year ago, it said. At same time, sales of DA-branded product will exceed projections, it said.

Softness in school distribution was due to "uncertainties" of federal funding for education, while downturn in affiliated label products was tied to fact that no new releases were scheduled and that previous deals with Impressions Software and Simon & Schuster ended.

In its latest effort to resolve CD-Plus compatibility problems, RIAA is distributing detailed specifications on "all enhanced CD discs" to drive manufacturers. Problems with reading discs rest either in software drivers, in which case fix is relatively easy, or with firmware -- programmed chips inside drive itself, which is more difficult. "A primary purpose of this document is to define the disc-player interface needed to improve compatibility," RIAA said. "A secondary purpose is to provide general recommendations for CD-ROM readers concerning these products." RIAA executives said current situation, in which some publishers ship CD-Plus Blue Book titles in 2-disc packages, will end relatively soon. In 2-disc packages, one contains programs, other has diagnostics and drives. As compatibility issues are resolved, need for driver disc will disappear, RIAA said. It said it also is moving to trademark "Enhanced CD" name -- 202-775-0101.

Litigation between JVC and U.S. Magnetics has been settled with latter becoming licensee under JVC's "VHS" logo trademark and VHS patents, JVC announced in Japan. U.S. Magnetics had challenged JVC's rights. JVC's U.S. licensing consultant, Larry Finley, welcomed U.S. Magnetics into "JVC's VHS family of licensees" and served notice that company would continue its "rigorous enforcement program."

China imported 1.05 million TV tubes in Sept., up 15.4%, and 200,000 TV sets, up 400%, according to Chinese govt. statistics.



**TUBE MAKERS TEST PC/TV WATERS:** With growing talk of "convergence" of PCs and CE, TV tube manufacturers are venturing into uncharted territory of PC/TVs.

While best estimates are for market of 300,000-400,000 units in 1996, with prices falling to around \$1,000, gauging interest in product has proved elusive -- including question whether corporations or consumers are better target for product.

"All we know is we've had a lot of inquiries and a lot of interest in doing a large-format display with the applications being presentations and interactive TV," Hitachi Tube Div. Mktg. Mgr. Jerry Moore said. "We're all wondering where this is going and I think a lot of these guys that are jumping on the bandwagon are doing so because they've heard somebody else is."

Indeed, trend picked up speed in 1993 when Apple introduced full-function Macintosh PC with TV tuner (TVD Oct 25/93 p13), followed by Toshiba's 20" Toshiba Integrated Multimedia Monitor (TIMM) (TVD Nov 14/94 p15). Hitachi says it will add 27" model in 1996, while Thomson is developing finer pitch 19", 27" and 35" tubes for use as multimedia monitors (TVD Nov 13 p9). Proton, which has OEM business for conventional PC monitors, also is planning to introduce 15" and 17" models (TVD Dec 4 p15) with TV tuners by mid-1996, although it also conceded that large market won't emerge until 1997.

Where range of products will lead is open for debate. Many industry officials said target for first PC/TVs may be corporate presentations, but Toshiba says it has had some success selling TIMM in retail stores at \$799 street price.

"It's really for industrial presentations at this point and we may not bring product to market until 1997," Proton Sales & Mktg. Vp William Tovatt said. "I think the learning curve in the education for consumers has to start."

Learning curve for product will have to begin at retail, where many dealers said PC/TVs are in danger of being caught up in numbers game that has enveloped conventional PC monitors -- dot pitch and ratings. While fine-pitch PC monitors provide 0.28 dot pitch, conventional TV grade tubes have 0.55.

While goal remains large-screen monitor with 0.28 pitch, that would require design to compensate for brightness lost in moving to finer dot pitch. TV grade monitor serves well for presentations and NTSC video, but 0.28 is standard for "hardcore work machine" used for spreadsheets, manufacturer said. Option could be using technology such as Toshiba's high-contrast Microfilter tube that raises brightness without electronically increasing contrast by placing color filter in front of each phosphor dot.

"TV/PCs don't spec out with some of the better monitors right now," L.A. Tronics Video Buyer Robert Becker said, "so a lot of people dismiss them as not a serious piece of computer equipment, but as the market matures there will be a need for cross-compatibility, so these companies are doing the right thing in getting involved."

Japanese LCD production fell 15.1% to about \$413.2 million in Oct., according to govt., which said total production capacity of TFT displays is equivalent to more than million 10.4" panels monthly, double that of year earlier. Price of average display declined more than 40% due to "sluggish demand" from notebook computer producers, Nikkei Weekly said.

**MICROSOFT'S CONSUMER PUSH:** With consumer interest in computer entertainment growing, Microsoft's Consumer Products Div. is planning major push in PC games.

Software titan also intends to build on unexpected success of such PC peripherals as its ergonomic keyboard, and to sharply reduce marketing efforts on topical titles while boosting dollars spent to push wares of wider general interest. Dramatic shifts in retail market are forcing company to revamp everything from promotional plans to pricing strategies to product development cycles, Senior Group Mktg. Mgr. Marty Taucher said.

"Two years ago, Wal-Mart wasn't even on our radar screen," he said. "Today, they're one of our top 10 accounts." One result of increasing consumer reach is simplification of pricing structure. Microsoft now has 3 different consumer price categories, with no titles selling for more than \$50 -- suggested points are \$29, \$39, \$49. Reduced prices and increased marketing costs have raised hurdles significantly when it comes to successes. Programs now must sell minimum of 250,000 to be considered winners, he said.

Microsoft's consumer surveys back conclusions of other studies: Most PC sales are replacements, with total household growth increasing slowly, "maybe 3 to 4% total penetration increase a year," Taucher said. Last year, household penetration was 26-27%; this year, it's around 30%, he said. Numbers conceal dramatic increase in size of potential multimedia marketplace, though, as number of installed CD-ROM drives mushrooms. "A year ago, 25% of [PC] households had CD-ROM drives," Taucher said. "Now that's up to 48%."

One area that hasn't grown as fast as expected is game use for Windows 95. Game performance on Windows 3.1 was so lame that most developers made products for DOS. Predictions were that flood of games would emerge for Windows 95 -- but that hasn't happened. "It's taking the developers a little bit longer than we'd hoped to get the product out," Taucher said. Most major developers are behind Windows 95 and are working on titles, he said. But so far fewer than 10 Windows 95 games have been released. Microsoft plans to intensify game development efforts significantly, using in-house teams and outside developers.

PC peripherals are proving good market for Microsoft. Company released ergonomic keyboard in early 1995 expecting sales of 20,000 per month; so far, one million have sold. Another winner: Oversize yellow trackball for youngsters aged 2-6.

Taucher was silent on mystery product planned by Microsoft involving TV, VCR and cable box IR remote control codes licensed from Recoton last fall (TVD Sept 25 p15). It was indicated in Sept. that they would be used in product to be marketed in 1996, but Taucher indicated that it might take more time to reach market, since product development cycle for hardware is 2-3 years.

Consumer Reports looks at "basic camcorders" in Dec. issue, rating 7 models in \$600-and-under class. It found that best of those produced pictures "as good as those from VHS-C or 8mm camcorders costing hundreds of dollars more." Top-rated pair were Panasonic PV-1Q205 and RCA Pro844. Two stripped-down models from GE and JVC were tested. Reader survey of owners of more than 51,000 compact camcorders indicated about one in 10 purchased since 1990 needed repair, at average cost of \$125. Brands requiring fewest repairs were Panasonic and Sony.



**JVC DEBUTS MINI DV IN U.S.:** JVC showed its tiny new digital camcorder in U.S. for first time last week and projected digital format would gain 2% share of camcorder market in 1996, doubling to 4% in 1997.

Mini DV, first demonstrated at Berlin Internationale Funkausstellung (TVD Sept 11 p17), began production last week and will be packaged with docking station when it ships in April at \$2,999. Camcorder will be sold separately in Japan at equivalent of \$2,180. JVC also introduced 2nd analog LCD camcorder with 4" color monitor -- its first S-VHS monitor model -- that delivers 400 lines resolution with 570,000-pixel CCD.

Overall, JVC Exec. Vp-COO Harry Elias said VHS-C camcorder format had 42% share of market this year followed by 8mm at 38% and full-size at 20%. LCD camcorders accounted for 13-15% of sales, JVC said.

GR-RV1 is rectangular and held vertically, weighs less than 1 lb. without battery, 1.1 lb. with battery and cassette, has pull-out color viewfinder. Camcorder has single 570,000-pixel CCD pickup, image stabilization, 10x optical and 100x digital zoom plus 12 digital effects including snapshot with sound, strobe, fade, overlap, etc. Model plays 30- and 60 min. cassettes that will sell for \$12.99 and \$14.99, respectively, and uses 1,250 milliampere lithium ion battery that provides 40 min. per charge.

Defining feature will be Joint Level Interface Protocol (JLIP) that allows connection to PCs. While Mini DV doesn't contain digital inputs or outputs, it's packaged with JLIP-compatible docking station for computer editing, including on-screen motion. JVC officials said digital inputs and outputs weren't built into Mini DV because of concerns about copyright issues and compatibility. "By the time we finalized the specs for DV there wasn't a standard and we didn't want to go ahead with something that might cause a problem with compatibility in the future," JVC Camcorder Mgr. Yuki Nagaoka said.

New digital camcorder will seek to gain share from Hi8 rather than S-VHS, relying on issues of size, weight and picture quality, Nagaoka said.

JVC has no immediate plans for building Mini DV recording deck and instead will rely on D-VHS VCRs that are to hit market in 1996. "D-VHS will do the job for the recording application and D-VHS has the benefit of having greater storage capacity than a DVC tape," Nagaoka said.

Company also plans to introduce Dynamic Drum (DD) VCR in U.S. in 1996, although pricing and features still must be set, Nagaoka said. JVC debuted S-VHS hi-fi model in Japan earlier this year at \$1,670 (TVD March 6 p16) that has done "pretty well" and is developing 2nd-generation deck for shipment in 1996, Nagaoka said. DD technology allows noiseless playback at 2, 3, 5 and 7 times normal speed, forward or backward, with sound.

On low-end side, JVC Consumer Video Div. Gen. Mgr. William Sims confirmed that EZ-1 camcorder, launched as point-and-shoot model in late 1994, is being closed out at \$325 advertised price. There are no plans for 2nd-generation model because prices for entry-level camcorders have fallen below \$500, Sims said. He deemed venture into stripped-down camcorders "success," saying it had attracted consumers who previously hadn't considered buying camcorder because of price.

\* \* \* \* \*

Sharp will ship digital ViewCam with 3-CCD pickup and built-in 5" monitor in U.S. in April at \$4,595. Digital

ViewCam, which debuted at Japan Electronics Show in Oct. (TVD Oct 16 p11), is equipped with "system expansion terminal" designed for connection to PC, letting users edit images. Camcorder's 3 CCDs provide 410,000-pixel resolution, while 5" monitor -- biggest in camcorder to date -- has 224,600-pixel detail. Camcorder has preset and manual adjustments, 12x optical and 30x digital zoom, weighs 2.6 lb. Production starts in early 1996 at 30,000 per month, Sharp has said. Camcorder will be "professional and prosumer oriented" at start, Sharp ViewCam National Sales & Mgr. Robert Scaglione said, and there are no immediate plans for analog ViewCam with 5" monitor.

**EMERSON VCR PLUS, HOME SECURITY:** Emerson Radio will unveil new home security products and its first VCRs with VCR Plus at CES in Jan.

VCRs will consist of 2- and 4-head mono and two 4-head hi-fi models. All 4-head VCRs will contain VCR Plus with front AV jacks and universal remotes at prices up to \$279-\$299. Line also will include VCP. "We're going to expand our line with more upscale models," Emerson Sales Vp Merle Eakins said.

While VCR Plus VCRs have been on market for several years, Eakins said Emerson models will benefit from greater consumer awareness and lower prices. "There's a bigger market for [VCR Plus] now than when there was a premium for it," Eakins said.

Emerson will add new designs and features, but essentially keep same lines of TVs and 9-25" TV/VCRs, Eakins said. Second home theater package also will introduced at CES.

Home security line will consist of 11 items priced at \$7.99 for personal security alarm to \$199 package that may include alarms and motion sensors. Burglar alarms and motion sensors also will be available separately, as will smoke and carbon monoxide detectors.

In microwave ovens, Emerson will focus on larger sizes including 1-1.4 cu. ft. and first 1,000 w model. Current microwaves are 0.6-1 to 900 w at \$119-\$159. Emerson, which previously carried 1.2 cu. ft. microwave in 1993, will continue with smaller models as well, Eakins said.

**3DO plans to purchase assets** of Cyclone Studios, which specializes in developing action arcade-style videogames. Cyclone has 15 employees. 3DO is buying it with combination of cash, common stock and "other considerations," company said. Agreement's details weren't disclosed. Meanwhile, Studio 3DO, 3DO's production wing, plans to release 4 titles by end of Dec., raising total number of products shipped since fall 1994 to 9. In addition, Studio 3DO has 10 titles in development for new M2 system, and is planning a big push on products for M2, PCs and Internet in 1996. 3DO's \$100-million license deal with Matsushita (TVD Oct 30 p9) was signed last week. 3DO expects to receive \$60 million this week, \$40 million by mid-1996.

**Sony will scale back plans** to boost overseas production of AV gear because of strong demand for products in Japan and dollar's recent recovery against yen, Nikkei Weekly said. Sony had planned to raise overseas production ratio for consumer electronics to 50% by March 1996 from 42% year earlier, but company has drafted new plan that pushes back 50% target to March 1998 or 1999, report said.



## Consumer Electronics Personals

**Michael Schulhof** resigns from all Sony posts (see separate report)... **Jan Timmer** to leave as Philips chmn.-CEO Oct. 1, joining Philips supervisory board, will be replaced by **Boonstra** (see separate report)... **Michael Lang**, Sony Wireless Telecommunications Co. mktg. vp, named gen. mgr. of Sony/Qualcomm CDMA Sales, Sony-Qualcomm joint venture.

**Carl Vogel**, Echostar Satellite exec. vp-COO, adds title of pres... **Paul Horn** named to head all IBM research, succeeding Senior Vp **James McGroddy**, who becomes special adviser to Chmn. **Louis Gerstner**.

**Michael Levin**, partner in Chicago law firm Latham & Watkins, joins Sears Jan. 1 as senior vp-gen. counsel, succeeding **David Shute**, retiring... **Michael Murray**, ex-Tandy and vp, Blockbuster Music, appointed pres., Blockbuster International; **Andrew Ballen** Blockbuster Music mdsg. dir., promoted to vp-gen. mdse. mgr.... **Wayne Huizenga** steps down as chmn. of Spelling Entertainment Group, following resignation from Viacom board.

**James Miller**, Avex Electronics, elected a dir., Norris Communications; **Peter Gorrie**, onetime Sega, joins Norris management advisory board. **James McCullough**, ex-Madrigal and Wadia Digital, joins Genesis Technologies as vp-mktg. & sales... **Howard Stringer**, ex-CBS, keynotes NARM Convention, March 22-25, Sheraton Washington Hotel.

**Bryan McCormick** named pres., Broadway Interactive Group (BIG), new joint venture of Broadway Video and BAM! Software... Producer **Jan Nickman**, ex-Miramax, and **Barry Bittman** form TouchStar Productions video company... **Joe Petrone** leaves as senior vp-sales & mktg., Prism Entertainment, as company files Chapter 11 bankruptcy, can be reached at 818-248-3903.

**American International Group (AIG)** will launch WarrantyGuard extended service contract program at CES in Jan., moving into competition with joint venture partner Warrantech. Although details, including pricing, weren't available immediately, WarrantyGuard is expected to offer one-, 3- and 5-year contracts covering CE and PC. AIG, which will administer program from N.Y.C., bought 20% of Warrantech in Jan. 1993 and launched Techmark joint venture to sell warranties overseas. Companies later opened offices in U.K., Japan.

**Packard Bell (PB)** CEO **Beny Alagem** rebuffed conjecture that company was in financial trouble, forecasting 1995 revenues would be up 45% from last year. However, he didn't directly address public speculation that PB was unidentified company referred to in Intel 10-Q filing that said Intel had agreed to convert part of \$470 million due from major customer into loan. Last July, NEC bought 20% stake in privately held PB for \$170 million.

**Solar power systems** for camcorders, cellular phones and 2-way radios will be displayed at Jan. CES by SunCel Cellular Products, Bellaire, Tex. Designed to replace conventional batteries, SolarLife is battery with built-in solar charger that operates in standby mode or while product is in use and also may be charged in 90 min. from AC adaptor. Cellular model has list price of \$100; other prices weren't available at our deadline.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Acclaim Entertainment			
1995-year to Aug. 31	566,723,000	44,770,000	.86 <sup>a</sup>
1994-year to Aug. 31	480,756,000	45,055,000	1.00
1995-qtr. to Aug. 31	133,492,000	6,102,000	.11 <sup>a</sup>
1994-qtr. to Aug. 31	148,868,000	14,132,000	.31
BET Holdings			
1995-qtr. to Oct. 31	32,750,000	5,750,000	.29
1994-qtr. to Oct. 31	27,322,000	4,617,000	.23
National Semiconductor			
1995-26 wk. to Nov. 26	1,410,400,000	153,300,000	1.16
1995-26 wk. to Nov. 27	1,138,200,000	126,000,000	.96
1995-13 wk. to Nov. 26	711,600,000	79,800,000	.61
1995-13 wk. to Nov. 27	584,400,000	67,000,000	.51
Rex Stores			
1995-9 mo. to Oct. 31	278,799,000	6,029,000	.64
1994-9 mo. to Oct. 31	230,416,000	4,700,000	.53
1995-qtr. to Oct. 31	94,914,000	1,942,000	.21
1994-qtr. to Oct. 31	80,160,000	1,599,000	.17

Note: <sup>a</sup>Revised.

**Alphastar** will begin beta test of direct broadcast satellite (DBS) service later this month with system to go on line in early 1996, spokesman said. Tests will be conducted using uplink center in Oxford, Conn., and integrated receiver decoders (IRDs) at sites including Alaska, Hawaii and La., Alphastar spokesman said. Company was scheduled to launch 120-channel service Dec. 1, but postponed it to allow for further testing of AT&T's 402R satellite that will transmit programming. Hardware, which will include IRD, 24-30" dish and remote, is expected to start in \$500 range, with programming sold in packages at \$24.95-\$39.95, with premium and a la carte channels at \$4.95-\$14.95 (TVD Nov 6 p18).

"Aperture grille" vs. "shadow mask:" Sony PR official objected to our equating grille made in Pittsburgh for Trinitron color tube with shadow mask made for more conventional tubes (TVD Dec 4 p11). Consulting with expert on subject who asked to remain anonymous, we were told that thin perforated metal film behind tube's faceplate technically is shadow mask no matter what its configuration, since it's a mask and its shadows determine where electrons land -- or won't land -- on faceplate. Generically, he said, type of mask used by Sony frequently is referred to as "grille mask" while conventional versions are called "aperture masks" because of nature of openings.

**Porta Power** has shipped rechargeable alkaline battery packs for cellular phones in Far East. Energy Bank pack, which fits Motorola's MicroTac phones, has 6 reusable alkaline manganese (RAM) batteries sold under Rayovac's Renewal brand. Batteries are packaged with charger at \$100, sold separately at \$50. There are no plans to export it to U.S., said spokeswoman for Battery Technologies, which licensed technology to Singapore-based Porta Power.

**Franklin Electronics (FE)** will open Latin American sales and distribution subsidiary by Feb. to market electronic dictionaries and Bibles. Mexico City-based subsidiary will be headed by managing dir. to be hired in Jan. to oversee 5-10-member staff, Franklin spokesman said. FE also plans to add subsidiaries in Colombia and Argentina in 1996. New subsidiaries will follow those in Australia, Canada, France, Germany, U.K.



# TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 18, 1995

VOL. 35, NO. 51

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**TELECOM BILL ON FAST TRACK** as House makes offer on broadcast ownership, cable regulation. Pressler sees broadcast issues as last big hurdles. Fields to retire. (P. 1)

**FCC QUESTIONS ATV** public interest requirement, HDTV minimums. Broadcasters defend their service, oppose auctions. Grand Alliance endorsed. (P. 3)

**COURT BACKS MUST-CARRY:** Cable plans quick appeal of divided decision, says it isn't surprised. NAB 'very pleased,' confident of Supreme Court support. (P. 5)

**VIDEO COMPETITION 'PROGRESS'** seen in FCC report. Cable still has big lead, despite DBS, MMDS, SMATV, telcos. Little 'market power' seen. (P. 6)

**MICROSOFT-NBC TEAM** plans cable, on-line service. Microsoft to invest \$220 million. NBC to retain editorial control. MSNBC Cable to replace America's Talking. (P. 7)

**AMERITECH DROPS VDT:** Telco to focus on cable franchises because of regulatory delays. Up to 40 more franchises possible next year. (P. 7)

**CPB CONDEMNS LEAKER** on sexual harassment claims, refuses to comment. No formal charges filed. (P. 8)

**WIRING RULES TO CHANGE:** FCC begins rulemaking to conform cable and telco rules on home wiring. Cost-of-service filings eased significantly. (P. 9)

**BROADCAST ISSUES AMONG LAST TO BE SOLVED, PRESSLER SAYS:** Senate Commerce Committee Chmn. Pressler (R-S.D.) said late Dec. 15 that "everything is done except for broadcast and international trade issues" relating to foreign broadcast ownership and opening of foreign markets. Pressler, chmn. of Senate-House legislative conference, said in interview that trade issues are of such importance to Sen. Hollings (D-S.C.) that Hollings would hold up progress on bill if they aren't satisfactorily resolved and that broadcast diversity issues are "a cloture issue to many," meaning there could be threats of filibusters from several senators, requiring 60 votes to break filibuster. Pressler said he hoped that differences could be resolved over weekend. Senate-House conference also agreed on batch of other recommendations, ranging from cable regulation to V-chip.

Despite optimistic predictions from several quarters that deals have been done on major issues in broadcast and telecom, Senate Democrats said they haven't agreed to anything. There were also reported agreements, at least on House side and among Senate Republicans, on long-distance and cyberporn issues.

Broadcast proposal from House would keep in place 35% national cap on audience share that could be owned by one owner, but give FCC ability to waive cap on case-by-case basis if action wouldn't harm

### Consumer Electronics

**36" TUBES TO BE INTRODUCED** by ProScan next year as TCE goes extra inch. Higher resolution TVs will keynote 25-model ProScan line. Widescreen out till HDTV. (P. 12)

**THOMSON BUYS INTO STARSIGHT** for \$25 million, becoming 2nd largest owner, promising to push on-screen guide standard, plans other investments. (P. 13)

**DVD PATENT POOL** expected to be administered by 4 companies. Thomson signs multiproduct 'partnership' with unnamed Japanese firm, to include DVD players. (P. 14)

**BIG CHINA TV VENTURE** launched by Sony to make tubes and sets in \$410-million investment to make 3 million TVs (11% of Sony total) by 2000. (P. 15)

**TV/VCR COMBINATIONS** set sales record for any full year in first 48 weeks of 1995, joining projection TV and camcorders in record books. (P. 15)

**WORLDWIDE MAGNETIC MEDIA** forecast from Japanese trade group sees 2% increase in blank VHS cassettes. EIA figures show U.S. price erosion. (P. 16)

**GAME RATINGS HAILED** by senators, who give many retailers poor marks for handling nonrated games. 80% of videogames and 50-60% of PC titles rated. (P. 16)

**PHILIPS RESTRUCTURES CD-I**, moving sales & mktg. functions to Washington, leaving 'traditional retail.' (P. 17)



diversity or competition. Factors Commission could consider in making decision include: (1) Effect of acquisition on concentration at national level. (2) "Actual aggregate" national audience reach that one person or company would own or have "cognizable interest" in. (3) Effect on diversity in local market. (4) Effect on public interest, convenience, necessity. Language on "actual aggregate" audience is one of 2 parts of proposal put in that could benefit Fox. Other provision would prohibit FCC from establishing or modifying any policy or rule on attribution or calculation of media ownership. Broadcast industry sources said provision was inconsistent with rest of bill because it would prohibit Commission from acting while other parts of bill directed FCC to take action.

Other elements of bill would allow one owner to have 2 VHF stations in single market with Commission approval under "extraordinary and compelling circumstances," while setting standards for diversity that would call for 10 separately owned stations in top 25 markets, 6 stations in next 75 and 3 in all other markets. Consumer representatives said bill is insufficient in protecting public interest.

Network affiliates group, on learning of House proposal, opposed it almost immediately. In letters to President Clinton and Pressler, Ben Tucker, chmn. of Network Affiliated Stations Alliance (NASA), said House proposal had 3 main flaws: (1) Repeal of ban on broadcast/cable cross-ownership: "Without it, there are no restraints on media mergers." Tucker said repeal of provision would "severely damage local broadcasters and result in massive concentration of local media power." (2) Waivers for 35% cap and "special provision" that eases situation for "one particular network that has exploited current attribution rules." (3) Proposal to block FCC from "fixing deeply flawed attribution rules." Proposal is seen as opening gambit in negotiations, based on realization that local broadcasters have many allies in Senate.

In approving batch of recommendations at Dec. 12 meeting, telecom conferees tentatively cleared several that had been pending for weeks, including V-chip and other broadcast issues. Among other items, staff recommended adopting House language that would give ATV spectrum to broadcasters and authorize Commission to adopt rules permitting them to use spectrum for ancillary or supplementary services and to set rules for surrendering current NTSC licenses. Broadcasters would have to pay fee if ATV spectrum were used for nonbroadcast purposes. Compromise at staff level would eliminate requirement that returned spectrum be auctioned and would clarify that public interest obligations extend to new licenses and services.

No legislative language was distributed at conference, either for matters tentatively approved at that meeting or from Dec. 6 session. House Commerce Committee Chmn. Bliley (R-Va.) repeatedly turned aside requests by Rep. Schroeder (D-Colo.) for language to be presented to members 12 hours before conference is to meet. There's some concern among Democrats that they won't see language until final vote, as Republicans believe they can rely on large margins by which bills passed each house for support and can achieve passage without Democratic support. When Rep. Boucher (D-Va.) attempted to offer his amendment on video services, he was turned aside by Pressler and Bliley. He asked if legislators could participate in conference, and Bliley replied that all members could participate -- "through the committee leadership." There has to be "some limit" to participation, Bliley said.

Conference also tentatively agreed to deregulate upper tier cable programming by March 31, 1999, in areas with populations larger than 50,000. Agreement came in half-hour meeting at which conference also agreed tentatively on variety of other issues, including telco-cable competition, broadcast spectrum flexibility, coordination for interconnectivity. Cable and cable-telco items include competition test for cable deregulation and new complaints procedure. Under new competition test, basic and other programming tiers would be deregulated when telco offers cable service to a number of subscribers comparable to those offered service by local cable system. Under new complaints procedure, at least one subscriber would file complaint with franchising authority, rather than directly to FCC. It would be up to that authority to determine whether complaints would be filed with Commission.

Conference also tentatively adopted rules for telcos to provide video programming and for cable-telco buyouts. New wrinkle for telcos providing video would be establishment of new legal classification called "open video system" that would be regulated as cable company and be required to provide at least 2/3 of its capacity to unaffiliated programmers but wouldn't be required to obtain local franchise. Rep. Boucher (D-Va.) attempted to offer amendment to provide incentives for telcos to offer programming capacity to outsiders over switched digital system with virtually unlimited capacity but was told by Pressler to offer his amendment through committee leadership. Boucher said later he thought that programming amendment would be adopted.

Foreign trade issues on mass media show sharp difference between House bill and Senate bill. Senate bill has "snap-back" component allowing FCC to revoke license from foreign owner of broadcast license if



market in owner's home country is closed. Hollings is strong supporter as are many Senators of both parties. House bill doesn't have that provision, and Reps. Oxley (R-O.) and Boucher have been vigorous proponents of opening markets without conditions.

Conference was stunned early in week by announcement Dec. 11 that Fields would retire after his term expired next year. Fields, who is 43, said in interview that 1996 will be good time to cap career because of convergence of 2 main facets of his life -- need to reestablish his home life with his family and expectation that by end of next year he hopes to complete ambitious legislative agenda filled with some of most important measures that any member of Congress could manage. List includes not only telecom legislation, but also public broadcasting, FCC restructuring and raft of issues on securities side of his subcommittee's jurisdiction. Fields told us he wanted to "leave at the top," with solid legislative achievements behind him, and expects passage of telecom bill, in what would be his sole term as Subcommittee chmn., to be one of them.

**FCC QUESTIONS ATV PUBLIC INTEREST, HDTV MINIMUMS:** Public interest obligations of advanced TV (ATV) licensees, minimum amount of HDTV programming and spectrum auctions were key issues in FCC's en banc hearing on ATV Dec. 12. Hearings broke little new ground, although statements and questions by commissioners appeared to make their positions clearer.

Digital ATV spectrum is "beachfront property on the cyber sea," FCC Chmn. Hundt said. He said he has questions about auctioning spectrum, but pressed broadcasters on whether Commission should impose public interest obligations on licensees, noting that "in the absence of specific rules, we can't count on" broadcasters serving public interest: "Is there a reason why we would give away spectrum worth hundreds of millions of dollars and not ask for public service?" Gigi Sohn of Media Access Project said broadcasters will reap "huge benefit" from ATV: "In return, it's not too much to ask for public service." Comr. Quello immediately said huge benefit is "unproven."

John Siegel of Chris-Craft, representing INTV, said broadcasters already serve public interest and additional obligations would impede creativity and innovation. Broadcasters said public interest should be judged on "totality" of broadcasts, rather than specific quotas. Edward Reilly of McGraw-Hill, representing MSTV, said opportunity for public service would be lost if auctions forced spectrum to be used for pay services. He said auctions could cost public more in long term than they bring in because of cost of subscription services and lost public service. Alan Braverman of Cap/ABC said broadcasters would use new multiplexed channels to "voluntarily" increase local news and other public interest programming because it's "good business." Silver King Chmn. Barry Diller said public service rules "probably have to be modified" but said they shouldn't be "hard and fast."

Other comments and questions by commissioners: (1) Comr. Ness said ATV transition is unique because it's first TV system that isn't backward-compatible with existing TV. (2) Comr. Barrett said limiting eligibility to existing broadcasters "may be a significant barrier" to new entrants, particularly minorities and women. He also expressed concern about universal access to ATV, using spectrum for non-HDTV services. (3) Quello said public shouldn't have to choose between reasonable transition and auctions. (4) Comr. Chong said free service should be principal use of spectrum. She also said broadcasters are entitled to spectrum only for broadcasting, not for such businesses as cellular. (5) Hundt said he doesn't believe govt. should "be ordering anyone how to use the spectrum."

Advanced TV Advisory Committee Chmn. Richard Wiley said auctions would mean that "inefficient analog" TV would "remain [standard], possibly forever," and digital channels would be used only for pay services. Auctions would "shut out" most minorities, said David Honig of Minority Media & Telecommunications Council, and ATV is "the last great opportunity for ownership" by minorities. James Carnes of David Sarnoff Research Labs said estimates of billions of dollars in spectrum auction revenue are grossly overstated because spectrum is: (1) "Not worth a lot" as result of NTSC interference. (2) Noncontiguous. Panelists said contiguous spectrum returned after transition would be worth much more.

Spectrum auctions should be compared with govt. land sales that founded land grant colleges, said Lawrence Grossman of Brookside Productions and Horizons Cable, although he said later that "very few broadcasters would be able or willing to put up the money" for auctions. George Keyworth of Progress & Freedom Foundation said auctions are most efficient way to allocate channels, but spectrum should be "rezoned" to give those acquiring it complete operational freedom.



White House floated idea of providing consumers with \$50 vouchers to purchase digital TV converters, with money to come from fund to be created by auctioning returned spectrum. Hundt said he wasn't endorsing idea but said Administration "has come out with a very creative way" to use money raised by auctions. NAB is very much opposed and has branded idea "the Clinton TV tax." Only comment at en banc on Hundt's question about White House trial balloon was statement by Carnes of Sarnoff Lab that move would be "fraught with difficulty." Hundt told reporters that voucher idea is a way to make sure there won't be "a big hit on consumers" in terms of cost.

Commissioners focused on whether they should require licensees to carry minimum amount of HDTV programming, with Hundt saying that might be micromanaging. Broadcasters and others said minimum is necessary to assure that programming is available to consumers so they will have incentive to buy HDTV receivers. "If you don't require it, it won't happen," Edward Grebow of Tele-TV said, and even one-hour-per-week minimum is enough to force broadcasters to install HDTV equipment.

Must-carry and retransmission consent for ATV channels could "severely impede competition in programming", Discovery Chmn. John Hendricks said. INTV representative Reilly acknowledged that it might be "unreasonable" to require cable systems to make big investments to deliver digital broadcast signals, but said that once cable makes digital transition, "if we are operating in the public interest it is in the public interest to require must-carry," though not for pay services. Carnes said digital cable systems can carry multiplexed broadcast signals in same 6-MHz channel now used for single analog channel.

FCC should encourage quick consumer transition to ATV, panelists said. Advanced TV Systems Committee Chmn. James McKinney said Commission should encourage transition by approving ATV standard. Reilly said consumers deserve certainty of FCC-set standard. John Major of Motorola said FCC should require all TV sets built after "some near date" to include ability to decode ATV. Early date for eliminating analog broadcasting also would speed transition, broadcasters said. Reilly said date should be based on some percentage of households adding ATV receivers, rather than percentage of total NTSC receivers.

Other comments at en banc hearing: (1) Steven Rattner of Lazard Freres said bankers are most likely to finance transition if broadcasters have wide freedom to use spectrum for multiplexing and new communications services, since HDTV may have less profitable future than video-on-demand. (2) Broadcasters repeatedly referred to transitional ATV channel as "loan" since they have to give analog channels back. "Turning in a more desirable channel for a less desirable one is not a giveaway," Hubbard Bestg.'s Stanley Hubbard said. He also said there needs to be long transition time for translator stations. (3) Andrew Lipman of MIT said "HDTV is an idea whose time has passed" because "digital TV is thriving, but HDTV is withering on the vine." (4) Neil Braun of NBC said networks may have to consider subsidizing move to ATV, much as they did when networks switched to satellites to deliver programming. (5) Hundt asked whether requiring new DBS licensees to devote some channels to free HDTV broadcasting would eliminate need for minimum amount of broadcast HDTV. McKinney said that would require consumers to buy satellite receivers and still deprive them of localism.

Representatives of small markets and public broadcasting said HDTV rollout should be staggered so stations with difficult financial situations can acquire capital and take advantage of higher market demand and lower prices. Ralph Gabbard, Gray Communications pres.-COO, representing NAB, said there should be 2-3-year extension on transition deadline for medium market stations and another 2-3-years for small markets. David Liroff of WGBH Educational Foundation said public stations should get same extension as smallest commercial station. Sherwin Grossman of Community Bcstrs. Assn. criticized FCC for ignoring LPTV, saying agency could find spectrum to allow LPTV to convert to ATV. He said that since LPTV stations don't have must-carry rights and most can't afford to lease cable channels, they need to be included in ATV transition if they're to remain viable community resource.

**DreamWorks SKG plans to build \$6-billion master-planned community and studios near L.A. Airport.** With construction to begin next fall, complex will include 20 sound stages and digital postproduction facility, linked by fiber. Project, called Playa Vista, has several other partners, including IBM and GTE, is being built on site of movie studios once owned by Howard Hughes. It will include 13,000 housing units and hotel. City of L.A. granted project \$70 million package in tax breaks and other facilities. DreamWorks' first TV program, sitcom Champs, premieres on ABC Jan. 9.

**FCC notified WUSA Washington it's liable for \$2,000 fine for failure to maintain complete public inspection file.** At issue were letters complaining about Oct. 1994 segment "The Ugly Face of Freedom" on 60 Minutes. WUSA told Commission it sent letters to CBS without placing copies in public file.

**Granada Sky Bcstg. is name of new joint venture formed by British Sky Bcstg. and independent U.K. program supplier Granada TV.** It will launch at least 8 channels in 1996, companies said.



**BROADCASTERS WIN ON MUST-CARRY:** Cable will appeal must-carry decision by divided U.S. Dist. Court, D.C., as soon as possible, industry officials said. Cable was heartened that only one of 3 judges on panel fully endorsed must-carry, with one writing 67-page dissent and 3rd saying case should be set for full-fledged trial and he was supporting must-carry only as alternative to avoiding stalemate. Cable operators were "not very surprised" that court upheld must-carry since same panel supported it earlier, NCTA Pres. Decker Anstrom said.

Broadcasters were "very pleased" with decision, NAB Pres. Edward Fritts said: "The court properly recognized that Congress had ample basis for its conclusions that must-carry protections are needed and that the rules it adopted are reasonable. Given the extensive record... we are confident that the Supreme Court will also again uphold the must-carry law." Under 1992 Cable Act, appeal bypasses appellate level, going directly to U.S. Supreme Court, which had remanded it to Dist. Court (TVD July 4/94 p2).

Majority opinion written by Judge Stanley Sporkin was based on Supreme Court mandate that court "employ a deferential standard of review" of congressional must-carry decision: "The court's role... is not to substitute its opinion for that of Congress." He said there was no dispute that there was "substantial evidence" in support of must-carry "from which Congress could have drawn a reasonable inference." Sporkin said mere fact that case was difficult-to-decide "battle of experts" supported upholding must-carry because of deference due.

Sporkin cited "cable industry's undisputed market power" and said vertically integrated cable operators "would have every reason to discriminate against broadcast stations competing with their own programmers." He said Congress had reason to believe that "significant" number of broadcast stations would be dropped from cable without must-carry, and burden on cable operators was "small." Fact that cable brought case "itself confirms that the cable industry would drop broadcast stations," Sporkin said, and it's logical to conclude that cable "has exercised self-restraint due to this litigation." He said it's "obvious" that if broadcast station is dropped from local cable it would "suffer financial harm and possible ruin." It's not proper to consider Fifth Amendment "takings" claim in this case, he said, and even though must-carry is "very close to content-based" it doesn't "cross the line."

Must-carry goal of correcting anticompetitive behavior can justify First Amendment infringement only if cable actually acts anticompetitively, Judge Stephen Williams said in dissent, and then only if it "reasonably fits the evil at hand." He said there's no evidence that broadcast industry health is in danger, citing growth in number of stations and ad revenue (he said falloff in 1988-1991 period was reflective of entire ad industry). "All [broadcasters] have demonstrated is that, all else being equal, forced cable carriage is at least some benefit to the broadcast stations so carried," Williams said. "But this alone can vindicate Congress's interest only if we take the valid interest to be... maximum possible expansion for broadcast."

It's "impossible to preclude the possibility... of anticompetitive behavior" by cable, Williams acknowledged, but he said must-carry isn't narrowly tailored to that risk. He said must-carry is "a tangible burden on operators' speech." Even if systems have available capacity, he said, requiring them to use it for broadcast stations limits them, and channel positioning provisions "further demonstrate the

intrusion into operators' carriage decisions." On channel-limited systems, Williams said, "the benefits that must-carry affords broadcasters are matched by burdens on cable operators and programmers." He said must-carry is too broad because it includes nonvertically integrated operators, and broadcasters' privileged carriage comes at expense of unaffiliated nonbroadcast programmers.

"If carriage generates for broadcasters the enormous incremental revenues that defendants claim, it is especially odd to find them disparaging the idea that they should pay any of the costs of access to this bonanza," Williams said. He said must-carry is more burdensome and less tailored than other regulatory tools to prevent cable bottlenecks.

Data on impact of carriage on broadcasters and cable are "intractably ambiguous," Judge Thomas Jackson said: "A reasonable trier-of-fact could return a verdict for either party." He said neither had sought full trial and holding out for it would cause stalemate. Since he had to choose, Jackson said, he was persuaded that there was enough evidence to back Congress's prediction of harm: "I am also prepared to accept as minimal the burden must-carry imposes on the cable industry's First Amendment rights... in default of a genuine Fifth Amendment Takings Clause challenge based upon the fact that must-carry is for free."

Reactions to decision: (1) C-SPAN Chmn. Brian Lamb called must-carry "blatant infringement" on cable's speech, and programmers deserve "more thoughtful consideration of their constitutional rights." (2) INTV Pres. James Hedlund was "delighted... The cable industry's costly legal quest to eliminate these reasonable rules speaks volumes as to its true intentions."

**NBC signed \$2.3-billion deal for TV and cable rights to 2004, 2006 and 2008 Olympic Games**, even though sites for Games haven't been picked. Dick Pound, chmn. of Olympic TV Negotiations Committee, said no other network made bids: "They might have been planning, but they weren't doing any talking." Deal gives NBC, which has rights to 1996 Summer Games in Atlanta, 2000 Summer Games in Sydney, Australia, and 2002 Winter Games in Salt Lake City, rights to 6 of next 7 Olympics and 5 in row. (CBS has rights to 1998 Winter Games in Nagano, Japan.) Pound said NBC is paying \$793 million for 2004 Summer Games, \$613 million for 2006 Winter Games, \$894 million for 2008 Summer Olympics. "This is a momentous decision for us," NBC Pres. Robert Wright said, as deal "forms the cornerstone of our vision for NBC going into the next millennium."

**Cablevision Systems will spend \$300 million on fiber telecom network in northeastern Ohio**, company announced. Two-way 750-MHz network will be capable of video, telephony, high-speed on-line connections, video-on-demand, other interactive services. Midwest Region Senior Vp Lawrence Drake said system will provide 77 channels, analog at first, digital in near future. Cablevision, which has 300,000 customers in area, has begun portion of network in Cleveland Hts. and Brookpark. First program delivery is to begin in first quarter of 1996.

**TCA and Donrey Media Group will combine some cable systems in new partnership agreement.** New TCA Cable Partners will include all 22 TCA systems in Ark. and Miss., plus 5 Donrey systems in Ark., Okla., Cal. TCA will own 75% of 224,000-subscriber partnership, Donrey rest. TCA CEO Robert Rogers said partnership will boost clustering.



**VIDEO COMPETITION 'PROGRESS':** There has been "some progress" in local video competition, but cable still has 91% of subscribers for multichannel services, FCC said in 2nd annual video competition report to Congress. Despite growth in DBS, MMDS and SMATV, and continued telco interest, Commission said cable "continues to dwarf" others but "market share is not dispositive evidence of market power." It said since end of 1994 DBS subscribership has grown to 1.7 million from 602,000, MMDS to 800,000 from 600,000, SMATV to 950,000 from 850,000.

FCC said regulatory changes and technology may let other industries, including broadcasters, LMDS, utilities, IVDS and Internet, offer multichannel video: "It is unclear which distributors will benefit the most from these technological advances -- existing cable operators or their existing and potential competitors." FCC Comr. Barrett suggested agency reevaluate effective competition standard, citing "different competitive environment which, I would argue, may not be accurately reflected by the current regulatory framework."

Long-term implications of competitive growth are unclear, report said, because "it's difficult to predict the extent to which local markets will be characterized by vigorous rivalry among multiple distributors, or the extent to which distributors using alternative technologies may remain essentially 'fringe' competitors." Cable clustering could limit players, FCC said, so "we continue to believe that efforts to encourage competitive entry and reduce concentration will increase opportunities for rivalry and improve market performance." Number of clustered systems in markets with at least 100,000 subscribers increased to 97 by end of 1994 from 88 in 1993, Commission said, with 33 controlled by Time Warner (TW), 12 by TCI, 6 by Continental.

It's unclear whether some competitors will be able to compete with cable in long term, Commission said, citing DBS's inability to carry local programming. MMDS remains "relatively small," it said, but recent digital trials and lower per-subscriber cost could fix shortcomings of channel capacity and line-of-sight interference. Commission said telco entry isn't significant but is evolving, with telcos "reassessing their options" to enter video, including possibly wireless cable or standalone cable systems. In places where telcos plan to deploy video systems, Commission said, local cable already has changed marketing strategies.

SMATV operators are penetrating new markets and offering security services and private line telephone services with video packages, report said. It said advanced TV could allow broadcasters to offer multichannel programming, but because advanced TV is in "initial planning phase it is premature to determine its competitive effect on the cable industry."

FCC said cable's subscribership, channel capacity, number of program services, revenue, programming expenditures and capital investments "generally have increased" industrywide. It said homes passed rose to 91.6 million in 1994, up from 90.6 million in 1993, and subscribers to 59.7 million from 57.2 million. Channel capacity inched up "slightly," with 97% of all systems offering at least 30 channels and number of systems with over-53 channels growing 9.9%. Capital spending rose 28% to \$3.8 billion as cash flow dropped to \$9.94 billion from \$10.1 billion in 1993. Gross revenue was flat at \$22.59 billion in 1994.

Because of growth of cable networks (to 129 from 106 last year, according to FCC estimates), vertical integration of programmers is down to 51% from 53% year ago, FCC said.

**Today's FCC**, as seen by Chmn. Hundt in message to employees: "We've done well... This is the most deregulatory, promarket, procompetitive, investment-encouraging, rule-simplifying FCC in history. The result of our actions is already cheaper prices for certain Christmas presents, more jobs for Americans, and greater consumer satisfaction in millions of homes... We are the most demonopolizing, consumer-aware, family-friendly FCC in history. There is going to be more educational TV for the kids of this country because of the debate on this issue that this FCC is having right now. There are going to be more businesses providing communications technology in classrooms because of what this FCC is doing right now... Everyone has a right to be proud." FCC still has much to do in 1996, Hundt said, citing "radically reforming the fundamentals of telecommunications regulation;" flexible use of spectrum and auctions "as the twin paradigms for domestic use of the airwaves;" continue to deregulate business dimension of broadcasting while at same time seeking consensus on "the meaning of the public interest standard." Hundt entertained record crowd of 950 at annual Federal Communications Bar Assn. dinner honoring FCC chmn. Dinner is becoming traditional opportunity for jokes from chmn., this year featured taped ad of Hundt hawking FCC auction services.

**Four incumbents are among 16 candidates seeking 6 seats on NAB TV board in election by mail.** Incumbents: TV Vice Chmn. James Babb, Outlet Communications; John Conomikes, Hearst; Howard Meagle, KFVS-TV Cape Girardeau; Dennis FitzSimons, Tribune TV. Other candidates: Barry Baker, River City Bestg.; Tony Cassara, Paramount Stations; Jerald Fritz, Allbritton; Elizabeth Mooney, Ashling; Lisa Nilmeier, KMSG-TV Sanger-Fresno; Janice Radeck, KSWT Yuma; Edward Reilly, McGraw-Hill; Rip Riordan, Clear Channel; Thomas Scanlan, Scanlan; Patrick Scott, KOMO-TV Seattle; George Sirven, KTBS-TV Shreveport; Russell Withers, Withers Bestg. Ballots will be mailed Jan. 5, are due by Jan. 26. Meanwhile, effort to cut back number of appointed members on TV board has been put on hold and isn't expected to be issue at Jan. board meetings in Palm Springs. Current board makeup is 12 elected members and 12 appointed members, with all but 3 of appointed seats added since 1984. Several elected directors expressed concern about imbalance (TVD Aug 14 p5), but advisory committee has decided not to recommend change.

**Nickelodeon Pres. Geraldine Laybourne**, one of most prominent women in cable, will move to Cap/ABC to become pres. of Disney/ABC Cable Networks following merger, reporting directly to Robert Iger. She will oversee Disney Channel and ABC interests in A&E, History Channel, Lifetime and planned all-news channel, as well as all future programming distributed by multichannel systems. In addition to heading Nickelodeon for 10 years, Laybourne was vice chmn. of Viacom-owned MTV Networks. MTV said Chmn.-CEO Tom Freston will assume presidency of Nickelodeon, although day-to-day operations will be managed by Exec. Vp-Strategy & Business Operations Jeffrey Dunn and Nickelodeon Network & U.S. TV Exec. Vp Herbert Scannell.

**Interactive version of CNN's Prime News program** debuted Dec. 11 on ACTV system in Ventura County, Cal., companies said. Service opens with headlines, and users then can follow on-screen prompts to choose more coverage of stories.

**International CableTel** said it acquired cable assets of Metro Cable TV, which has 50,000 subscribers in U.K. Terms weren't disclosed by broker Daniels.



**MICROSOFT, NBC TEAM FOR 24-HOUR NEWS:**

Microsoft will pump \$220 million over next 5 years into NBC's planned 24-hour all-news cable and on-line service and will become equal partner in venture, companies announced at N.Y. news conference Dec. 14. Partners also will spend \$100 million each in startup dollars, with new services to operate under aegis of NBC News, which will "retain complete editorial control over... the news content," companies said.

Cable channel, named MSNBC Cable, will replace NBC's America's Talking cable network, giving 24-hour news immediate distribution into nearly 20 million homes, with commitment to reach 35 million by 2000, NBC said. Overseas distribution will be provided on NBC's Super Channel and CNBC in Europe, Canal de Noticias NBC in Latin America and NBC Asia, which hasn't yet been launched. "We'll try to be up this summer, officially, with the new service," NBC Pres. Robert Wright told reporters.

At same time, MSNBC Online will be launched via Microsoft Network. Eventually, Online will provide PC users with "point-and-click" audio, video, text and graphics through high-speed cable modems, they said. NBC and Microsoft had announced "strategic multimedia alliance" in May (TVD May 22 p5) to deliver NBC content via Microsoft Network and other means. "Some people may take 5 years before they have a system that can really do this," Wright said.

Microsoft CEO Bill Gates, speaking via satellite from Hong Kong, told news conference: "We're taking the long-term view here that, over time, video will be an important data type, as well as the audio and text that are already available."

GE (NBC parent) CEO Jack Welch predicted that "business is going to change more in the next 10 years than it has in the last hundred. [GE] prides itself for staying on the leading edge of business trends..." Gates said advances in digital technology "will give people new control over news and information... They will be able to customize their news service... We will be working with NBC to create innovative, interactive news content and an integrated media experience."

MSNBC Cable and Online will "create a continuum of news delivery that meets viewer needs at all levels," Wright said. "Like the broadcast networks of the 1970s and cable in the 1980s, this broadcast, cable and interactive news combination will redefine the way people get their information by making available news content of unprecedented breadth and depth whenever, wherever and in whatever format our viewers want it."

NBC's correspondents will be used by MSNBC on regular basis, and network promised liberal use of news output of affiliates. NBC news operation in Charlotte will be expanded, while MSNBC will hq in Ft. Lee, N.J.

Negotiations for MSNBC Cable and Online began several weeks ago and continued night before news conference announcing agreement. NBC News Pres. Andrew Lack had said last Jan. that network will get into 24-hour news within 5 years. Process evidently was speeded up after ABC announced its own 24-hour news channel, planned for early 1997 start, 2 weeks ago (TVD Dec 11 p4).

CNN said it's "very confident that competition will only make us better and even more successful over the next 15 years than we have been over the past 15." Steve Haworth,

CNN vp-PR, said network "already provides all the new services announced today by NBC and Microsoft. Our 24-hour networks... now reach nearly 170 million subscribers in more than 200 countries... We have already introduced the leading television news source on Internet... and will launch CNNfn, the most computerized, digital network in the world, on Dec. 29."

**AMERITECH DROPS VDT:** Ameritech relinquished Sec. 214 VDT authorizations in favor of seeking cable franchises, which Chmn. Richard Notebaert said have clearer rules and better track record. In Dec. 12 letter to FCC Common Carrier Bureau Chief Regina Keeney, Ameritech said it was unlikely agency would complete VDT rulemaking before time when work on facilities "must begin" so Ameritech "decided not to offer video dial tone service." Ameritech New Media Enterprises Pres. Gregory Brown said company wasn't interested in building network with uncertain rules.

Company already has 7 cable franchises with 170,000 residents since shifting from VDT to franchise route in April, and expects at least 2 more "in the next few weeks," Brown said. Next year, Ameritech expects to seek 35-40 franchises in territory, building its video-only network in competition with cable operators. It said it's seeking temporary FCC approval for Columbus, O., system and is looking for franchise on South Side of Chicago. Brown said company has no plans to offer telephony over new video network.

Brown reported "tremendous progress" in developing programming for cable, working with Americast joint venture led by Walt Disney Co., and in arranging local programming in each community. He said that, based on company surveys, Ameritech expects cable penetration to increase to 80-90% from current 60% when its system operates in competition with incumbent operator. Brown said abandoning VDT won't slow deployment of 5-state network, with goal of passing 6 million homes in 5-7 years, since time required to negotiate franchises was same as needed to win local approvals for various VDT components.

Executives said success of cable overbuilds hasn't been measured adequately, saying 30 U.S. communities where 2 cable companies compete were too small and mostly rural. Notebaert said company plan to invest \$475 million in equipment is unchanged, and only regulatory process has changed.

**FCC Common Carrier Bureau** granted BellSouth request to construct cable system on Daniel Island, S.C., rejecting Comcast petition to deny on charges of cross-subsidy and other issues. BellSouth argued that Comcast had opportunity to provide service to island but refused until developer built 1,000-2,000 homes. Bureau said: "Without BellSouth's proposed system, cable service to Daniel Island would have to wait until either the developer was willing to cover Comcast's startup costs or the number of inhabitants had reached a level that satisfied Comcast's demands. This would contravene the determination of Congress and the Commission to serve the public interest by facilitating the rapid spread of cable television services to rural areas." Bureau said Commission has rules to guard against cross-subsidy.

**C-Cor will provide RF equipment** for fiber/coaxial system to be used for cable/telephony network in Japan, it said. Titus Communications is building 1,050-mile network to link 2 million Tokyo homes. C-Cor will provide 750-MHz trunks, bridgers, line extenders. Terms weren't disclosed.



**CPB CONDEMNS LEAKER:** CPB lashed out last week at those responsible for leaking to newspapers hundreds of memos and other documents describing alleged sexual harassment of Fred DeMarco, senior vp-system & station development, by board member and former Vice Chmn. Martha Buchanan. CPB refused to comment on stories, saying it was personnel situation and thus "strictly confidential."

Article in Washington Post said Buchanan, appointed to board by President Bush in 1991, made several advances toward DeMarco. Story said alleged harassment began in 1992 when Buchanan, at meeting in Dallas, had red nightshirt that read "I Only Sleep With the Best" sent to DeMarco's hotel room. It said she later asked him if he had received gift but backed off when DeMarco showed embarrassment, claiming that she sent it to him only so he could carry it home for her because her bags were full. Post said memos written by DeMarco said Buchanan later asked him whether older women are destined to sleep alone or with their cats and what older women have to do to get dates with younger men. Buchanan is 61, DeMarco 53.

DeMarco reportedly wrote that at another meeting he agreed to have after-dinner drinks with Buchanan but when they said goodnight she suddenly kissed him on his lips. Memos said DeMarco found Buchanan physically repugnant and situation very awkward. He said he again made it clear he wasn't interested, after which, he and CPB Pres. Richard Carlson said, she began calling for DeMarco's resignation, saying he was incompetent. By then DeMarco, a widower, had remarried and advances had stopped. Another board member, Sheila Tate, then found out about advances in conversations with DeMarco's wife. Outraged, Tate called for investigation by outside lawyers and tried to convince then-Chmn. Henry Cauthen to alert White House.

Post said outside lawyers determined DeMarco didn't have much of a case because he wasn't fired, demoted or otherwise harmed. But Lillian Fernandez, CPB counsel, said she felt investigation uncovered enough improprieties to warrant going to White House. Cauthen, meanwhile, favored keeping silent, citing difficulties Corp. had experienced in Congress and questioning what would happen to its credibility if legislators found out. Carlson was in middle between Buchanan, who wanted DeMarco fired, and DeMarco, who charged she was being malicious. He also favored going to White House, which is what Corp. finally did in Sept. Tate and an attorney led way with visit to Clinton counsel Abner Mikva. Fernandez and a CPB lawyer followed with visit days later. Result, although not formalized, was consensus approved by Chief of Staff Leon Panetta that Buchanan not be reappointed to board when her term expires in March.

DeMarco never filed sexual harassment suit and said he never intended to. As result, Buchanan could lose her seat due to investigation launched without any formal complaint. And, since DeMarco didn't file complaint, it could be argued CPB had no ground for launching investigation and revealing what it admitted was proprietary personnel information to other board members, CPB staffers and White House officials. Neither DeMarco nor Buchanan could be reached for comment.

Turner Classic Movies (TCM) and Turner Non-Theatrical Services (TNTS) announced deal with USAir to provide new in-flight channel by Jan. Channel will carry TCM programming in seat systems of first and business classes.

**BellSouth and Fla. Cable Telecommunications Assn.** (FCTA) announced agreement to open local exchange markets in state. BellSouth called deal "largest and most comprehensive to date." FCTA Pres. Steve Wilkerson said agreement, which sets terms for universal service, interconnection, temporary number portability (with remote call forwarding), unbundling and resale, is "important," but "we still have a long way to go before we get it to the end." Fla. PSC still must approve terms, he said. BellSouth-Fla. Pres. Joseph Lacher said deal "clearly demonstrates that BellSouth has fully embraced local telephone competition and that consumers will see this competition soon. We believe this agreement could serve as a model for the entire country." Wilkerson said that even on tricky issue of universal service, parties' proposal is "very close to what [PSC] staff has recommended." BellSouth said proposal would allow telco to petition PSC at any time to quantify universal service support in particular area "if BellSouth believes that competition is in any way undermining its ability to provide universal service..." Under agreement, BellSouth would guarantee recovery mechanism until Jan. 1, 1998.

**FCC Comr. Chong** said she envisions "3-stage road map" that regulators should follow in reducing regulation as competition develops. She told FCBA/Practising Law Institute conference that govt. -- including FCC, Congress, states -- would be most active in first stage, then diminish role. Three stages would be: (1) Removing entry barriers and advantages for incumbents. (2) Monitoring result and adjusting as necessary. (3) Becoming umpire or referee of "vigorous competition." Chong said FCC's biggest challenge is trying to regulate with "outdated law... Some days, particularly those days when I am dealing with convergence issues such as video dial tone, I struggle with the current law. I often feel like I am trying to force a square peg through a round hole." Asked about long-pending VDT proceeding, Chong acknowledged that Commission has "chosen to pause" because of possible conflicts with pending legislation. She said new bill provides better framework for RHCs' entry into video services. If bill doesn't move by end of year, FCC might have to move forward on VDT proceeding "because we can't wait much longer," she said.

**Triathlon Bcstg.** is buying 2 Omaha FM stations for total of \$10.8 million. KXKT is being sold by Valley Bcstg. for \$8.1 million, KRRK for \$2.7 million by 93.3 Inc. Media Venture Partners brokered deals. Triathlon, headed by Norman Feuer, entered broadcasting in Sept. with ownership of 3 Wichita stations and operating agreement with 4th there, and has FCC approval to acquire 2 Lincoln, Neb., stations and is buying 4 in Spokane, 4 in Colorado Springs and AM-FM combo in Kennewick, Wash.

**News Corp. Chmn. Rupert Murdoch** plans to form committee to shape company's strategy, according to Australian AP, citing News Corp. internal memo. Memo said Murdoch would chair committee, which would meet at least once a month. Other committee members would include Murdoch's son Lachlan, News Ltd. deputy CEO, and News Ltd. Chmn.-CEO Ken Cowley, Fox TV Chmn. Chase Carey, BSKyB CEO Sam Chisholm, others.

**National and local TV station revenues** were up just 1% for 3rd quarter over same 1994 period, with national spot billing \$1.6 billion (up \$20 million) and local \$1.7 billion (up \$75 billion), TvB reported. For first 9 months of year, total TV advertising was \$9.5 billion, TvB said, with spot revenues of \$4.7 billion (up 5%) and national \$4.8 billion (up 7%).



**WIRING RULES TO CHANGE:** FCC launched proceeding to reduce inconsistencies in home wiring rules between telcos and cable, saying change is needed because of convergence of industries. Rulemaking will deal with demarcation between customer-owned and company-owned wiring, signal leakage and quality, technical standards, customer-premises equipment (CPE) and division of state and federal responsibilities. FCC also significantly eased limits on amount of cable costs that can be included in cost-of-service rate proceedings.

Regulation of cable and telcos should be comparable "where appropriate," FCC Comr. Ness said, and Commission should deregulate "where it makes sense." Comr. Chong said rulemaking launched Fri. is significant improvement over previous drafts, which she said didn't recognize impact of convergence of industries. She said she would have preferred to move demarcation point immediately, but went along with launching rulemaking "since we have agreed to move swiftly." Chmn. Hundt said owning wiring "can be a tremendous competitive advantage" for incumbent, and new rules could make cable CPE market as competitive as telephone equipment market. Comr. Quello expressed concern about burden of new rules on incumbents and said benefits are "difficult to quantify."

Rulemaking seeks comment on: (1) What demarcation point would be appropriate, acknowledging it might be different for single-family and multiple dwelling units. (2) Whether telcos' broadband services should have to meet same signal leakage and signal quality standards as cable. (3) Whether cable should have to standardize on jacks to connect CPE to cable system, as telcos have for telephony. (4) Whether cable should have same regulatory distinctions between residential and nonresidential wiring as telcos. (5) Whether consumers should have same access to in-home broadband wiring as they do to telephone wires. (6) How to divide regulatory responsibility for wiring among franchise authorities, states and FCC, and harmonize state and federal regulation of telephony and video programming.

FCC tentatively concluded that cable customers should have same rights to connect their own CPE to cable as telco customers have. It also said it believes that it may be appropriate to deregulate cable equipment rates after market becomes competitive and after transition period. Rulemaking seeks comment on whether Commission has authority to deregulate equipment rates.

FCC rejected petitions for reconsideration filed by Nynex and others asking to move demarcation point between customer-owned and operator-owned wiring for multiple dwelling units. Chong said demarcation point, currently 12" outside subscriber premises, often isn't accessible to competitors, so it reduces likelihood of competition. Commission did set rulemaking to determine whether persons other than individual subscriber should be able to buy wiring in some circumstances. Commission also amended rules on wiring procedures when customer terminates service, in response to separate petition. New rules shorten period operator has to remove wiring to 7 days from 30, sets specific procedures for notifying ex-customer and amount customer should pay for wiring, and says customer automatically owns it if operator doesn't comply.

New cost-of-service (COS) rules sharply increase amount of intangible assets that cable operators can include in cost base to justify rate of return. Operators now can only include such intangible assets as organizational costs, franchise costs, customer lists. Impact of action was somewhat limited, however, because of volume of negotiated

rate settlements that FCC has approved, which limits MSOs' COS filings. Commissioners said eased rules are justified by agency's increasing knowledge of complexities of cable industry. "

Commission's earlier rules had said that cable operators could include in cost base virtually none of cost of buying systems beyond that of tangible assets. That decision was based on assumption that system sales prices were inflated based on expectation of monopoly profits. New COS rules assume that 66% of purchase price of systems bought before May 15, 1994, can be included in base. New rules also allow operators to include virtually all of their startup losses in cost base, rather than just those accumulated in first 2 years.

**Clustering in cable** will be virtually completed in 1996, InterMedia Partners Chmn. Leo Hindery told Washington Cable Club Dec. 14. As result, he said, InterMedia, which has been one of most acquisitive MSOs for several years, probably won't be making any significant purchases for foreseeable future. Already formed clusters still will be available after next year, Hindery said, but they will be "fully priced" so only "superior" management will make them more profitable. Contrary to prevailing opinion, he said, mid-sized MSOs (defined as 500,000-2 million subscribers) still can be successful if they're clustered: "Size alone is not a determining characteristic for success. A small, clustered operation may be better than a big... scattershot" one. InterMedia is clustered in Tenn., western Carolinas and eastern Ga., and Hindery said MSO's hq is moving to Nashville from San Francisco in Jan. He wasn't enthusiastic about cable-delivered telephony, saying InterMedia has plans but they're "sort of vapor right now" until telecom bill is final. He also predicted that multichannel video penetration will escalate soon to 90% of households from current 70%.

**Chicago's plan to impose 7% amusement tax on cable** is unconstitutional, discriminatory and violation of Cable Act, Cable TV & Communications Assn. of Ill. (CT&C) said in suit filed Dec. 13 in Cook County (Ill.) Circuit Court. Tax, to take effect Jan. 1, would violate First Amendment by favoring other speakers, such as newspapers and broadcasters, which aren't subject to it, CT&C said. Tax also would violate equal protection clause of Ill. constitution, it said. Law also would create conflict with Cable Act, which limits franchise fees that can be passed through to subscribers to 5% of gross revenue, CT&C said. Filing said city already collects maximum 5%, so there's "a possible irreconcilable conflict with federal law."

**House Ethics Committee** said there was no evidence that House Speaker Gingrich (R-Ga.) discussed his book deal when visited by News Corp. Chmn. Rupert Murdoch Nov. 28, 1994. Panel said Murdoch wanted to discuss foreign ownership rules for stations, bringing along lobbyists including Preston Padden. Committee called meeting "courtesy visit of a routine nature." Gingrich was given \$4.5-million advance on book to be published by HarperCollins, company Murdoch controls. Critics at time alleged advance was attempt to gain Gingrich's influence in Fox's dispute with FCC. Gingrich later gave back advance after heated public criticism.

**Four major European companies** said they agreed on standard for interactive TV. Group consists of Bertelsmann, Canal Plus, Deutsche Telekom, Veba. Consortium to be formed by group to promote standard, Multimedia Betriebsgesellschaft, could face review by European Commission.



**Municipalities' bid to amend FCC's annual adjustment methodology for cable rates is meant to give franchise authorities "increased opportunities to unreasonably delay wholly legitimate basic rate adjustments," NCTA said in FCC filing.** Assn. said changes proposed by National Assn. of Telecom Officers & Advisers wouldn't protect consumers and would be more burdensome on cable operators and regulators. Proposed NATOA revisions would be unduly burdensome, Cox, Jones and InterMedia Partners said in joint comments. They said: (1) NATOA proposal would require annual filings even in years when no rate increase is planned, putting unnecessary burden on operators, franchise authorities, FCC. (2) NATOA proposal that FCC not allow operators to switch back to quarterly adjustments is unfair to operators that find it more difficult to project costs year in advance than to review actual costs on quarterly basis. (3) Nothing is gained by burden of requiring issuance of refunds for overcharges, instead of cutting future rates by amount of overcharge plus interest.

**Claims that Time Warner (TW) takeover of Turner Bestg. would limit competitors' access to programming are "based on speculation and surmise," TW said in reply comment to FCC:** "The issue properly before the Commission is Time Warner's qualification to hold [WTBS Atlanta] license... The commenters do not challenge the qualifications of Time Warner." Instead, TW said, USTA and Small Cable Business Assn. merely claim that some time in future merged company might give program channels to competitors on more favorable terms. Groups didn't provide any evidence, TW said, and issues are "unripe and utterly lacking in factual foundation." FCC's program access rules provide proper forum for such disputes, if they occur, TW said. Filing also said merger would help public interest by such things as "immeasurably" strengthening CNN newsgathering capability by pairing it with journalistic resources of TW.

**Rivals to LECs urged FCC to move slowly on its proposal to revise LEC price cap structure as competition develops.** There's "simply no evidence that competition has advanced in the access market to a point where any dilution in the Commission's current price cap policies is appropriate," Teleport Communications Group said. Cox said "deregulating in haste will harm -- not help -- competition, and will achieve nothing more than to entrench current LEC monopolists." Comcast said plan is "entirely premature" and agency first should develop program to stimulate competition by eliminating barriers to entry. Time Warner said FCC could utilize its resources better by focusing on eliminating entry barriers.

**Recent FTC actions against deceptive ads signal that agency "is the cop walking the nation's ad beat," Chmn. Robert Pitofsky said.** Speaking at Dec. 14 ceremony during which consumers spotlight ad claims they believe are misleading, he said that while ad practices are much improved from 1970s, there "is still work for agencies like the FTC, state attorneys general and the industry self-regulatory bodies to prevent deceptive ad claims." He emphasized efforts made by FTC to obtain assistance from media in preventing ads from appearing in first place, said recent settlements with advertisers "demonstrate that the agency is taking a tough enforcement stand."

**Hughes contracted with McDonnell Douglas to launch Thor 2A, built by Hughes for Teleno Satellite Services, Oslo.** It will be boosted on Delta 2 from Cape Canaveral in early 1997. Thor 2A will be high-power version of HS 376, delivering direct-to-home TV to Scandinavian countries via Ku-band.

**FCC should widen basis for its waiver of cable rate regulation in Dover Twp., N.J., where Bell Atlantic plans VDT system, NCTA said in comments.** Commission proposed to end rate regulation for cable systems competing with BA's, even though VDT network won't immediately meet penetration standard for effective competition. NCTA said it's pleased with that decision but said FCC also should be willing to grant similar waivers for systems facing competition from DBS, MMDS and 2nd franchised cable operators: "Moreover, waivers should be triggered upon the authorization of service... not the initiation of service." NCTA said Dover decision will be "important precedent in other similarly situated markets" and FCC should establish general guidelines for waivers. Cox said rate regulation waiver is "not particularly useful" since cable operators will have to lower rates to remain competitive. Situation will remain until FCC takes action on cost-allocation issues, preventing VDT operator from cross-subsidizing, Cox said.

**U.S. Appeals Court, D.C., set March 19 for oral argument in Advanced DBS case.** Advanced -- with support from TCI -- is challenging FCC decision to revoke its DBS permit for failing to meet due diligence. Commission has proposed to auction Advanced's resources to highest bidder Jan. 18. That document is being circulated for commissioners' votes, and majority are said to have decided to allow auction to proceed, but there's some disagreement over who will be eligible to participate. TCI had deal to acquire Advanced's permit for \$45 million before it was revoked, but MCI said it would bid at least \$175 million in auction. In comments to FCC, various interests have argued that cable-affiliated companies shouldn't be allowed into DBS, which is seen as potential competitor to cable. If court finds that Advanced's permit was revoked wrongly, results of auction could be nullified.

**AT&T and Hewlett Packard (HP) agreed to develop public and private networks using wired and wireless technology to improve delivery of multimedia information and interactive services involving various delivery systems.** Companies said services would allow RHCs, cable and other communications companies to offer Internet access, home shopping, telecommuting, interactive games, personal audio channels, virtual communities, distance learning, interactive ads and telemedicine. HP and AT&T Network Systems unit said they would build common network scheme and develop broadband interactive data network for Internet access.

**FCC will hold en banc spectrum hearing at end of Jan. to obtain views on "big picture" spectrum issues, new Wireless Bureau Chief Michele Farquhar said.** Aides said hearing, tentatively set for Jan. 31, will be chaired by commissioners rather than staff. "A lot of spectrum policy issues are teed up," she said, including spectrum for public safety, refarming, use of spectrum in 38-GHz, 40-GHz and 28-GHz for new technology.

**Administration's Information Infrastructure Advisory Council said it would cost \$11 billion to connect all elementary and secondary schools to information highway by 2000.** Figure was in report commissioned by Council and compiled by McKinsey & Co. that estimated one room in each school would be dedicated to computers, with 25 computers in each school. Cost would be less than 2% of total education budget for those schools, report said.

**Fox Net, Fox Bcstg.'s cable, C-band satellite and DBS service, will be available nationwide to PrimeTime (PT) 24 home satellite package subscribers starting Jan. 3.** PT 24 no longer will carry Fox flagship WFLD Chicago. Signal is carried on Spacenet 4, TR 10.



## Personals

Lachlan Murdoch, son of media mogul Rupert, advanced to deputy chief exec., News Ltd., Australian arm of News Corp... Robert Fitzpatrick promoted to Cap/ABC vp-business affairs, E. Coast... Brad Turell, ex-Fox Bestg., named head, Publicity Dept., WB TV Network... Gary Kessler, NBC Entertainment, moves to NBC Studios Team as vp-miniseries & motion pictures for TV... Changes at NBC 2000, unit responsible for packaging and branding NBC prime-time lineup: Chris Sloan advanced to creative dir.; Lindajo Loftus, former consultant and publicist, named mgr.-talent relations & acquisitions... Marty Garcia promoted to vp-business affairs, program and rights negotiations, CBS Entertainment... Ronold Morita advanced to vp-applications engineering, UB Networks' Network Products Div... Krista Roberts, ex-KTNV Las Vegas, named managing editor, KSHB-TV Kansas City... Richard Eller promoted to creative services dir., KHOU-TV Houston.

John Madigan, Tribune Co. pres.-CEO, also elected chmn., succeeding Charles Brumback, retiring... Steven Pena, ex-20th Century Fox, named gen. counsel, Warner Bros. Interactive Entertainment, new post... Libby Gill, ex-Turner Bestg., joins MCA TV Group as senior vp-media relations, new post... Tom Connor promoted to vp-creative services, Paramount Domestic TV... Mark Altschuler, New World, named to 2-year term as chmn., TvB National Sales Target Committee... Jacques Kerrest, ex-Positive Communications, appointed senior vp-CFO, Chancellor Bestg., succeeding Eric Neumann, named senior vp-finance... Karen Danaher-Dorr, ex-New World Entertainment, appointed senior vp-motion pictures & miniseries, Citadel Entertainment.

Steve Friedman, ex-Playboy TV, appointed sales dir.-alternative technology, E! Entertainment... Lisa Gaston advanced to vp-community affairs, Turner Entertainment Networks... Promotions at ESPN: Chuck Pagano to senior vp-engineering & technology; Jackie Bracco to vp-operations & engineering, business affairs and Bristol, Conn., office administration... Marc Rosenweig advanced to vp-programming and production, E. Coast, CNBC... Ed Jones, former WHMM Washington gen. mgr., named gen. mgr., Washington community cable channel... Resignations at Home Shopping Network: David Dyer as COO, Brian Kaminer as senior vp-product integrity, Theo Killion as senior vp-human resources... Suzanne Donino promoted to senior vp-network operations, Turner Entertainment Networks... Michael Chico, ex-CapCities/ABC vp-mktg., research and mktg. sales, named ESPN senior vp-integrated sales and market research; Geoffrey Mason, ex-consultant to Eurosport, appointed exec. producer, ESPN International... Lisa Prestwich promoted to vp-Asia Pacific, Turner Bestg. System PR Dept.

Marvin Rosenberg and Edward Hummers, partners in law firm Fletcher, Heald & Hildreth, join Washington office of Fla.-based firm Holland & Knight Jan. 1... Joseph Farrell, ex-U. Cal.-Berkeley, appointed chief economist, FCC... Kevin Wrege, ex-senior counsel to Mass. Div. of Insurance's Rating Bureau, named gen. counsel, Mass. Cable TV Commission... David Vogler, ex-Nickelodeon, joins Disney Online as vp-kids content, new post... Changes at General Instrument: Rick Friedland, pres.-CEO, also named chmn., succeeding Daniel Akerson, who remains a dir.; Thomas Dumit, vp-gen. counsel, also named chief administration officer; Quincy Rodgers promoted to vp-govt. affairs; Susan Meyer advanced to vp-secy.-deputy gen. counsel... Carl Vogel promoted to pres.-COO, Echostar DBS subsidiary, remains exec. vp of parent company.

# TELEVISION DIGEST

With Consumer Electronics

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With "reluctant" concurrence of Comr. Ness, FCC approved deal assigning licenses of WATL (Ch. 36, Ind.) Atlanta and WNOL-TV (Ch. 38, Fox) to new minority-controlled Qwest Bestg., limited liability company (LLC) in which Tribune Bestg. is majority owner but doesn't have voting control. Approval was conditioned on Commission's resolution of pending attribution rulemaking. Agency said Qwest is "legally and actually controlled" by 5 minorities -- Quincy Jones, Sonia Salzman, Geraldo Rivera, Willie Davis and Donald Cornelius -- and sellers were entitled to minority tax certificates even though Congress repealed them this year because FCC policy on tax breaks for sales to minorities was in place when application was filed. Further complicating issue is fact that Tribune will have 75% nonvoting equity in Qwest, plus 5-year option to buy stations if duopoly rules are relaxed, and fact that Tribune already owns WGNX Atlanta and WGNO New Orleans. That's reason approval was conditioned on resolution of attribution rulemaking, FCC said. Ness said it's "abundantly clear that Tribune will have the ability to influence the management of these stations and to impact market competition." Among mitigating factors favoring transfers, Ness said, is that they do increase minority ownership, and minorities involved are experienced broadcasters.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

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

	NOV.26- DEC. 1	1994 WEEK	% CHANGE	NOV. 18-24	48 WEEKS 1995	48 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	639,158	612,226	+ 4.4	904,672	24,483,379	25,333,002*	- 3.3
DIRECT-VIEW....	611,753	591,961	+ 3.3	861,953	23,740,426	24,754,684*	- 4.7
TV ONLY.....	539,572	537,245	+ 0.4	768,613	21,694,972	22,864,572*	- 5.1
TV/VCR COMBO..	72,181*	54,716	+31.9	92,980	2,045,454#	1,890,117	+ 8.2
PROJECTION.....	27,405*	20,265	+35.2	43,079##	742,971#	578,313	+28.5
TOTAL VCR**.....	459,033	385,663	+19.0	669,173*	14,651,559*	13,949,262	+ 5.0
HOME DECKS.....	386,849	330,947	+16.9	576,193	12,607,105*	12,059,145 <sup>r</sup>	+ 4.5
CAMCORDERS.....	94,383	87,707	+ 7.6	155,064	3,352,385#	2,964,930	+13.1
LASERDISC PLAYERS	9,608	9,831	- 2.3	5,856	241,155	259,449	- 7.1

Direct-view TV 5-week moving average: 1995--667,302\*; 1994--660,498 (up 1.0%).

VCR deck 5-week moving average: 1995--381,560\*; 1994--312,539<sup>r</sup> (up 22.1%).

TV/VCR 5-week moving average: 1995--68,823\*; 1994--47,412 (up 45.2%).

Camcorder 5-week moving average: 1995--100,770\*; 1994--74,016 (up 36.1%).

\* Record for period. # Full-year record. \*\* Includes TV/VCR combinations.

## Record for any week. <sup>r</sup> Revised by EIA.

**THOMSON RAISES SCREEN SIZE ANTE -- 36" TUBES:** Thomson Consumer Electronics, biggest manufacturer of 35" tubes and TV sets, went an extra inch last week, announcing ProScan line would replace 35" models with new 36" higher resolution tube beginning in mid-1996. Announcement came just 2 weeks after Sony announced it was filling major gap in its line by setting up 35" tube and set manufacturing facility in Pittsburgh plant (TVD Dec 4 p11).

This was just one highlight of big week for Thomson -- week in which it sealed multiproduct "partnership" with Japanese manufacturer to include supply of DVD players, and its French parent Thomson Multimedia made major investment in StarSight, becoming its 2nd largest owner (see separate reports, this issue).

New tube will be ProScan exclusive for a while, then will migrate to RCA line, eventually will be sold to other TV manufacturers. ProScan version will be first in line of "Digital Precision" tubes with higher resolution -- capable of displaying SVGA graphics, but well short of computer monitor capability, said TCE N. American Tube Sales Gen. Mgr. Thomas Carson, who called it "halfway between an entertainment tube and a display tube." In ProScan line, 36" sets will start at \$2,699, or about \$100 more than 35" predecessor. New 36" tube has dot pitch of 0.9, vs. standard 1.0 for 35". It will use new glass bulb that will be made in TCE Circleville, O., plant, and will be shown in Las Vegas during CES along with 19" and 17" tubes with higher resolution.

ProScan line, displayed at press preview in Ft. Myers, Fla., showed little change from predecessor, but TCE indicated additions to projection-TV line will be announced later. VCR line adds 3 new "Commercial Advance" models and new design factors. High-end DSS receiver with multiroom capability, announced previously, has \$899 list.

On 5th anniversary of ProScan line debut, number of models has increased to 25 from original 6, and Senior Vp James Meyer said it has highest realized average retail sales prices of any brand. TCE expects to sell well over 300,000 ProScan color TVs and "do over \$300 million in wholesale sales to dealers" of ProScan brand in 1996, he said.



Exec. Vp Joseph Clayton expects 1996 to be better year, he told journalists, because color TV inventories "hopefully" will be in better control than in 1995, which started out with hangover from poor holiday season. Financially, he said, industry had "very, very poor year" in TV, "and for us as well." He said TCE planned on basis of 5% increase in TV for this year, so consequent 5% decrease works out to 10% dip -- "that's 400,000-500,000 units we didn't have," based on 20% market share for TCE. He said TCE sales this year will be up \$300 million over 1994, as opposed to targeted increases of \$400, \$500 and \$900 in last 3 years. Clayton said TCE made money in VCRs, camcorders, communications and "significant amount" in DSS this year, but lost in audio, where it didn't have "best assortment."

Although retail is soft -- "everybody is waiting for the last weekend before Christmas" -- Clayton said inventories at manufacturing and retail are more in line than they were last year. He forecast 25.5 million direct-view TVs for 1996, 950,000 projection sets -- "conservative when you consider it's a presidential and Olympics year." He cited "tremendous pricing pressure" on high-end TV market -- 30" and up, including projection -- where average prices dropped 5% this year. However, it's "still the key to profitability for TV manufacturers -- if you don't win there you don't make a nickel."

TCE 80" projection TV, introduced year ago at \$8,495, is back ordered, company revealed. Designed as "a statement," Meyer said, "we never expected to sell more than a couple thousand," but it "found a much bigger niche than we thought," largely through word of mouth from owners. Discussing HDTV, Clayton said TCE could have product in 1997 -- "the only problem now is political." He predicted broadcasters would embrace HDTV, and as for TV sets, "we're selling sets at \$3,000 and \$4,000 now, up to \$8,000, the exact level of HDTV" pricing.

As for widescreen TV, he said entire U.S. industry has sold fewer than 5,000 direct-view and projection sets to date. TCE won't repeat its adventure in direct-view widescreen sets, he said, but will start with projection in age of digital TV. However, Clayton and Meyer agreed that while DVD might help get widescreen moving, only HDTV would truly drive that market in U.S. With DVD pending, Thomson has stopped buying laserdisc players. That format "has been in business over 20 years and the penetration is not much over 1.5 million," Meyer said.

**THOMSON BUYS MAJOR INTEREST IN STARSIGHT:** In first of anticipated moves into related fields, Thomson Multimedia -- parent of TCE -- is becoming 2nd-largest owner of StarSight Telecast, buying 13.25% of stock for \$25 million, with option to raise ownership to 19.5% and investment to \$42.5 million.

Move provides working capital for developer of leading TV program guide, which reported loss of \$25.5 million in this year's first 9 months (TVD Nov 20 p20). At same time, it puts power and commitment of largest U.S. TV maker behind single on-screen program guide, which already claims to have signed 11 companies representing 70% of TV and VCRs sold in U.S., but which have introduced relatively few products containing system.

"We will push StarSight in an aggressive manner in our product line beginning late next year," TCE Senior Vp James Meyer told us. "The real story is that we are banking on the success of StarSight and backing it with our dollars in an aggressive move. We would like to see StarSight become the standard. The reward for us is in our percentage of the company. It is a risk, but as the market leader we feel the risk is under our control."

Investment is TMM-TCE's first move into services/software sector, move promised repeatedly by TMM Pres. Alain Prestat. Meyer made clear that it won't be last, in effect issuing invitation: "We are clearly interested in more opportunities like this -- to partner with businesses that complement our core business. We intend to look at many more" in areas where "we can attack the marketplace with partners."

StarSight said companies will establish marketing fund for joint promotion of "StarSight-capable products." Thomson said it "will be compensated for its marketing efforts and will share in StarSight Telecast revenues with respect to [StarSight's] consumer electronics business." Neither StarSight nor Thomson officials provided details.

In telephone news conference, StarSight Pres. Larry Wangberg said company has reduced its monthly loss to \$2 million or less, from \$2.7 million in first half. In addition to massive infusion by Thomson, company recently sold \$5 million worth of equity to original corporate partners. Company now has 3 potential revenue sources -- consumer electronic products, cable companies (for supply of boxes to subscribers), licensing. It licensed aspects of its system to Thomson and Sony for DSS on-screen guides.



Other corporate "partners" in StarSight are Viacom, which owns 23.4%; Cox Bestg., 8.6%; Tribune Co., 4.5%; Providence Journal, 3.15%; Time Warner, 3.1%. Public shareholders own most of remainder. Thomson is buying 3,333,333 shares at \$7.50, has right to buy additional million at same price over next 2 years, up to another million over 3 years at \$10.

**FOUR COMPANIES TO OVERSEE DVD PATENT POOL:** At 2-day DVD Forum last week in Tokyo, developers distributed detailed specifications finalized week earlier on unified DVD format. Intensive meeting, which attracted 300 delegates representing 200 companies, also marked starting point for task groups assigned to hash out complicated DVD patent issues.

In separate development, Thomson Consumer Electronics signed "multiproduct" OEM deal with unnamed Japanese manufacturer covering "digital and video" products, including DVD players that can be sold in U.S. as low as \$500 starting late next year, Exec. Vp Joseph Clayton said. "It's more than just DVD -- it is a closer partnership with one of the major players in the industry," he told us.

As week ended, there was strong likelihood that DVD "core" developers -- Philips, Sony, Matsushita and Toshiba -- would form joint corporation to administer DVD patents. Secondary tier of companies laying claim to inventions incorporated into unified DVD standard would join patent pool. Toshiba sources in Tokyo told us Thomson had resisted proposal, expressing preference to enforce own optical disc licenses in marketplace. However, same sources said later that Thomson had tempered its opposition to pool system in bid to project united industry front in promoting DVD awareness before late-1996 launch.

Thomson plans big splash, including naming of DVD supplier, on eve of CES next month. Agreement is signed, Clayton said, and only remaining work on deal is negotiating wording of news release, in which Thomson's Paris hq is involved.

Clayton blamed recent bad-mouthing of Thomson -- fueled by speculation why company didn't attend Tokyo news conference on unified DVD specs -- on "major rift with one of the players." He said: "People that didn't get selected to be [our] DVD vendor are not happy. I know who they are and you will, too. There's a little chagrin among the guys who were not selected" for Thomson DVD contract because "we will get 20-25% of the [U.S.] market," he said.

Thomson "elected early on not to participate" in detailed discussions on agreement on unified DVD, Clayton said. Company is involved "now that competing systems have been brought together," he said. (Thomson Japan executive Mutsumi Fujita is listed in DVD Forum schedule as having given presentation on DVD video signal decoding system.) "We have been a major player" all along in DVD, he said. He conceded that "we have had some disagreements" with other DVD companies, but denied that Thomson ever was hitch in negotiations. "If I find out who it is [who said that], I will make them pay in the marketplace." He said only that "there's no love lost between Philips and Thomson."

As to official explanation of Thomson's absence from Tokyo conference, Clayton sidestepped whether airline strike in Paris was true reason. He did say he was visiting Thomson's Paris hq and strike prevented him from getting flight from Orly Airport until Sat., Dec. 9: "French strikers don't strike on weekends."

As for patent issue, Clayton said Thomson has "very strong" position in video recording arena. Royalties collected on European patent on Thomson transparent videodisc have been "a major money producer for us." Company has no plans to join DVD patent pool, he told us early in week. With patent pools, "you get something, you give something," he said. "Unless there's some compelling reason to join the pool, we like our [current] position" of enforcing own patents.

Thomson patent dates back to application filed in France in 1972 when company was developing optical videodisc to compete against Philips Laservision. Secret of company's success in patent claim is fact that Thomson attorneys drafted patent so broadly that it's deemed to cover wide variety of optical discs for audio and video. Although Thomson patent was granted quickly in most countries, corresponding U.S. patents weren't issued until 1989. Patent served as ground for lawsuits Thomson filed within last 2 years against 5 major CD producers. While Thomson settled its suit against Time Warner last year, other actions still are pending in Del. court.



**'HOME THEATER' SLOWDOWN:** EIA tabulation of "home theater" sales indicates slowdown in rate of increase of audio and video components in 3rd quarter, but 8% rise in total for first 3 quarters to \$5.364 billion from \$4.985 billion in same 1994 period.

EIA defines TV portion of home theater package as "25-inch and over" direct-view plus projection. Due principally to softness in 25", direct-view segment declined 2% in 1995's first 9 months. Entire home theater category was up 12% over 1994 in first quarter, 7% in 2nd quarter and 5% in 3rd quarter, audio portions showing greater percentage rises than video in each period.

Here's EIA tabulation of home theater factory sales in millions of dollars for 1995's first 9 months, with 1994 comparisons:

**FACTORY SALES OF HOME THEATER PRODUCTS, JAN.-SEPT.**  
(millions of dollars)

Product	1995	1994	% Chg.
25" & over direct-view TV	\$3,032	\$3,080	- 2
Projection TV.....	866	715	+30
Laserdisc players.....	78	90	-14
Hi-Fi VCR decks.....	865	738	+17
<b>TOTAL VIDEO .....</b>	<b>\$4,841</b>	<b>\$4,623</b>	<b>+ 5</b>
A/V receivers, amps.....	\$354	\$288	+23
Speakers.....	169	74	+130
<b>TOTAL AUDIO.....</b>	<b>\$523</b>	<b>\$362</b>	<b>+45</b>
<b>TOTAL HOME THEATER.....</b>	<b>\$5,364</b>	<b>\$4,985</b>	<b>+ 8</b>

**SONY'S BIG CHINA VENTURE:** Sony will make Trinitron tubes and TVs, largely for export, in big integrated plant in Shanghai. Joint venture, in which it plans to invest \$410 million, will constitute 11% of its total TV output by 1998, it said. Plant, to begin production late next year, is expected to produce 3 million TVs annually by 2000.

Sony plans to export 70% of factory's production. It will own 70% of joint venture, Shanghai Suogang, with 20% owned by Shanghai Video & Audio Electronics and 10% by Shanghai Vacuum Electron Devices. In addition to TV tubes, TVs and components, plant will make computer displays. Other recently announced Far East ventures:

Grundig will build color TV plant in Indonesia at cost of \$6 million, to produce 100,000 sets next year and 200,000 in 1997 for domestic market... Daewoo will build factory in Goa, India, to make 200,000 color TVs annually after operation starts next year. Starting capital will be \$48 million in joint venture with India's Anchor Electronics... Thakral Corp., Singapore, has established China joint venture to make color TVs in Chengdu, Sichuan province, starting next year at 200,000 annually, increasing to 800,000 by 1998.

Fretter, struggling to keep 50 remaining stores open, has blanketed Detroit newspapers and radio stations with ads promoting "survival sale." Ads call sale "biggest" in chain's 45-year history and appeal to consumers to help support local business. Brighton, Mich., retailer, which operated 240 stores at start of year, since has closed Silo outlets, leaving it with Fretter stores in Mich. and Ohio and Fred Schmid in Denver. Earlier this month, Dixons U.S. Holdings filed for Ch. 11 bankruptcy on behalf of Silo Div. (TVD Dec 11 p16). Filing doesn't cover Fretter and Fred Schmid.

**TV/VCRs SET YEAR RECORD:** Add TV/VCR combos to list of products that have set full-year sales records before end of 1995. In year's first 48 weeks, sales to dealers totaled 2,045,454, exceeding previous full-year record of 2,017,095, established in 1994 (see State of the Industry).

Record was set in first statistical week of Dec. in EIA's calendar, actually final week in Nov. (week ended Dec. 1). Combo is 3rd major product to set full-year record so far. One week earlier, camcorders passed 1994's record (TVD Dec 11 p13), and in 48 weeks have sold 3,352,385, as compared with previous full-year high of 3,208,651 set in 1994. One month earlier, in year's first 44 weeks, through Nov. 3, projection TVs zoomed past 1994's 52-week record of 636,177 (TVD Nov 20 p14), and in first 48 weeks had total sales of 742,971, headed for more than 820,000 for full year at current pace.

Sales in all major TV and video products were up over last year in EIA's first Dec. week, total color TV (excluding combos) squeaking out 0.4% gain, but projection TV and TV/VCR combos both registering advances greater than 30%, VCR decks up 16.9% and camcorders ahead 7.6%.

As for current sales rate, total direct-view TV, TV/VCR combos, VCRs and camcorders all set records in our tally of 5-week moving average sales rate, based on EIA figures. Projection TV also would have set record if we included it in our moving average tabulation.

Projectavision quietly settled sexual harassment suit filed against it by former employee (TVD April 24 p17), terms not disclosed. Suit also named former Projectavision Chief Scientist Eugene Dolgoff, who himself has filed suit against company over his firing (TVD March 13 p20). Gail Frank, Dolgoff's secretary during parts of 1993-1994, said in suit that Dolgoff "repeatedly" had asked her for sex, but that she "firmly rejected" his advances. Projectavision Pres.-COO Martin Holleran declined comment on settlement, but said earlier that Frank had signed release when she left company in April 1994 (TVD May 1 p19). Court papers said that under agreement, Frank was to receive \$2,400 severance in exchange for releasing company from range of liabilities, including lawsuit. Projectavision filed copy of document in its defense. Stuart Lichten, attorney for Frank, wasn't available for comment.

Circuit City's CarMax used-car chain will sell new Chrysler vehicles under agreement signed with auto maker last week. Sales will be limited to CarMax store in Norcross, Ga., starting in 1996. Agreement doesn't cover CarMax's 4 other locations. CC is more interested in gaining access to factory auctions for used cars than opening up new Chrysler dealerships, analysts have said (TVD Dec 11 p14). Auctions are closed to everyone but franchised new car dealers.

"World's first large size TFT LCD," measuring 22" diagonally, has been developed by Samsung in \$20-million project. Company said panel can be used in "wall-hanging TVs and other multimedia display components." Display is less than 1" thick, and energy consumption is 15 w, less than 1/10 that of same size CRT, Samsung said.

**THIS WEEK'S YEN RATE**

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



**WORLDWIDE MAGNETIC FORECASTS:** Japanese Recording Media Industries Assn. (JRMIA) predicts 2% increase in worldwide full-size blank videotape sales for 1996 to 1.179 billion cassettes after 3% gain to 1.153 billion this year, with VHS-C and 8mm cassettes up 6%. For first time, it issued separate estimate for MiniDiscs, seeing sales doubling next year after 136% surge in 1995.

In releasing Japanese production estimates for 1995, Assn. estimated 74.3% of audiocassettes, 28.6% of videocassettes, 100% of blank MiniDiscs, 53.4% of floppy discs and 78.8% of magneto-optical discs were made there this year. Here are JRMIA market estimates for 1995 and forecasts for 1996, in millions of units:

### 1/2" VIDEOCASSETTES (T-120 equivalents)

	1996 Forecast		1995 Estimate	
	Units	% Chg.	Units	% Chg.
North America.	372	+ 3	362	+ 3
Japan.....	270	0	268	+ 3
EC nations....	346	0	342	+ 2
Others.....	191	+ 6	181	+ 5
TOTAL.....	1,179	+ 2	1,153	+ 3

### CAMCORDER VIDEOCASSETTES (8mm and VHS-C)

North America.	49	+ 6	46	+10
Japan.....	47	+ 7	44	+ 7
EC nations....	51	+ 3	50	+ 3
Others.....	14	+14	12	+12
TOTAL.....	161	+ 6	152	+ 7

### AUDIOTAPE (C-60 equivalents)

North America.	398	- 1	403	0
Japan.....	314	- 6	335	- 5
EC nations....	421	- 2	431	- 2
Others.....	717	+ 2	703	+ 2
TOTAL.....	1,850	- 1	1,872	- 1

### MINIDISCS

Japan.....	18	+100	9	+143
Others.....	8	+100	4	+136
TOTAL.....	26	+100	13	+136

### DAT and DCC CASSETTES

Japan.....	2.55	+ 2	2.5	+ 4
Others.....	7.45	+ 3	7.2	+ 3
TOTAL.....	10.00	+ 3	9.7	+ 3

### FLOPPY DISCS

North America.	1,565	+ 2	1,535	+ 8
Japan.....	540	+ 8	500	+ 9
EC nations....	1,310	+ 7	1,225	+11
Others.....	420	+ 5	400	+ 6
TOTAL.....	3,835	+ 5	3,660	+ 9

### MAGNETO-OPTICAL DISCS

	3.5-INCH		5.25-INCH	
	1996	% Chg.	1996	% Chg.
N. America	3.4	+27	1.5	+30
Japan.....	7.68	+60	0.59	+23
EC nations	3.0	+100	0.55	+31
Others....	0.32	+60	0.1	+25
TOTAL....	14.4	+80	2.77	+28

Forecasts and estimates of Japanese production: Audiotape 1.39 billion cassettes in 1995, declining 5% to 1.32 billion in 1996. Videotape 560 million, down 5.4% to 530 million. Recordable MiniDisc 13 million, up 100% to 26 million. Floppy discs 2.32 billion, down 2.2% to 2.27 million. Magneto-optical discs 8.01 million, up 70.5% to 13.66 million.

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Declines in average prices of both audiocassettes and videocassettes are shown in EIA compilation of factory sales of blank tapes sold in U.S. for 3rd quarter and year's first 9 months:

### BLANK TAPE FACTORY SALES, 3RD QUARTER (in millions)

	Units		%	Value		%
	1995	1994	Change	1992	1991	Change
Audio.....	117.2	118.2	- 0.8	\$90.4	\$94.7	- 4.5
VHS video....	85.3	83.6	+ 2.0	142.1	144.5	- 1.7
VHS-C and 8mm	12.4	10.6	+15.9	39.3	35.7	+10.1

### FIRST 3 QUARTERS

Audio.....	324.0	317.7	+ 2.0	\$247.5	\$257.7	- 4.3
VHS video....	235.4	246.9	- 4.7	395.8	430.5	- 8.1
VHS-C and 8mm	32.6	28.7	+13.6	104.6	97.2	+ 7.6

**SENATORS HAIL GAME RATINGS:** Campaign for ratings on video and computer games was deemed at least partial success by Sens. Lieberman (D-Conn.) and Kohl (D-Wis.), prime movers in getting ratings systems established. In Washington news conference last week with officials of National PTA, senators said most manufacturers were using ratings, and nearly all new games were rated by one of 2 systems, but they called upon dealers to follow example of Wal-Mart, which doesn't carry unrated games.

Entertainment Software Rating Board (ESRB), formed by Interactive Digital Software Assn. (IDSA), said it has rated more than 1,400 video and computer software titles by more than 100 publishers. Rival Recreational Software Advisory Council (RSAC) established by group headed by Software Publishers Assn. (SPA) has rated more than 300 computer software titles from more than 90 companies. RSAC hopes to extend activity to Internet and to TV, latter through ratings system in conjunction with V-Chip.

Based on survey at local level, senators and PTA issued report card: Creation of ratings board, A; videogame maker cooperation, A-; computer game maker cooperation, B-; retailer cooperation, C; overall grade, incomplete.

SoftKey International has won battle to acquire Learning Co. by completing series of acquisitions valued at \$1 billion. Learning Co. agreed to be acquired in \$606-million tender offer of cash and stock. SoftKey will pay \$558 million in cash at \$67.50 per share for 8.28 million shares outstanding. Holders of 1.1 million unvested Learning Co. options will receive \$48 million of SoftKey stock. SoftKey's offer overturned earlier agreement under which Learning Co. had agreed to be acquired by Broderbund Software in offer that amounted to \$496.2 million. Deal creates what SoftKey said will be world's biggest educational software company, based on sales.

EIA will launch quarterly statistical reports on factory sales of professional and commercial electronics equipment, covering commercial audio and video products under auspices of its Professional Electronics Group.



**SHINTOM TO MAKE GO-VIDEO VCR-2:** Go-Video, which has long searched for 2nd dual-deck VCR supplier, has signed agreement with Shintom that could result in entry-level \$399 model by mid-1996, company said.

New 2-head VCP/4-head mono VCR, to be made at Shintom factory in Indonesia, will feature "stackable" design -- 2 VCRs mounted vertically sharing single chassis vs. side-by-side, Go-Video Vp Edward Brachocki said. Shintom also will build PAL units for Europe. Lower price will be reached by deleting built-in editing features in existing 3-model 4000 series that are \$499-\$799, he said. Current line will be carried in 1996, with replacements expected in 1997, Brachocki said.

Relationship with Shintom is likely to strengthen Go-Video's hand in negotiations with Samsung, which has been company's sole dual-deck supplier since signing agreement in 1989 in exchange for being dropped from \$4.5-billion antitrust suit (TVD March 6/89 p11). Sources familiar with companies said Go-Video has long sought low-cost competitor to Samsung, which will continue to build units. It also has sought way to boost product cycle which in case of former 3000 series ran 30 months. Cycles were tied largely to introduction of new tape transport designs, sources said.

Goal is to have Shintom and Samsung-built dual decks hit market at different times to ensure steady supply of new product, Brachocki said. "Now I'm refreshing my line twice as quickly as I would if I had the one manufacturer," he said, with goal of 12-18-month product cycles. "How it actually ends up being split [between Shintom and Samsung] only the market will decide, but our plan is to have both manufacturers for as long as we possibly can."

Go-Video is closing out year-old venture into PC market that tied 8mm/VHS deal deck to Gold Disk video editing software (TVD Aug 8/94 p17). While company hoped product would provide "springboard" into desktop video, Brachocki conceded that dual deck was "problem" because it was "too limiting and there was too much going on in the computer." Software was designed to allow PC to control dual deck editing functions. Dual-Deck Director, analog videotape editor, was sold in Windows and Macintosh versions at \$299.

"Desktop video is really a computer function," he said. "It's not a VCR function and a VCR is really just a utilitarian device." Go-Video won't abandon PC market but will work to include PC functions in future products such as 60" LCD-based rear-projection TV company has said it will introduce next year (TVD Dec 4 p15).

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**LG Electronics (GoldStar),** which forged agreement with Go-Video in 1994 to introduce own 8mm/VHS dual-deck (TVD June 13/94 p18), will quietly close out product by mid-1996, sources said. Deck included 2-head 8mm playback-only and 4-head VHS record-playback with flying erase head. There are no plans for new model and it's understood price has been cut to \$499 from \$699. Move to lower price boosted sales to dealers to 1,000 units per month from 100, sources said. LG is said to have 6,000-7,000 in inventory.

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**DSS price wars** appear to be heating up. Some CE retailers are carrying low-end RCA model in ads at \$499, while discounters offer GE model at same price. Installation charge also has dropped in some markets to \$99 vs. \$150 range when product was introduced in 1994.

**PHILIPS CD-I CONSOLIDATES:** Philips, seeking to boost flagging CD-I business, will consolidate sales and marketing functions in Washington and shift focus away from "traditional retail," company said.

Strategy will be to sell through "small retailers and alternative types of distribution," including direct marketing, said Philips N. America CD-I Mktg. Vp Gail Wellington. Philips Professional Media Pres. John Gray will head new, as yet unnamed, operation in Washington, while Philips Media keeps office in L.A., she said.

New plan is first solid evidence of change in CD-I plans since March, when Philips Media Exec. Vp John Hawkins told us company would take "different approach in marketing" in U.S. (TVD March 27 p16). CD-I has met limited success at retail since introduction in 1991, and Hawkins said earlier this year that Philips had fallen short of establishing worldwide installed base of one million units.

New plans don't involve leaving consumer market, although Wellington conceded company "probably won't be as active with national advertising." Philips will continue carrying low-end player at \$299 with optional Digital Video cartridge at \$249, she said, adding that new models will be introduced, but declining to elaborate.

Philips will continue direct marketing to current CD-I owners, expanding it to offer software from publishers other than Philips Media. Company has formed "Gold Club" that offers special promotions through toll-free number and has enrollment of 70,000, she said.

Company will seek to expand CD-I market for professional and educational applications, Wellington said. New avenues include CD-I-based Internet browser that will be available in U.S. in 6-9 months and educational market where Philips plans to introduce "School 2000" program that offers teaching guides, workbooks and lesson plans built around CD-I player, Wellington said. Browser, which was introduced in PAL version in U.K. in Sept., is modem and software combination that includes 14.4 kbps modem that plugs into CD-I player. CD-I disc has communications software and browser.

Philips Media will focus efforts on CD-ROM software and "some of the newer game platforms" as well as CD-I, company said. As CD-I discs will be compatible with new DVD players, company also will try to ride DVD coattails to boost sales.

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**Assets of 47th St. Photo,** mired in Ch. 11 bankruptcy for 3 years, were purchased last week by Tuttnauer Co. Israeli company bought \$3-million stake in 47th St. in 1994 (TVD Aug 29/94 p15) and submitted bid for assets after trustee was appointed to replace owners Irving and Leah Goldstein (TVD June 26 p15). Retailer once operated 4 stores and mail order business generating \$300 million in annual sales. In recent years, sales have tumbled below \$100 million.

**Videonics** is developing Windows-based version of "Video Toolkit" editing software that it expects to ship in mid-1996 at around \$280, Mktg. Vp Jack Aiello said. Current Video Toolkit, first released in 1991, is available for Macintosh at \$99. Toolkit has video cataloging feature that allows user to organize scene location data and notes. With addition of digitizer, software can store in and out points of frames. Software was acquired as part of Videonics' purchase of Abbate Video earlier this year (TVD Sept 18 p18).



**BEST BUY, CIRCUIT EXPANSION:** Circuit City (CC) is planning to open 60-65 stores in fiscal year starting March 1, including entries into Detroit and Pittsburgh, while Best Buy (BB) studies funding its own expansion. Retailers made disclosures in reporting earnings for 3rd quarter ended Nov. 30.

Circuit City, citing "successful" expansion, posted 11% increase in net income in 3rd quarter on 27% rise in sales (see financial table). Same-store sales, however, were up just 3%, with PCs accounting for majority of gain, analysts said. For 9 months, net income jumped 16% on 30% increase in sales. Same-store sales were up 7%.

Revenue increases came despite what Chmn. Richard Sharp called "intense promotional environment." Rise in PCs and music software sales, promotional pricing and added revenues from CarMax Div. combined to lower gross profit margin to 22.7% from 23.9% year ago, he said.

In addition to opening new stores, CC will expand or relocate 15-20 others. Most new outlets will follow 40,000-sq.-ft. format launched year ago (TVD Nov 14/94 p16).

Best Buy reported 0.6% gain in net income in 3rd quarter on 43% increase in sales (see financial table). Same-store sales rose 11%. For 9 months, net income dipped 0.04%, although sales jumped 48%. Same-store sales increased 8%.

Citing heavy reliance on low-margin PCs, BB said gross margin in 3rd quarter declined to 12.6% from 13.6% year ago. PC hardware and software account for close to 50% of BB's sales, analysts have said.

BB officials were said to have told analysts that they would report expansion plans in early Jan., but that any growth would be "self-funded." Using internal financing, BB could open 25-30 stores in fiscal year starting March 1, analysts said. But they have called on BB to cut expansion to 10-15 stores to ensure profitability (TVD Dec 11 p15). BB is said to be considering entry into Philadelphia and Pittsburgh.

Caldor, operating under Ch. 11 (TVD Sept 25 p18), reported \$32.6-million net loss in 3rd quarter ended Oct. 28 vs. \$1.1-million profit year ago. Sales were down 5.4% as same-store sales slid 11.4%. For 9 months, Norwalk, Conn., retailer reported \$43.6 million net loss vs. \$5.2 million profit year earlier although sales inched up 0.9%. Retailer obtained \$250 million in debtor in possession (DIP) financing in Oct. and had \$231 million remaining at end of quarter.

Roberds said "sluggish activity" in 4th quarter was "particularly evident" in first half of Dec. For fiscal year ending Dec. 31, Roberds said it expected to record sales increase to \$300 million from \$259 million year earlier.

Federated Dept. Stores appeared to set stage for new stock offering, registering with SEC for sales of up to \$1 billion in securities. Timing and terms of offering haven't been set and will depend "on market conditions and other factors," retailer said.

Macy's has cut commissions in half for sales force in N.Y.C. area for 5-week holiday selling season, N.Y. Times reported. Reduction covers employees at 15 stores, although several locations were spared because employees are covered by union contracts. Commissions for full-time staff were cut to 3.96% from 6%, and for part-timers to 2% from

4%. Although comparison wasn't available for CE, Times said typical shirt seller makes \$800 per week in Dec. vs. \$300 rest of year.

**SHARP AND SONY LCD REAR PROJECTORS:** Sony and Sharp have introduced LCD-based widescreen rear-projection TVs in Japan, latter planning to ship 43W" model in U.S. in 1996. Sony released "Flight037" in Japan with 37W" screen in Nov. at \$3,267, but has no immediate plans for export units to U.S., company said. Sharp also has introduced 36W" set in Japan.

Sharp 43W", which is expected to be shown at CES next month, is part of "Gaia" series and was first released in Japan in Sept. at \$3,940. Set has single 4" TFT LCD panel with 614,440 pixels, 250-w metal halide lamp, two 4.8" speakers, weighs 90.2 lb. and is 15.4" deep. Production in Japan began at 4,000 per month, with expansion to U.S. and Spain expected by summer of 1996. Sharp officials in U.S. didn't return our calls before deadline for details of U.S. introduction.

Sharp's 36W" LCD rear-projection set in Japan has same features as 43W". Production began at 6,000 per month and set, with 14" depth, weighs 77.9 lb.

Sony's Flight037 has three 1.36" TFT polysilicon LCD panels with 512,880 pixels, retails at \$3,265. Set contains 100-w High Intensity Discharge (HID) lamp, receives high-definition signals in Japan using optional MUSE decoder. Model is packaged with "3D" speaker system that includes 2 mid/high-range speakers and subwoofer, 15.6" deep, weighs 63.8 lb. There are no immediate plans for U.S. because of small size of widescreen market, although introduction in Europe is planned.

Interest has grown in recent months in alternatives to CRT-based PTV technology. Go-Video and Prolux reported alliance earlier this month that they said would yield 60" LCD-based rear projection TV by late 1996 (TVD Dec 4 p15). Nine companies have signed licenses to develop projection TVs around Texas Instruments' Digital Light Processing technology using Digital Micromirror Device (DMD) chips.

**Interactive Notebook:** Plagued by few new products, Gamtek reported \$1.7-million loss for first quarter vs. \$513,000 profit year earlier. Sales for quarter ended Oct. 31 plunged to \$3.4 million from \$10.9 million. Citing downturn in 16-bit videogame market and "long development period" for new 32- and 64-bit product, Chmn. James Harris said company may report loss in fiscal 1996, but foresaw profit in 1997... GT Interactive Software has launched 10-million share public stock offering at \$14. Affiliate of home video supplier Good Times International, GT publishes and distributes PC and videogame software... Retailer Noodle Kidoodle (NK) filed with SEC last week for 2.1-million share offering, price not set. NK, which changed name from Greenman Bros., operates 18 stores in 4 states selling, among other things, audiotapes, videotapes, PC software.

"Spectacular increase" in LCD light output is reported by Philips Research Labs in Eindhoven through use of "reflective polarizers." Company said displays normally use polarizers that absorb light of unwanted direction of polarization, eliminating half of light. Reflective polarizers have effect of "recycling" light by reflecting it back to polarizing filter, making it possible "to use all available light for display functions."



**PAGER AND CALLER ID TECHNOLOGIES:** Motorola is expanding line of pagers containing Flex technology that doubles transmission speed, while Colonial Data Technologies is readying 25-channel cordless and 900 MHz phones with caller ID.

Both companies are seeking to capitalize on advances in technology including advent of Flex pagers and recent FCC decision that lifted ban on interstate caller ID service.

Motorola's Renegade, Bravo and Advisor Pro pagers contain Flex technology that doubles speed to 6,400 bps, but also can transmit at 1,600 and 3,200 bps and is compatible with existing Post Office Code Standardization Advisory Group (POCSAG) 2,400-bps system.

Year-old Renegade line will consist of Flex and POCSAG numeric pagers that will be available in first quarter of 1996 at \$165. New models expand message storage capacity of original to 16 from 10, are available in 5 colors, have 8-sec. musical alarm. Business-oriented Bravo pagers have storage for 16 messages, but add time and date display and contain lithium battery that saves messages for up to 10 min. after main AAA cell is removed.

Advisor Gold flex alphanumeric pager has 4-line display, 32K of memory with 19 slots for messages, can handle up to 15 information services, sells at \$319 retail. Lower priced Advisor Pro alphanumeric pager at \$279 has 2-line display, clock, 8 user "alerts."

Motorola also will introduce 2nd-generation Word Sender at CES in Jan. minus phone linked to first model (TVD Dec 19 p18), Consumer Mktg. Brand Mgr. Karen Holmes said. Word Sender, \$249, transmits messages to pager. Other features include 2-line, 48-character LCD display, 10-name directory.

Overall, Flex technology had 5-10% of 27-million subscriber pager market in 1995 and will expand to 40% by 1997, said Motorola Professional Industrial Mktg. Brand Mgr. Maureen Aloumanis.

Colonial Data will unveil 25-channel and 900 MHz phones at CES at \$159 and \$249, respectively, with delivery in first half 1996. Korean manufacturer will build 25-channel and 900 MHz phones, but work will shift later to Colonial's primary manufacturer, SDL of Hong Kong, said Colonial Sales & Mktg. Vp Joseph Cline.

Phones will have 3-line LED for Caller ID with storage for up to 50 numbers as well as 10-key speed dialing. Colonial also will show Call Identifier corded phones with 3-line LED at \$59-\$109 and plans to combine Caller ID and call waiting into models by mid-1996 at \$109-\$139.

Colonial also is developing 5-line screen-based phone with Caller ID that it expects to ship in Feb. at \$250 and will ship range of standalone caller ID units including one with Timex's Indiglo technology at \$49.

Zenith will make computer display tubes at Melrose Park, Ill., picture tube plant under \$45.6-million program approved by Exec. Committee. New production line, with capacity of more than million 17" tubes annually, is expected to start production in 2nd quarter of 1997. Pres. Albin Moschner confirmed that LG Electronics, Zenith's majority stockholder, will be one of major customers for tubes. He stressed that expansion is part of Zenith "profit improvement program," and color tube business "offers significant revenue opportunities."

**TIME WARNER INTERACTIVE SALE?** Time Warner (TW) is putting Time Warner Interactive (TWI) up for sale, Wall St. Journal reported.

TW is streamlining operations in preparation for merger with Turner Bestg. System, might be able to sell assets of interactive unit for \$50-\$100 million to smaller company focused on video and PC games, said sources quoted in article.

Acclaim Entertainment and Electronic Arts are said to be candidates as buyers, although officials at both declined comment. TW spokeswoman said company doesn't "comment on rumors," but conceded TWI is reducing stake in Atari Games. TW became majority shareholder in Atari, developer of arcade and videogames, in 1990 (TVD July 9/90 p11).

TWI makes games for arcades, cartridges and CD-ROMs. Most recent success has been "Primal Rage," which LG Electronics licensed for GoldStar 3DO player (TVD Dec 4 p16). Despite huge library of titles, unit has been disappointment, sources said.

TWI also may be falling victim to consolidation occurring in software business. Absolute Entertainment, one-time developer of Nintendo games, has closed down and analysts have said that in long term 5-10 companies will dominate software.

TW Chmn. Gerald Levin has indicated company will sell off nonstrategic assets. TWI is segment of TW empire that also includes Warner Bros. Studios and Warner Music Group.

**STEREO TV UP IN OCT.:** In Oct., month when sales of direct-view TVs (excluding combos) declined 1.9%, sets with stereo sound increased 15.6% over Oct. 1994 -- partly due to fact that stereo sales were particularly bad in Oct. 1994.

In Oct. 1995, 46.9% of TVs sold to dealers were equipped for stereo -- 1,203,760 of 2,567,003. That contrasts with only 39.8% in Oct. 1994, which made it 2nd worst month last year (after 39.7% in Dec.), when 1,041,494 sets of 2,617,763 had stereo.

While sales of total direct-view sets minus combos probably will be down about 5% for 1995, percentage with stereo is at record pace and total stereo sales seem headed for year's record as well. In 1995's first 10 months, 45.5% of sets sold had stereo, up from 43% in same 1994 period. Number with stereo was virtually unchanged, 8,514,871 in 1995, up just 0.02% from 8,512,457 in 1994 period, while total direct-view sales minus TV/VCRs were 18,702,577 this year, down 5.5% from 17,799,143 in 1994 period.

Manufacturing cost for adding Arthur D. Little Enterprises' "Commercial Advance" to VCR is less than \$5, although some manufacturers may seek \$50-\$75 premium for finished product. At same time, "Movie Advance" technology is being developed that senses trailers at beginning of prerecorded videocassettes and fast forwards VCR through them until it reaches main feature, said Invention Management Assoc. Pres. Jerry Iggulden, who developed "Commercial Advance." Technology allows user to fast forward through typical 15-min. trailer in 1-2 min., he said. "Movie Advance," which also could be built into VCR's main microprocessor, uses software that differs only slightly from that in "Commercial Advance."



**SAHARA OUT OF CES IN 1997:** EIA's Consumer Electronics Mfrs. Assn. (CEMA) is polling specialty audio exhibitors booked for upcoming Las Vegas Consumer Electronics Show (CES) for help in choosing new facility to house high-end audio displays at 1997 show to replace Sahara Hotel. Casino-free Alexis Park Hotel is leading contender.

Long-standing Sahara venue won't be available as specialty audio exhibit facility for 1997 show because hotel's new owners plan to demolish and renovate parts of facility and will gear it "toward families, and not meetings and expositions." Survey of "over 50 Las Vegas hotels" has yielded "2 workable options" to succeed Sahara. Choices are Alexis Park Hotel, on Harmon Rd., described by CEMA as being about 10-min. ride from Las Vegas Convention Center (LVCC), and Chaparral Hotel, on Desert Inn Rd., described as "long walk" or 2-min. ride from LVCC.

CES Vp Jonathan Thompson was quoted by industry source as saying companies polled have opted for Alexis Park by ratio of 100-to-1. CEMA spokeswoman acknowledged only that overwhelming majority of respondents expressed preference for Alexis Park over Chaparral, but said decision hadn't been made yet.

She said show management learned "for certain" 4 weeks ago that Sahara wouldn't be available in 1997, although CES team had been polling hotels earlier in anticipation of decision. CES managers wrote exhibitors Dec. 1 soliciting feedback, asking for faxed responses by Dec. 6. "We apologize for the short notice," said letter. "However, this situation has developed relatively quickly, and we need to make this decision while the options are still available to us. Our goal is to provide you with a higher quality alternative to the Sahara, which suits the needs of your unique, and very important, category for the show."

Spokeswoman said her group's aim is to nail down decision on 1997 venue by Jan. 5 opening of upcoming Las Vegas CES, but said it could be delayed if controversy arises. She said adult video exhibitors, which have been housed in Sahara for as long as specialty audio companies, will be informed soon of developments, but those companies won't be polled because display needs of high-end audio firms are uniquely "specialized."

Meanwhile, CES said 220 international distributors already have registered for specialty audio show in Orlando May 23-25, to be held in conjunction with larger Digital Destination event in same city. Promoters listed 21 companies for which they said they had commitments for space at Hilton Hotel, Walt Disney Village. "Due to overwhelming demand," promoters said, additional space at Hilton has been obtained for high-end exhibits, including meeting rooms with 10x10-ft. "open space" now available. Promoters have said their "conservative" projection is that 50 companies will book specialty audio displays in Orlando.

**TDK warned last week** of "feeding frenzy" of price-cutting by nonmanufacturing videotape suppliers following 3M's departure from market (TVD Nov 20 p11). TDK Mktg. Vp Tim Sullivan said, however, that those companies may not be able to deliver because of supply shortage created by 3M's withdrawal. "With consumer demand for quality blank videotape remaining high, and Hollywood's ever-growing demand for pancake [to serve] the sellthrough market showing double-digit growth, suppliers who lack the capacity to manufacture their own product will not be able to service their retail customers with sufficient quantities..."

**1996 -- GOOD OR BAD?** Depends on who's talking. Most -- but not all -- industry forecasts for next year are optimistic. Among recent ones are Thomson Consumer Electronics Exec. Vp Joseph Clayton's prediction of 25.5 million direct-view TVs, up 9% from this year, and 950,000 projection TVs, up 15% (see separate report). Some others:

Sony TV Products Senior Vp James Palumbo, analyzing TV trends by fiscal year (ending March 31), saw direct-view sales next year rising less than 1% to 23.98 million from current year's 23.8 million, but sales of larger screen sizes up substantially -- 35" to 1 million, up 38.8% from 720,000; 30-32" to 1.65 million, up 17.9% from 1.4 million; 27" to 4.5 million, up 7.1% from 4.2 million; 25" declining 2.2% to 4.4 million from 4.5 million; 20" and under falling 4.2% to 12.43 million from 12.98 million.

In projection TV, Palumbo saw sales in next fiscal year rising 16.9% to 970,000 from 830,000. In 55" and over category, he predicted 33.3% rise to 120,000 from 90,000, with 50-54" category up 19.5% to 490,000 from 410,000 and 49" and smaller up 9.1% to 360,000 from 330,000.

Matsushita Electric Corp. of America (MECA) Pres. Richard Kraft cited economic indicators as showing "we are now at the bottom of the current business cycle." He said he expects cycle to begin uptrend in 2nd half of 1996, promising "positive sales growth for the coming year."

Dissenting from general optimism was Zenith Pres. Albin Moschner in interview on Dow Jones Investor Network. Citing downturn in unit volume and pricing this year, he said: "I expect this trend to continue, primarily because the industry inventory levels vs. the demand from our customers are a bit out of balance. In those situations, prices continue to be under pressure and [in] the next 12-18 months we also don't expect the industry volume to rebound."

Environment, he said, "will continue to be difficult" for industry. For Zenith, "with the combination of our investments, the combination of growing other parts of our business, with the introduction of digital, we hope the overall picture will improve," he said.

Former Tops Appliance technical mgr. has filed age discrimination suit against chain. Frank Leone, 52, filed suit in U.S. Dist. Court, White Plains, N.Y., charging he was fired from job at Hawthorne, N.Y., store in May after being told by supervisor that chain was going to replace him with someone who was "younger" and "sharper looking." Leone also was falsely accused of stealing unspecified items from store in report that security officer allegedly wrote after being threatened with his own firing if he didn't comply, suit said. Leone, who was employed by Tops for 3 years, was replaced by person half his age who was "singularly unqualified" for position, suit said. Tops officials weren't immediately available for comment.

VSDA apparently is backing off call for protective DVD caddy as result of Dec. 14 meeting in L.A. of its DVD Packaging Task Force. Studio representatives invited to meeting conveyed message that caddy wouldn't be practical for hardware manufacturers, so VSDA merely will "suggest" caddy as option in its final draft of recommendations rather than "insist" on it, assuming disc will be as durable as developers claim, VSDA Communications Vp Robert Finlayson told us. Final draft is expected in 10 days.

"New Zenith" is name affixed to invitation to company's traditional journalists' reception at CES.



**3-D DVD 'WALKMAN':** A leading manufacturer of virtual reality glasses, Virtual iO, is working with Matsushita to develop standard interconnections for DVD portables to be used with eyegear displays for viewing movies and other programs on the go, including 3D.

"We're doing some work with DVD," said Linden Rhoads, pres. and co-founder of Virtual iO, Seattle. Company's glasses weigh less than 1 lb. and display images on 0.7" LCD screens about inch from viewers' eyes. Image is surprisingly clear, but that reveals flaws as well in quality, with pixels relatively visible.

Since first shipments 7 months ago, Virtual has sold 40,000 pairs of glasses priced at \$799, said Rhoads, who said company projects sales of "several hundred thousand" in 1996, based on expectation that cable networks will inaugurate 3D shows next year. Video/DVD version of glasses at start will sell for \$599, she said, with prices going "down to \$299 over the next couple of years," but \$199 and \$99 probably aren't within reach because of costs.

Rhoads said Virtual is working with Matsushita, which probably will distribute its glasses in Japan. Primary goal is to create uniform plug that will carry audio, video and power over same line. As things stand, users would need separate battery pack to power players and headgear. Negotiations should result in "simple and elegant" connector that does whole job with one cable, she said.

Virtual iO glasses currently provide rough equivalent of NTSC quality. Recent deal with Planar Systems, Rhoads said, will let company make leap from LCD displays to electroluminescent (EL) technology. LCD displays are limited effectively to 60,000 pixels, but EL displays can make possible 350,000-pixel screen that should be available in mid-1996, offering full Virtual Graphics Array (VGA) quality resolution, with 500,000-pixel model on market in about year.

Virtual iO's investors include TCI, Thomson CSF and Logitech, Rhoads said, and company has exclusive deal to provide Sony with virtual reality (VR) glasses for PlayStation, to be shipped in 1996 first quarter, she said. Glasses will provide full 3D effect for special 3D games. Game glasses will feature "head tracking," turning images as user turns head, up, down or sideways.

"Cybersickness" isn't problem, Rhoads said, referring to flaw that has plagued all 3D video systems in past -- including dizziness, nausea, headache. But even some Virtual staffers say they have experienced twinges with more intense VR games. Another potential health hazard -- walking into traffic while wearing headgear -- won't be problem, she said. Glasses have see-through screens, and users are expected to use them while seated in buses, at home or waiting in line.

Besides working with CE companies, Virtual is negotiating with voice recognition company, Rhoads said, on system allowing users to control glasses with words rather than reaching for switch or control. When SVGA glasses go on market, she said, they could make laptop PC screens obsolete.

Shortage of Nintendo's Donkey Kong Country 2 game has resulted in offer by Toys 'R' Us of free copy of 128-page Nintendo Official DKC2 Players Guide (\$10 value) and guarantee of delivery by Feb. 1 to those buying now.

**SWALLEN'S TO LIQUIDATE:** Swallen's, which has battled to survive onslaught of CE retailers in Cincinnati, was to begin liquidation sale at 4 remaining stores late last week.

Chain that once operated 7 stores in area closed 3 outlets in filing for Ch. 11 bankruptcy Oct. 31. Liquidation sale will be conducted by Jubilee Limited Partnership and will include discounts of 30% on all merchandise, said Thomas Coffey, attorney for Swallen's.

End came suddenly, with many of 250 employees handed notices as they reported for work Dec. 7. Signs were placed on store doors to notify customers. Sales at chain slipped to \$123 million in 1994 from \$146 million 2 years earlier and at time of Ch. 11 filing, Swallen's listed \$33.6 million in assets, \$31.9 million in liabilities. It reported \$47 million in CE/major appliance sales in 1993.

Turning point came when chain fell \$200,000 short of \$1.1 million in weekly sales it had projected for Christmas season, Coffey said. Frank Budetti, who was brought in to turn retailer around but resigned in late Nov., told Cincinnati Enquirer he wasn't surprised by closing. He said Swallen's executives didn't cooperate in raising and controlling cash. "They weren't listening to us on either one of those," he told newspaper.

Swallen's also suffered after arrival of Sun Super Savings Centers and Circuit City siphoned off CE sales. Swallen's, founded by Wilbur Swallen in 1959, was sold in April to group of investors headed by former CFO Sharad Buddhdev.

**MECA SALES AT \$7.6 BILLION:** Matsushita Electric Corp. of America (MECA) will achieve sales of about \$7.6 billion in current fiscal year to March 31, Pres. Richard Kraft told company's annual meeting with journalists in N.Y. That compares with about \$7.2 billion last year. He said profitability will be maintained "at about last year's levels... despite the yen-dollar exchange rate pressure and the trend of an increasing portion of the consumer's disposable income being directed toward purchases of personal computers."

Growth has been concentrated "across the entire range of our industrial products," he said, "in particular CD-ROMs and factory automation equipment," with good gains also in copier sales and service and closed-circuit and industrial camera systems. In consumer electronics, only products cited were large-screen TVs and compact camcorders.

Company's biggest N. American manufacturing investment will be next year's \$600-million expansion of semiconductor factory in Puyallup, Wash. In last fiscal year, Kraft said, company exported \$348.5 million worth of Panasonic products from N. America to other countries, up 20% from preceding years.

Japanese chemical manufacturer Nichia, based in Tokushima, said it has succeeded in developing short wavelength blue-violet semiconductor laser stable at room temperature. Gallium nitride laser has wavelength of 410 nanometers, compared with 635- and 650-nanometer wavelengths designated for laser diodes in unified DVD specs finalized Dec. 8. Company said it hopes to start mass production within 2 years, with DVD prime target application.



## Consumer Electronics Personals

Sony Pres. Nobuyuki Idei is chmn. of new Sony Corp. of America Exec. Committee, consisting of Sony Electronics Pres. Carl Yankowski, Sony Pictures Pres. Alan Levine, Sony Music Pres. Thomas Mottola (TVD Dec 11 p11)... Sean O'Brien, ex-StarSight Telecast, joins Compaq Computer in unannounced capacity... John Gray, pres., Philips Professional Media, named to head new unnamed CD-I office in Washington... Robert Mainiero, ex-ADS, joins Cambridge SoundWorks as vp-business development, responsible for company's new Multimedia Speaker Div. and other new markets.

Jane Thompson appointed pres., Sears Home Services, new post, remaining exec. vp-credit until successor is named; Joseph Smialowski advanced to senior vp from chief information officer... Appointments at Bryn Mawr Stereo & Video: Fred Lokoff, founder & CEO, shifts to chmn.; Joseph McGuire, vp-CFO, becomes pres.-CEO; Steven Lokoff, ex-vp-gen. mgr., named vice chmn... Joseph Feczko, ex-Neiman Marcus, appointed Federated Dept. Stores senior mktg. vp, new position... Michael Gleim, promoted to vice chmn.-COO, Bon Ton Stores.

Steven Pena, ex-20th Century Fox, joins Warner Bros. Interactive Entertainment as gen. counsel, new post... Malcolm McDonald, ex-Lotus Engineering, named senior vp, Noise Cancellation Technologies, responsible for technology and business development activities in Europe... Changes at Moovies: Douglas Raines steps down as chmn. but remains as exec. vp-real estate & development; John Taylor, pres.-CEO, adds chmn. title... Tom Simon, independent producer and consultant and ex-National Geographic TV, joins Reader's Digest Global Video and TV as dir. and executive producer, reporting to Barbara Morgan, senior-vp and editor-in-chief, Reader's Digest Books & Home Entertainment.

Fallout from Sony's ouster of Sony America Pres. Michael Schulhof (TVD Dec 11 p11) continues to pour out of news pages. Nikkei quoted anonymous sources as saying Sony Pres. Nobuyuki Idei "came down hard" on Schulhof for unauthorized leak to Wall St. Journal that company planned public offering of its movie operations (TVD Nov 6 p17). Journal story was flatly denied by Idei. Nikkei also said Sony once considered naming Schulhof pres. of parent company. Journal last week reported Sony is "scaling back" its financing of company run by former Sony Pictures Chmn. Peter Guber. Schulhof still comes out well on Sony deal, reportedly getting cash settlement of \$30-\$50 million.

Sony and Oki Electric have launched joint venture to develop advanced technology for next generation of semiconductor chips. Companies will develop combined memory and logic functions of semiconductors on single chip with line widths of 0.25 microns. Current 16-Mb dynamic random access memory (D-RAM) chips have lines 0.5 microns wide. New 256-Mb D-RAMs, which are under development, will need finer line widths of 0.25 microns in order to put larger amount of memory on single chip.

Nokia warned investors that its Consumer Electronics Div. is headed for another "significant loss" this year, despite restructuring, and that demand for its mobile phones has cooled, especially in U.S. Its ADRs slumped 23% on news, which dragged down shares of other cellular phone manufacturers in U.S. CE represents about 10% of Nokia sales.

## Financial Reports of TV-Electronics Companies

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

Company & Period	Revenues	Net Earnings	Per Share
Best Buy			
1995-39 wk. to Nov. 25	4,641,884,000	28,188,000	.65
1994-39 wk. to Nov. 26	3,132,446,000	29,543,000	.68
1995-13 wk. to Nov. 25	1,929,277,000	17,802,000	.41
1994-13 wk. to Nov. 26	1,349,871,000	17,702,000	.41
Caldor			
1995-39 wk. to Oct. 28	1,826,466,000	(43,663,000)	--- <sup>a</sup>
1994-39 wk. to Oct. 29	1,810,606,000	5,264,000	.31
1995-13 wk. to Oct. 28	591,386,000	(32,600,000)	--- <sup>a</sup>
1994-13 wk. to Oct. 29	625,043,000	1,068,000	.06
Circuit City Stores			
1995-9 mo. to Nov. 30	4,775,909,000	97,315,000	.99
1994-9 mo. to Nov. 30	3,672,712,000	84,185,000	.86
1995-qtr. to Nov. 30	1,783,446,000	31,451,000	.32
1994-qtr. to Nov. 30	1,405,445,000	28,442,000	.29
Curtis Mathes Holding			
1995-qtr. to Sept. 30	2,527,236	(1,594,528)	--
1994-qtr. to Sept. 30	2,700,856	127,026	.01 <sup>b</sup>
GameTek			
1995-qtr. to Oct. 31	3,453,000	(1,797,000)	--
1994-qtr. to Oct. 31	10,902,000	513,000	.07
J2 Communications			
1995-qtr. to Oct. 31	294,000	44,000	.01
1994-qtr. to Oct. 31	319,000	70,000	.02
Tektronix			
1995-26 wk. to Nov. 25	844,620,000	48,980,000	1.47
1994-26 wk. to Nov. 26	683,507,000	35,982,000	1.11 <sup>b</sup>
1995-13 wk. to Nov. 25	443,598,000	26,310,000	.79
1994-13 wk. to Nov. 26	358,655,000	18,617,000	.57 <sup>b</sup>
Video Update			
1995-6 mo. to Oct. 31	15,843,000	786,000	.10
1994-6 mo. to Oct. 31	2,931,000	(123,000)	--
1995-3 mo. to Oct. 31	10,671,000	486,000	.05
1994-3 mo. to Oct. 31	1,712,000	27,000	.01

Notes: <sup>a</sup>After special charge. <sup>b</sup>Revised.

**PHONE PRICES DOWN 12-16%:** Average factory prices of cordless phones have dipped 12% in 1995's first 9 months and corded phones 16.3%, newly released EIA figures indicate. Data show phone answering devices declined 6.9% and fax machine average fell 16.3%.

EIA data show unit sales of all products up in 3rd quarter, but total dollar sales down for answering devices and corded phones. In first 3 quarters, all products except cordless phones declined in dollars, while only answering devices dipped slightly in unit sales.

In year's first 9 months, indicated average factory prices were: Answering devices \$60.24 (vs. \$64.70 year earlier), cordless phones \$57.93 (\$65.83), corded phones \$21.14 (\$25.25), fax machines \$328.05 (\$392.14).

### TELEPHONE PRODUCT FACTORY SALES, 3rd QTR.

	Units (thousands)		%	Dollars (millions)		%
	1995	1994	Change	1992	1991	Change
Answer. devices	5,381	5,032	+ 6.9	312.9	327.9	- 4.6
Cordless phones	5,705	4,813	+18.5	331.1	311.0	+ 6.5
Corded phones..	7,861	6,761	+16.3	161.9	165.3	- 2.1
Fax machines...	868	615	+41.1	276.8	238.5	+16.1

### FIRST 3 QUARTERS

Answer. devices	12,512	12,602	- 0.7	753.7	815.3	- 7.6
Cordless phones	13,815	11,601	+19.1	800.3	763.7	+ 4.8
Corded phones..	18,506	17,419	+ 6.2	391.3	439.9	-11.0
Fax machines...	2,160	1,820	+18.7	708.6	713.7	- 0.7



# TELEVISION DIGEST®

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

With Consumer Electronics

DECEMBER 25, 1995

VOL. 35, NO. 52

## SUMMARY-INDEX OF WEEK'S NEWS

### Broadcast - Cable

**TELECOM BILL STATUS FLUTTERS** between 'agreement' and 'framework.' Senate is on board as Gore announces deal, but House Republicans balk. Ownership and attribution still at issue. (P. 1)

**SOME FCC DUTIES SURVIVE** govt. shutdown. Auctions staffers stay on job. Closure lasts all week. Only one Mass Media Bureau staffer officially on duty. (P. 4)

**MUST-CARRY APPEALED** to U.S. Supreme Court. Decision likely by weekend on expedited handling. Divided lower court opinion too narrow, cable says. (P. 4)

**LEGAL WORKS SLOWS** as cable rate regulation ebbs. Most lawyers staying busy on other issues, but new skills are needed. Boom expected from telecom bill. (P. 5)

**DAVIC STANDARD SET** for interactive TV, set-top boxes. Internet, cable modems get priority for next step. Text due to companies in Jan. (P. 6)

**CANADIAN DBS LICENSES SET** for ExpressVu and Power DirecTV. Shaw and cable operators' bid denied for now because of satellite concerns. (P. 7)

### Consumer Electronics

**SONY HUSH-HUSH MUSIC DVD**, being privately shown to industry, uses 'Direct Stream Digital' recording with claimed response up to 100 kHz. (P. 9)

**HALF OF CONGRESS ENDORSES TELECOM BILL:** Congress returns Wed., perhaps briefly, from Christmas recess to resume saga of telecom reform bill's tortured trip through Capitol. Last week was highlighted by Vice President Gore's dramatic announcement late Dec. 20 that all deals were done and that President Clinton would sign legislation. That announcement was followed next morning by pronouncements by some House Republicans that they hadn't agreed to anything, even parts of bill accepted by Commerce Committee Chmn. Bliley (R-Va.).

Week ended on same note. Senators and staff, Republicans and Democrats, believed they had agreement and began to circulate conference report for signatures among Republican senators. But House Republicans, even as they were leaving for break, said there had been no agreements, and division between Bliley and his Telecom Subcommittee Chmn., Rep. Fields (R-Tex.), intensified. There are 3 elements in play. One is Bliley, who urged members to sign conference report. One is Fields, who from his Houston home called legislators to urge them not to sign conference report. He left Washington late Dec. 21 to be with his wife, who is in final stage of pregnancy. At leadership meeting that morning, Fields listed his objections to bill following Bliley's status report, and differences continued. Rep. Hastert (R-Ill.), member of leadership and of Commerce Committee, said members "will have to make up their own minds" about which side to take.

**ORION ELECTRIC SUES EMERSON:** Long-time supplier charges Emerson violated confidentiality clause of agreement signed in Feb. on Wal-Mart sets. (P. 11)

**PIRACY WAR HEATS UP IN CHINA**, with threats to IFPI investigators. Nintendo says illegal videogame base in China rivals legal videogame population here. (P. 11)

**64-BIT VIDEOGAMES** are subject of battle of words, but 16-bit systems are expected to hold onto market share through 1996. Nintendo vs. 3DO. (P. 14)

**DOLBY BLASTS PHILIPS** over claims that MPEG DVD audio system is 'superior' to AC-3. Philips has separate audio systems for NTSC and PAL, as urged by Hollywood. (P. 15)

**UNIDEN PLANS 2 DSS MODELS** at \$499-\$549, with deliveries expected by mid-1996. (P. 15)

**PANASONIC EXPECTED TO ADD 32" TVs** in 1996, extend SuperFlat technology to 35" and boost projection to include 46", 51" and 61". (P. 16)

**FRETTER POSTS \$188-MILLION** net loss in 3rd quarter, defaults on inventory financing program. (P. 16)

**ALPHASTAR SATELLITE SERVICE** to launch late in first quarter with hardware at \$600-\$700 and programming at \$24-\$49 monthly. (P. 17)

**VIDEOGAMES GAINING Foothold** in hotels in U.S. and airlines with 200,000 rooms and 35,000 plane seats. (P. 17)



## Consumer Electronics Personals

Iva Wilson named to new post of Philips N. America senior vp and member of its Exec. Management Committee for N. American Operations, succeeded as pres. of Philips Display Components (picture tubes) by Alan Hegedus, ex-pres., MascoTech Inc. defense operations and pres., Philips Lighting Div., 1984-1987.

Leonard Roberts, Radio Shack pres., also named pres. of parent Tandy, succeeding John Roach, who remains chmn.-CEO... Hide Kanakubo, Uniden exec. vp-satellite, promoted to exec. vp-OEM; Rick Lee, eastern region satellite mgr., named satellite vp... Ronald Holder, ex-IBM and 3M, named COO, Prolux (LCD projection)... Herman Miedema, International Jensen car audio vp, advanced to engineering administration vp; John Whitacre, car speakers product mgr., moves to vp-sales & mktg... Bruce Mendel, ex-Casio, joins Franklin Electronic Publishers as vp-Personal Information Management Div.

James Herd promoted to Polk Audio pres. from vp-mktg. in restructuring; ex-Pres. George Klopfer continues as CEO "with particular emphasis on strategic planning and corporate finance;" Matthew Polk remains chmn., will "focus on issues relating to emerging technologies and market developments"... Thomas Shaeffer, ex-Proton and Marantz, named MacIntosh Lab pres., filling post vacant since Ron Fone was named ADS pres.

Robert Stempl, ex-General Motors, named chmn., Energy Conversion Devices (batteries), replacing Ralph Leach, who becomes chmn. emeritus... Toby Gaerin, ex-Skil & Bosch Power Tool Co., joins Saft America as dir.-sales & mktg., Portable Battery Div., succeeding Peter Bryant, who joined Hunter Fan Co... Scot Fain advanced to Maxell product mgr.-audio and videotape from regional sales mgr. in Fairfax, Va., office... Donald Alcorn appointed Warrantech Europe managing dir.

Donald Norman, consultant, named K mart senior vp-chief information officer... Manfred Schoenmeier, Woolworth-Germany managing & labor dir., promoted to managing dir.-CEO... Sanjeev Renjen, ex-Alliance Semiconductor, named C-Cube Microsystems engineering vp-decoder products... Michael Haller, Pacific Advisers Fund dir., appointed T-HQ (videogames) senior vp; Steve Ryno, product development dir., and Germaine Gioia, mktg. dir., promoted to vps.

John Galante, ex-Security Industry Assn. (SIA), joins EIA Consumer Electronics Mfrs. Assn. (CEMA) as dir., Home Automation/Controls, reorganized Home Automation/Controls Subdiv... Edward Leonard, ex-Nissan Motor, joins Warner Home Video as vp-financial planning & operations, N. America; Beth Baier promoted to vp-business & legal affairs and asst. gen. counsel.

Mitsubishi will ship low-end cellular phone in Jan. at under \$80. Phone, being built at Mitsubishi plant in Braselton, Ga., won't carry suggested retail and may be offered free to customers by retailers and cellular carriers in exchange for signing up for service, Mitsubishi spokeswoman said. Weighing 8.3 oz., phone has 105-min. talk time, built-in 2-hour charger, 2-line LCD, one-touch speed dial. With extended-life battery, phone has 150-min. talk time and 2.5-hour charge time. Model expands cellular phone line to 5 and will carry Mitsubishi brand. Company previously sold phones under DiamondTel brand

## 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
Broderbund Software			
1995-qtr. to Nov. 30	70,961,000	15,936,000	.73
1994-qtr. to Nov. 30	53,089,000	11,593,000	.57
Fretter Inc.			
1995-qtr. to Oct. 31	134,173,000	(188,886,000)	— <sup>a</sup>
1994-qtr. to Oct. 31	204,024,000	(1,131,000)	—
Grandetel Technology <sup>b</sup>			
1995-9 mo. to Oct. 31	12,141,000	(7,678,000)	—
1994-9 mo. to Oct. 31	26,188,000	(29,109,000)	—
1995-qtr. to Oct. 31	6,517,000	(1,438,000)	—
1994-qtr. to Oct. 31	9,905,000	(19,822,000)	—

Notes: <sup>a</sup>After special charge. <sup>b</sup>In Canadian dollars.

**47th ST. PHOTO PLANS:** Fresh from purchase by Tuttnauer Co., 47th St. Photo is planning possible public stock offering to help fund opening of 2 new stores in 1996, company said.

N.Y.C. retailer, which will seek listing on Nasdaq, will use money to open 15,000-sq.-ft. stores in Lower Manhattan and Long Island, said Tut Services Pres.-CEO Stuart Held, whose firm is holding company for 47th St.

Stores would be first that 47th St. Photo has opened since filing for bankruptcy in 1992. Since then, chain, which once had \$300 million in annual sales, closed 3 stores, including namesake on 47th St., but maintained 45th St. location.

Under proposed plan, Held and brother Ira eventually would acquire majority of 47th St., Tuttnauer minority. Tuttnauer purchased \$3-million stake in 47th St. in 1994 and paid \$2 million to acquire chain's bulk assets, including rights to name and logo. Its purchase was free of millions of dollars retailer allegedly owed in state and federal taxes. Court-appointed trustee has been overseeing chain since replacing former owners Irving and Leah Goldstein earlier this year.

Retailer, which traditionally has had strong mail order business, will ship 6 catalogs in 1996 targeting niches within photography and CE, Held said. Mail order accounts for 20% of sales, and plans are to expand it to 30-35%, Held said, with projected sales of \$50-\$60-million in 1996.

47th St. also will boost presence in PCs, which represent 28-30% of sales and extend line of big-screen TVs that once were strong sellers at chain's former Long Island location.

"PCs have been ignored up until now because it took so much money to go into that area, but now that we're starting to settle our finances we will become aggressive again," Held said. "And one of the reasons we wanted to get back on Long Island was to get back into the big-screen TV business again."

Still to be resolved are remains of 47th St. not included in asset purchase. Most likely course will involve converting Ch. 11 case to Ch. 7 liquidation, allowing creditors to regain portion of claims. Attorneys in case have said creditors weren't expected to receive more than "pennies on the

(TVD June 26 p15).

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**ALPHASTAR SATELLITE PLANS:** AlphaStar will launch medium-power satellite service late in first quarter priced at \$600-\$700, sales limited to distributors and direct marketers, Pres.-CEO Murray Klippenstein said.

Company will sell single integrated receiver decoder (IRD) with 30" dish and remote control to satellite dealers through distributor O'Rourke Bros. and to consumers through Amway and multilevel marketer United Digital Bestg. Corp. Programming will be sold in packages at \$24-\$49, with some offering 40 video and 30 audio channels (TVD Nov 6 p18). 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.

Full 120-channel service, to be available 2-3 weeks after launch, will consist of 85 video, 30 audio and 3-5 data services. IRD contains RS232 port to connect with PC to download data services and access Internet, Klippenstein said. IRD also will use MPEG-2 data transmission and have LED.

To gain entry to CE retail, AlphaStar said it's negotiating with several manufacturers to build product for sale under own brand name. First such accord was signed with Samsung earlier this year (TVD Aug 21 p9) and it expects product to be available late in first quarter, Klippenstein said. Officials of Samsung Electromechanics in Ill., which is handling product, weren't immediately available for comment last week.

"We're targeting specific customer bases rather than going with a mass market approach that requires huge inputs of advertising, media and consumer electronics distribution," Klippenstein said.

Although \$600-\$700 retail price is above AlphaStar's original target of \$500, Klippenstein said retail would drop \$100 per year. He said AlphaStar service will break even with sales of 500,000 units, estimated to be 12-18 months after launch.

Service is in first round of beta test consisting of 300-400 units in Canada and is expected to enter U.S. with another 400 in Jan., Klippenstein said. Second beta test will use uplink center in Oxford, Conn., he said.

On finance side, AlphaStar is in "serious discussions" with several possible investors, Klippenstein said. Potential partners would buy equity stake in service although he would identify them only as being in "broad genre of telecommunications." AlphaStar also recently reduced its stock offering (TVD Nov 6 p18) to 2.1 million shares from 4 million, reducing amount expected to be raised to \$37 from \$51 million.

AlphaStar first will provide service using AT&T's Telstar 402R satellite with 32 Ku-band 60-w transponders, launched Sept. 23. By mid-1977, it will switch to Telstar 5 100-w satellite, where it will lease 16 Ku-band transponders.

Warrantech, which divested itself of Techmark joint venture in U.K. earlier this year, has formed subsidiary Warrantech Europe. Unit, established in wake of Warrantech's recent purchase of London-based Home Guarantee Corp., will sell extended-service contracts in Europe covering major appliances, home office products, mobile telephones, other products. Warrantech launched Techmark joint venture with American International Group in Jan. 1993 and has operation in Japan. Techmark venture posted \$1.2-million net loss for fiscal ended March 31.

**VIDEOGAMES EN ROUTE:** Systems that allow consumers to play videogames in hotel rooms and while they're in planes are beginning to achieve significant market penetration.

At least 200,000 hotel rooms are equipped with game play capability for Nintendo products alone, said Nintendo of America (NOA) Engineering Dir. Russel Braun. Penetration is fairly significant, since there are 1.6 million hotel rooms in U.S., of which only 800,000 are in facilities upscale enough to want to provide gaming. "Real discount chains won't want to add amenities like this," he said.

Airlines have much farther to go. About 35,000 seats have game capability, Braun said. Airlines so equipped include British Airways, Cathay Pacific, China Air, Singapore Airlines, Virgin Atlantic. One reason for slower progress: Cost. Expense of installing system comes to about \$1.5 million per plane, and weight is equal to that of 4 passengers. But payoff can be dramatic -- Cathay calculated that if it gets just 2 more passengers per plane, additional revenues will come to \$1 million.

On aircraft, each seat has own screen, mounted using flexible shaft. Besides videogames, screens can carry movies and public service announcements. Public reception so far seems strong, with one caveat -- seatmates sometimes object to language used by struggling game players.

Instead of selling game services directly to hotels, Nintendo works through distributors of pay-TV systems. "They put it in the hotel and they manage it," Braun said. Game systems will work only in hotels with pay-TV systems; when such systems are installed, it's possible to get game play technology up and running for only \$35-\$50 per room. That's because system is centralized -- each room has only game controller, with remote main unit handling game play activity.

Relatively small game system can handle fairly large hotel, since in average hotel of 100 rooms only about 20 TV sets will be on. Current record for continuous hotel game play: 12 hours at one stretch. Bill for play reportedly was far more than bill for stay, but customer reportedly paid without whimper.

Hotels don't pay for installation -- pay-TV distributors do. Hotels then get 10% of game revenue. Consumers can select any one of 10 games and pay \$4.95 per hour. Selection can be changed relatively easily, but switch requires in-person visit by cable operator. Most popular Nintendo game is Super Mario World. Vast majority of hotel rooms are in U.S., but providers are staging aggressive push for other countries. U.K. opened last month, with plans to enter Japan in Jan., Brazil next.

Sharp plans introduction at Las Vegas Consumer Electronics Show of 3 portable stereos with twin-drawer CD changer mechanism to allow users to listen to one CD and change 2nd disc without interrupting music. Mechanism is billed as more affordable than multidisc changers with 3 or more transports, "and still allows the user the luxury of continuous music." QT-CH88, available next Aug. at \$120, has single cassette decks and AM/FM tuner. GX-CH50, available in June at \$190, adds 2-way detachable speakers, double cassette deck, 3-band graphic equalizer, electronic volume control. GX-CH150, available in May at \$220, is step-up version of GX-CH50, but adds full-function remote control.



**PANASONIC ADDING 32" TV, 35" SUPERFLAT:**

Panasonic will introduce its first 32" TVs and extend SuperFlat technology to 35" in 1996, trade sources told us.

Those briefed on Panasonic plans said new 32" sets will retail around \$799-\$999, starting with non-PIP models and moving to one- and 2-tuner PIP. New 32" tubes will be produced at Matsushita plant in Troy, O. Panasonic will continue to offer 31", although like competitors Thomson Consumer Electronics (TCE) and Philips, it's adding 32" to list as entire industry makes grab for extra inch.

In SuperFlat category, new 35" model will carry \$1,799 retail and be first new size in line since it launched in U.S. in 1991 with 27" and 31". New versions of smaller models also are expected. Panasonic entered 35" derby earlier this year with conventional model at \$1,799.

Panasonic also is said to be planning expansion in projection TV, where it will offer 46", 51" and 61" next year at \$1,899-\$2,999. It had two 51" "tabletop" projection sets this year with 750 lines of resolution, plus built-in amplifiers that provided 13-w-per-channel audio, at \$2,499-\$2,699.

In analog camcorders, Panasonic is expected to keep same design, but add more features at lower prices such as model with color viewfinder at \$599. Company announced 2 DV digital camcorders in U.S. last Aug. (TVD Aug 14 p12).

Panasonic officials in U.S. didn't return phone calls seeking comment on new line.

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**Joining Panasonic** -- and almost everybody else -- in plans to expand projection TV offerings will be Mitsubishi, which is said to be readying 80" unit for 2nd half of 1996, price not set. It would join TCE, which unveiled 80" Proscan year ago featuring 9" tubes at \$8,499 retail (TVD Dec 19/94 p14). Mitsubishi spokeswoman declined comment on plans, but confirmed company will extend line next year beyond current 70"... Samsung also will be testing projection waters at CES in Jan., showing 46" and 52", but with no immediate plans for U.S. introduction, Mktg. Vp John Garrison said. It also will demonstrate 14" and 22" TFT LCD panels. Latter is billed as "world's first large-size TFT LCD" and is less than 1" thick, with energy consumption of 15-w (TVD Dec 18 p15).

**Crazy Eddie founder Eddie Antar** remained in jail Fri. after federal judge postponed decision on request for \$1.5-million bail. At hearing before U.S. Dist. Judge Harold Ackerman, Newark, attorneys for Antar argued that keeping him in jail violated his due process rights. Ackerman reserved decision, is expected to issue decision in 1-2 weeks. Antar, who is serving 12-1/2-year sentence for racketeering and stock fraud (TVD May 2/94 p16), is awaiting retrial after federal appeals court overturned his conviction and that of his brother Mitchell, who is free on bail (TVD April 24 p16). Retrial is scheduled for March.

**En Technology**, developer of \$99 interface to let computers receive data via TV's vertical blanking interval or partial TV channel (TVD June 26 p8), promises "partnership announcements in the near future." Company has moved to 528 Route 13 South, Box 19, Milford, N.H. 03055; phone 603-672-4670.

**Tower Records** expanded into Canada last week, opening 22,500-sq.-ft. store in Toronto. Store is stocked with 100,000 music CDs, 10,000 videos, laserdiscs and CD-ROM titles, 14,000 books. It has 50 listening stations. Tower operates 150 stores in 12 countries.

**FRETTER POSTS LOSSES:** Struggling to remain open despite flagging sales, Fretter said last week it had defaulted on inventory finance program and continued to "actively consider all options," including possibility of filing for Chapter 11.

Disclosure came as Brighton, Mich., chain reported increased loss in 3rd quarter ended Oct. 31 to \$188 million from \$1 million loss year earlier on 33.7% sales drop (see financial table), reflecting in part closings of 192 Silo and Fretter stores in more than dozen states.

Fretter also took \$55.1-million charge to cover closings, including \$48 million tied to Dixons U.S. Holdings, which earlier filed for bankruptcy on behalf of Silo chain (TVD Dec 11 p16). Fretter and Fred Schmid weren't covered by filing and continue to operate 50 stores in Colo., Mich., Ohio. Fretter also took \$83-million writeoff of goodwill related to Dixons U.S. Holdings and incurred \$20-million loss on sale of inventory from closed stores to 3rd party liquidators.

Retailer said it failed to meet 2 requirements of revolving credit agreement with BT Commercial Corp. and pact has since been amended to reduce amount available to \$50 million from \$140 million. Fretter first announced "technical" default of BT agreement in June after failing to meet interest coverage ratio (TVD June 26 p14). Chain also said it defaulted on inventory finance agreement and bank pact covering capital costs.

Observers agreed that future of Fretter, which has been buying product on cash-in-advance basis since Nov., will rest largely on holiday sales. It once considered closing several outlets and converting to superstore format, but we have been unable to reach company officials on status of superstore concept.

Fretter, which operated 240 stores at start of year, had battled for 2 years to rid itself of debt from purchase of Silo from Dixons in 1993 (TVD Dec 6/93 p18). First signs of trouble appeared in spring when chain asked vendors to delay new product shipments (TVD May 8 p21) and grew with closing of Silo stores.

**Multimedia software** that simulates mobile electronics installations is being marketed by Consumer Electronics Mfrs. Assn. (CEMA) at \$49.95. Virtual Reality Installer takes user through 15 levels of increasingly difficult installations and is "designed to prove whether or not an installer is up to the challenge of working with today's generation of mobile electronics," CEMA said. Software can be used "to screen job applicants, bring marginal technicians up to speed and boost the overall capabilities of professionals at every level," said Harry Massey, mgr.-member relations, CEMA Mobile Electronics Div. -- 703-907-7614.

**Philips Media** acquired Image Smith, gaining access to software titles designed for children. Image Smith will keep Torrance, Cal., hq, but become part of Philips Media's home and family entertainment label. Image Smith Pres. Dominique Claessens will retain title, but will be joined Philips executives Henry Kaplan and Sarina Simon. Image Smith most recently released "The Native Americans" and "M.C. Escher Screen Saver," has used characters from "Peanuts" and "Flintstones."

**China** produced 27.95 million TV sets in 1995's first 10 months, up 13.15% from 1994. Of total, 15.64 million were color, up 20.2%, and 12.31 million monochrome, up 5.3%



**DOLBY BLASTS PHILIPS:** Dolby Labs predictably welcomed word that unified DVD format includes AC-3 audio as mandatory standard for NTSC markets and optional system for PAL and SECAM countries (TVD Dec 11 p10). But usually staid and conservative licenser also took opportunity to remove gloves and attack Philips for week-earlier claims that MPEG audio is "superior" to AC-3 in sound quality and future upgradability.

"At last, the discussions have been concluded," Dolby said in statement. "The listening tests have been completed. The decision has been made and announced to the world. All doubt has been erased." Statement quoted Technology Mktg. Dir. Larry Poor as saying: "For the first time, we now have the possibility of a multichannel audio system that crosses national barriers as easily as it crosses application differences." He said adoption of AC-3 for DVD "is synergistic" with Grand Alliance's choice of same digital audio system for HDTV and AC-3 applications in terrestrial, cable and satellite delivery. "The mechanism now exists to deliver Dolby AC-3 multichannel sound worldwide."

In criticizing Philips claims, Dolby Vp Edward Schummer was referring to report quoting Philips spokeswoman as saying MPEG has been found to have better sound quality than AC-3 in comparative listening tests her company has run. She also said MPEG audio has future upgradability for 7.1-channel surround. In worldwide teleconference, Philips Key Modules Pres. Jan Oosterveld earlier dismissed British reporter's suggestion that unified DVD format adopted "inferior" MPEG audio for PAL system in U.K. under pretense of disparity between PAL and NTSC TV standards.

Oosterveld responded that 2-phase audio designation heeded wishes of Hollywood studios for audio standards consistent with dual TV systems. He defended MPEG as "superior" system, especially when used as part of variable-bit-rate system for DVD. However, Oosterveld sidestepped questions from our reporter on recent Dolby criticism of MPEG audio for DVD. Because MPEG multichannel audio decoder chips aren't "readily available," Dolby said, "it is assumed" that consumer hardware would be based at start on 2-channel devices. Two-step strategy of introducing DVD audio as "stereo today, multichannel tomorrow" means that "limitations" of MPEG audio "can remain largely unknown until some time in the future, long after the decision [adopting system for DVD] has been made," Dolby said then.

If Philips' claims that MPEG system has better sound quality than AC-3 are based on comparative listening tests commissioned by Philips, "we don't know how these 'tests' could have been run," Schummer said. "To do a serious test of audio quality for DVD," he said, "one must test 5.1-channel sound. This has been shown to be more difficult to attain for MPEG than for Dolby AC-3. Additionally, Dolby Laboratories knows the location of all 14 of the \$50,000 Dolby AC-3 -- Model 561 -- 5.1-channel encoders in the world. Since these encoders were apparently not involved, we do not understand how these 'tests' were done. Philips' claims of MPEG superiority have not been substantiated, nor demonstrated in a public forum."

Statement said Schummer wanted to emphasize that Dolby 5.1-channel programming already is available, and DVD production "has already started" on 5.1-channel Dolby AC-3 soundtracks. "In contrast to MPEG," statement said, Dolby AC-3 "ensures full compatibility with all Dolby Surround decoders with no compromise in the quality of the 5.1-channel discrete soundtracks. No MPEG system has been shown to meet these requirements."

Choosing DVD audio standard for unified specs was described as "minor issue" when former MultiMedia CD (MMCD) and Super Density (SD) alliances announced preliminary truce agreement 3 months ago. However, debate between adopting MMCD-supported MPEG audio and SD-endorsed AC-3 system appears to have gone down to wire, reportedly because Philips -- in breaking with Sony -- had been lobbying heavily, to no avail, for worldwide adoption of MPEG as mandatory DVD sound system.

While Dolby was depicting AC-3 as winner in DVD derby, real loser was DTS, which had ridden Matsushita's coattails and won designation from now-moot SD Alliance as optional DVD sound system in NTSC markets along with mandatory choice of AC-3. DTS Pres. Terry Beard couldn't be reached for comment, but does plan Las Vegas demonstrations with Apogee Acoustics of its Coherent Acoustics surround technology for music and home theater applications.

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Zoran Corp., first developer of AC-3 chips, announced initial public offering for 2,050,000 shares of common at \$13.50, proceeds to be used for working capital and general corporate purposes, including repayment of short-term bank debt. Zoran said shares are listed on Nasdaq under symbol ZRAN.

**UNIDEN LOW-END DSS:** Uniden will ship 2 Digital Satellite System (DSS) products by mid-1996 at \$499-\$549, Exec. OEM Vp Hide Kanakubo said. Although he declined to release features of products, systems will be sold in packages that include integrated receiver decoder (IRD), 18" dish, low-noise blocker (LNB), remote control. Production is expected to begin in April, deliveries in May, he said. Uniden has said it was considering hybrid product compatible with C-band system and possibly building IRD into other CE products. First 2 models will be standalone units, Kanakubo said.

With Thomson's low-end RCA DSS product already advertised at \$499, Uniden will have to hit lower retails, Kanakubo said. "The expectation at retail is that Uniden will be priced lower than RCA or Sony," he said. Lower prices could cross \$400 barrier in 1996, observers say.

To differentiate itself in market that also is expected to include Toshiba by mid-1996, Uniden will sell products through satellite distributors and CE retailers, Kanakubo said.

**K mart last week staved off immediate threat of** bankruptcy in reaching agreement with creditors to reorganize debt and eliminate common stock dividend. Creditors agreed to delay demands for payments on \$548 million in real estate bonds. Original terms of bond agreement called for K mart to repay sum immediately if its rating was cut to junk bond level. Moody's has downgraded K mart's senior debt rating to notch above junk bond grade. Retailer also eliminated its 12¢-per-share quarterly dividend that could result in saving \$220 million a year.

**Broderbund, which lost bidding war to Softkey International for control of Learning Co.** (TVD Dec 18 p16), reported 37% income rise in first quarter on 34% gain in revenues (see financial table). For quarter ended Nov. 30, it said sales of published titles rose 35%, tied largely to success of "Print Shop Deluxe" and "Myst." International sales also doubled from year earlier, Broderbund said. Generally good results were tempered by slight rise in inventory.



**64-BIT GAME BATTLES:** Sixteen-bit videogame systems probably will hold onto major market share even in 1996 as manufacturers wage war of words, games and marketing dollars over high-powered new technology.

Sparking latest contrempts were comments by 3DO Chmn. William (Trip) Hawkins that internal "bus" structure of Nintendo Ultra 64 would severely limit performance of system overall, and was like "squeezing a fire hose into a garden hose."

"That's bull," said Nintendo of America Sales & Mktg. Exec. Vp Peter Main. At issue is ability of Nintendo's system to move information from one part of machine to another. Some portions of Nintendo unit use 32-bit bus structure. Hawkins said that would limit performance. Main and Nintendo engineers said absolutely not. What's clear is that 64-bit battles definitely will wind up dominating media coverage and high-end game scene -- but perhaps not dollar volume.

Introduction of Ultra 64 in Japan is absolute lock for April 21, Main said. Picture in U.S. is far fuzzier, with potential launch dates ranging from May to Aug. Some observers are betting on spring launch themed on Electronic Entertainment Expo (E3) in L.A. If that's true, Nintendo is going to have to do some fast ad footwork.

During our visit last week to company's Redmond, Wash., hq, Main told us no ads had been placed in game fan periodicals, even though deadlines are drawing near. Another sign that Ultra may come later rather than sooner is that despite flying half dozen journalists to Redmond, Nintendo had only Ultra 64 videotape to show, not game itself.

One thing is sure: 1995 was tough year for videogame industry, Nintendo included. "This year was called the great year of confusion," Main said. One big challenge: Primary audience -- boys 8-12 years old -- is becoming more choosy and is willing to skip products that don't offer dramatic edge. "We're dealing with 8-12-year olds acting like 35-40-year-olds in terms of savvy," he said. That has resulted in good and bad news for Nintendo. Software sales have been strong, but its new hardware introduction, Virtual Boy, is struggling so hard that company is planning "relaunch" in U.S. and Japan.

"It was the year of hits, not bits," Main said, with winner determined by "who is going to have the greatest content." He pointed to Nintendo's Donkey Kong Country 2 as both hit and good software product. "Even while other software is selling at at best 60% to 70% of last year's totals, this one has worldwide demand of 110% to 120%," he said. One sign that strength of 16-bit market caught Nintendo as well as most of rest of videogame market by surprise is fact that DKC2 is sold out on global basis. Main predicted 16-bit strength would continue to lesser degree through 1996. "At this time next year, [16-bit] is going to represent 35% to 40% of the videogame market," he said.

While Donkey Kong may be doing well, rest of videogame market isn't setting records. Projections were that market would be down anywhere from 5-6% to 20%, Main said. He thinks total decline will come to 10-12%, with U.S. videogame dollar volume at \$3.8-\$3.9 billion. Once counted out, 16-bit products represent 2/3 of that, he said. Market share of 16-bit games has declined to about 66% of total sales in 1995 from 77% last year. Hand-held market share also slumped to 15-16% this year from 25%.

That still represents significant volume, though. "We've got 19 million Game Boys sold," Main said. "This year, we'll be moving 5.7 million pieces."

New technology, including 32-bit games and Virtual Boy, account for only fraction of total market, about 19%, Main said. "It's been a long year for Virtual Boy in the U.S.," he said. Even though 3D game playing units have sold far under expectations, "we are not finished with Virtual Boy."

Nintendo has sold 400,000 Virtual Boys in U.S. and 250,000 in Japan, he said. Games released for unit just skirt surface of its unique capabilities, Main said. In Japan, "they're planning to relaunch the product in February," he said, with similar relaunch slated for U.S. "It hasn't seen its full potential. It's going to have another round."

One area Nintendo isn't planning to explore is CD-ROM games. Cost structures in CD-ROM benefit manufacturers, not consumers, Main said. When it comes to adding bulk memory capacity to Ultra 64, Nintendo will stick with recordable magnetic disc that company already has announced, he said. Disc will move at 8 times CD-ROM speed.

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**Colonial Data Technologies (CDT)** has signed agreement with US Order for joint venture for TeleSmart 4000 screen-based phone. Phone has 5-line LED and will be available through telephone companies and banks starting in March, although it also will be sold at retail at \$289, CDT Sales & Mktg. Vp Joseph Cline said. Phone comes equipped with keyboard and can receive information services including stock quotes, sports scores, news headlines. Model also can send message to alphanumeric pager, has electronic address book that can store up to 250 names, built-in caller ID. Many of services will be sold by telcos in packages, with monthly fees of \$17-\$22. Phones also are expected to be available for lease at \$10 per month. US Order developed software for phone, CDT handles marketing, STL of Hong Kong builds it. With debut, CDT joins Northern Telecom, Philips and Online Resources in marketing screen-based phones.

**Tops Appliance City**, which has battled to bring finances in line, has selected Brooklyn site for 60,000-sq.-ft. store and will shift to full commission pay program for sales staff in early 1996, company said. Brooklyn store, which would be N.J. chain's 9th, has been rumored since it opened outlet in Queens, N.Y., last year (TVD Sept 5/94 p16). Chain also has sought to boost home office business, adding new fixtures in some outlets to increase assortment of PC software and peripherals. Tops has gradually boosted amount of PC software carried since 1994, when it moved to 100 titles from 25. At same time, it will "deemphasize" videogame software, retailer said.

**N.J.-based Nationwide** has expanded into Conn., opening first store in Danbury, marked by 7-page ad circular that offered sharp price cuts including RCA 8mm and Panasonic VHS-C camcorders at \$449. Sharp 8mm ViewCam with 3" LCD had \$697 price that included rebate. Also advertised were 19" Zenith TV at \$169 and 25" Sharp at \$249. Nationwide also operates stores in Wayne and Woodbridge, N.J.

**VCR with built-in LCD monitor** will be offered in Japan March 1 by Matsushita at \$590. Passive matrix 2.3" display can be viewed while recording or during playback. Company plans monthly production of 10,000. Matsushita said no plans for overseas marketing are in works.



at Latin American Customs officials. Nintendo also is pushing for aggressive legal action against Latin American pirates. Hundreds of thousands of cartridges were seized recently in Panamanian free trade zone.

Living up to its reputation as intensely litigious company, Nintendo has several hundred suits pending worldwide, Hvalsoe said. It's working with International Intellectual Property Alliance and other organizations to try to beat back tide of unlawful product. Most successful efforts seem to be in U.S., where game piracy seems virtually dormant.

Even antipiracy action can have twist in China. China Foundation for Consumer Protection has created prize to encourage consumer action against bootleg goods, and recently awarded 5,000 yuan (\$600) to Wang Hai. But award was very controversial, as many felt Wang was unfairly exploiting China's Law on Protection of Consumers' Rights and Interests. That law requires that stores compensate customers for twice the value of fake products returned. Wang was accused of knowingly purchasing fake products and returning them for double-price refund.

Battery wars will heat up in spring. Duracell and Eveready will ship alkaline units with built-in testers that use thermochromatic technology to measure power left in battery based on amount of heat generated. Duracell's PowerCheck will replace existing cells starting with AA and followed by AAA, C and D in early 1997. Nine-volt batteries won't have technology. Eveready will introduce AA, C and D. Difference will be design of tester. Duracell will employ red-green "fuel gauge" it has packaged with "Coppertop" batteries since 1990. Eveready will use LCD to indicate alkalines are "good" or "bad." Pricing will be same as current line -- \$2-\$2.50 -- for AA 2-pack. Duracell boosted prices earlier this year, citing rise in materials costs... Battery Technologies (BT) signed supply agreement with Grand Battery Technologies (GBT) to set up AA rechargeable alkaline manganese (RAM) production line in Malaysia, terms not disclosed. GBT, subsidiary of Narcissus Group, will open 60,000-sq.-ft. battery plant by mid-1997 with 50-million cell annual capacity. Second line will be added for AAA batteries, date not set. Pact is BT's 2nd venture in Far East following \$6.7-million deal with Young Poong Corp., which is building AAA RAM production line in Korea (TVD April 3 p15).

"Our excitement for the DVD format continues to grow," MCA Home Video Pres. Louis Feola said. "However, in the event there is not an encryption mechanism that prevents all forms of copying, whether digital to digital or digital to analog, we will in all likelihood not be supporting the format," he told us. He said acceptable DVD encryption system "must be applied to all forms of hardware, including computers." With hopes that such encryption be included, he said MCA is discussing cross-promotional plans, although none are in place. Company also is reviewing whether it will use multiple tracks on same discs. "At the very least, we will have multiple language or multiple subtitle tracks [depending on availability] in North America -- English, French, Spanish." Company is "still evaluating" other possibilities, such as multiple cuts, rated and unrated, of same movie.

Display of the Year award, first of annual series by Society for Information Display (SID), went to Texas Instruments (TI) Digital Light Processing (DLP) technology using Digital Micromirror Device (DMD). Honorable mention was awarded to Fujitsu's 21" color plasma display. Display Product of the Year award was won by Casio's QV-10 digital still camera with built-in LCD, designed for uploading to and downloading from computer. Receiving honorable mention was Sharp VL-H420UP Hi8 ViewCam with 4" LCD. SID cited nView Corp.'s D-400 commercial projector for distinction of being first product to use TI's DLP engine.

Nearing end of first year under new ownership, GrandeTel Technologies (former MTC Technologies) said net loss in 3rd quarter narrowed to \$1.4 million from \$19.8 million year ago despite 51% plunge in sales (see financial table). For 9 months ended Oct. 31, net loss dropped to \$7.8 million from \$29.1 million and sales to \$12.1 million from \$26.1 million. Decline in sales was tied to decision to cut cellular network investment in China. Grandetel is continuing plans for cellular network in 20 coastal markets there, with at least 2 to be running in 3-5 years, spokesman said. GrandeTel also is partner in paging network in Hubei Province. At same time, it has halted sales of branded cellular phones in Beijing and Shanghai as it switches to digital from analog. Company also is continuing recall of 40,000 MTC brand 13" TVs sold in U.S. in 1992-1993 that were found to have defective capacitor that caused sets to overheat, spokesman said. Repair cost is about \$30 per set, he said.

Samsung Electronics agreed to double AST Research's credit line to \$200 million and extend it for another year, giving beleaguered PC maker breathing room. In exchange, Samsung was given 6th seat on AST's 11-member board and option to increase stake to 45% from current 40.25%. Terms of new agreement are more generous than one reached month ago when Samsung extended AST \$100-million credit line for one year. Samsung also extended to 2 years from one an additional \$100 million in credit for AST's component purchases from company, which builds monitors, memory chips, other key parts. Samsung helped resolve cash crunch at AST in Feb. when it bought 40.25% stake for \$377.5 million. However, AST has remained unprofitable, posting \$96.4 million loss in first quarter ended Sept. 30.

Tandy board authorized buyback of up to 5 million shares in move to ward off shareholder discontent in wake of stock collapse to \$37 from \$64 earlier this year. Tandy has battled to improve operations of 2 of its chains -- Computer City and Incredible Universe -- latter projected by analysts to lose \$11 million this year. Stock buyback bid is Tandy's 2nd following 12.5-million-share program in 1994. Radio Shack Pres. Leonard Roberts will add title of Tandy pres. Jan. 1 in move analysts said makes him logical successor to Chmn.-CEO John Roach, who held title for 6 years.

#### THIS WEEK'S YEN RATE

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



Industry (IFPI). Relatively new area for piracy is Bulgaria, with 4 CD production lines in 3 plants. Until Sept. 6, when 2 long-standing European copyright conventions came into effect in Bulgaria, there was no protection for foreign recordings there, so all 3 plants were making unauthorized copies. That situation is beginning to change, copyright activists report.

One sign of intensity of struggles was recent temporary shutdown of IFPI's Guangzhou, China, office. "We've heard through somebody that contract killers have been employed," said IFPI Communications Dir. Catrin Hughes. Leads were "pretty solid," she said. "It's not the sort of thing you take a chance on." IFPI offices in Beijing and Shanghai remain open, and Canton office will go back on line as soon as threat is resolved, she said. This isn't first time IFPI has had to shut down office; in recent years, threats forced temporary closures in Thailand and Taiwan. "We reopened in Taiwan, and now we've cleaned up the market" there, Hughes said.

While CD-ROM piracy seizes spotlight, black market videogame cartridge activity is soaring. Almost nonissue as recently as 1988, cartridge piracy is costing publishers at least \$1-\$1.5 billion annually, Nintendo of America (NOA) Gen. Counsel Lynn Hvalsoe said. She said that while aggressive legal efforts have stunted counterfeit sales in U.S., unlawful products are rampant in Asia and Latin America. At close to 20 million, total number of illegal Nintendo Super Entertainment System (SNES) consoles in China equals installed base in U.S. Estimates of total of counterfeit Nintendo cartridges sold in China come to 100 million or more, she said.

CD-ROM and game cartridge pirate situations are fundamentally different because of media used by those formats. For one, while China is producer of pirate CD-ROM product, it's primarily consumer of counterfeit videogames. There are almost 300 CD-ROM plants worldwide, but only 12 can produce high-density read-only memory chips used in videogame cartridges. Most of those are located in Japan, S. Korea, Taiwan.

Sophisticated pirates don't merely duplicate games, Hvalsoe said, they reproduce artwork as well. Difference between legitimate and pirate boxes often is little more than lighter contrast on illegal copy and sometimes fake name. That makes antipiracy activities in developed and undeveloped countries far more difficult, she said.

"They copy both trademarked and copyrighted material," Hvalsoe said. Getting data out of cartridges is relatively easy, with all it takes being fairly inexpensive E-PROM or ROM reader. Nintendo invests significant amounts of time and money encrypting its games to make life more difficult for pirates, but such strategies don't work against determined assault, she said: "We do have some pretty sophisticated copy protection," but "we know that no matter how sophisticated our copy protection is, the pirates will find a way to get around it."

There are numerous ways to detect even well-made pirate product, Hvalsoe said: (1) Print quality, since even good boxes are simply copies of old ones. (2) Product quality, because pirates often use glue rather than screws to hold game cartridges together. (3) Company names, since many suppliers put false names even on realistic artwork. (4) Price, since counterfeit cartridges usually are priced far less than legitimate ones.

Going after chipmakers themselves isn't easy. Although plants are few, strategies for disguising chips are many. Intensive detective activities are required to ferret out where illegal copies were made. Taking action against chip manufacturers is difficult. "We've not had success in Korea or Taiwan suing people," Hvalsoe said. So Nintendo is taking advantage of Lanham Act, which allows company to sue offshore manufacturers in U.S. courts if company's products are being used illegally. Most major chip producers have significant activity and assets in U.S., so actions taken here can have significant impact overseas, she said.

Pricing is another defensive strategy. In China, Nintendo is selling product "at a significantly reduced value," Hvalsoe said. Cartridges sell for 50% or less than in U.S., she said, with many games going for just \$20-\$30. Yet illegitimate games undercut Nintendo since suppliers don't have expense of developing their own software. In China, taking legal action doesn't seem to work, she said. "When someone's selling hundreds of thousands of games, they might fine them \$100," she said.

Latin America is another hotbed of pirate sales, Hvalsoe said. "We've seen a tremendous amount of activity in Panama and also Paraguay." Company is mounting intensive antipiracy education campaign aimed



**ORION ELECTRIC SUES EMERSON RADIO:** Long-time Emerson supplier Orion Electric is suing Emerson on charges of breaching agreement signed in Feb. by disclosing confidential information.

Suit, filed last week in U.S. Dist Court, Indianapolis, alleges Emerson violated terms of trademark license and supply agreements and failed to pay \$2.4 million due in Nov. as part of contract. Under agreement, Orion supplied Emerson with TVs, VCRs, VCPs and TV/VCRs in return for right to use Emerson trademark for video products it sold to Wal-Mart (TVD Feb 27 p16). Suit seeks \$2.4 million and judgment finding, among other things, that Emerson violated confidentiality agreement.

Companies signed agreement as means of resolving dispute that suit said began in Nov. 1994 when Emerson withheld \$5.2 million payment as means of forcing Orion affiliate Otake Trading to accede to pricing and supply demands. Orion sought to expand agreement to include camcorders, PCs and fax machines, but was turned down by Emerson. Although agreement doesn't require Emerson to buy specific quantity of products from Orion, it was generally understood that amount would be \$120 million, suit said.

Emerson violated confidentiality clauses of agreement by filing quarterly financial reports with SEC that described Orion's sales and marketing of Emerson brand products and amount of sales to Wal-Mart (TVD Nov 27 p18), suit said. While Orion repeatedly objected to disclosure, Emerson felt it was appropriate, suit said.

Company is alleged to have tried to shift costs to Orion by forcing it to provide engineering and design services. Such request isn't within "scope of the agreement," Orion said, contending Emerson is seeking "free ride" on designs and new products. Orion designs and model configurations are proprietary and belong exclusively to company, suit said.

Emerson responded that Orion is trying to warehouse Emerson trademark and not exploit it for video products at Wal-Mart, suit said. Wal-Mart carries both Emerson and Orion brand products. Orion sold \$136 million in Emerson brand product to Wal-Mart in first 6 months of agreement, suit said.

Suit also charged that Emerson violated clause in agreement requiring Orion to handle video product returns from Wal-Mart, starting Aug. 1, 1995. Emerson intentionally delayed receiving Wal-Mart returns and began advising chain before July 31 to send them to Orion. Wal-Mart later charged Orion \$289,194 for returned products that should have been sent to Emerson, suit said. Emerson has claimed it has no duty to accept Wal-Mart product returns if goods weren't received and processed before July 31, suit said.

Emerson declined comment on suit, said Orion was no longer a significant supplier. Indeed, Emerson has reduced reliance on Orion, which once built 80-90% its products, by using 3 other suppliers including Daewoo (TV/VCRs, microwaves) and Kong Wah (TVs) (TVD June 19 p18). Emerson has said it plans to remain in video business by signing agreement with "strong industrial partner."

Emerson's ties to Orion in U.S. date from 1987, before Emerson's change in ownership when Orion built 130,000-sq.-ft. TV plant in Ind. in unusual arrangement whereby Emerson would be its major customer (TVD March 2/87 p11). Emerson previously had bought TVs and VCRs manufactured by Orion in its Asian plants. Low-profile Orion has plants in Japan, Taiwan, Wales. In 1992, Shigematsu Otake, U.S.-based ex-pres. of Otake Trading, bought nearly 9% stake in Emerson, aligning with former management in attempt to block takeover by insurgent group headed by Fidenas Investment. However, court ruled that shares owned by Otake and other suppliers that bought Emerson stock couldn't be counted in stockholder vote on takeover (TVD June 15/92 p14). Emerson closed its own remanufacturing plant and warehouse in Princeton in 1993 as part of reorganization plan to emerge from Ch. 11 bankruptcy.

**100 MILLION (PIRATED) NINTENDO GAMES IN CHINA:** Sums involved in hardware and software piracy are spurring threats of physical harm in China, where installed base of illegal videogame consoles rivals legal game population of U.S.

War of words over piracy is threatening to turn into real thing, as videogame cartridge and console and CD-ROM software contraband markets explode. "The gray market is our biggest competitor worldwide," said executive with a leading videogame company.

China is principal violator on CD-ROM and videogame fronts -- but Eastern Europe is working hard to catch up. There are 297 CD and CD-ROM plants in world, of which 30 are in China, and pirated copies represent 59% of China's CD market, according to London-based International Federation of Phonographic



In studio demonstrations recently for industry "golden ears" in N.Y. and L.A., Kawakami said listeners were "blown away" by comparing DSD recordings of live jazz quartet with that of 20-bit and truncated 16-bit PCM audio. He said demonstrations, based on PC hard disc, were only 60-70% faithful to capabilities of DSD because of need to commercialize studio microphones, speakers and cabling that would do system justice.

Sony said system is scalable in increments of 48 kHz and 44.1 kHz for applications such as archival storage and digital music delivery using up and down conversion techniques. "This frees the origination process from concerns about final sampling frequency and word length," Sony said. "Thus, some of the advantages of the new format may be realized even when conventional formats are used for final output." As archival professional format for record labels seeking higher quality "containers" to store thousands of titles in vault, DSD is adaptable for wide range of existing optical or magnetic media, Kawakami said.

DSD project is being supervised at Sony by Koji Hazama, who played pivotal role in Sony development of other high-profile projects, including CD, MiniDisc and Super Bit Mapping. Hazama also serves as vice chmn. of working group on professional recording equipment, one of 3 crucial task forces of Japanese Advanced Digital Audio (ADA) conference, which hopes to draft recommendation by March on how to adapt DVD for music applications.

Sony DSD proposal already has attracted criticism reminiscent of what greeted company's MultiMedia (MMCD) system when it was unveiled to world one year ago (TV Dec 19/94 p11). DSD also is likely to face competition from other proponents such as Philips and Pioneer, which are developing their own systems. Little is known about Philips' PCM-based proposal, which is believed to carry working name OmniDisc, and puts strong emphasis on multichannel capabilities. Pioneer had been floating proposal within SD Alliance for 2-stage DVD music application touting 24-bit, 96-kHz oversampling. One implementation would use 3" bonded DVD for 2-channel stereo, while 5" disc would be used for multichannel applications. Now that SD Alliance officially has gone out of business, it's unclear whether Pioneer will field proposal on its own. In apparent reference to Pioneer proposal, Philips Key Modules Pres. Jan Oosterveld, in worldwide teleconference with reporters on day unified DVD specifications were announced, said he expects "hot debate" within industry based on whether to adopt 3" or 5" DVD for music applications. He criticized 3" disc on ground that CD-based product that size never has reached mass-market success outside Japan.

However, British-based group of engineers and academics, Acoustic Renaissance for Audio (ARA), has lent Pioneer proposal friendly ear, presumably because top-level Pioneer executives recently joined as members, said ARA Chmn. Robert Stuart of Meridian Audio in U.K. ARA has said it would support multichannel, high-resolution audio format for use with next-generation high-density DVD.

In recent weeks, ARA has released White Paper attacking Sony "bitstream" proposal on ground that "we believe the inherent advantages of a linear PCM system to be overwhelming both in the guaranteed performance parameters and in the convenience by which signal processing can be performed." ARA said it recognizes "advantage of bitstream in a basic system and the natural extension of ultrasonic bandwidth." But advantages are "easily lost in postprocessing, where there is danger of intermodulation with high-frequency audio and out-of-band shaped noise," ARA said.

ARA said its bottom-line wish is for next generation of audio disc to "embody what we call the 3rd paradigm of audio, namely, 3-dimensional sound." It said new system "should handle multichannel information and set performance goals to which designers can aspire." It complained that bitstream "is not an efficient code and therefore is extremely wasteful of disc storage." Kawakami declined direct comment on ARA criticism, other than to say that Sony plans to step up campaign within music industry in next 6-12 months to debunk what he said were "myths" about DSD. He said multichannel applications will figure prominently in future round of DSD demonstrations for music industry.

\* \* \* \* \*

Sanyo said it developed new laser pickup capable of reading DVDs and conventional CDs. Dual-use red laser pickup, which will have output power of 5 mW, will be built using DVD wavelength of 635 nanometers, one of 2 wavelengths in unified DVD format announced Dec. 8. Unlike existing dual-focus pickups requiring use of 2 lenses, Sanyo device involves LCD shutter system to change characteristic of laser needed for specific types of disc. Sanyo said LCD method makes for smaller and more reliable pickup. Sample shipments of new pickup will start in March, Sanyo said.



# Consumer Electronics

A Section of Television Digest with Consumer Electronics

## STATE OF THE INDUSTRY

Sales to dealers, from EIA, for 2nd statistical week of Dec. and year to date:

	DEC. 2-8	1994 WEEK	% CHANGE	NOV. 26- DEC. 1	49 WEEKS 1995	49 WEEKS 1994	% CHANGE
TOTAL COLOR TV...	425,351	493,144	-13.7	639,158	24,908,748	25,826,146*	- 3.6
DIRECT-VIEW....	410,850	483,629	-15.0	611,753	24,151,276	25,238,318*	- 4.3
TV ONLY.....	386,683	457,346	-15.5	539,572	22,081,655	23,321,918*	- 5.3
TV/VCR COMBO..	24,167	26,283	- 8.1	72,181*	2,069,621#	1,916,400	+ 8.0
PROJECTION.....	14,501*	9,515	+52.4	27,405*	757,472#	587,828	+28.9
TOTAL VCR**.....	194,727	195,260	- 0.4	459,033*	14,847,286*	14,144,822	+ 5.0
HOME DECKS....	170,560	169,277 <sup>r</sup>	+ 0.8	386,849	12,777,665*	12,228,422 <sup>r</sup>	+ 4.5
CAMCORDERS.....	27,203	34,079	-20.2	94,383	3,379,588#	2,999,009	+12.7
LASERDISC PLAYERS	3,375	2,818	+ 2.3	9,608	244,530	262,267	- 6.8

Direct-view TV 5-week moving average: 1995--6211,456; 1994--652,251 (down 4.7%).

VCR deck 5-week moving average: 1995--328,050\*; 1994--297,817<sup>r</sup> (up 10.2%).

TV/VCR 5-week moving average: 1995--57,193; 1994--44,792 (up 27.7%).

Camcorder 5-week moving average: 1995--79,822\*; 1994--73,319 (up 8.9%).

\* Record for period. # Full-year record. \*\* Includes TV/VCR combinations.

<sup>r</sup> Revised by EIA.

**SONY DEVELOPS 'DIRECT STREAM DIGITAL' MUSIC DVD:** Sony has started showing hush-hush technology called Direct Stream Digital (DSD) to engineering elite and "golden ears" in music production industry that will form backbone of company's proposal for adapting DVD disc for ultra-high-fidelity music applications.

Sony said DSD will be capable of delivering frequency response up to 100 kHz and dynamic range better than 120dB, on ground that any new music proposal will have to represent "quantum leap" in sonic performance from existing CD if it's to succeed. Sony executives describe system as "radical departure" from linear PCM technology in existing CD system. Beauty of DSD, they said, is that system is "scalable" for variety of future archival or digital delivery applications. As consumer DSD application envisioned using 4.7-Gb bonded disc recently finalized for unified DVD specification (TVD Dec 11 p10), David Kawakami, Sony Software dir.-sound technology mktg., said DVD "container" can be capable of holding 100 min. of 2-channel stereo. Kawakami said DSD also can be adapted easily for multichannel music-only applications. He said Sony is confident 4.7-Gb DVD would be capable of holding at least 74 min. of multichannel music, same capacity as existing audio CD.

In "backgrounder," Sony said any new music format based on high-capacity DVD "should be more flexible than the current" CD system "and should cover a frequency range equivalent to that of current analog equipment." DSD is based on high-speed one-bit delta-sigma modulation. System uses direct recording of one-bit output signal of delta-sigma analog-to-digital converter. Data rate is 2.8224 mbps per channel, Sony said. Sampling frequency is 64 times that of 44.1-kHz sampling rate of existing CD, Sony said.

Errors inherent in techniques to improve sound quality of existing music CD, such as use of more sophisticated converters or oversampling methods, are eliminated in DSD because "elements which cause them are absent," Sony said. "The original bits representing the original sound can be recorded and played back directly, giving improved sound quality," it said. "This makes the system ideal for the purpose of purpose of archiving from the original master source." Kawakami said DSD not only delivers quantum leap in audio improvement from present CD, but also addresses all "shortcomings" of existing system as voiced by CD format's staunchest critics.



## Personals

Gil Schwartz, Westinghouse Bestg. vp-corporate communications, promoted to senior vp-communications at recently acquired CBS... Robert Peck, former FCC deputy dir.-legislative affairs, appointed commissioner, General Service Administration Public Bldgs. Service... Jeff Lamb advanced to vp-administration, A.H. Belo... Crane Kenney promoted to vp-chief legal officer, Tribune Co.; Thomas Leach advanced to dir.-planning & analysis, Tribune Bestg... Jason Sikes promoted to dir.-affiliate promotion, Fox Bestg.

Richard Mills, KTXA Ft. Worth-Dallas gen. sales mgr., promoted to gen. mgr... Yoko Arthur, ex-CPB, joins WETA-TV Washington as vp-human resources and organizational development... George Batchelor, International Air Leases pres.-CEO, elected chmn., WPBT Miami... Jeff Newpher, ex-KPRC-TV Houston, named exec. news dir., KJAC-TV Port Arthur, Tex... Joe Fishleigh, WJW-TV Cleveland national sales mgr., advanced to gen. sales mgr... Kevin Hartzell promoted to national sales mgr., KSTP-TV St. Paul-Minneapolis.

Lawrence Smith advanced to exec. vp, Comcast... David Van Valkenburg moves from U S West Multimedia to U S West International as exec. vp-cable/telephony... Arthur Cooper, Showtime Networks CFO, promoted to exec. vp-finance & operations; Dan Cohen, ex-Showtime Networks vp-film acquisitions and co-productions, named vp-program acquisitions & scheduling... Richard Allen, former deputy asst. to President Clinton for national service, named senior vp-business development, Discovery Communications.

Marc Apfelbaum, Time Warner Cable vp-assoc. gen. counsel & asst. secy., promoted to senior vp-gen. counsel & secy., succeeding Henry Gerken, retiring... Craig Chambers, ex-Group W Satellite, named vp-gen. mgr., Great American Country, Jones' new cable channel... Changes at A&E TV Networks: John Hartinger advanced to dir.-affiliate mktg. programs & communications; Michael Hill promoted to dir.-internal control; Eric Kronen, ex-Viacom Cable, named senior vp-affiliate sales & mktg... Mark Brown, ex-MCI, appointed corporate counsel/dir.-state regulatory affairs, Continental Cablevision.

Raschelle Serghini, ex-Air Line Pilots Assn., appointed CTAM dir.-communications... Ann Carlsen, Carlsen Resources, elected chmn., Women in Cable & Telecommunications Foundation board... Changes at CAI Wireless Systems: James Ashman, senior vp-treas., advanced to exec. vp-CFO; Timothy Santora, senior vp-secy., promoted to exec. vp-licensing & leasing; George Williams, exec. vp-CFO, appointed chief administrative officer and corporate analyst, secy. and treas... David Nagel, Response TV managing editor, promoted to editor... Robert Turner, TeleZone pres.-CEO, named EON Corp. pres.-CEO.

EchoStar agreed to take over Direct Bestg. Satellite Corp. (DBSC) in return for cash or shares of EchoStar stock valued at \$9.7 million, subject to FCC approval. EchoStar already owned 40% of DBSC, which has FCC licenses to build 2 DBS satellites with 22 channels. EchoStar has approval for 21 DBS transponders. DBSC recently received extension of its construction permit until Nov. 30, 1998. EchoStar said it completed previously announced reorganization of operating subsidiaries Fri. Action followed exercise of virtually all of warrants to buy 3.7 million shares of Class A common, allowing subsidiaries to become 100% owned instead of 95%, EchoStar said.

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**Broadcast memorabilia** compiled by late CBS executive Helen Sioussat has been donated to Best. Pioneers Library at U. of Md. It includes hundreds of photos, letters, documents and invitations dating back to Truman Administration. Sioussat joined CBS in late 1930s, retired in 1962, but remained Washington consultant handling social events. She died earlier this month at age 93.

**Time Warner ordered high-speed cable modems** from Toshiba for 3 cable systems, beginning in San Diego. Purchase includes headend equipment, distribution hubs and 50,000 modems for delivery beginning in early summer. Modems will be capable of 10 Mbps data rate.

## OBITUARY

Tom Pettit, 64, former NBC newsman, died Fri. in N.Y.C. from complications after surgery. He began career in 1953 as reporter at WOI-TV Ames-Des Moines before going to NBC in 1959. He worked as NBC correspondent in Philadelphia, L.A., Washington. Pettit moved to N.Y.C. in 1982 to become NBC News exec. vp, position he held until 1985, then returned to reporting -- as chief of national affairs and London correspondent -- before retiring this year. Wife, 4 children survive.



**CANADIAN DBS LICENSES SET:** Canadian DBS providers ExpressVu and Power DirecTV received licenses from CRTC to begin service in June. CRTC denied license to joint venture of Shaw Communications and consortium of cable operators that had planned Homestar service, Canadian equivalent of Primestar, citing what it called "significant concerns" over whether Homestar could implement its application. CRTC also approved 5 applications for direct-to-home (DTH) ventures.

Homestar planned to use Primestar signal when that company switched to DBS, but now it's uncertain how Primestar will fare in U.S. DBS auctions by FCC Jan. 24. As result, it's unclear where Homestar would get its U.S. programs. Company said it was "disappointed" because it had planned more than 70 video and 35 digital music services. Homestar, like Primestar, would offer rental dishes to subscribers and has been 80% Canadian-owned. CRTC said it recognized need for DBS to be alternative to cable in rural areas and competitor elsewhere, and will open another round of DBS applications to cable providers no sooner than 6 months after ExpressVu and Power DirecTV begin. Shaw COO James Shaw said company will "actively pursue this opportunity."

Power DirecTV, owned by Power Bestg. (80.01%) and DirecTV, plans to broadcast U.S. and Canadian programming via DirecTV and Telesat Anik E-2. License, to expire in Aug. 2002, will be issued after Power DirecTV is incorporated in Canada. Power DirecTV wanted CRTC to levy fee on cable subscribers to help pay for its communications costs, but agency denied request.

CRTC approved following U.S.-based services for distribution by Power DirecTV: A&E, BET, Comedy Central, CNBC, CNN, CNN Headline News, C-SPAN, Kaleidoscope, KRMA-TV (PBS) Denver, KTLA (Ind.) L.A., Learning Channel, Lifetime TV, Nashville Network, WABC-TV (ABC) N.Y., Weather Channel, WFLD (Fox) Chicago, WGN-TV (Ind.) Chicago, WPIX (Ind.) N.Y., WRAL-TV (CBS) Raleigh-Durham, WSBK-TV (Ind.) Boston, WTBS (Ind.) Atlanta, WWOR-TV (Ind.) N.Y.-Secaucus, N.J., WXIA-TV (NBC) Atlanta.

ExpressVu, which would use Anik E-1 beginning in June, is owned by BCE Inc. (33-1/3%), Tee-Comm Electronics (33-1/3%), Canadian Satellite Communications (Cancom, 19%), WIC Western International (14-1/3%). U.S. channels include: A&E, BET, CNBC, CNN, CNN Headline News, Comedy Central, C-SPAN, Kaleidoscope, KTLA L.A., Learning Channel, Lifetime TV, Nashville Network, WDIV (NBC) Detroit, Weather Channel, WTBS Atlanta, WGN-TV Chicago, WPIX N.Y., WSBK-TV Boston, WTOL-TV (CBS) Toledo, WTVS (PBS) Detroit, WUHF-TV (Fox) Rochester, WWOR-TV N.Y.-Secaucus, WXYZ-TV (ABC) Detroit.

CRTC also licensed 4 English-language and one French-language DTH, pay-per-view services. Sports/Specials and Power DirecTicket will be distributed nationally, Home Theatre will serve Western Canada, Viewer's Choice Eastern Canada. Canal Premiere, French service, will be offered nationally.

**National Music Publishers' Assn.** and licensing agency Harry Fox said their proposed copyright settlement with CompuServe was approved by U.S. Dist. Judge John Keenan, N.Y.C. Agreement between publisher group and on-line service, reached last month, sets procedure for reimbursing copyright owners for material posted on computer service.

**Russian Federation** is seeking relief from interference to its Statsonar 20 satellite that it claims is caused by PanAmSat PAS-4, ITU and U.S. officials said. Peter Korobnikov, head of ITU space system coordination, said Russian satellite had been operating at 68.5° E over Indian Ocean several years before launch of PAS-4 to 70° E last year, so they are 1.5° apart, instead of usual 2°. Both are in C-band. PAS-4 users that could be affected include Asia Business News, Cartoon Network, Doordarshan, ESPN, MTV Asia, Sony Entertainment, TNT. ITU is helping evaluate situation for U.S. and Russia, Korobnikov said. PanAmSat attorney Henry Goldberg said Russians have refused to respond to many U.S. requests for technical information. One American official confirmed that "the Russians have alleged that there are interferences, but the technical evaluation says it may not be PAS-4." Real cause could be Russian military or spy satellites, which normally operate in X-band and don't interfere with commercial birds in C- and K-bands, Goldberg said: "Something odd is going on here. It's a mystery to me what they have -- how many satellites, whether they're station-keeping or drifting. It may be that there's a secret spy satellite that they don't want to coordinate."

**Small Cable Business Assn.** (SCBA) fired another salvo in its campaign to stop proposed Time Warner-Turner Bestg. and Walt Disney-Cap/ABC mergers because of concerns that consolidation could further limit small cablers' access to programming. SCBA attorney Eric Breisach sent letter to FCC opposing Disney-Cap/ABC request for expedited action and again asked that Commission investigate charges that companies discriminate against small operators. In additional information on programming costs submitted to FTC at that agency's request, SCBA said Turner Bestg. provides programming on fair basis but Time Warner doesn't.

**Prodigy** said it bought interest in SonicNet, N.Y.C. company that produces World Wide Web sites dealing with rock and alternative music. SonicNet, unit of Sunshine Interactive Network, offers concert schedules, including video and sound clips, reviews and links to other music-oriented Web sites. For Prodigy, company will provide original and exclusive content including celebrity chats, marketing, direct link to its Web site. Prodigy said it will help SonicNet expand into new entertainment-related areas.

**America Online (AOL)** introduced advanced feature allowing greater parental control over use of service. Feature lets parents establish child's account that has access only to Kids Only portion of service, programmed for children ages 6-12. AOL also said it extended its relationship with N.Y. Times to include joint interactive programs and other sponsorship arrangements. It also started national Jewish Online section, in time for Chanukah, produced by Jewish Bulletin of Northern Cal.

**Another interactive TV company** may be biting the dust. Zing Systems filed for bankruptcy, officials said. Details weren't available immediately. Company, which earlier delayed planned Sept. start of interactive cable services and has been subject of patent suits, is owned largely by limited partnership of TCI, Comcast, Continental, Newhouse. Zing planned to use VBI to distribute information to be used in games played by viewers.

**Partners in Sprint Telecom Venture (STV)** have committed tentatively to investing additional \$4.4 billion in STV in next 3 years, subject to agreement on business plan, Comcast said in quarterly report. Comcast said its share would be \$660 million. Other partners are Cox, Sprint, TCI.



**DAVIC STANDARD SET:** Standards for interactive TV and digital set-top boxes were approved Dec. 16 by Digital Audio-Visual Council (DAVIC). DAVIC also moved high-speed cable modems to top priority for next step of process, and even agreed to special meeting in May to increase likelihood that modem standard will be set in June. Approval of DAVIC 1.0 standard is "historic moment," said DAVIC member Robert Luff, Scientific-Atlanta chief technical officer-broadband.

DAVIC 1.0 sets worldwide standard for digital interactive services, including video, voice and data, as well as for set-top boxes to be used by cable, telcos, satellites. Luff described 1.0 as "core" standard that will be updated, probably as often as every 6 months, as new technologies develop. He said core standards probably won't change for foreseeable future, with later additions to be compatible with and build upon 1.0: "This is a giant step toward interconnectivity... and it will create stability for content developers."

DAVIC's 205 member companies should receive text of 1.0 standard by 2nd week of Jan., Luff said, and it will be available on-line soon thereafter. Standard then will go to ITU for what's likely to be relatively automatic approval, which Luff said typically would occur in about 3 months.

"Phenomenal rise" of Internet and World Wide Web were major issues at DAVIC meeting, Luff said, causing board to move on-line standards to "highest priority" for next 6 months. Goal is to have on-line connection standards approved as part of DAVIC 1.1 by June, he said, in part because of fear that if there's no standard by then, equipment makers will launch their modems anyway, which Luff said could cause "some chaos." DAVIC meeting in May (date and location not set) was added because there wouldn't be enough meetings before June in N.Y.C. to approve on-line standard by June.

DAVIC group is working closely with CableLabs, Luff said, which is developing cable modem standard. He was confident that differences between standards would be minimized. Goal is to allow PC users to access cable media servers and DAVIC users to be able to access Internet, he said: "This is a very important, do-able goal."

In addition to modem standard, DAVIC hopes 1.1 will include standards for digital wireless cable. It also issued call for standards proposals for return channels for satellite, modulation schemes for LMDS, application software portability, security systems. Later call for proposals includes 3-D animation and synthetic sound, higher quality video and audio, modulation plans for terrestrial VHF/UHF, distributed servers, high bandwidth 2-way audiovisual, content acquisition and production, multimedia mobile wireless.

DAVIC 1.0 includes QAM modulation for hybrid fiber/coaxial systems, QPSK modulation for out-of-bandwidth downstream data, upstream data and satellites, interfaces for set-tops, harmonized General Instrument/Scientific-Atlanta media access control protocol, server-to-network protocol.

Competing bid for Samuel Goldwyn Co. assets came from Metromedia, which offered \$116 million for all assets, topping PolyGram, which had offered \$62 million for TV and movie rights. Metromedia is parent of Orion Pictures. Metromedia offer includes \$42.7 million for stock, assumption of \$73 million debt.

CWA accused NBC-owned WCAU-TV Philadelphia of censorship for declining to broadcast anti-Bell Atlantic (BA) commercials carried by other stations. "This is censorship, plain and simple," CWA Vp Vincent Maisano said. Union, locked in 5-month contract dispute with BA, hasn't been able to place several commercials criticizing RHC on some stations. Latest commercial features actor as "Larry" that union said is parody of contractors hired by company to perform work done by union-covered employees. "Bell Atlantic runs millions of dollars worth of advertisements on WCAU," Maisano said. "All we are asking for is the opportunity to pay for our own ads to tell our side of the story." Official said station doesn't carry issue-oriented ads, such as CWA spots. "It wasn't in response to the issues that CWA raises," spokeswoman said. Station and ABC-owned WPVI, also Philadelphia, rejected all CWA ads focusing on bargaining with BA, she said. Company commercials discuss service options and describe corporate initiatives, don't address labor discussions.

**Transactions:** In bid to reduce debt resulting from acquisition of CBS, Westinghouse will sell Knoll Group home furnishings unit to Warburg, Pincus Ventures for \$565 million. Together with sale of defense business, Westinghouse said it expects to reduce debt more than \$3.2 billion... Investor George Soros has acquired 7.3% of Times Mirror... TCA Cable said it completed acquisition of cable system, with 29,000 subscribers in Alexandria, La., from Time Warner/Newhouse. TCA swapped similar-sized systems in Winston-Salem and Columbia, S.C., for Alexandria system... Time Warner will sell WarnerVision Entertainment, which distributes videos on health, fitness, children, music and other topics, to Tiger Eye Investment Holdings. Price wasn't disclosed, is believed to be more than \$50 million.

**Program Notes:** King Bcstg. launched Northwest Cable News channel Dec. 18 on systems with 1.1 million subscribers in Ida., Ore., Wash. It uses news produced by King-owned KGW Portland, KREM-TV Spokane, KING-TV Seattle, KTVB Boise... Partnership of Comcast, Continental and Cox will launch Outdoor Life Network. MSOs have 12 million subscribers, providing launch base, they said... Home & Garden TV signed master carriage deal with National Cable TV Co-op, which provides programming to 4,100 systems with 4.6 million subscribers. Terms weren't disclosed... Infomercial maker National Media has begun airing its programming on Malaysia's TV3.

Chris-Craft flagship KPTV (Ch. 12, Ind.) Portland, Ore., has begun installing digital equipment in preparation for switch to advanced TV. Station said it will become "nation's laboratory" for Sony technology, installing BZA-8100 software and DVS-M1000C master control switcher. It also has Sony Library Management System Cache. Md. Public TV (MPT) already has installed full digital production and transmission facility (TVD Oct 23 p5). New MPT digital cameras and edit suite goes into service in mid-Jan. and transmitters convert to dual analog/digital transmission about mid-March.

Ameritech and IBM formed \$400-million, 7-year alliance to provide service and equipment for desktop computing, offering integrated voice, data and video managed services. IBM also will take over Ameritech's desktop and local area network needs.

Radio sales and marketing will be covered in some 75 sessions at Feb. 15-18 RAB Marketing Leadership Conference, Wyndham Anatole Hotel, Dallas. Author-agent Sean Joyce will lead 2 sessions on negotiating.



**LEGAL WORKS SLOWS:** End of first round of cable rate cases along with industry consolidation is causing some dislocation among cable attorneys, but most big law firms said work simply is shifting and some firms are busier. Mergers and cable system sales are affecting some lawyers. "There has been a big consolidation within the industry, which means fewer entities to represent," said Richard Wiley of Wiley, Rein & Fielding. "The impact is significant." Most top lawyers said telecom reform legislation would mean more work.

Despite rumors that some cable firms are laying off associates, none we talked with said they're cutting back, and some said they're adding staff. Cole, Raywid & Braverman, which devotes 80-90% of its time to cable and has been subject of rumors since releasing several associates, added more staff than departed, John Cole said: "We've been relatively busy and we've been hiring. We've been very busy on franchise renewals and things like that, and the rate work continues."

Cable rulemakings, rate cases, must-carry, program access complaints and other Cable Act issues that caused cable law activity to boom have tapered off. As FCC rationalizes rate rules and moves toward annual, instead of quarterly, cable rate-setting, and cases become more routine, there's less legal work. There has been trend toward companies' moving routine cable legal work to in-house lawyers, several attorneys said, and they indicated that they're encouraging trend because of heavy reliance on number-crunchers rather than legal expertise.

Some new legal staffers have different skills because of changing environment. Frank Lloyd of Mintz, Levin, Cohn, Ferris, Glovsky & Popeo, said his firm's last 5-6 hires have had common carrier background. "A huge proportion of the FCC work is moving to the Common Carrier Bureau because so many of our clients want to move into telephony," he said. Lloyd said cable clients also are becoming involved in such typical common carrier cases as universal service, interoperability, number portability, access.

First wave of cable rate cases has crested, said Seth Davidson of Fleischman & Walsh, but that's just normal "ebb and flow." He said cable lawyers remain busy with other issues, including recent cable wiring and rate rulemakings issued by FCC: "We've been busy as all get-out." Lloyd said rate cases are "a very narrow subset" of cable law, and many lawyers are happy to have fewer of them, which have become routine: "I like to deal with the bigger issues of getting my clients into new businesses." Most other cable issues, notably must-carry and related points, still remain "very active," Lloyd said. Wiley said his firm remains busy with programmer issues, and that's likely to get even more active as channel capacity crunch eases.

Municipal attorneys also have faced some repositioning. Patrick Grant of Arnold & Porter said workload isn't down, but most rate-setting is over. One change among cities, Grant said, is that "there's beginning to develop a bit of a shift from traditional regulation to a more broad-based focus on [telecom] infrastructure development," which requires both video and telephony expertise. Eileen Huggard of National Assn. of Telecommunications Officers & Advisers (NATOA) said infrastructure work is "pretty large undertaking" that more cities are studying -- often with help of consultants and lawyers.

Municipal lawyer Joseph Van Eaton of Miller, Canfield, Paddock & Stone said firm is busy on cable matters but work on rate setting slowed, partly due to perception created by

FCC mass rate settlements: "Everyone realizes that it doesn't matter [how much cable charges], the FCC is going to find a way to give it back to the operator." He said industry consolidations spurred work on franchise transfers.

Telecom legislation could mean "boom time for communications lawyers," Wiley said: "There will be a tremendous net gain [in work] for the short term, though I don't know what it means downstream. The FCC will be very busy [with rulemakings], and that means lawyers will be very busy."

Eight TV stations owned by Brissette Bestg. are being bought by Benedek Bestg., which along with 9 TVs it already owns and 5 it's buying from Stauffer (TVD Dec 4 p6) would give it 22 TV stations, well above 12 currently permitted by FCC rules for nonminority licensees. In announcing its purchase from Brissette for \$270 million in cash and stock, Benedek pointed out combined coverage of 22 stations would be only 3.4% of U.S. TV households -- well below FCC's current 25% maximum. Brissette stations are: NBC affiliates WMTV Madison, Wis., WWLP Springfield, Mass., WILX-TV Lansing, ABC affiliate WHOI Peoria, and CBS affiliates KOSA-TV Odessa, Tex., WSAW-TV Wausau, Wis., WTRF-TV Wheeling, KAUZ-TV Wichita Falls. In separate deal, Gray Communications is buying CBS affiliates WCTV Tallahassee and WKXT-TV Knoxville for cash, price not announced, from John H. Phipps Inc. Purchase included satellite production company and PortaPhone paging business. Gray Pres. Ralph Gabbard is chmn. of CBS TV affiliates and NAB TV board.

In final round of MDS auctions before holiday break, high bids grew 3% to \$72.7 million. Decatur, Ill., was most active market with 3 new bids. Those with 2 new bids each were Atlantic City, Bowling Green, Ky., Hyannis, Mass., La Salle, Ill., W. Palm Beach. N.Y.C. remained active, with CAI Wireless regaining lead at \$3.1 million. Most active bidders: CAI, 31 high bids totaling \$12.2 million; Wireless One, 37, \$7.4 million; Heartland Wireless, 69, \$5.9 million; PCTV Gold, 34, \$4.5 million; Wireless One of N.C., 7, \$4.2 million; TruVision Cable, 15, \$3.6 million; Pacific Telesis, 17, \$3.4 million; Wireless Telecommunications, 13, \$3.3 million; American Telecasting, 45, \$3.2 million. Auctions resume Jan. 3.

Three incumbents have been reelected to NAB radio board: Radio Vice Chmn. John Barger (Dist. 18), KRIO(FM) San Antonio; Larry Roberts (Dist. 20), Sunbrook Communications; Jeff Lyon (Dist. 22), KSNM(FM) Las Cruces, N.M. Also newly elected to board without runoff was Richard Maynard (Dist. 16), KEKB(FM) Grand Junction, Colo. Other incumbents seeking reelection and facing opposition are Howard Anderson (Dist. 24), KHWY Inc., L.A.; Kenneth Coe (Dist. 10), WFWI(FM) Ft. Wayne; Curt Brown (Dist. 12), KTTS-AM-FM Springfield, Mo. Races in 3 districts have 4 candidates, and several former board members are among candidates. Ballots will be mailed Jan. 5, are due Jan. 26.

C-Cor Chmn. Richard Perry said 2nd-quarter results will fall short of analysts' predictions because of reorganization and customer-requested shipment deferrals. C-Cor is installing new computer system, which it said has delayed some orders and deliveries. Some customer order changes also have caused supply shortages, Perry said. However, he said company has "solid" order backlog for 3rd and 4th quarters, and congressional legislation could have positive impact.



**SOME FCC DUTIES SURVIVE GOVT. SHUTDOWN:**

Several FCC staffers remained on job as lack of budget caused Dec. 18 federal govt. shutdown, 2nd in 5 weeks. Unlike last time, when only 95 Commission employees were considered "essential" and remained on job, mostly those working on World Radio Conference (TVD Nov 20 p1), portions of many bureaus and FCC operations remained open this time. They included personnel handling auctions for specialized mobile radio, Block C PCS and MDS. Partial govt. shutdown (those offices whose new budgets hadn't been approved by Congress and/or signed by President) continued into Christmas weekend.

Working staff included employees for auctions (which kept only one Mass Media Bureau staffer officially on duty during shutdown), International and Wireless Bureaus and litigation employees in Gen. Counsel's Office because of 2 court arguments last week.

As in Nov. shutdown, commissioners were permitted to work, but their personal staffs weren't, except with special dispensation. Chmn. Hundt, who was in Mexico on speaking trip, completed his visit.

Commission employees reported to work Dec. 18 and were told to leave within 3 hours. FCC hq building at 1919 M St. NW, plus 3 other M St. offices, posted notices on front doors, along with 2-page memorandum from FCC Managing Dir. Andrew Fishel explaining situation.

Employees were told that during shutdown they would be in "nonpay, nonduty status" -- although they were paid after earlier 5-day closing and are expected to be paid again.

As in earlier situation, comments due during shutdown days can be delivered first day FCC returns to work, official said. Filings associated with auctions are being accepted in lobby of 1919 M St. and reference room at 2025 M St.; MDS reference room at 2033 M St. remains open, but only for auction-related business.

FCC approved Form 1240 -- updated guidelines for cablers on annual price increases for inflation and external costs -- shortly before shutdown but didn't plan to announce action formally until after furlough, spokesman said.

Office of Management & Budget granted emergency approval of form Dec. 15 so Commission decided to make it available before latest closure: "We don't want to delay anybody with these furloughs." Forms also were to be available via fax-on-demand service "the minute we're back in business," he said.

FY 1996 appropriation for FCC is in appropriations bill for Commerce Dept., including NTIA and other agencies, that President Clinton vetoed Dec. 19, saying: "The dawn of the Information Age is no time to turn out the lights on our research laboratories and our technology centers."

Congress won't try to override President Clinton's veto of appropriations bill containing FY 1996 funds for FCC, Commerce Dept. and related agencies. House Appropriations Committee Chmn. Livingston (R-La.) said there aren't enough votes for override. He said in interview that Commerce appropriations will be revisited as part of larger budget package.

Meanwhile, congressional Republicans and White House officials were in negotiations looking toward passing another stop-gap measure to end shutdown temporarily, as was done to return federal employees to work in Nov.

**MUST-CARRY APPEALED:** Cable hopes to know by end of week whether U.S. Supreme Court will expedite must-carry appeal. NCTA, Turner Bestg., Time Warner, Discovery and Atlanta Interfaith Bestrs. filed appeal Dec. 21 of U.S. Dist. Court decision (TVD Dec 18 p5) and requested expedited treatment. Chief Justice William Rehnquist ordered parties to file reply briefs by 2 p.m. Dec. 27. Case goes directly to Supreme Court under 1992 Cable Act.

Cable entities hope Court will place must-carry appeal on calendar at conference Jan. 19, they said in brief, because that would allow it to be decided this term. They also left open possibility that case still could be handled this term if it's scheduled at Feb. 16 conference, saying they would be willing to file their briefs within 10 days, instead of normal 45. It would be unfair to delay decision into next term just because Dist. Court delayed its decision by several weeks, cable said in appeal.

Dist. Court used wrong definition of broadcasting in its narrow decision upholding must-carry, cable brief said. Lower court said must-carry is needed to protect individual broadcasters, rather than broadcasting industry as whole, cablers said, and industry as whole is healthy: "The government effectively concedes that the broadcasting system as a whole is not in economic jeopardy." Individual stations that might not be carried without must-carry usually are little watched and in communities with unusually high number of stations, cable said.

Must-carry is too restrictive in protecting broadcasting, cable said. If goal is to prevent cable's anticompetitive behavior, there are less restrictive ways than imposing must-carry on every cable operator, brief said. Other cable arguments: (1) Must-carry limits speech of cable programmers because of channel capacity limits. (2) Many benefits could be realized by A/B switches and leased access channels. (3) Cost of must-carry on freedom of speech is too high. (4) "Substantial First Amendment challenge" shouldn't be decided because one judge was reluctant to require full trial.

Three new TV stations are on air, raising U.S. operating total to 1,536, 1,177 commercial, 359 noncommercial. KSBN-TV (Ch. 57, Ind.) Springdale, Ark., commercial station licensed to Total Life Community Educational Foundation, started Dec. 11; Carlos Pardeiro is gen. mgr.-program dir., Kenneth Knight chief engineer, Hollis Scarbrough sales mgr., Richard Shadduck community relations dir. WJFB (Ch. 6, Ind.) Lebanon, Tenn., returned to air after going dark in April 1991; owner Joe Bryant is pres.-gen. mgr., Dale Howard chief engineer, Pat Bryant program dir. WNAB (Ch. 58, WBN), licensed to Ch. 58 Nashville Inc., started Nov. 29; Vincent Barresi is gen. mgr., Keith Martin chief engineer, Frank Seymour sales mgr., Larry Cazavan program dir.

British govt. proposed new broadcast ownership limits that are more relaxed than version suggested in May. New bill would limit ownership to 15% of total TV audiences, instead of single owner to 2 of 15 regional TV licenses. Proposal still would bar companies that own newspapers with 20% of total national circulation from owning terrestrial broadcast licenses, barring News Corp. and Mirror Group.

Ameritech obtained cable franchise for village of Greendale, Wis. It has signed several franchise contracts in Mich. and Ill. Ameritech said it plans to spend \$1 million on system upgrade to offer 80-90 channels on completion in late 1996.



Oxley was particularly disheartened by proposals to drop foreign ownership provision. He said bill was "dead for now" in House: "D-E-D dead, dead as Elvis." Bill won't come up this year, Oxley said outside House chamber. Several moments later, Rep. Boehner (R-O.), who is chmn. of House Republican Conference and member of GOP leadership, came out of House chamber and talked with Oxley. Boehner then said bill wasn't dead. Fields seconded that notion, saying it wasn't dead for year, but that there weren't any agreements yet. He, too, cited broadcast ownership and foreign ownership as stumbling blocks. Fields said he was pushing for "safety valve" for industry for ownership limits instead of strict prescriptive language being written into bill.

**FCC decision prohibiting DBS permittees from bidding in Jan. DBS auction (TVD Dec 18 p10)** "runs afoul of the Commission's underlying policy objective for ensuring competition among multichannel video programming distributors," Comr. Barrett said in separate statement. He said excluding DBS providers "manipulates the auction in order to derive a specific outcome." Meanwhile, Primestar Chmn. James Gray said company still was reviewing order that said, among other things, Tempo DBS would have to divest its interest in DBS resources at 119° W if Primestar wins auction for slot at 110° W.

**Financials: Walt Disney Co.** will pay Pres. Michael Ovitz \$10 million if his contract isn't renewed, and pro rata share of \$7.5 million if it dismisses him before contract ends, company said in SEC filing... **Knight-Ridder** plans to offer \$100 million in 6.3% senior notes, due Dec. 15, 2005. Proceeds will be used to reduce debt in connection with Oct. purchase of Leshar... **TCI International** filed SEC registration for \$200 million of convertible subordinated debt due 2006. Issue will be managed by Merrill Lynch, CS First Boston, Morgan Stanley.

**CableLabs** budget will increase 7.8% to \$14.1 million in 1996, board decided last week. Budget consists of \$9.9 million for operations, \$3.7 million for research, \$500,000 for capital equipment. Board said top 1996 priorities will be modems, telecom equipment, digital compression, transmission technology. **TCI** CEO John Malone and **Comcast** Pres. Brian Roberts were reelected chmn. and secy., respectively; **Continental** Pres. William Schleyer was elected treas. Other executive committee and board members were reelected.

**Multimedia Cablevision** has engaged in predatory pricing in Lisle, Ill., by offering discounts and "special rates" only to customers in multidwelling unit (MDU) where it faces competition, Optel said in complaint to FCC. Optel has overbuilt Multimedia in MDU. It said Multimedia has violated uniform pricing rules in 1992 Cable Act.

Saying that stock is underpriced, **SFX Bestg.** is buying back all Class C common shares (16,784) for \$27-3/8 per share. "This purchase eliminates a class of stock and simplifies our balance sheet," SFX Chmn. Robert Sillerman said. SFX owns, operates or is buying 31 radio stations in 11 markets, plus Tex. State Networks.

**Oral argument in U.S. Supreme Court** in case on indecency on cable-leased PEG channels has been set for Feb. 21. Alliance for Community Media vs. FCC is to determine whether FCC rules allowing operators to control programming on such channels violate First Amendment (TVD Nov 20 p5).

**Ascent Entertainment Group**, formerly Comsat Entertainment Group, sold 750,000 shares to public at \$15. In addition to raising \$79 million, official said, public offering should "unlock the value of the Entertainment Group" and increase value of shares of parent Comsat.

**Arianespace** won contract to launch Hughes-built **Brasilsat B3** in late 1997 or early 1998. Satellite is HS 376W spin-stabilized model owned by Embratel that will carry 28 C-band and 4 extended C-band transponders to provide data, TV, telephone services to Brazil and other S. American countries from slot at 65° W. Hughes said satellite was sold for \$70 million under amendment to **Brasilsat B** contract that provided options for additional spacecraft. Embratel currently is operating **Brasilsat B1** and **B2**, HS 376 models.

**WOWK-TV** **Huntington-Charleston, W.Va.**, has agreed to pay \$30,000 in settlement of libel suit after staff entered plaintiff's home to videotape police searching for suspect. Lawsuit accused WOWK-TV of casting family of **Lorilea Burns** in "false and slanderous light" by airing videotape of April 1994 party, where suspect was uninvited companion of guest. Tape showed members of Burns family and implied they were connected to person arrested, according to suit.

**Videocassette** sales and rentals continue to be biggest revenue source for Hollywood studios, said study by consulting firm **A.T. Kearney**. It said consumers will have spent \$9.3 billion on video rentals and \$6.7 billion on purchases in 1995, providing more than \$6 billion revenue to studios. It predicted that video-on-demand and near-video-on-demand will have little immediate impact on industry because of costs and marketing problems.

**Assn. of National Advertisers (ANA)** has asked **Federal Reserve Board** to expand rules on disclosure in radio ads to apply to TV and print. Rather than being required to specify lengthy disclosures, radio advertisers are permitted to air toll-free telephone number where consumer can get more information. ANA also asked Fed to permit advertisers to direct consumers to more detailed information via fax, on-line or electronic mail.

**Continental Cablevision** filed suit in U.S. Dist. Court, **Fresno**, against 41 residents it accused of receiving cable service illegally. MSO said residents illegally modified decoders to receive premium channels. Operators typically have targeted bootleg equipment distributors in past, but Vp **Robert Hargrove** said "we need to make it clear that we will pursue all incidences of theft of our product, no matter how small the violation."

**Weakness in U.S. TV market** will contribute to drop in **News Corp.** profits in first-half ending Dec. 31, according to CEO **Rupert Murdoch**. He said weak U.S. ad market means profits are likely to drop slightly for quarter and 6 months, but he's optimistic that full-year results still will be up: "It's nothing we can't get back pretty quickly."

**Shaw Communications** ordered 100,000 high-speed cable modems, plus infrastructure, from **Motorola**, companies said. Delivery of **CyberSURFR** equipment to **Canada's** 2nd-largest cable MSO is to begin in late 1996. Terms weren't disclosed. Modems are capable of 10-Mbps data rate.



Late Fri., industry sources said Fields reluctantly had decided to sign conference report. Sources also said Judiciary Committee Chmn. Hyde (R-Ill.) was asking members not to sign it.

One final factor is House leadership, Rep. Stearns (R-Fla.) pointed out: Despite differences between Bliley and Fields, no bill will be closed out without leadership's approval. At time House adjourned, about 3 p.m. Fri., several Republicans told us that they still had problems with measure. Speaker Gingrich (R-Ga.) held up conference report Dec. 22, preventing it from circulating.

Several lawmakers said as many as 6 issues still were in play, including media ownership and attribution rules, as well as foreign ownership and regulation of Internet. Fields is adamant in wanting to include allowing FCC to grant waivers so that companies owning TV stations reaching 35% of national market will be able to get easy waivers. What was called by some to be "final" language took out specific waiver authority on ground that FCC already had ability to grant waivers. Sen. Hollings (D-S.C.) was equally adamant in opposing waivers above 35%. Fields also wants FCC to stop work on attribution rules, but conference negotiators dropped language that would order Commission to do that. Bliley had agreed to those provisions in negotiations with Administration, along with senior committee Democrat Dingell (D-Mich.), Senate Commerce Committee Chmn. Pressler (R-S.D.) and Hollings. It was those 4 who had reached agreement with Administration, leading Gore to announce his approval.

All around Capitol Dec. 21, there were as many views of what had occurred previous evening as there were political factions to comment on them. Even as Gore was making announcement, House Republican conferees were meeting to discuss their concerns about bill and were surprised to hear of Gore's revelation, said Fields, who wasn't involved in negotiations with Administration. Fields said that there was no deal and that Gore was premature in announcing it. Pressler held news conference Dec. 21 to say that no deal had been struck between Administration and 4 principals in telecom conference committee -- himself, Hollings, Bliley, Dingell. Instead, Pressler said, there was "framework" for deal on a final bill.

House Republicans said there was no deal. Bliley, quickly stalking out of House leadership meeting Thurs. morning at which telecom bill was discussed, said: "It's just not done." Following meeting, Gingrich said measure was big bill and "our members wanted to look at it to make sure it was very pro competition." Majority Leader Armey (R-Tex.) said there were "too many people who don't like too many provisions." He said negotiators "put together a conference report that does not have good standing among House Republicans right now." Their general view is that bill is too regulatory, and Republicans cite deletion of sections on telecom pricing flexibility and on ownership waivers as examples. Rep. Oxley (R-O.) said it had "gone too far toward reregulation and is far too regulatory for most of the Republican conference. When you have the Consumer Federation of America, Ed Markey and others talking about what a great bill this is, you have to wonder if this was at least a temporary victory for the protectionists and the regulators." Consumer Federation of America (CFA) Legislative Dir. Bradley Stillman said his group didn't support bill.

Senate Democrats had different view, saying agreement had been reached. Administration officials bristled at notion that Gore had been premature in announcing deal. If there was no deal, one official asked, why did lawmakers order their staffs to stay up through night preparing conference report to be filed next day? Official said bluntly: "There was an agreement." That official's interpretation was that deal started to fall apart because negotiators "took out the special interest provisions" in media ownership part of conference report. Included in that list were attribution provisions important to Rupert Murdoch, official said, along with waivers to allow networks to reach more than 35% of national audience. He repeated several times that talks with Pressler, Bliley, Hollings and Dingell were conclusive: "The agreement was the agreement."

If there were any changes to be made now, official said, it would be at instigation of House Republican freshmen, who want to put "special interest provisions back in for Murdoch." If that happens, official warned, deal will fall apart. He said Administration accepted major points, including giving Justice Dept. "substantial weight" in determining RHCs' entry into long distance, calling package "a fair deal." He said Gore wouldn't look bad as process unfolded and questions arose whether there was agreement because there was no misunderstanding at White House.

Republicans criticized Gore's announcement, with Oxley saying announcement was "well orchestrated." Fields said Gore "was not a member of the conference," called his announcement "premature" and said it was based on "bad information." He declined to criticize Bliley, who he said was negotiating best deal possible. It wouldn't be Bliley's fault if things fell apart, Fields said, adding that while there was no agreement at the time (Dec. 21), one could be reached later.