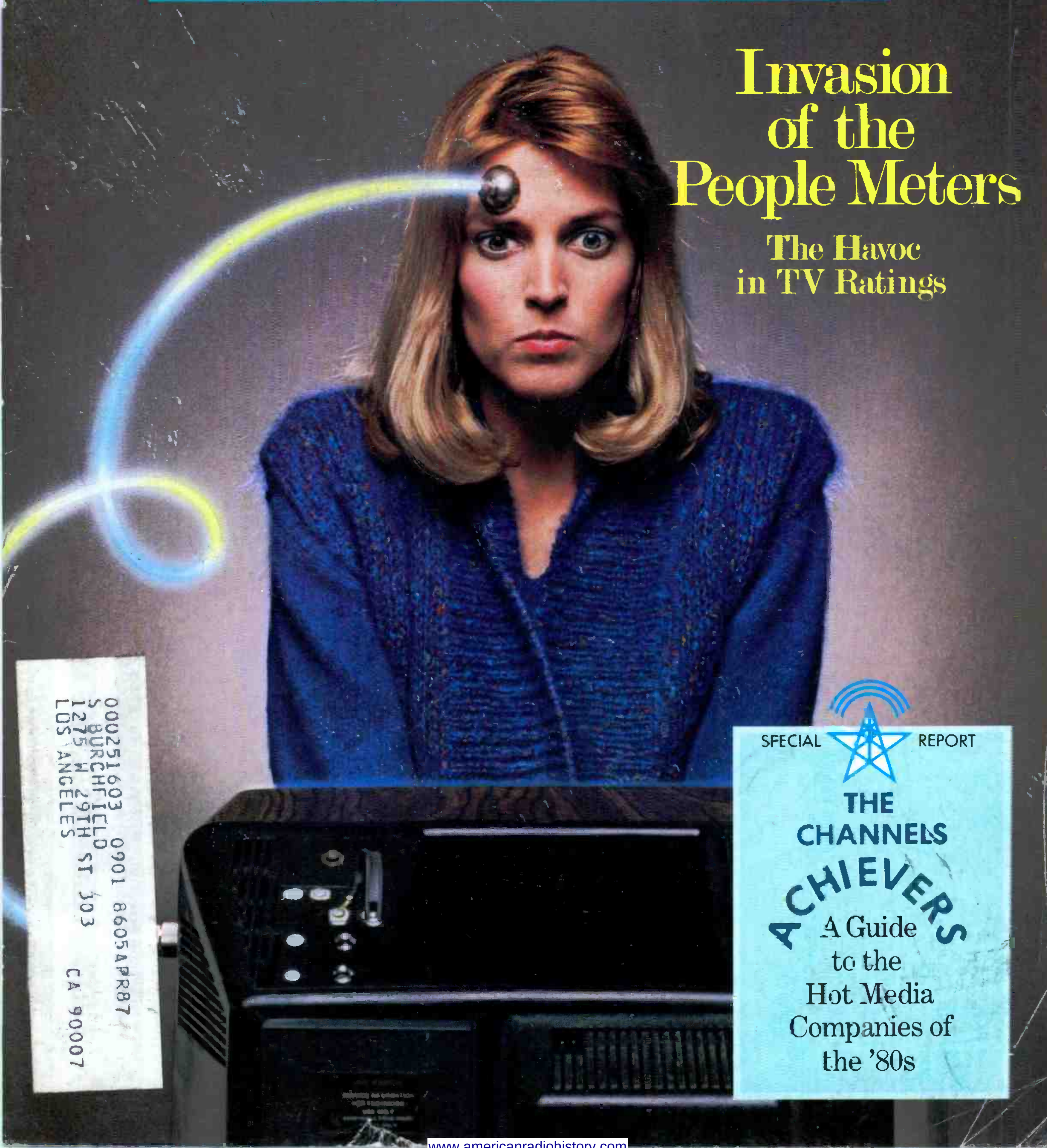
America's Hippest Video House

CHANNELS

$2.95 OF COMMUNICATIONS JUNE 1986



Invasion of the People Meters

The Havoc in TV Ratings

SPECIAL REPORT

THE CHANNELS ACHIEVERS

A Guide to the Hot Media Companies of the '80s


T.J.
A FORCE TO BE
POLICE
©1985 Columbia Pictures Television, a division of CPT Holdings, Inc.


OOKER
RECKONED WITH.
Available now
for Fall '87!
A Spelling / Goldberg Production
in association with
Columbia Pictures
Television
A UNIT OF THE Coca-Cola COMPANY
McGinty

CHANNELS
OF COMMUNICATIONS

VOL. 6, NO. 3 JUNE 1986

32 The Charlex Look
BY E. GRAYDON CARTER

Cover photo: Carl Fischer

PERFECT PARTNERS!

What a pair!

Crusty ex-judge.
Hot-shot ex-car-thief.
With a passion for collaring criminals.
A talent for wise-guy wit.
And a winning chemistry all their own.
It's a unique action series that's built to last.
Because it's built on the rivalry, the humor, and the mutual respect of two dynamite guys.

The verdict is in:

- A long-running network hit.
- Proven appeal to Young Adults.
- Excellent male demographics.
- Phenomenal success in repeats.
- Maximum scheduling flexibility.
- Ideal counterprogramming to sitcoms and game shows.
- A powerful audience-builder without big, inflated license fees.

Check out the evidence. Call your Colex rep now.

67 hours

Available '87-'88 on an advertiser-supported basis, and subsequent cash-plus basis

Colex
ENTERPRISES

A JOINT VENTURE OF COLUMBIA PICTURES TELEVISION AND LBS COMMUNICATIONS INC

875 Third Ave., NY, NY 10022, (212) 418-3000

9220 Sunset Blvd., Suite 101-A, Los Angeles, CA 90069 (213) 859-1055

625 N. Michigan Ave., Suite 1200, Chicago IL 60611 (312) 943-0707

Advertising Sales Offices
New York: 19 West 44th St., New York, NY 10036, 212-302-2680
West Coast: Gwen Campbell Winthrop, 14755 Ventura Blvd., Suite 1-432, Sherman Oaks, CA 91403, 818-905-5452
England: Jack Durkin & Co. 55 Hatton Garden, London EC1N 8HP England Tel: 011-441-831-1131

C.C. Publishing Inc.
President
PAUL DAVID SCHAEFFER

CHANNELS of Communications (ISSN 0276-1572) is published ten times a year by C.C. Publishing Inc., 19 West 44th Street, New York, NY 10036. Application to mail at second class postage rates is pending at New York, NY and additional mailing offices. Volume 6, Number 3, June, 1986. Copyright © 1986 by C.C. Publishing Inc. All rights reserved. Subscriptions: $39.50 per year; all foreign countries add $8. **Please address all subscription mail to CHANNELS of Communications, Subscription Service Dept., Box 2001, Mahopac, NY 10541, or call 914-628-1154.**

Postmaster: Send address changes to CHANNELS of Communications, Subscription Service Dept., Box 2001, Mahopac, NY 10541.

Editorial and business offices: 19 West 44th Street, New York, NY 10036; 212-302-2680. Unsolicited manuscripts cannot be considered or returned unless accompanied by a stamped, self-addressed envelope.

No part of this magazine may be reproduced in any form without written consent.

ABC membership applied for January 1986.

GOINGS-ON BEHIND THE SCREENS: TOPICAL MONOLOGUES AND SKETCHES

TALK SHOW

CODE OF SILENCE

The police-band radio is a standard piece of newsroom equipment. That's how reporters get the jump on fast-breaking stories—holdups, accidents, fires—and show up at the scene sometimes alongside the police. But concern about security at a number of the nation's police departments may put an end to that custom. Police in Denver, Miami and other cities want to alter their radio transmissions in order to lock out criminals, who may be listening to conversations between dispatchers and squad cars. But the result—intentional or not—may be to black out news organizations as well.

That will happen when the cities switch their law-enforcement communications to a complex, digitally coded trunking system, which transmits a police call over randomly selected 800-megahertz channels, switching among as many as 20 different channels during a conversation. Behind the move to digital trunking is a desire to reduce waiting time for an open channel, a persistent problem at many police departments. And while the switch spells bad news for car thieves with scanners, it may also be bad news for reporters.

Faced with implementation of such a system by mid-1987—and the loss of a key news source—unhappy news executives from Denver newspapers and radio and television stations are discussing several options with local authorities, including leasing or purchasing the necessary decoding hardware from the city. But the equipment is expensive ($1,000 per radio in some cases) and wouldn't prevent the police from limiting access when they chose to. That's what makes Phil Boyce, news director of Denver AM station KIMN, nervous: "With this system, anytime the police department decides they don't want us to listen, they can cut us off."

The situation in Denver has been exacerbated by years of bad blood between the police and the media. And if a compromise can't be reached, Boyce foresees a lawsuit on First Amendment grounds.

Motorola Inc. has been a major player—some say a major instigator—in the switchover trend, pitching its 800 MHz trunking systems to police departments around the country. So far, the company has signed up Miami, Tulsa and Santa Fe, as well as the Arkansas and New Jersey state police and several county police departments.

There's no question that the technology enhances security for police and fire departments—even news people concede that. But the hardware will also put into the hands of police a kind of censorship power they've never had before. What if local cops have been embarrassed by a TV station's investigative stories? Will there be the temptation to black out the offending news department as punishment?

Miami, which is now running dual dispatching systems in anticipation of a switchover sometime this year, has handled the situation admirably. There, the police brought the media into the process early. The plan taking shape calls for newsrooms to get radios with the necessary codes locked in so reporters can continue to monitor as they did before. Who pays for the equipment and whether it's bought or leased has yet to be worked out.

As more cities, towns, states and counties switch to trunking systems, the responsibility for protecting the media's right to know falls squarely on elected officials. Decisions on when and how to go with the technology are best made in the open, by mayors, town councils and governors, not privately by police chiefs. The experience in Miami has shown that media can be brought in at the beginning, to help shape the final plan. The question cities elsewhere face is how to implement an important technology while assuring that the First Amendment doesn't become just another outmoded system.

JOSEPH VITALE

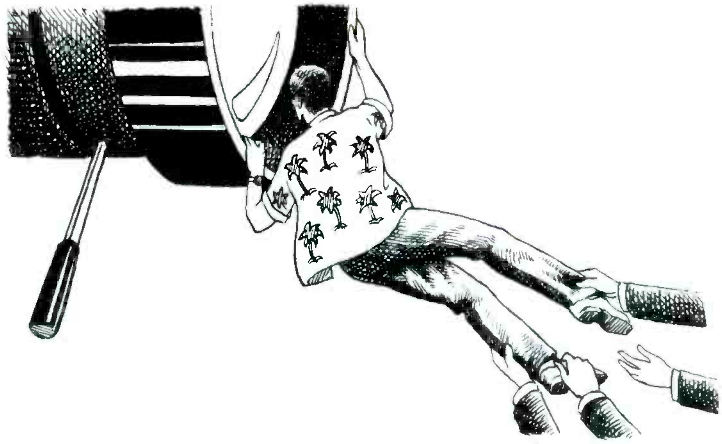
WHO'S USING WHOM?

If the judgments of television's producers are any measure of a man's visceral appeal, Vice President George Bush might want to think about getting out gracefully before the 1988 presidential race, while Chrysler's chief executive Lee Iacocca may be well advised to yield to his persistent impulse and jump in.

Iacocca, a brash, tough-talking Mr. Macho, seems to fit the new era of rampant masculinity that is epitomized, offscreen and on, by the characters in *Miami Vice*. He may not appear in public unshaved, or brag to fanzine interviewers about the number of children he has sired by different women, but he radiates the kind of fearless, take-charge quality that viewers associate with drug busters Crockett and Tubbs. So when Iacocca came to Miami on a promotional tour in mid-March and accepted the long-standing invitation of supporting actor Michael Talbott (Detective Stanley Switek) to visit the set, the producers got him into the act. He played a cameo as parks commissioner Lido (an oblique reference to his birth name, Lido Iacocca), and was described in the script as a "silver-haired, self-possessed, no-baloney administrative type."

Although Chrysler officials insisted that Iacocca had nothing to do with the drafting of the episode, the dialogue contained a sly echo of Iacocca's dustup with Interior Secretary Donald Hodel over the future of Ellis Island. Asked about a shack during a stakeout scene, Iacocca's character replied, "It's just a leftover from some developers who wanted to put up a hotel. We don't go for commercializing public land." That's pretty much what the Chrysler boss had said to Hodel. To ensure that he didn't come off as some namby-pamby environmentalist, Commissioner Lido also told the vice cops, "If it's any help, I know how to handle a gun."

Bush might well sound silly saying a line like that in his nasal, upper-class drawl. Instead of street-corner virility, he projects breeding—some would call it inbreeding. Since becoming Vice President, he has conducted himself in such washed-out-preppy fashion that the biggest ruckus of his 1984 campaign came when he remarked to a stevedore that he had "kicked a little ass" during his debate with Geraldine Ferraro. People would shrug if Iacocca, or for that matter Ronald Reagan, made the same remark. But Bush usually sounds, well, prissy.



So it's not surprising that he struck out in his efforts to get onto *Miami Vice*. His staff, seeking to save face, insists that Bush himself never made the plea, but nobody in Washington thinks it likely that his aides made an approach without clearing the idea with the boss. The embarrassing snafu started when Gayle Fisher, an assistant press secretary, telephoned the show's producers and pointed out that Bush was chairman of the National Narcotics Border Interdiction System, one of the innumerable committees that keep him busy between funerals. Fisher suggested that her guy appear in a role that was "dignified" and "in keeping with his office"—and, presumably, tough enough to burnish his image. According to Fisher's boss, press secretary Marlin Fitzwater, the producers seemed interested. But Ben Halperin, a spokesman for Universal Television, said they were not. For charity's sake, few more details were forthcoming. No one wanted to say on the record that, in the context of *Miami Vice*, Bush might seem more credible as an overrefined white-collar criminal than as a two-fisted crusader.

Miami Vice is far from the first show to get involved with political figures. Richard Nixon popped up on *Laugh-In* way back when. Not long ago, Gerald Ford and Henry Kissinger flashed their faces on *Dynasty*. But they were appearing more or less as themselves. Bush wanted, and Iacocca got, to shape their own personas by becoming someone else. The tough question is: Who was using whom? Was advantage being taken by an ambitious politician? Or by a ratings-happy producer? Or were the two sides in effect colluding to advance their joint interests at the expense of the sales-pitch-susceptible viewer? Whatever the answer, the events move us closer to that Gertrude Steinish nightmare when a celebrity is a celebrity is a celebrity, famous for being famous, without regard to what virtue or *Vice* may have got him there.

WILLIAM A. HENRY III

DOWNSTAIRS, DOWNSTAIRS

Coronation Street is one of the most popular television shows in history, loved throughout the English-speaking world, though you'd never know it from its track record in the United States. The serial about working-class life in the north of England airs Mondays and Wednesdays at half past seven in Britain, and has consistently been a leader in the ratings since its premiere. Believed to be the longest-running prime-time series in the world, it recently marked its quarter-century anniversary, an event celebrated from Singapore to Canada. Practically no one raised a glass to it in the U.S.

We have a hang-up in commercial television about British programs, although we don't have a hang-up about popular British recording artists, plays, movies, fashions or writers. The common wis-

dom among American broadcasters is that British programs won't go down well with the ordinary folk because the English accent sounds snooty.

Coronation Street sounds anything but snooty. One of its demerits, in fact, is that the Manchester working-class accent and idioms are hard even for Londoners to understand: People say things like "you ungrateful little nowt." Another, where the American television market is concerned, is that there's precious little melodrama in the serial—now and then a train accident, here and there a bit of adultery. But generally, it's just about life and living on a mythical lower-class street where the important things never change.

So indifferent were American TV stations to the immensely popular series that in the late 1960s, to prove a point, Granada Television made an offer it thought U.S. commercial broadcasters would find irresistible—free episodes of the show to any station that would agree to keep it on for 13 weeks in the same time period. There was not one taker.

A few years later, *Coronation Street* made a quiet U.S. debut on the New York public television station, WNET, and then disappeared. In 1983, it had another brief run, on cable's USA Network. Meanwhile, *Coronation Street* is still going strong in the U.K.—even the Queen is a fan.

Recently, the British Broadcasting Corporation created a successful knock-off of the famed Granada serial, *The East Enders*, a show about Cockneys in the downmarket part of London. So now Britain has two very popular native serials in prime time. And what might we make of the fact that both are about life among the working classes, while what succeeds in America are serials about life among the ultra-rich?

LES BROWN

SLOWING THE REVOLVING DOOR

In Washington, the "revolving door" is as much an institution as the Smithsonian or Duke Zeibert's. The "door," of course, is the well-oiled turnstile between the halls of power and lucrative private-sector careers reserved for former government employees. Its most famous rider these days is Reagan confidant Michael Deaver, who's been asking $18 million for his full-service lobbying firm, started only a year ago.

Influence peddling by former federal officials has become so flagrant during the Reagan years, the conflicts of interest so unabashed, that even administration supporters like Sen. Strom Thurmond are reaching the end of their patience. Recently, the South Carolina Republican announced he would introduce legislation to limit such activities.

Former Federal Communications Commission officials have always been part of the Tidal Basin backwash but now, thanks to Deaver and company, the spotlight is beginning to fall on them as well. Says one Capitol Hill staffer, "There are enough former chairmen and commissioners out there that everybody can have one."

The most recent FCC staffer to jump to the private sector is Tom Herwitz, a legal assistant to chairman Mark Fowler. Herwitz resigned earlier this year to become vice president, legal and corporate affairs, at Rupert Murdoch's Fox Television Stations, Inc. Herwitz, credited by one Capitol Hill staffer with "bringing political wisdom to the FCC's dealings with Congress," was a central figure in the negotiations over broadcasting's multiple-ownership rules, helping to reach a compromise with Senate staffers in 1984 after Congress rejected the FCC's original ruling. Fowler called Herwitz "an architect of many of our policies, particularly in the area of ownership."

The fact that Herwitz, after helping to outline the new broadcast-ownership landscape, later joined one of the major players in the business is troubling. Some people in Washington say that Herwitz simply carved out a marketplace, then joined it.

Part of the problem is that the rules that apply to senior officials and commissioners differ from those governing staffers. Staff members are prohibited for two years from working in areas that were under their direct jurisdiction while at the commission. They are not, however, subject to the one-year ban on any contact with their former agency, which applies only to commissioners and senior officials. Even though Herwitz was instrumental in shaping the commission's ownership rules, they weren't under his direct jurisdiction. That means he can begin representing his new employer in new licensing proceedings before the commission immediately.

"The concept of the 'revolving door' never occurred to me," Herwitz says. "As everybody recognizes, I did in the past and I will in the future comply with the rules and regulations [governing what former federal employees may do]."

The argument in Washington has always been that rules and regulations tough enough to stop the revolving door would inhibit the government's recruitment of top talent. It's clear, however, that the current rules do not prevent obvious conflicts of interest.

In Herwitz's case, conflict-of-interest concerns seem to be ameliorated by the respect he earned at the FCC. "Tom is extremely talented and well thought of," says Ira Goldman, an aide to Sen. Pete Wilson of California. But is personal integrity sufficient protection against the inherent conflicts of the revolving door? "I trust Herwitz," says Robert Gurss of the Media Access Project, a public-interest group. "But that's not a good way to formulate policy, is it?"

ROBERT O'BRIEN

WHAT'S NEW AND NOTEWORTHY IN THE ELECTRONIC ENVIRONMENT

REPORTS

VIDEOTEX

Trial and Error

Three consortiums are taking to the videotex field, undeterred by the defeat and withdrawal of two of the country's major newspaper chains earlier this year. The new combinations feature some of the biggest names in electronics, financial services and media. Their objectives are different from the earlier ventures, and that may prove the key to success.

The newspaper giants that closed their videotex operations early this year—Knight-Ridder and Times-Mirror—got into the medium largely to protect their news-and-advertising turf from the expected encroachment of "electronic newspapers." The new players are putting more emphasis on transactional services that save time for subscribers and extend the partners' existing businesses electronically.

Covidea, a joint venture of AT&T, Chemical Bank, BankAmerica and Time Inc., is the first team ready to play, with three services already or soon to be available to customers with personal computers and modems. Company representatives say subscribers will be able to use a computer-telephone link to monitor and transfer funds among accounts and pay bills with Covidea's home-banking service. They'll also be able to call up information through Covidea's first regional information service, New York Pulse, which was inaugurated for a limited subscribership last month. And subscribers will be able to follow the stock market and buy and sell securities using a third service, Investment Edge. (New York Pulse and Investment Edge are actually operated for Covidea by outside "information providers"—The New York Times Co., in the case of Pulse.)

The other companies partnered for videotex, like the three in Covidea, have a spectrum of resources. Trintex (which is mum about its plans) is a partnership of Sears, CBS and IBM. The newest, CNR Partners, was formed by Citicorp, RCA and Nynex, the big Northeastern regional phone company. Each firm has opportunities matched to its specialties. For example, says Joshua Harris, a market analyst at Link Resources, "IBM and AT&T want to sell hardware; Chemical and Citicorp want to sell banking."

Transactional services form a sturdy base for whatever additional features the videotex operators want to add. Covidea is starting with some 40,000 customers already subscribing to Chemical Bank's Pronto service. Additional banks across the country are expected to participate.

CNN

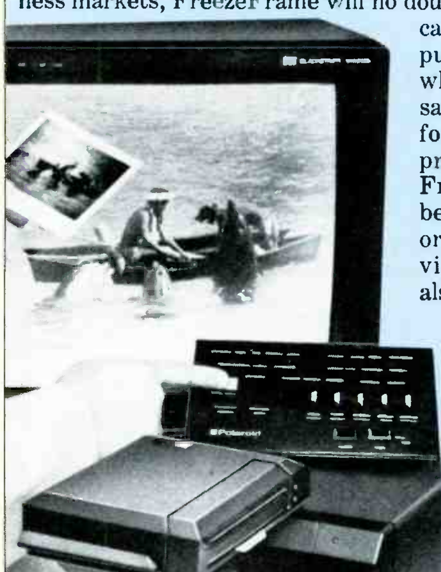
COVIDEA

Videotex: Survival not of the fittest but of the most useful.

VIDEO HARDWARE

Instant Prints from TV

Polaroid's new FreezeFrame film recorder captures images from TV or videotape and delivers first-rate color prints or 35 mm slides instantly. Developed with Toshiba, the recorder fills in annoying raster lines to produce a crisp, sharp picture. Designed for the industrial, medical and business markets, FreezeFrame will no doubt appeal to broadcasters and magazine publishers as well, who have never had a satisfactory method for capturing good prints from video. FreezeFrame works best with a digital TV or VCR (or a laser videodisc) but can also deliver from any old TV set. Available by August, the FreezeFrame will be priced under $2,000.



JOSEPH VITALE

In comparison, when Knight-Ridder shut down its Miami-based Viewtron service (after sinking $50 million or more into the project), it had only 22,000 subscribers. Times-Mirror's Gateway service in Los Angeles (after a $30 million investment) had signed only 3,000 households.

"What failed about Viewtron," says its former president, Reid Ashe, "was that it was a whiz-bang technology that didn't solve people's problems." The new partnerships claim to have learned from Viewtron's and Gateway's failures. One thing they'll need is patience, says Martin Nisenholtz of Ogilvy & Mather Advertising: "I've seen companies retreat in the past when fiscal realities confronted them." That fear certainly must hang over staffers in Trintex's office in White Plains, N.Y., formerly the quarters of another risky venture—Time Inc.'s $47 million disaster, *TV-Cable Week*.

JOHN WALLACE

PROGRAMMING

Good Grief, Control

Everyone may have his price, but what does it take to get two of the most popular creators of children's entertainment to say yes to television? For cartoonist Charles Schulz and author Judy Blume, the most important thing is artistic control. Schulz, who's done a lot of television over the last 20 years, gets it. Blume, who hasn't, doesn't.

The Peanuts gang has been a licensing bonanza for Schulz, attested to by more than 30 prime-time specials and a CBS Saturday morning series, *The Charlie Brown and Snoopy Show.* He says he was reluctant to do such a series when first pursued by the networks five years ago. "One of the problems was the restrictions on what you could do on Saturday mornings," he says. "The characters couldn't play tennis or golf because they were considered adult activities. [The networks] had strange ways of thinking." Schulz admits he gave in, though, on this "minor point."

As for financial considerations, the 63-year-old cartoonist says that money is not a problem. "I don't even know how much I make," he says. Lee Mendelson, independent producer of the Peanuts specials and series, confirms it: "In 22 years, we've never discussed money." But he pinpointed the network costs for the series at "$275,000 to $300,000 for the license to run an episode twice." He says about 90 percent of that goes back into production and that Schulz doesn't make any real money until a show goes into syndication.

Snoopy hits the road for Metropolitan Life Insurance.

Schulz and his cash cow: For $300,000 per episode, Snoopy gave up golf and tennis on his Saturday morning network series.

For Judy Blume, with more than 27 million children's paperbacks in print, money has been only one of the stumbling blocks. Despite a steady stream of offers from all three networks and a slew of independent producers, she has refused to part with the rights to her children's books, including the best-selling *Are You There, God? It's Me, Margaret* and *Superfudge.* According to her agent, "the terms have not been satisfactory," meaning "finances, lack of control or both." Blume has never received an offer of "total creative control," the agent says, hinting that such a proposal might do the trick.

"She writes about the kind of issues the networks might want to censor," says Peggy Charren of Action for Children's Television, who points out that Blume's children's books contain frank discussions of sexual issues.

Meanwhile, Schulz, whose noncontroversial characters are syndicated and licensed through United Media in New York, continues to say yes not only to programs but to advertisers such as Hallmark, Cheerios and Metropolitan Life. Blume is still waiting for an offer she can't refuse.

ANDY LEVINSKY

NETWORKS

Swanson Weighs In

Will the network that gave us the thrill of victory soon face the agony of defeat? Not if Dennis Swanson can help

it. The burly new 48-year-old president of ABC Sports—the operation Roone Arledge cut and polished into the crown jewel of TV sports—faces the same budget crunch as other divisions within the network. Yet Swanson contends too much has been made of the new austerity. "It's unfair," he said at a recent luncheon honoring 25 years of *Wide World of Sports*—held, by the way, at New York's somewhat-less-than-austere Tavern on the Green. "Many of the cuts were planned even before the new owners came in," Swanson said. Over the white wine and salmon, he insisted there wouldn't be any identifiable changes in coverage. "We'll do the things we've always done."

ABC's Swanson: Tough talk over white wine and salmon.

Swanson does acknowledge that ABC is taking a tough new stand on bidding for sports rights: "The only way to cut our losses is to cut our fees." ABC Sports reportedly lost $40 million to $50 million last year, most of it on *Monday Night Football*. The network's five-year contract with the NFL (for $680 million) expires after this season. Will ABC cameras be there again next year? "We want *Monday Night Football* but we want it under terms that will allow us to stay whole," he said. Swanson isn't overly worried by broadcaster Stanley Hubbard's plans for an aggressive pursuit of *Monday Night Football* (see Sound Bites, page 78). "I wish Stanley luck. I hope he has the millions."

Swanson also addressed the gossip that ABC wants to wiggle out of its commitment to televise the 1988 Winter Olympics. "I don't know about anyone else," Swanson said, "but I plan to be in Calgary in '88." As to who could have started those nasty rumors: "If you were a competitor trying to sell against us [read: NBC], it might be to your advantage to start one."

J.V.

VCRs

A Yen for the U.S.A.

It seemed a magnanimous gesture when it was made last summer: Matsushita Electric's announcement that it would open a VCR factory in the United States. Sanyo, Hitachi and Mitsubishi quickly went public with similar plans, and Sony, Sharp and Toshiba said they were "studying" the matter. These and other Japanese electronics firms took home nearly four billion U.S. dollars last year from the sale of VCRs. Not only are VCRs Japan's No. 1 electronic cash crop; they collect more than eight times as many U.S. dollars as the No. 2 Japanese electronic export, color TV sets, which added $483 million to the U.S. trade deficit last year.

Nettled by those numbers, U.S. critics of the dollar drain have found it difficult to carry on about protecting domestic industry, since there isn't one. All but a handful of the nearly 12 million VCRs sold in the U.S. last year were made in Japan; the rest were made in Korea. But all that will change soon, at least according to Mitsubishi and Hitachi. They may beat Matsushita into production if each opens a VCR plant in southern California later this year, as announced.

Whether this news is enough to quiet the critics remains to be seen. Both of

U.S.-made VCRs: Short on production, long on Japanese P.R.

ILLUSTRATION BY JAVIER ROMERO

the California plants are limited-production facilities, and Matsushita, which originally indicated it would make 500,000 VCRs a year in the U.S., dropped a zero in later translation, and now says it'll produce 50,000 a year when its plant opens. Furthermore, parts for the VCRs will be shipped in from Japan in kit form, to be assembled by American labor, as are many Japanese-brand TV sets. Altogether, the U.S.-made VCRs will not attract much attention in the balance-of-payments department, but as public relations, it seems the Japanese have come up with another winner.

DAVID LACHENBRUCH

REPORTS

INTERNATIONAL TV

London Cable Falling Down

Cable is such a hot item in the U.S. that investment opportunities are scarce. That's not the case in Britain, however, where the situation is so bleak the government set up a panel to find out what's wrong.

Back in 1982, another advisory group told the government to encourage Britain's private sector to develop cable, arguing that a deregulated industry would realize £1 billion a year ($1.6 billion) in revenue. It never happened.

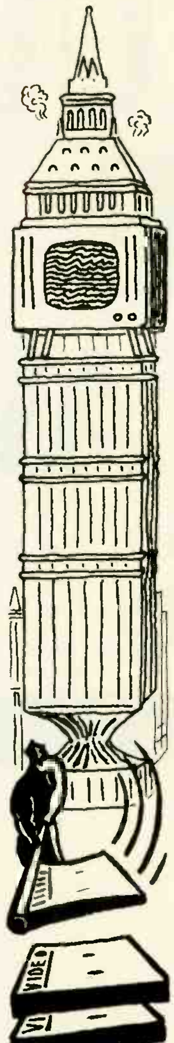
Today, seven of the 11 cable franchises awarded in 1983 are operating; none is serving more than a few thousand homes. Last year, the number of homes with access to cable increased 40 percent, to 976,671, but total subscribers fell 3 percent, to 126,262—a penetration of just 12.9 percent.

What's wrong? Part of the problem is that in 1984 the government undermined its own efforts to stimulate a homegrown industry by phasing out tax breaks for capital investment. Another is that the English seem satisfied with available television: four over-the-air channels are healthy and diverse, and the VCR business (which got in ahead of cable) is booming—with penetration at 40 percent and climbing. Considering that British households already pay £58 a year (about $90) for a color TV license, cable's future is as murky as a London fog.

As in the U.S., increased concentration is taking place. Newspaper publisher Robert Maxwell, who owns most of the upgraded cable systems and several new franchises, purchased a majority stake in Premiere, the only premium movie channel. Meanwhile, British Telecom, the giant phone company, this year bought control of two properties from Thorn EMI, the consumer and electronics group that decided to get out of the business.

The future of cable in the U.K. may well be determined by the British financial community, which is now studying franchising options. The thinking is that it may take one unqualified success to change the minds of skeptical bankers. Jon Davey, director general of the Cable Authority, which regulates the industry, hopes the British are ready to accept cable. "It [cable] is clearly going through very hazardous waters at the moment," Davey says, "but I'm confident that it will survive and before long will be seen more widely as something worth investing in." It may yet happen, but right now British cable could use some tea and sympathy.

RAYMOND SNODDY



The sun has yet to rise on the British cable empire.

ILLUSTRATION BY BRIAN CRONIN

PROGRAM SERVICES

Ivy-Covered Dishes

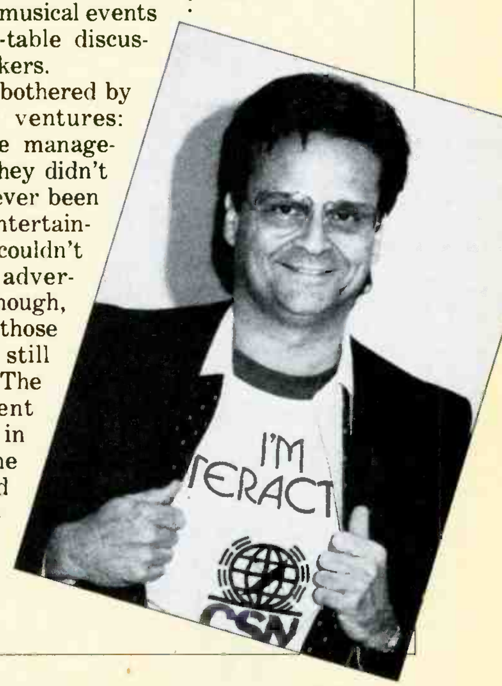
There'll be yet another reason to avoid hitting the books when colleges get busy this fall. College Satellite Network, based in Dallas, will be challenging The Campus Network in beaming live concerts—along with educational, entertainment and sports events—directly to colleges around the country.

The newest kid on the block is the brainchild of Jack Calmes, whose light-and-sound company toured with The Rolling Stones and Led Zeppelin in the early '70s. Calmes claims to have already signed up more than 250 affiliate schools, where he expects students to line up at the box office for such rock luminaries as Pete Townshend and Todd Rundgren. The live concerts will be presented on giant screens in concert-quality sound. Colleges that lack the necessary equipment are eligible for a $1,000 grant from CSN to help defray costs, Calmes says.

Launched earlier this year, the network has scheduled, along with a dozen or so concerts, such nonmusical events as lectures and round-table discussions featuring newsmakers.

Calmes says he isn't bothered by the failure of similar ventures: "They didn't have the management depth we have, they didn't have anyone who had ever been associated with the entertainment business and they couldn't sell their product to advertisers." Presumably, though, he knows that one of those earlier "failures" is still around as a competitor. The Campus Entertainment Network, which folded in 1982, reorganized as The Campus Network and now broadcasts to 148 colleges around the country. So be true to your school—or your satellite.

J.V.



Calmes: From light shows to DBS, it's still only rock 'n' roll.

LARRY FRAIBERG

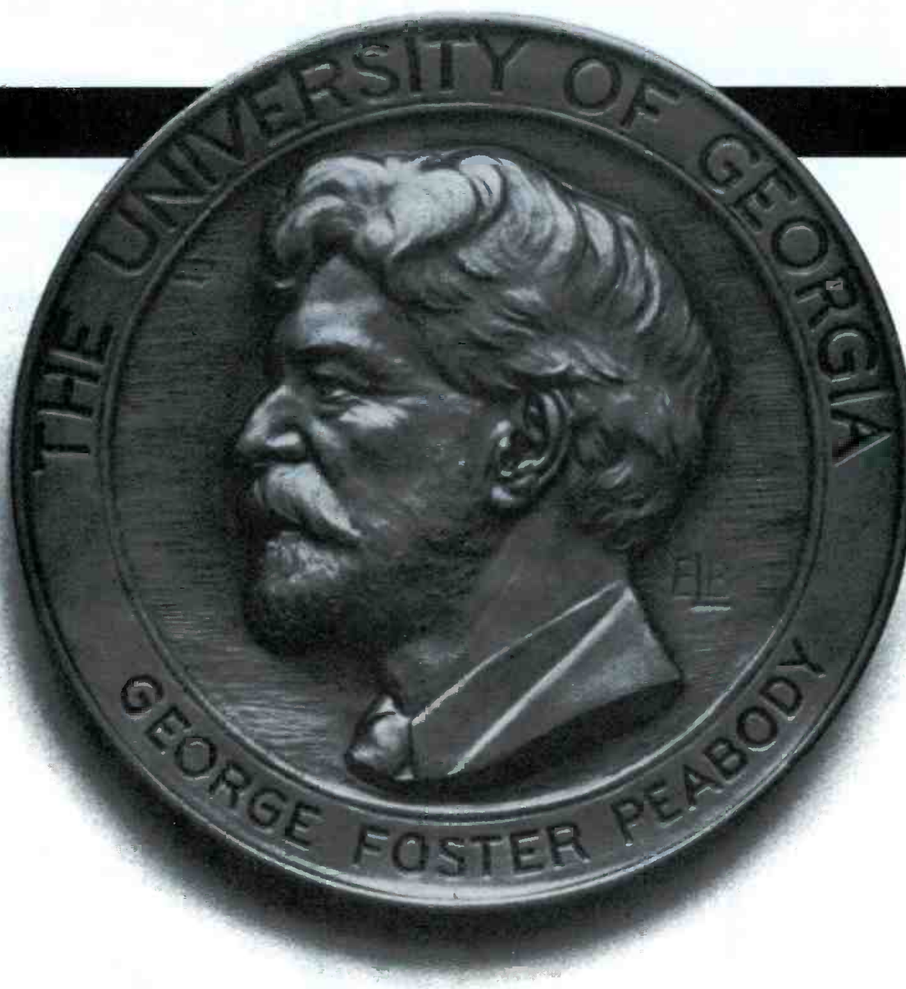
A personal award for a lifetime of stewardship to great broadcasting for the president of Group W Television Stations Group (from 1980-1986).

SECOND CHANCE

An hour-long documentary created by KDKA-TV, Pittsburgh, and the Group W television stations for the first national organ donor awareness and education campaign in television history.

TENDER PLACES

An original half-hour program dramatizing the story of a child of divorce. Written by a 13-year old boy and produced as a *For Kid's Sake* special by WBZ-TV, Boston.



ROBIN OF SHERWOOD
THE MASTER OF BALLANTRAE
JENNY'S WAR
SEPARATE TABLES
JAMAICA INN
MR. HALPERN AND MR. JOHNSON
ARCH OF TRIUMPH
DISPLACED PERSON
RETURN TO TREASURE ISLAND

You remember
the programmes . . .
remember who made them!

HTV

THE PUBLIC EYE

by Les Brown

Business has a way of getting the better of misguided regulation, and the television business made the Prime Time Access Rule stand on its head.

THE LAW OF UNEXPECTED CONSEQUENCES

When government rules are made by people who don't really understand the business they're regulating, the results usually illustrate what political writer William Kraus calls the Law of Unexpected Consequences. Adopted in well-meaning spirit to solve specific problems, such rules tend to have unforeseen effects that unleash a wave of change.

A classic of the genre is the 15-year-old television regulation known as the Prime Time Access Rule, which was a creature of the last politically liberal Federal Communications Commission. Although the rule failed from the first to achieve its intended purpose, it succeeded in radically altering the shape of television, for better or worse. Prime Access merits a fresh look today because of its implications for future change.

The commission that hatched the rule wanted to restructure prime time to curb the networks' control over it and create greater access to television for independent producers. This had seemed necessary because the networks were given to dealing primarily with the established Hollywood studios. The FCC also expected that when local stations had prime evening time at their disposal they would seize the opportunity to produce original programming of their own.

So the commission forged a rule that restricted network broadcasting to three hours in the prime of evening, effectively making the half hour at 7:30 P.M. off limits to ABC, CBS, and NBC.

Entertainment Tonight: Syndies now fill the Access slot.

But in practice the rule made a joke of the FCC's naive aspirations for it. Business has a way of getting the better of misguided regulation, and the television business made Prime Access stand on its head. This is how matters went:

- Far from feeling challenged to do their best as programmers, local stations did their best as businessmen and made tons of money in the time period, largely with cheap syndicated programming.
- With a few exceptions, the independent producers who benefited from the rule were the producers of game shows.
- Instead of being weakened by the crimping of their broadcast time, the networks actually came out ahead because the rule reduced their inventory of 30-second spots well below the advertiser demand for commercial time. The effect was to drive up the network ad rates year after year. (The FCC's interference in prime time proved a terrific break for ABC, which had been running hopelessly behind the other networks in the ratings. Forced to cut its schedule to three hours, ABC happily discarded seven series from its large roster of losers, thereby narrowing the gap between it and its rivals, allowing ABC to become for the first time a full-fledged competitor.)
- The direct public benefits were scant, except to lovers of game shows. Meanwhile, viewers were exposed to more commercials in the 7:30 half hour than when the networks controlled it, because local time periods are allowed to carry more than are network periods. And the seasonal specials for very young children the networks used to air in the 7:30 slot had to be dropped or bumped to weekends.
- Everyone who hated the Prime Time Access Rule in the beginning came to love it a year or two later when the profits came rolling in. Now the television industry considers the rule indispensable and would lynch any commissioner who moved to abolish it.

The final joke is that this creation of a liberal FCC has the protective embrace of the current conservative FCC, which while hell-bent for deregulation has left this rule—of all indefensible rules—in place.

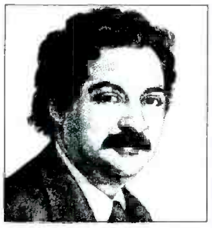
But if Prime Access didn't benefit the viewers as a device to let in a wide range of independent programming, it did produce a certain significant dividend. The rule gave new life to the syndication industry, stimulating its growth as a force outside the networks. In the years before the FCC opened that single prime time slot, the business of selling programs directly to stations was a bit like selling used furniture—somewhat grubby and decidedly low caste. With relatively few independent stations on the air, most syndicated programming was secondhand or Grade B fodder for the lesser time slots at network affiliates. In causing the market to expand, Prime Access brought new and larger companies into the field, some with imaginative projects.

A thriving syndication industry contributed to the growth of new independent television stations, 151 of which have come into existence in the last five years. The syndication apparatus that had existed before Prime Access would not have been sufficient to support these stations.

Independent television is now a formidable branch of the industry and provides the infrastructure for various, sporadic fourth-network enterprises. These ventures are indeed likely to jostle the networks in prime time, spur independent production and jar the complacency of local network affiliates. But they wouldn't be happening if the regulation that spawned a lively syndication industry had not been adopted 15 years ago.

So, inadvertently, the Prime Time Access Rule may yet deliver on its initial promise. Taking the long route, it is being brought full circle by the vagaries of the Law of Unexpected Consequences. ●

THE BUSINESS SIDE



by Merrill Brown

HOLLYWOOD'S DBS SEQUEL

The direct-broadcast satellite business, apparently ready to take off in Europe and Japan, is getting considerable attention from Hollywood, where studio executives are hoping it will fly.

Unable to capitalize on the growth of the television networks and having missed the chance to harness pay television in this country, Hollywood is watching what the overseas developments may offer in opportunities to control a new means of product distribution. For just as the countries of Western Europe led the U.S. and the rest of the world into the home video boom, they may also lead the world into the age of direct-to-home satellite broadcasting (DBS).

DBS was all but written off in this country after the recent flops of two American ventures, Communications Satellite Corp. (Comsat) and United Satellite Communications Inc. (USCI). But the start-ups in Europe and Japan suggest there may be plenty of life in DBS technology.

The prospects in Europe were heightened this spring when British media magnate Robert Maxwell won the hotly sought rights to provide service throughout Europe on France's TDF-1 and TDF-2 satellites. Maxwell's DBS universe could be as large as a half billion homes. Meanwhile in Japan, a state-of-the-art high-power satellite has been launched and the inauguration of four-channel DBS service is said to be imminent.

The studios are determined not to let another technological hit elude them.

Either because of shortsightedness or because of government antitrust barriers, the studios missed all previous opportunities to control new means of electronic distribution. They missed out on network television, just as they let a magazine publisher lead the way in pay television. And a major Hollywood effort to form Premiere, a pay cable movie service, collapsed when the Carter Justice Department got in the way. Hollywood executives, afraid of missing the boat again, as they did when Time Inc. cornered the pay television market a decade ago with Home Box Office, want into DBS in a major way. Ironically, top executives of Time are also still looking at DBS as a supplement to both their cable and pay television businesses.

Hollywood's awakening interest in DBS has a single motive: to eliminate, to the extent possible, the middleman in the revenue stream. As Stanley Hubbard, an outspoken DBS proponent and American license holder, explains in his rambling but provocative fashion:

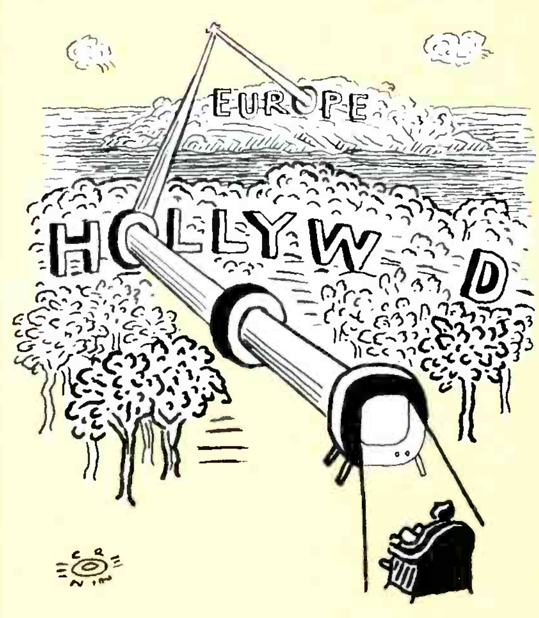
"Showtime may take a movie from Paramount. If they're on all 8,000 cable systems, they've got a reach of a little less than 50 percent of the nation's homes. But right off the top the cable system takes 50 percent. So say it's a $10 program—that's $10 to buy it. The cable company takes $5 right off the top, leaving $5 to split with Paramount. And they cover their overhead. I think HBO has 160 people or so involved in collections. So the movie company ends up getting maybe 18 percent—18 percent! Let's do it on high-powered direct broadcast satellite. The movie company gets 50 percent. Now all you have to do is to be able to add."

Herbert Schlosser, the former NBC president and RCA executive who's now an investment banker at Wertheim & Co., is also bullish on the prospects for DBS in Europe and for the technology's longer term, if more modest prospects in the U.S. "If TDF is launched in the fall, and if it has access to much of Western Europe, and if a strong program consortium becomes meaningful, it will inevitably have an impact here," Schlosser maintains.

Technology is aiding the more optimistic outlook for DBS. Receiving dishes of only one-foot diameter are being developed, as are even more marketable "flat" dishes which can be easily installed on rooftops. One of the many problems with the poorly conceived Comsat and USCI plans was that they worked from medium-powered satellites that required large, unwieldy dishes mounted on consumers' homes. And unlike those ventures, any studio-backed DBS system would be assured of a considerable amount of marketable entertainment.

What's emerging, then, is a new, more sober approach to DBS and what it can do, on top of the enthusiasm of a new set of Hollywood executives, many of whom have come out of television.

The latest tussle over the pipeline to the home will be conducted in a political climate that has been so unconcerned with conventional antitrust thinking that the studios are now moving again into theater ownership. If DBS emerges from the European and Japanese experiences as a technological winner, indications are that the studios won't let another technological hit slip through their fingers. ●



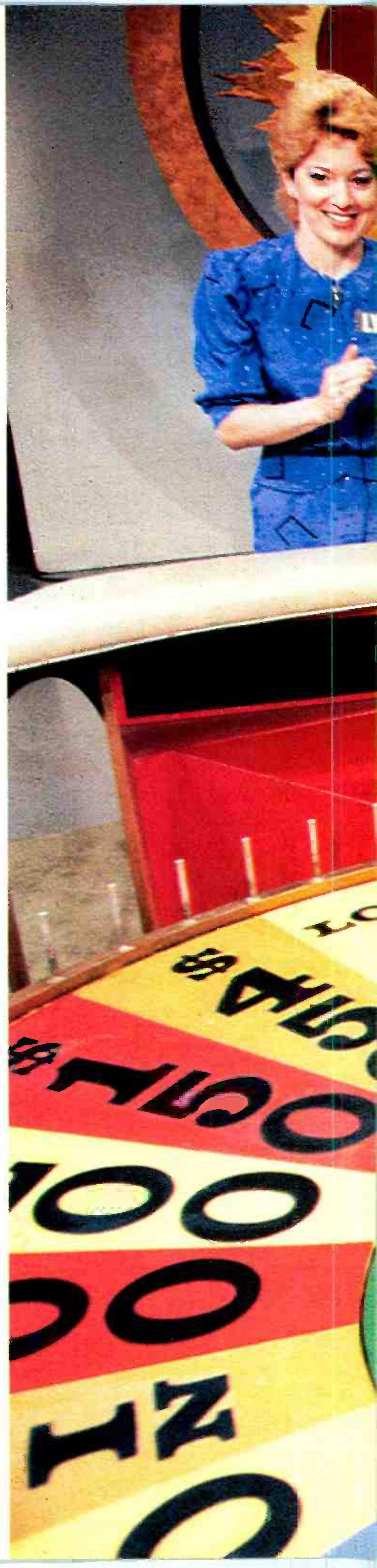
BRIAN CRONIN

CHANNELS
OF COMMUNICATIONS

Jackpot!

The Biggest, Shrewdest, Moneymakingest Little Show on Earth.

by Michael Pollan



Game shows have had their ups and downs, their scandals and excesses, but they've never lost their hold on the American audience. This salient fact of television history was not lost on Mike Levinton early in 1983, when he was looking over the new shows that syndicators were pitching to stations for that fall. As head of programming for Blair Television, largest of the national rep firms that sell advertising time for local stations, Levinton advises clients on choosing shows for their all-important "prime-time access" slot—the half hour preceding network programming. In 1983, Levinton noticed that audiences for several popular game shows—*Family Feud*, *Tic Tac Dough* and *Joker's Wild*—had peaked or were beginning to slip, particularly among women 25 to 54, a key demographic target for advertisers. At the same time, new forms of syndicated programming such as *Entertainment Tonight* were starting to draw off the game show's traditional audience.

Many interpreted these developments as signs that the game show's days in access time were numbered. But Levinton's faith in the form could not be so easily shaken. He liked game shows so much that he once appeared as a contestant on *Jeopardy!*, doing quite respectably until the final round. Levinton thought the access period merely needed a fresh game show, one with "all the classic elements—simplicity, a clear focus and a high degree of audience involvement," as he puts it.

Levinton found what he was looking for in a game show that Merv Griffin Enterprises had been producing for NBC's daytime schedule since 1973, and that King World Productions was syndicating for the first time that fall. The show was called *Wheel of Fortune* and Levinton recommended it to many of his stations. Blair was the only major rep firm to do so, and roughly a third of the 59 stations that bought *Wheel of Fortune* in its

> In becoming a national obsession, *Wheel* opens a window on the American psyche.

Michael Pollan is executive editor of Harper's Magazine *and a contributing editor of* Channels.

PHOTOGRAPH BY BONNIE SCHIFFMAN

first season were Blair clients. Without them the show might never have gotten off the ground.

Today, station executives who heeded Levinton's advice have reason to gloat. *Wheel of Fortune* will surely become the most successful show in the history of syndication, and the game show is once again king. Now in 193 markets (reaching 99 percent of all homes with television), *Wheel of Fortune* consistently achieves a national rating of 20 or better. It is as popular as one of the top 15 shows in prime time, which is unheard of for a syndicated program. Aired five times a week in syndication, usually in the access period (as well as weekday mornings on NBC), *Wheel of Fortune* lights up more screens each week than any other program on television, and it should earn its producers and syndicators well over $100 million this year alone. But *Wheel* is much more than a money machine. Its business success is built on the abiding appeal of a well-crafted game show to the American audience. *Wheel* is one of those rare programs that, in becoming a national obsession, opens up a small window on the national consciousness.

The value to a local station of a show like *Wheel* is almost incalculable. Not only do spots in the show bring premium prices, but because they are generally sold to advertisers as part of a larger schedule, *Wheel* helps a station move its entire advertising inventory. Then there are the promotional opportunities and the visibility that a hot show

BONNIE SCHIFFMAN

Sajak, the self-deprecating host, and White, a throwback to a time when men were men and women were girls.

gives a broadcaster. But surely *Wheel*'s greatest value is as a lead-in and lead-out. Besides winning its own time period for the great majority of its stations, *Wheel* has significantly boosted the ratings of the programs that precede and follow it.

A local station's profitability depends less on its ratings during prime time than on the two hours that precede it—the "early fringe" period, the local news and then prime-time access—and *Wheel*'s impact on this block of time has been powerful enough to turn a number of stations around. Since December 1983 when the NBC affiliate in St. Louis, KSDK, replaced *Entertainment Tonight* with *Wheel of Fortune* (and installed *Jeopardy!*, another King World–Griffin hit, in early fringe), it has seen the ratings of its local news programs jump 60 percent. In New York, WCBS was languishing in fifth place during the access period with the locally produced *Two on the Town*. The station bought *Wheel* in March 1984 and soon was first, soundly defeating both *Family Feud* on WNBC and *Entertainment Tonight* on WABC.

WLS, ABC's Chicago outlet, was third in its market in 1984 when it bought *Wheel*—the first network-owned station to do so. General manager Dennis Swanson (now president of ABC Sports) put the show in access, replacing the last half hour of an extended newscast. By the next year, for a variety of reasons including *Wheel*'s value as a lead-out, the station had increased its local news ratings by half, putting it on top of the market. One reason *Wheel* has such a powerful lineup of stations today is that, in many cases, the program made them powerful.

If *Wheel* has been a boon to its local stations, it's been nothing short of El Dorado for King World and Merv Griffin Enterprises, its syndicator and producer. The program has showered King World and Griffin with the kind of instant winnings that one associates with . . . game shows. Before *Wheel*, King World was an obscure, family-run program distributor in Summit, N.J. For most of its two decades in business, the company's principal revenue source was its library of 101 episodes of *The Little Rascals*. The company was so small that during a low period it operated out of the King family kitchen. In 1982, the King brothers (who took over the company after their father's death in 1973) approached Griffin and bought the rights to syndicate *Wheel* for $50,000. On the strength of that investment, King's revenues shot up from $8 million to $80 million in two years. In December 1984, the company went public, and its over-the-counter stock became one of the hottest on Wall Street, jumping from $10 to $50 a share within a few months. (It then split two-for-one and is now trading around 40.)

Before *Wheel of Fortune*, most people assumed that Merv Griffin's contributions to American culture were limited to his long-running syndicated talk show and his recording of "I've Got a Lovely Bunch of Coconuts." But it was Griffin himself who dreamed up *Wheel*, and *Jeopardy!* before that. In operation since 1962, Merv Griffin Enterprises currently has five syndicated shows in production: *Wheel*, *Jeopardy!*, *Headline Chasers*, *Dance Fever* and the talk show. With *Wheel*'s success, its fortunes have soared, and this spring Griffin sold the production company to the Coca-Cola Company for $250 million.

"If you're going to have a hit, there's nothing better than a game show," says Stuart Hersh, King World's chief operating officer. A hit game show's economics are better than those of virtually any other business, except perhaps the cocaine trade. "Once you've done a successful game, unlike a sitcom or an adventure, it's almost like a cookie cutter," Hersh explains. "New shows can be produced in mass using the same set, so the costs are much lower."

Griffin produces an episode of *Wheel* for around $25,000, often shooting five a day, and this year, according to industry estimates, each new show will earn Coke's Griffin subsidiary and King World more than $650,000. (The Griffin operation takes about 65 percent and King World about 35 percent.) For the 195 episodes produced each year (another 65 shows are repeated to fill out the 260 episodes a station needs to strip *Wheel* for 52 weeks), that comes to more than $125 million—for

LOUIE ASIHOYOS

Blair Television's Levinton: His hunch has meant millions for the rep firm's clients that plugged *Wheel* into their prime-time access slots.

a show that costs about $5 million a year to produce.

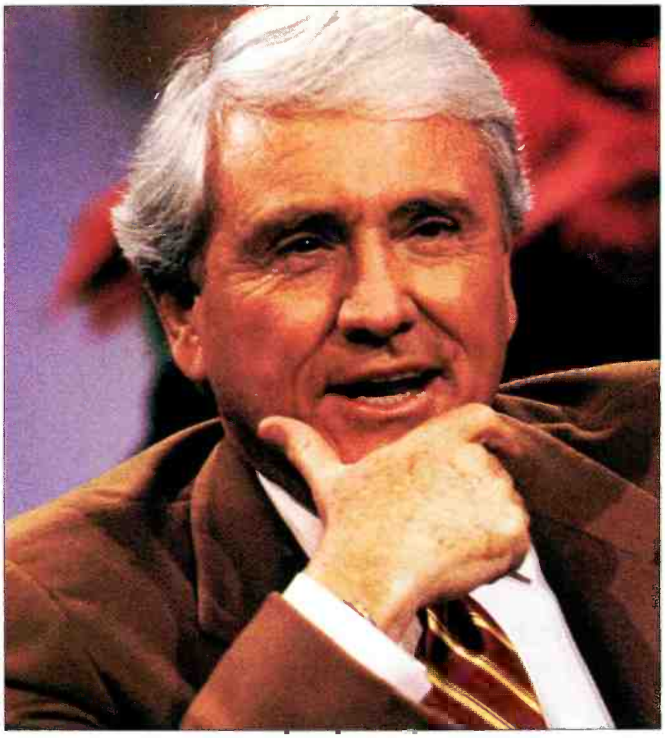
To a national advertiser, the syndicated *Wheel of Fortune* offers what amounts to a powerful fourth network, half an hour each weekday. That's because the two national 30-second spots King World sells in every episode represent an efficient alternative to expensive network time. Indeed, during its half hour, *Wheel* is actually a stronger network than NBC, CBS or ABC: It has more number-one stations in its lineup and its average weekly rating (21.6) is higher than that of the NBC prime-time schedule (17.7). Since syndicators typically sell their advertising time at a lower cost-per-thousand than the networks, the show is a boon to many national advertisers, who, at about $70,000 a spot, will spend a total of more than $40 million to advertise on the program this year.

All very impressive, but how long can *Wheel* keep it up? Probably quite a while. In the television jungle, game shows are the elephants. According to King World, the average life span of a game show that has survived its first three years on the air is seven years. Also, the curve of a game show's popularity is, according to Mike Levinton, usually a gentle one: Once *Wheel of Fortune* finally peaks (the February ratings indicate that hasn't happened yet), its decline will be gradual.

Clearly a hit game show is one of the great prizes in television, and one wonders if the success of *Wheel* and many of its imitators won't inspire one of the networks to try a game show of its own in prime time, where the genre once thrived. For a network struggling at 8 o'clock (like CBS) and willing to aim for the oldish audience that game shows usually attract, it could represent smart counterprogramming. The return of *What's My Line?* or *To Tell the Truth* to CBS's prime-time schedule may not be quite as farfetched as it first sounds.

Frankly," Mike Levinton admits today, "we thought *Wheel* would be good, not great. I don't think anybody foresaw what a phenomenon it would become." Indeed, even with the benefit of hindsight, it's hard to see what the big deal is. On first viewing, *Wheel* looks like pretty generic television: Tacky set. Plastic host. Canned music. Overstimulated studio audience. A garden-variety game show, circa 1965. Timing might account for *Wheel*'s doing reasonably well, even winning its time period. But how does a modest show like this get wired into the national consciousness?

To begin with, *Wheel* is remarkably well crafted. It incorporates the wisdom of 30 years of game show experience; though hardly innovative, *Wheel* is nevertheless state of the art. The first principle of that art is simplicity, and this show could scarcely be easier to learn. In inventing *Wheel*, Griffin says he was inspired by the traditional game of Hangman, which he and his sister played as children during long family car trips. Players guess the letters in a hidden word or phrase and "earn" money for each letter correctly guessed, the amount determined by a spin of the wheel. The puzzles consist chiefly of clichés known to everyone, with the possible exception of poorly briefed space aliens. (In a perfect illustration of televi-



Inventor of the *Wheel*: Griffin turned a variation on a children's game into a bonanza that prompted Coca-Cola to cough up $250 million for his firm.

sion's ecological self-sufficiency, Griffin comes up with many of the puzzles himself by watching TV and jotting down linguistic flotsam as it drifts by.) Are you familiar with the expressions "red carpet treatment," "over 40," "better luck next time" or even "wheel of fortune"? Then you're ready to play.

According to Levinton, the single most important factor in a game show's success is the degree of participation it offers the home viewer. This viewer found he could guess the solutions a moment or two before the contestants did, and that this intellectual feat felt pretty good. At least until you realize that the contestants have been chosen to obtain precisely that effect. They are not so slow that you get bored screaming "You can't teach an old dog new tricks" at the screen, or so swift that you feel inadequate. The producers of *Wheel* have accurately taken the nation's mental measure, and they're making 40 million Americans feel good about their intelligence every day.

Whoever solves the puzzle first wins the right to spend the money he or she has "earned" at the exceptionally well-stocked *Wheel of Fortune* "store." Here too the show offers viewers vicarious kicks. Since we at home actually solved the puzzle first and, were it not for a mere accident of space and time, would be up there shopping right now, we find ourselves deliberating whether the cat lithograph or the backyard grill makes more sense. *Wheel* has brought the pleasures of window shopping to television.

Supposedly, greed is the dirty little secret of game shows, but Levinton doubts that it's the key to *Wheel*'s popularity. One of the show's most welcome attributes is its relative decorum. Nobody screams, jumps up and down or otherwise visibly lusts after inanimate objects. Yet the prizes themselves offer an important clue to *Wheel*'s appeal. Traditionally, the game show gift has been fairly practical: the bedroom set, the washer-dryer, the American Tourister luggage—all the accouterments of the suburban middle-class lifestyle. By contrast, *Wheel* prizes are always the stuff of conspicuous consumption. The brand names come from Fifth Avenue and Rodeo Drive: Cartier, Tiffany, Van Cleef & Arpels. Contestants win gift certificates from Gucci instead of from the Spiegel catalog. Many of the prizes are strictly for show: $5,000 grandfather clocks and sets of gold-plated golf clubs "guaranteed to make an impression on the links." What contestants on *Wheel of Fortune* vie for are not so much valuable commodities as the outward symbols of contemporary success.

Each night, the show stages a cartoon version of President Reagan's "opportunity society" (which sounds a lot like a game show to begin with). Three contestants drawn from every conceivable walk of life "take their shot" in this exaggerated land of fabulous wealth, overnight success and, of course, equal opportunity. "Whose life will it change tonight?" intones the announcer in the promotional spot.

Of course, all game shows enact some such fantasy of making it, but none holds out a version of society quite as benign as the one conjured on *Wheel of Fortune*. On *Jeopardy!* or *Headline Chasers*, for example, you actually have to know something about the world in order to win, and some game shows—like the *$25,000 Pyramid*—actually test your mental and verbal agility. Still others (*The New Price Is Right*, or *The $1,000,000 Chance of a Lifetime*, where a table heaped with currency and guarded by two Pinkertons is a permanent part of the set) are Darwinian nightmares of self-interest and greed. These shows are harsh meritocracies—and much more elitist than *Wheel*. Then there are the shows where luck rules—*Card Sharks* and the raft of bingo-based extravaganzas coming this fall. But how meaningful is success if it depends strictly on a throw of the dice? Doesn't hard work count for anything?

In an era that sanctions greed and rewards speculation, it's not surprising that all these shows have found an audience. Yet none approaches *Wheel of Fortune*'s. That's probably because the social and economic rules that govern *Wheel* approximate most closely what most of us consider proper and just. As Horatio Alger knew, the American race did not go to the swiftest, but to the average fellow who was diligent and deserving. He also knew it wasn't really a race at all—according to the American dream, success does not depend on beating the other guy so much as making your own way. And in fact, *Wheel* is surprisingly noncompetitive. There are no clocks or buzzers, and no head-to-head competition. Everyone politely roots for whoever is "up" and each contestant gets to take his or her turn unmolested by host, clock or opponent. Nothing, however, is handed to you, as the *Wheel of Fortune* vocabulary makes it clear: You don't win, but "earn the right to buy a prize . . . at the actual retail prices." *Wheel* is the only game show on television to strike the proper balance between skill and luck, accomplishment and good fortune, or, in the Puritan vocabulary, between works and faith.

How seriously do audiences take all this? *Wheel*'s following by now is so large that, in addition to the dedicated game show fan, there must be a significant number of viewers for whom watching the show is at least partly an exercise in camp. Certainly hostess Vanna White's extraordinary popularity involves elements of irony and nostalgia. She's a throwback to *Let's Make a Deal*'s Carol Merrill, and to a time when men were men and women were girls. The whole show, in fact, is a throwback to '60s television. As game shows go, it's neoclassical, eschewing the baroque excesses of the '70s and the high-tech flourishes of most '80s games in favor of simplicity and decorum. This is a game show designed for people who grew up with television and spent days home sick from school being ministered to by Hugh Downs, Allen Ludden and Art Fleming.

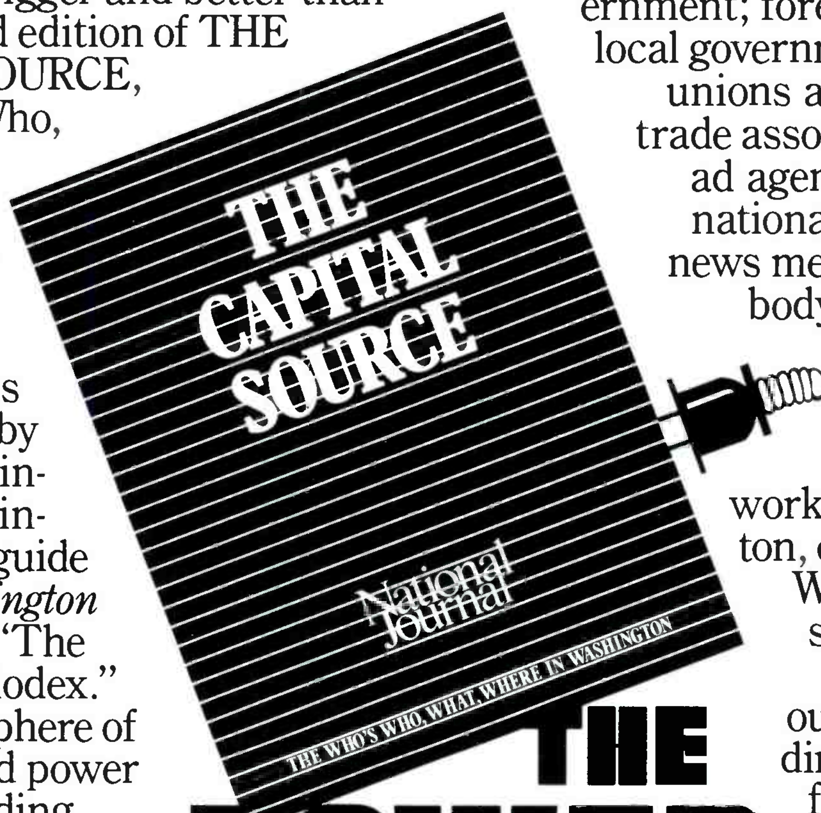
Like much of television in the '80s, *Wheel of Fortune* can be taken many ways—as nostalgia, as parody, as well as at face value. Pat Sajak's self-deprecating humor—the mild sense of absurdity he confides to us from time to time—and the studio audience's exaggerated oohs and aahs suggest that the whole experience is something less than entirely sincere. By dropping such hints of irony here and there, *Wheel of Fortune* gives its vast audience license to indulge in something many would otherwise consider beneath them. You don't have to admit you're getting off on the crude fantasies of success, or on Vanna White, this ridiculous antefeminist cheerleader. For you, it's camp. *Wheel of Fortune* lets you have it both ways. ●

The Complete Guide To The Washington Power Structure.

Now, your one comprehensive source for the names, addresses, and phone numbers of the people in power is bigger and better than ever: the 2nd edition of THE CAPITAL SOURCE, The Who's Who, What and Where in Washington.

THE CAPITAL SOURCE has been hailed by Washington insiders as an indispensable guide ... *The Washington Post* calls it "The Ultimate Rolodex." And as the sphere of influence and power keeps expanding ...so does THE CAPITAL SOURCE. In the newly revised and expanded 2nd edition, you'll find *more* comprehensive listings, not only of the government and its myriad agencies, but of all the influential corporate, professional and media organizations as well.

THE CAPITAL SOURCE's quick-reference, tabbed sections cover all three branches of the Federal government; foreign embassies and local government; corporations, unions and interest groups; trade associations, law firms, ad agencies and PR firms; national, foreign and local news media; in short, everybody who's anybody in Washington.



THE POWER SOURCE

If you work in Washington, or deal with the Washington power structure, you can't afford to be without this one-of-a-kind directory. Call or send for your copy today.

CALL TOLL FREE 1-800-424-2921 TO ORDER. In Washington call (202) 857-1400.

Please send ______ copies of *The Capital Source* @ $15 each. (For 10 or more copies, call for special bulk rates.)
FOR FASTER SERVICE, CALL TOLL-FREE 1-800-424-2921

CS9

Name ______ Address ______

City ______ State ______ Zip ______ Phone ______

☐ Check enclosed ☐ Visa ☐ Mastercard ☐ American Express

Acct # ______ Exp. date ______

Signature ______

D.C. residents add 6% sales tax.

MAIL TO: NATIONAL JOURNAL, 1730 M St., NW, Washington, D.C. 20036

National Journal
What the Leaders Read.

This Is War—Radio War!

Airwaves Rocked by Drive-Time Blasts.

by James Traub

Gung ho! WHTZ's Scott Shannon gets ready for battle at The Morning Zoo's bunker. His objective: to regain the top spot among New York's pop-music radio stations.

It was supposed to be a joke, another one of those early-morning pranks that have made radio in New York City so lively over the past three years. In the middle of his show one Thursday early this year over FM station WHTZ, Scott Shannon, WHTZ's acerbic DJ and program director, interrupted his own chatter to announce: "Radio Z-100 is WHTZ—write that down. And especially if you're involved in a radio survey, tell them that you're listening to us every day, and that you've got 11,000 people living there. Tell them you listen to us 24 hours a day."

There was laughter in the background, but not everyone was amused. Across town, at archrival WPLJ (FM), program director Larry Berger had been tipped in advance to Shannon's remarks, and had instructed his research staff to record the WHTZ show. Six weeks earlier, the Arbitron rating service had announced that WPLJ had overtaken WHTZ to become New York's top-rated pop music station, ending a two-and-a-half-year ratings battle between the two stations. But Berger had more than commercial reasons for eavesdropping on the competition. For months, WHTZ had been taunting him personally—at one point, Shannon called him "Larry Bugger" on the air—and now Berger sought his ultimate revenge. A few days later, after Shannon repeated his "write that down" announcement on the air, WPLJ sent its tapes with a cover letter to Arbitron.

On March 31, Arbitron announced that the tapes sent over by WPLJ provided "convincing" evidence that WHTZ had violated the service's "ratings-distortion" policy, and that it was formally "delisting" WHTZ from its 1986 winter ratings—the first time a New York station had been banished from Arbitron's books. In April WHTZ's owner, the Malrite Communications Group of Cleveland, Ohio, retaliated in federal court, suing Arbitron for breach of contract and WPLJ and its owner, ABC/Cap Cities, for defamation. By mutual consent, ABC/Cap Cities and WPLJ were dismissed from the suit. A U.S. District Court judge found that WHTZ had engaged in a "technical" violation of Arbitron's ratings policy but that delisting was an overly harsh remedy. Arbitron agreed to put Z-100 back in the winter rating books. During the uproar over the incident, many broadcasters applauded Shannon for poking fun at Arbitron and bringing new life to New York radio, while others believed that he had shot himself in the foot.

It's hell out there in radio nowadays—and not only in New York. The competition is more than fierce, it's almost rabid. Television stations are playing croquet by comparison. Radio is just more volatile. As in every major market in the country, stations that fall behind throw off their unsuccessful format and emerge the next day with a completely new identity. One New York FM station with a faltering disco format (WXRK) switched to "adult contemporary," switched again to rock and then further sharpened its image by hiring the infamous DJ Howard Stern only weeks after he'd been fired by WNBC following a history of off-color remarks. Several minutes after beginning his new morning show, Stern declared: "This is war—radio ratings war!"

Radio has always revolved around station rivalries, but animosities like these go a lot deeper than the insults exchanged between early-morning DJs. Nationwide, advertisers spent roughly $6.6 billion on network and local radio programs in 1985, the lion's share of it directed at desirable, affluent metropolitan audiences. In New York alone, advertisers are pouring some $225 million into the 55-station market this year. The Los Angeles advertising market is the largest, with $250 million spent annually. The vast majority of local stations deliver relatively narrow, "high-target" audiences that are insignificant in the overall ratings figures. But for the handful of stations that elect to compete in radio's "prime time"—the 6 A.M.-to-10 A.M. morning-drive-time slot—the stakes are enormous. In such major markets as New York and Los Angeles, a one-point change in the ratings can hike a station's advertising revenues as much as $2.5 million a year.

James Traub is a contributing editor of Channels.

Numbers like these are driving a powerful change in radio. Theoretically, any station with a strong signal can undergo an overnight format change and dramatically increase its ratings. Literally dozens of stations in major markets have done just that over the past few years. The trend has turned once-sleepy Muzak and country-western stations in far corners of the nation into hot properties, eagerly pursued by independent investors and media conglomerates alike. Last year, one out of every eight radio stations across the country changed hands. Station prices are skyrocketing and all the old formulas about audience loyalty have been shattered. "Many major markets in the country are witnessing two or three major format changes a year," says veteran radio executive Gary Stevens, first vice president at Wertheim and Company. "And the American radio audience is adjusting. Listeners are flipping their dials every morning to find what's hot—today. Tomorrow it may be a completely different station."

At the moment, the nastiest, most turbulent battle is the one between New York's WHTZ, known as Z-100, and WPLJ, which calls itself Power 95. "Listen to them and tell me what's so powerful about that station," says a disdainful Dean Thacker, station manager at Z-100. Joe Parish, his opposite number at Power 95, says, "They're bad for radio."

The New York format war began in June, 1983, when WPLJ switched from its previous "album-oriented rock" programming to Top 40, a.k.a. "contemporary hit radio." (Album-oriented rock, or AOR, features long cuts from rock album classics, regardless of their current popularity, while the Top 40 format concentrates on popular singles of the day, according to a constantly changing list.) To the highly analytical Larry Berger, the move made perfect sense. At the time, the rock format had become increasingly fragmented by the rise of disco and adult-contemporary stations, which played folk music and soft rock. To a generation of teens raised after the 1960s, the moral and political overtones of the old rock had lost much of its vitality. Besides, the phenomenal crossover success of Michael Jackson's "Beat It" single proved, Berger says, that "the old album-oriented-rock head was not as exclusive as it used to be." Jackson appealed across all lines of race and age.

So on June 23, 1983, Berger told station manager Parish that it was time to change over. The station's audience was growing ever more teen heavy, and advertisers eager to reach adults were losing interest.

The format change soon yielded rich dividends. Until then, WPLJ had attracted an audience that was "96.7 percent white male suburban," according to Parish—an almost mathematically impossible degree of homogeneity. But after the change, its ratings faltered only slightly while it quickly picked up more women, minorities and urbanites—exactly the idea. Inevitably, a few rock elitists expressed their pique.

"We had letters signed in blood, we had bomb threats," sighs Parish, a spiffy, relaxed executive who looks as if he could take a bit of hate mail in stride. "The

PHOTOGRAPH BY CHUCK SOLOMON

ABC

WPLJ's Larry Berger made trouble for his rivals by sending a tape of their antics to Arbitron.

When Berger changed formats, his station got bomb threats, letters signed in blood—and number-one ratings.

thing that hurt me most, though, was the letters from the kids. Teenagers use radio as a companion, and we broke their hearts when we stopped playing the traditional groups. But we had to do this—it was a straight business proposition."

Today's PLJ is the classical music station of hit radio—amiable, unobtrusive, seamless. "Elevator music," snorts rival manager Dean Thacker. The station prefers DJs who blend into the musical woodwork, and the music is the hits—big, beautifully blended numbers from which, every once in a while, a few words emerge. The hits are played on a regular rotation, so that one hour closely resembles another. And, because this is New York, the music has a substantial "urban" (read "black") content, reflecting an important target audience of the station.

Within the trade, PLJ is considered a model of business execution. Advertisers praise the sales staff's flexibility, and watched with pleasure over the past two and a half years as Power 95 steadily rose through the ratings and then reached the top in January, readjusting advertising placement decisions around town. Said one major advertiser, "Bless those nice people at PLJ. The entire buying community was thrilled."

During that same summer of 1983, executives at Malrite Communications of Cleveland, which owns radio and television stations in Florida, Texas and California, had also noticed the Top 40 void in New York. The firm bought a virtually invisible jazz station in New Jersey, WVNJ, which had just increased its broadcast range by acquiring antenna rights across the river, atop Manhattan's Empire State Building. Malrite spent $12 million upgrading its hardware and hiring staff, preparing to take New York by storm as a new station, Top 40 WHTZ. Dean Thacker was shipped in to run it from WMMS, Malrite's highly successful AOR station in Cleveland. From Tampa came the notorious Scott Shannon, DJ and program director at the country's highest-rated Top 40 station. In Tampa, Shannon had replaced the solo morning DJ with a concept known as The Morning Zoo, a group of wackos working together to create a dense web of irreverent chatter, trivial details, wisecracks and whoopee sounds laid against a background of music.

When Shannon brought the The Morning Zoo to New York, one month after the format change at rival PLJ, the shock waves flattened half the radio stations in town. Seventy-four days after it opened at number 28 in the market, WHTZ was number one. That was fast even for Top 40 radio, where a quick dash to the top is not unusual among a teen audience that exhibits relatively little brand loyalty. But HTZ sustained its success. By the middle of 1984 the station was reaching a staggering—for New York—7.2 percent share of the entire listening audience, and 28.1 percent of teens. Until January of 1986, WHTZ had relinquished the ratings throne but once. Z-100's Scott Shannon—never one for modesty—declares, "Larry Berger programmed in this market, what, 10 or 15 years? He was never number one until now. I've been here two and a half years and I've been number one five times."

One recent morning the Zoo's guest was singer Ray Parker Jr. ("Ghostbusters"). To set the tone for the show, Parker told the audience that, having read that toilet time is usually wasted, he now likes to write in the bathroom, and that he's going to buy a Mercedes 560 SL with red rattan seats. "Ray, we love you, we think you're gorgeous," says a squeaky teeny-bopper on the phone who wants to start a Ray Parker fan club. Another caller: "D'ya think we could meet somewhere after your concert? I'll pay for the taxi." Good-bye. Call up and win the Z-100 $5,000 magic-song contest. And here's Joanne from Farmingdale, who's just won. She's laughing; she's weeping. The Morning Zoo is an ocean of emotion. "Thank you for making us the hottest radio party in history!" Shannon exclaims.

WHTZ's Scott Shannon brought good times to New York radio but shot himself in the foot.


CHUCK SOLOMON

When Shannon brought The Morning Zoo to New York from Tampa, the shock waves flattened half the stations in town.

What we have here then are two radio stations owned by media firms with plenty of money and commitment, staffed by executives with impressive track records, arriving simultaneously on the same piece of turf. Tough, man-to-man competition is not only to be expected, but hoped for. But mean-spirited accusations? WPLJ grew up in New York playing by the old-fashioned rules of gentlemanly sport. And propriety of this sort presents an irresistible target to an out-of-towner like Shannon. To his way of thinking, WPLJ is simply "WIMP radio."

WPLJ station manager Parish bristles at these attacks: "I don't find Scott Shannon all that amusing. He doesn't have one iota of the native intelligence that Larry Berger has. Shannon made a mistake by going into character assassination. We'll do anything legally to kick his ass."

The beat goes on—charge, countercharge, to petty dispute. Meanwhile, Z-100 is shifting tactics, switching from the frontal attack to the flanking maneuver. Larry Berger's name is rarely heard on the air these days. "There's not much you can say about a station when it's number one," Shannon concedes. In fact, the rogues at The Zoo have been instructed to tone down their act, if only a bit. The new key word at HTZ is, of all things, "self-discipline."

Z-100 manager Dean Thacker has a new metaphor—pastoral and nonviolent—for the next phase of competition: the turtle and the hare. It's an odd choice, given that the hare is famous for poor tactics. HTZ is going to clean up its act a bit, but it's not going to shed its feisty style.

"The hare got sidetracked," says Thacker. "He stopped off to flirt with the cheerleaders. But using a little self-discipline, the hare, with his natural abilities, would have cleaned that turtle's clock. And Aesop would have been just another Greek." ●

The Big Apple Battleground

WPLJ and WHTZ are not the only stations vying for dominance in the Big Apple. New York's 55-station market offers a format for every listening taste—and abundant choices for advertisers. "Demographics is key," says Ken Costa of the Radio Advertising Bureau, who has followed radio ratings for 25 years. "For many advertisers, it's not how many, but who."

Indeed, the Arbitron rating service measures so many formats and audience groups that, at first look, the market appears to be impossibly fractured. In pop music, for example, the most general audience category is listeners aged 12 and up who tune in between 6 A.M. and midnight, Monday through Sunday. Here, the most recent ratings show WPLJ at the top with 6 percent of the audience, followed closely by WHTZ and WRKS (an FM "urban-contemporary" station), each with a 5.5 percent share.

WPLJ's dominance is restricted to the pop music format, however. During the all-important morning drive time (weekdays, between 6 and 10 A.M.), all-news WINS (AM) and talk radio WOR (AM) dominate the overall audience, with WPLJ and WHTZ capturing third and fifth places, respectively.

The most sought-after "demographic break" for national advertisers is the 25-to-54 age category. Here, WINS is again on top in the morning drive time, followed by WNBC (AM, adult contemporary) and WPLJ. Michael Schwarz

The Charlex Look

Video's Hippest Production House Breaks All the Rules.

by E. Graydon Carter

New York's West 45th Street just off Fifth Avenue is a block fervent with noise and midtown bustle, an unfashionable strip of delicatessens and electronics stores. Seven floors up from the din of the street is a tranquil suite of offices that seem plucked from the movie factories of California. Platoons of young engineers and video artists course through hallways painted in cool pastels. If there is a uniform, it is blue jeans and Reeboks. This is Charlex, the production facility where for the past nine years Charlie Levi and Alex Weil have been creating nothing less than video magic.

The Charlex look is singularly different and instantly recognizable. The distinctive TV ads and music videos the company produces, with their kaleidoscopic color and their dense yet crystal-clear imagery, have redefined the medium. "We approach the stuff more like kids than scientists," says Weil. "We ignore every technical mandate to have fun with our toys."

Theirs is a world where a Jell-O box becomes a wave ridden by a lone surfer and where Whistler's mother straddles a motorcycle. Beginning with their innovative television campaign for the *National Enquirer* six years ago, Levi and Weil have created the most talked-about television on television. Their surreal video for The Cars' 1984 hit "You Might Think" won almost every major video award that year. And with their introductory montage for *Saturday Night Live* and their recent spot for Cherry Coke, the two partners have rewritten the rule book for an entire industry.

"They have really opened up the possibilities in advertising," says Charlie Ryant, co-creative director of MCA Advertising, which hired Charlex to do its White Mountain Cooler ads. "It's all in the way they use

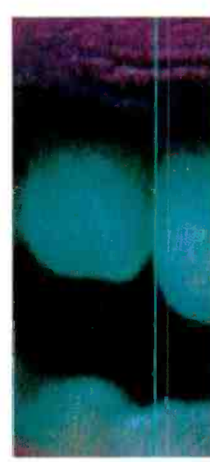
E. Graydon Carter, a former writer at Time *and* Life *magazines, is the editor of the new New York satirical monthly,* Spy.

Darting between the dials in the company's New York editing suite, a video editor applies that special Charlex touch, invented by cofounder Alex Weil (left).


cherry
Coke


EYEWITN
S NEWS


Suga
Fre
JELL-O
gelatin



people in these fantastic animated backrounds."

When Levi and Weil started, there was virtually no such thing as a video production house. Today, there are more than a 100 video companies in New York alone. With $10 million a year in billings, $7 million worth of new equipment and about 50 employees, Charlex is now the biggest video post-production house in New York. The complex nature of Charlex's work has brought comparisons to Disney's cell animation.

Charlex (for Charlie and Alex) grew out of a friendship that began at Johns Hopkins University in Baltimore 18 years ago. After dropping out of Johns Hopkins, Weil worked at a bank on Long Island and Levi drifted around the fringes of the film business, winding up at a tiny Manhattan video production house. Weil eventually left banking and joined Levi at the production company. A year later, they formed Charlex as a means of supporting themselves and a rock band they had formed with friends. When the band was dissolved, Levi and Weil began giving Charlex their full attention. Now the two often work 20 hours a day, holding together the hottest, most innovative video production house in the business.

Their videos have won them recognition, but Levi and Weil's bread and butter has long been their work in animatics, the prototype commercials that take the form of the animated story boards advertising agencies use to pitch ideas to clients. One of five or so production companies that pioneered the field of animatics, Charlex is now considered the leader in its field. Levi and Weil's first job ever was a $1,000 animatics ad for Ocean Spray. Since then they have created literally thousands of preliminary ads for clients such as Polaroid, Crest, General Electric, Bass Weejuns, Honey Combs cereal, Diet Pepsi and Blue Bonnet Butter Blend. "Instead of doing one commercial a month like a general production company," says Levi, "we would do 50. Sometimes it would only take us a couple of hours." Their original animatics pitch for the *National Enquirer* account so captivated executives at the Compton ad agency that dandied-up versions of the animatics were used for the ads themselves.

The hallmarks of a Charlex creation are its owners' very hip sense of humor, their ability to blend wildly disparate images and their fanatic devotion to detail. They often spend far more time on an ad than a client is willing to pay for, and then cover the extra costs themselves. Some sections of their Cherry Coke ad required 50 hours of production work per second. "The details are everything," says Levi. "When you do a video it has to have enough elements of the real world—the right shadows, glares and things that bounce the way they do in real life. Then it becomes interesting and cool."

Breakthroughs in video technology have enabled Levi and Weil to more closely duplicate the designs of their own imaginations. Two pieces of equipment have been key. The electronic paint box, developed only three years ago, transformed the look of video almost overnight. It is a sort of visual synthesizer through which the artist can originate images, retouch them, change their color and make them move. The Abekas, an 11-year-old machine used to record and store pictures and film, is capable of reproducing infinite generations of a single image without a loss in quality.

Each Charlex frame is a playful cameo requiring painstaking work. Here, Cherry Coke rides a dragon's tail, Chuck Berry rocks across a station logo and a surfer rides a Jell-O wave. A singer drills for gold in The Cars video.

Video images are endlessly manipulated on the paint box (above). Cofounder Charlie Levi (below) no longer works banker's hours.

'We're basically two easily bored boys having fun with our toys.'

The opening montage Levi and Weil developed for *Saturday Night Live* became, in effect, an advertisement for their own talents. So different was it from the introduction of any other show on television that it is remembered as much as the show's cast. The opening was a whimsical video version of New York City: of Martin Short picking up a telephone receiver cradled atop the AT&T Building, of Rich Hall lighting his cigarette from the Chrysler Building and Christopher Guest using Yankee Stadium as a bathtub.

The *SNL* montage was produced in just two weeks, during August 1984. Dick Ebersol, then executive producer of the show, happened to see the video Charlex did for The Cars that featured a giant woman roaming about a city and wanted them to do something similar to introduce his program and cast. "Ebersol wanted to have giant people striding across New York City, only he wanted it to be funkier than The Cars' video. All the ideas were ours and they had some veto power. They rejected, for instance, an idea we had to use the Guggenheim Museum as a toilet." The whole montage was done electronically with film and retouched photos. The bill was just $30,000.

Charlex has succeeded because its founders treat video with the respect normally reserved for film and have put in more than seven years of 16-to-20-hour days. "Whatever success we've had," says Levi, "is not the result of a clever idea so much as the product of two guys who just worked their asses off." The partners, both divorced, are trying to separate themselves from some of the company's day-to-day details and to shorten their workdays to ten hours. But that is a schedule that will likely be elusive. Now, with the technology already on the way that will enable them to transfer their work on video to film, Levi and Weil have been talking over plans to open a second facility in a place where they are likely to find themselves right at home—Los Angeles. ●

After comedian Harry Shearer left the *Saturday Night Live* cast, the opening montage continued to show him spraying a toy subway car with graffiti. The Charlex lead-in was already considered a video classic and nothing could be changed.


Manhattan
Queens
Brooklyn

1. What are the three notes of the NBC chimes?

NBC SIXTIETH ANNIVERSARY QUIZ

This year NBC celebrates its sixtieth birthday. A good time to reflect on all the memories we've shared... from the golden days of radio...through the pioneering years of television... right up to the present.

Each one of us has his own special reminiscences of NBC Radio and Television. A generation or so ago, people stayed in Sunday nights to listen to Jack Benny. Just as later the "Star Trek" faithful wouldn't go out on Fridays, and currently Bill Cosby fans stay at home on Thursdays.

We've even given the language some colorful souvenirs of our programs. Remember "Who knows what evil lurks in the hearts of men," or "Just the facts, Ma'am"? And how about "Sock it to me!"

As part of our 60th, we thought it would be fun to find out just how much of an authority you are on NBC. So sharpen your pencils and your memory, fill in the blanks, tear out the ad and mail it to:

NBC 60th Anniversary Contest
c/o Ventura Associates
P.O. Box 602
Lowell, Indiana 46399

There will be sixty winners who will receive a replica of the NBC Chimes, circa 1950.

Look for answers and winners' names here in August.

CONTEST

Winners will be determined in random drawings from all correct entries received. If there are insufficient entries with all correct answers winners will be determined from all entries with the most correct answers to the quiz. Sweepstakes are under the supervision of Ventura Associates Inc., whose decisions are final. Contest open to residents of the U.S. except void where prohibited by law. Employees and their families of RCA, NBC, their affiliates and their respective advertising and sales promotion agencies and Ventura Associates, Inc., are not eligible. Winners will be notified by mail and will be required to sign and return an affidavit of eligibility within 14 days of date of notification. No substitution for prizes and no duplicate winners. All Federal, State and local rules apply. Odds are determined by the total number of correctly answered entries received. Drawings will take place within one week of final receipt date. No purchase necessary. Only one entry per person. Entries must be received by June 30, 1986.

2. In 1949, who hosted the very first telethon, which was for the Damon Runyon Cancer Fund?

3. What was the real name of TV's "Mr. Wizard?"

4. What year did Toscanini make his television debut?

5. Who was Groucho Marx' announcer on "You Bet Your Life?"

6. What year did "Jeopardy" debut?

7. Red Barber called the first major league baseball game on TV in 1939. Which teams were involved?

8. Who told us to "See the USA in a Chevrolet" each week?

9. Freeman Gosden and Charles Correll were "Amos 'n Andy" on radio. What was the name of their local lodge?

10. Who played the gym teacher on "Mr. Peepers?"

11. Name the Democratic and Republican presidential candidates nominated at the first conventions covered by the team of Huntley-Brinkley.

12. What was Lowell Thomas' famous 4-word sign-off?

13. Who were the neighbors on the "Burns and Allen" radio program?

14. What did "U.N.C.L.E." stand for?

15. Who played Dr. Gillespie on "Dr. Kildare?"

16. Bill Cosby was the first black actor to play a leading role in what prime time series?

17. Who was the Texaco Fire Chief who dispensed "Gasaloon?"

18. What was the cook's name on "Bonanza?"

19. Bob Hope made his NBC Radio debut in the early 30's as a guest on a popular singer's program. Name the singer.

20. From which city did "Kukla, Fran and Ollie" originate?

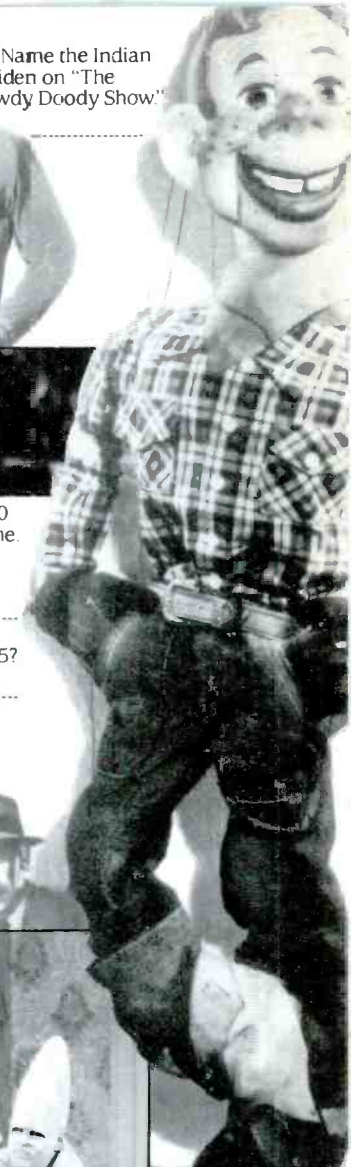
21. What was the first sports event to be heard coast-to-coast on radio?

22. Who played Scotty on "Star Trek?"

23. Who was Dave Garroway's announcer on "Today?"

24. Who hosted the "Camel News Caravan?"

25. From what planet were "Saturday Night Live's" Coneheads?



26. Name the Indian maiden on "The Howdy Doody Show."

27. Dr. Joyce Brothers won $64,000 on the quiz show of the same name. She answered questions in what category?

28. Who was at the mike for NBC when Henry Aaron hit homer #715?

29. What show did "Broadway Open House" become?

30. What was stamped in stone at the end of "Dragnet?"

60
NBC SIXTY YEARS

Invasion of the People Meters

The old Nielsens are down for the count. But are the new ratings any better?

by Michael Couzens

From television's earliest days the A.C. Nielsen Company has divined the networks' winners and losers through a system of audience research that is the industry's—and the world's—received Gospel. Programs thrive or die by Nielsen's precious digits, careers are made and broken and stock prices rise or fall according to the weekly ratings. Such is Nielsen's power that it not only keeps the score in the network competition, it actually produces the score. Today, however, the company that has run its head-counting service like a public utility is scrambling just to survive, and may become a casualty of the explosion in communications technology.

Nielsen's troubles have been long abrewing. Like most firms that enjoy a monopoly, however, Nielsen was the last to recognize the dangers threatening it from all sides. First, the new forms of television that have radically altered the television landscape since the 1970s—cable and home video recorders, principally—severely taxed Nielsen's research techniques, raising doubts about its ability to adapt to a rapidly changing industry and society. Then a new competitor in the ratings business, AGB Television Research of Great Britain, invaded America with a new, sophisticated device colloquially called a people meter, which purports to provide more reliable demographic information than Nielsen's antiquated, handwritten viewing diaries filled out every week by sample households.

And now, while struggling to meet these challenges, Nielsen is caught in an acrimonious crossfire between its two best customers—the three networks and the major advertising agencies—who have reacted to the new people meters quite differently. The networks are demanding that Nielsen stick to its tried and true diary system for at least another year, while the ad agencies are pushing hard for immediate conversion to a people meter ratings system. Nielsen's hastily developed new system is virtually a knockoff of AGB's, and now it wants to rush it into service by the beginning of the fall television season in September, a year ahead of rival AGB. But in so doing Nielsen has maneuvered itself into an uncomfortable and potentially crippling position. If it yields to the networks and postpones its people meter survey for a year, it will face a head-to-head contest with AGB, which could result in its getting clobbered out of existence.

Behind the fracas is one salient finding of the people meter tests. People meter surveys conducted by both Nielsen and AGB show prime-time network viewing to be as much as 10 percent below what traditional Nielsen surveys using the diaries reported. This suggests either that Nielsen's old methodology has been inflating network viewing all along, or that the people meters still need refining.

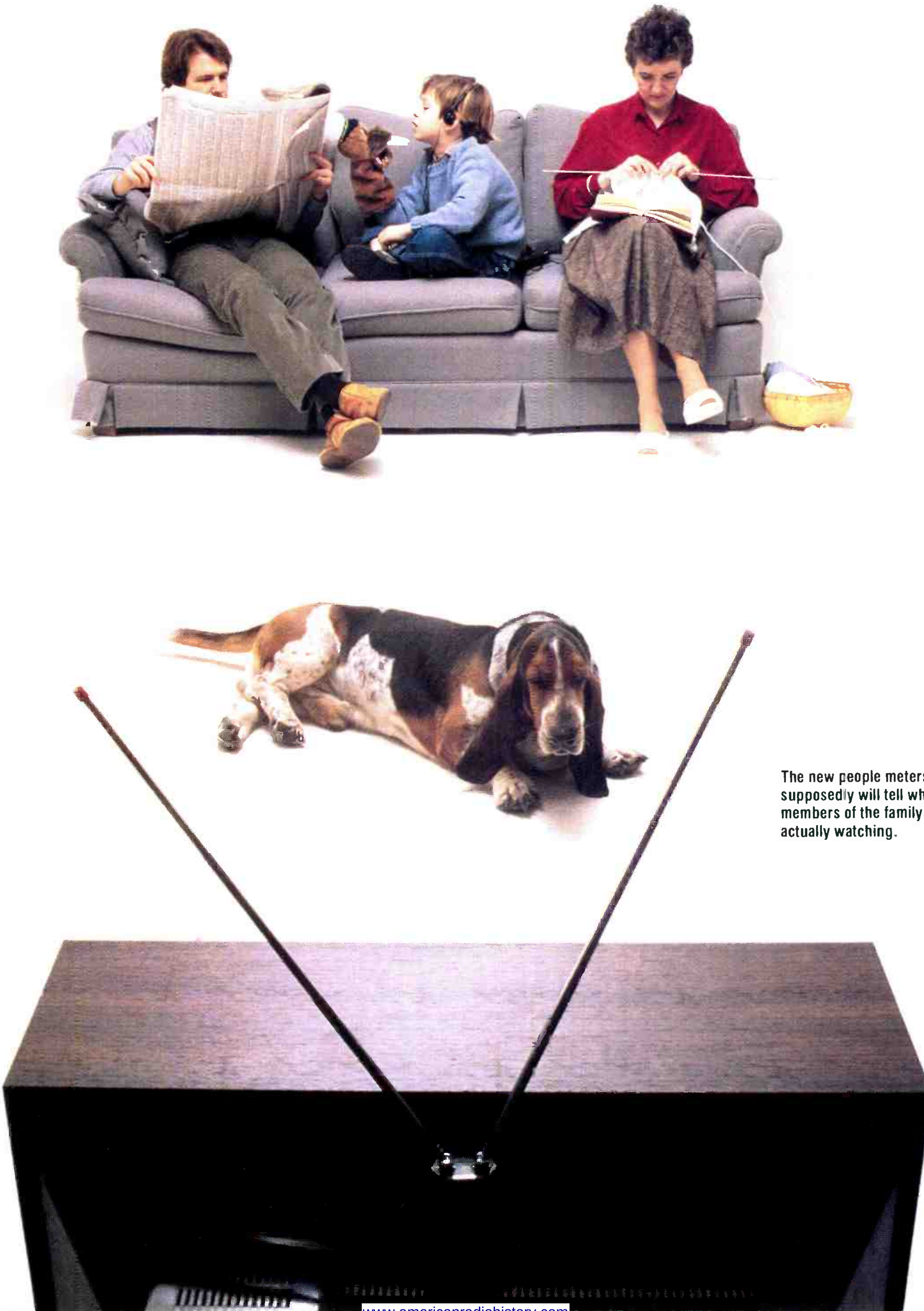
Some $500 million in network advertising billings rest on this single question. If people meter ratings this fall continue to show that network audiences are declining, advertisers will pay substantially less for spots than before, and the networks will have bigger headaches than those already brought on by a slackening advertising economy.

The pressures on Nielsen will be especially intense this month, when advertisers begin the process of "upfront" buying at the three networks for the 1986-1987 television season. The "upfront" buyers are the first ones in, making sure they secure the programs and time periods that best serve their needs. In the past, the buyers and sellers of network time worked from a uniform standard: the Gospel according to Nielsen. Now the networks want to sell by one standard—diary-gotten research—while advertisers prefer to use another—the new people meter reports.

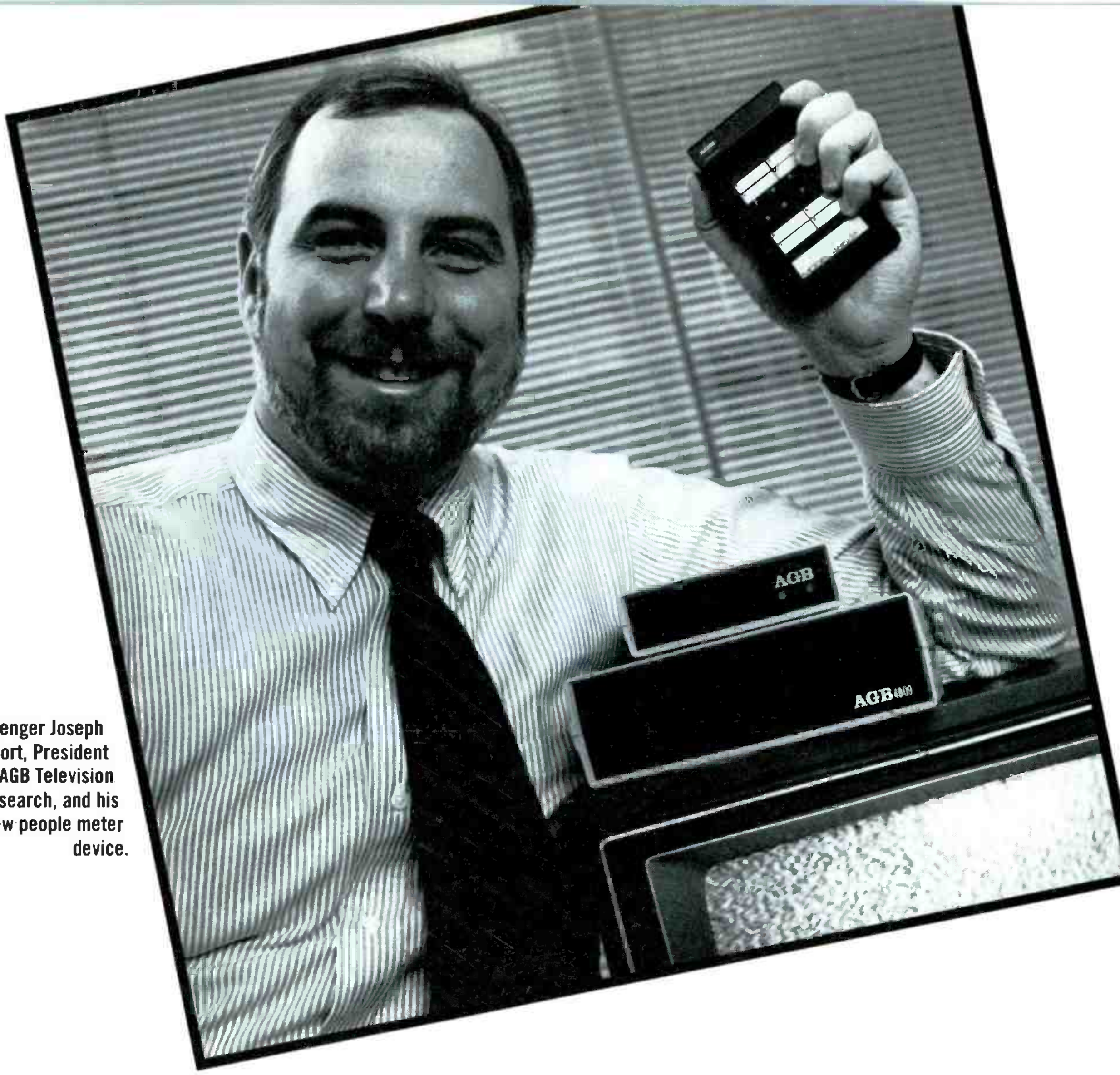
This confusion and the realization that the television business may have been relying on inaccurate ratings for years have introduced an almost intolerable degree of uncertainty into the $20 billion television advertising business, of which the networks collect about half each year. Up to now, Nielsen's ratings monopoly was the glue that held the television

Michael Couzens, a former FCC attorney, now lives in San Francisco.

PHOTOGRAPH BY CARL FISCHER



The new people meters supposedly will tell which members of the family are actually watching.



Challenger Joseph Philport, President of AGB Television Research, and his new people meter device.

JOYCE RAVID

advertising business together, and all the major players had a stake in its findings. The networks were happy, not only because Nielsen's polling methods were weighted in their favor, but also because of the appearance that the essentially ephemeral product the networks delivered—television viewers—was being accurately quantified under a uniform national standard. The advertising agencies, whose hefty commissions were based on the price of the air time they bought for clients, also prospered under the system. And of course Nielsen itself thrived. Its ratings monopoly gave it weekly publicity and lent credibility to its far larger business of market research for consumer products.

Those blissful days are gone, perhaps forever. The major ad agencies, concerned with halting the steadily escalating cost of network advertising, are applying pressure on Nielsen directly, and indirectly by signing contracts with AGB as a means of forcing Nielsen to convert to meters. (To date, AGB has signed contracts for its people meter research with six New York ad agencies that account for 30 percent of network time buys. They are Young & Rubicam, BBDO, Grey Advertising, Ted Bates, DMB&B and N.W. Ayer.) The networks, which stand to lose millions from any ratings system that shows that their audience has shrunk, are pressuring Nielsen to submit people meters to more testing. Because the networks pay the largest fees to Nielsen, they may prevail for the moment, but they probably will not succeed in delaying the introduction of people meters much longer than a year or two.

"In its own way, it's all very American," says Percy Tannenbaum, director of the University of California's Survey Research Center at Berkeley, and a recognized authority in the ratings field. "In the ratings business, all you need is to be *known* as more accurate, not actually to be more accurate." Instead of assuring accuracy, the high fees paid to ratings companies sometimes only guarantee bias, usually in favor of the highest-paying client. Says Tannenbaum, "We are dealing here with a business where the network client doesn't care about the things you and I care about. They are not buying accuracy. They're buying credibility."

While many television executives predict that only one ratings company can survive the current fray, the more important question should be whether the new people meters will significantly advance ratings accuracy.

"The current ratings system has served the sellers and buyers well for 30 years," says William Rubens, vice president for research at NBC. "The only reason to discard the diaries is that their replacements represent an improvement in audience measurement accuracy. But do they? And how do we find out?"

Since television's crude origins in the 1930s, a variety of firms have queried audiences and reported their results to station owners and advertisers. But the question of whose figures would be accepted nationwide did not become important until the early 1950s, when commercial television emerged as an important new vehicle for national advertisers and the network system was born. Arthur Nielsen Sr. quickly achieved dominance in television ratings after he acquired the Hooper Ratings Company and began polling television audiences. The Nielsen Company soon proved remarkably adept at deflecting the frequent attacks on its methods. (In local markets, Nielsen still competes with the Arbitron ratings service.) After 1963, when Congressional hearings unearthed several deficiencies in Nielsen's rating system, the company's methods underwent continued improvements and were subjected to endless "validation" studies that have lent the ratings a combined aura of authority and mystery.

From the beginning, however, Nielsen's polling methods were biased in favor of the networks. According to Hugh Beville Jr., the preeminent historian of the ratings, in the early 1950s the issue of network penetration in a local market was more important than the popularity of any given show. Nielsen's early reports were compiled by metering households in nine metropolitan markets where each network had a VHF affiliate. Ever since, Nielsen's main thrust has been determining the comparative standings of the big three networks. In recent years the inroads of cable and the VCR have eroded network audiences and demanded more specific information from the ratings. Yet even after Nielsen was acquired by Dun & Bradstreet in 1984, which gave it abundant resources to address the problem, the service failed to adjust its methods to the changing marketplace.

Nielsen's national ratings are obtained by a relatively straightforward sampling system that employs meters and diaries. In a sample of 1,700 households nationwide, respondents' television sets are wired to an "Audimeter," which records set use and the channel to which the active TV set is tuned. The meter is accurate but not very smart. It cannot tell who, if anyone, is viewing, and is therefore unable to provide advertisers with vital demographic information for each program.

For this, Nielsen created a separate national panel of diary keepers. The diary panel is continually rotated and usually averages 850 respondents per week. Each diary family is carefully instructed to record in a printed ledger the age and sex of each family member watching when the set is on. These books are then sent to Nielsen. Theoretically, the diaries produce accurate audience demographics to supplement the meter panel results, and to assure quality control, television sets in diary households are outfitted with a simple "Recordimeter," which keeps a crude log of the amount of time the set is on.

In practice, however, the diary results have always been suspect. In most diary families the housewife compiles the daily reports, usually one or two days after the viewing occurs, often on the basis of secondhand reports from family members. Accuracy is further diluted by the tendency of respondents to remember big blockbuster shows heavily promoted by the networks while forgetting programs they may have watched on independent stations or cable. As a scientific method, the diaries leave a lot to be desired.

After Nielsen collects the meter and diary data from its two panels, the company combines them into one report, and that becomes the fabled ratings. There have been a number of problems with this methodology, principal among them Nielsen's assumption that while the meters accurately recorded the *amount* of viewing, the diary records are open to interpretation. In fact, the diary reports are somewhat enhanced. Usually, the weekly meter and diary results don't agree, so Nielsen simply enlarges the diary reports by whatever multiplier figure is required to make the data agree with the meter results.

For a variety of other reasons, the quality of the ratings has been deteriorating for a decade. By the mid-1970s, households with more than one television set were almost the rule, and the proliferation of cable systems brought upward of 20 channels into millions of homes, making it difficult for Nielsen's meters to keep score. Today, nearly one-fourth of new TV sets are sold with remote control, facilitating frequent switching. This style of viewing is completely at odds with the mythic world of the diary, where viewing can be salami-sliced into 15-minute segments. More specialized programming, such as cable's MTV music videos, have seen their ratings numbers fluctuate wildly under Nielsen, simply because their relative share of the total audience was too small to measure accurately.

Changes in American living patterns have added to the doubts. Latchkey children and unemployed teens do a great deal of the television viewing in this era of working women, but they are not reliable diary keepers. In recent years some advertisers began to suspect that the Nielsens were no longer authoritative, and indeed that *no* ratings system based on written diaries could accurately measure the atomized television market of the 1980s. Into this breach rushed a new competitor from abroad, one that perceived Nielsen's vulnerability and sensed that the time was ripe for change.

Audits of Great Britain (AGB) Research perfected its rating services in England, where it has been measuring television audiences since 1962. On the commercial side, AGB represents the mercantile, international outlook of Europe. In most of the 20 countries where it operates, AGB is the dominant research company. In addition to offering clients a full range of research services, the company publishes 30 trade journals in related fields. AGB launched its American people meter test in Boston in December 1984 with 220 television households, and the sample was expanded to 440 three months later. What made AGB's Boston experiment historic was its supplanting of the diary with a simple but sophisticated electronic device, one it has used with considerable success in England and elsewhere in Europe for several years. Even Nielsen would later concede that this new hardware was an advance over its written diaries.

In each AGB household in Boston, an unobtrusive meter about the size of a small stereo tuner is wired to the television set, and automatically records set use and the station tuned. But the significant piece of equipment is a remote-control keypad that resembles an inexpensive calculator. Each person in the house is assigned a number from one to eight, corresponding to the buttons on the pad. When someone in the sample starts watching, he or she presses the assigned button to log into the meter. When the viewer stops watching or steps away from the television set, he checks out by pushing his button again. The information entered into the meter is displayed by numbers on the front of a separate box atop the set. Every nine minutes the amber displays on this box flash several times—a reminder to the viewers in case they have forgotten to log in.

For the duration of the daytime and evening viewing periods, a collector box stores the data from the TV set and the people meters. When the family logs off and goes to bed, a silent, nocturnal call transmitted over the home's telephone lines prompts the collector box to relay its information back to AGB's main computer. The three pieces of the system—set meter, people meter and collector box—communicate with one another over the home's existing electrical lines, and the system does not have to be "hardwired" into the television set. AGB plans to add another piece of equipment—a unit that identifies home-taped programs and commercial zapping on VCRs—when it rolls out its full people meter system next year.

In September 1985, AGB announced that it planned to begin using the people meter data as the basis for a full-blown nationwide survey in September 1987. Initially, 2,000 households will be polled; AGB plans to expand its sample to 5,000 homes representing 13,000 viewers. AGB is now pitching the program to subscribers at roughly the same price as Nielsen's National Television Index (NTI).

AGB's Boston test cost roughly $2.5

million during its first year, but AGB was able to attract only a handful of ad agencies as initial subscribers. Later, the three networks also reluctantly signed on; together, the ad agencies and the networks covered only $850,000 of AGB's costs. AGB has been meeting the same market resistance in its plans for full-scale implementation of a national people meter panel by the beginning of next year's television season. AGB claims that at least one of the three major networks is on the verge of signing on but concedes that it's having a rough time convincing the networks to climb aboard and risk the wrath of Nielsen and Dun & Bradstreet.

"The thing you've got to understand about the networks, the thing that's bothered them all along," says one AGB source, "is that nobody wants to be the first to break with the old way."

During 1985, Nielsen's reaction to AGB's Boston beachhead grew from concern to alarm. During a people meter panel at the National Association of Broadcasters meeting in April last year, Nielsen executives calmly averred that they would not abandon the diary system—as it turned out, an accurate prediction only of Nielsen's separate measurement of 200 local markets. Nielsen did have its own plans for a modest people meter experiment in 1985, and the company quickly accelerated its schedule as it began to take the AGB threat more seriously. First Nielsen announced plans to wire 150 households with people meters, then 600. Then, on October 15, Nielsen did an abrupt about-face and embraced people meters with the fervor of a convert. The company announced an accelerated timetable for introducing the new meters:

March 1986: validation test on current Nielsen people meters.

Fall 1986: replacement of the diary component of the National Television Index by 1,000 household people meters.

September 1987: replacement of NTI altogether by 2,700 household people meters.

September 1988: replacement of meters in major markets by people meter sample in excess of 6,000 households (including 700 each in New York, Chicago, Los Angeles, San Francisco).

Nielsen's sample methodology is very similar to AGB's. The battle lines would seem to be drawn for an honest, free-enterprise slugfest between the two companies. Both companies must first sell their services to the ad agencies and the networks. But this commercial rivalry between Nielsen and AGB may overshadow the most valuable fruits of competition—the research itself.

Consider Nielsen's handling of its old NTI diary system, which is to be modified this fall. Under the existing plan, the diary panels will be gradually phased out and replaced by a people meter panel. But the basic method of NTI will not change. The people data, like the diary data before, will be used to add demographics to the raw television viewing data from the old 1,700-household meter panel, which will continue to operate as the Gospel on total viewing.

With some merit, network executives like NBC's Bill Rubens dismiss the new technology as "people button devices"—new, electronic versions of the old diaries that could prove just as fallible as the written ones. In the people meter household of the future, for example, nothing prevents a respondent from simply leaving the room for several hours before logging off the system, thus inflating viewer data all over again. Children love to play with remote controls, and they will, further muddying the results. When a husband and wife fall asleep in front of the set without logging off, hours of phantom viewing will be silently transmitted to distant computers. These and other important questions of viewing may never be answered in the headlong rush to embrace the new technology.

But as politics the Nielsen gambit is inspired. At the eleventh hour, the company woke up and realized that if it did not have a people meter it probably would not have a national ratings service. Incorporating people meters into NTI removes the biggest irritant—the written diary—and proclaims seriousness about new ways of collecting more accurate data. It also reassures Nielsen's clients that, while the system is changing, its basic structure will endure. In the television business, where the need for aggregate reassurance is overwhelming, Nielsen wants to remain the ratings monopoly that everyone loves to hate.

Throughout 1985 and early this year, AGB continued to tinker with and validate its Boston prototype, and by last February had four quarters of results under its belt. Validation studies were done by telephoning panelists, and also by telephoning an independent random sample outside the panel. According to Joseph Philport, the former Arbitron marketing vice president who

ScanAmerica's Magic Wand

While the Nielsen and AGB people meters are virtually identical in appearance, the system being tested in Denver by ScanAmerica is an attempt to steer audience measuring in an entirely new direction—direct market research off the home television set. (ScanAmerica is a joint venture of Arbitron and Sales Area Marketing Inc. [SAMI], a Time Inc. subsidiary.) ScanAmerica's people meter is designed to merge television viewing data with a household's product purchase history to enable advertisers to assess the impact of their commercials on sample audiences.

The ScanAmerica system is wired so that viewers cannot watch a show without first identifying themselves through an on-screen prompt, like entering a program through a computer's main menu. ScanAmerica's other unique feature is a six-inch electronic wand, keyed to the Universal Bar Code found on most houseware and grocery packages. The wand is a miniature electronic scanner similar to those used at supermarket checkout counters.

The ScanAmerica people meter itself records a family's viewing habits, including the commercials beamed into their home during their favorite shows. Every time the sample family returns from the supermarket, they remove the wand from atop their television set and run it across the bar codes on their grocery packages before putting them away. The wand is then reinserted into its receptacle on the television set. After digesting the information, the people meter emits a satisfied "beep" and transmits its data back to the research firm. According to ScanAmerica, the entire process can be completed in less than five minutes, and preliminary validation tests show the system to be a highly accurate measure of a household's response to television ads. ScanAmerica is not competing directly with Nielsen and AGB in television ratings as such, and has to be eliminated from the larger contest at the outset. The company can easily afford to lose in the national ratings business and still flourish by creating its own niche as a national electronic test-market. Besides, ScanAmerica's tenuous venture into the ratings field may already be doomed for another important reason: The three major networks consider Time Inc. a direct competitor in ad sales. "I would be reluctant to pay a competitor like Time Inc. for research," says NBC's Bill Rubens. M.C.

MICKEY PALLAS

Former Chairman A.C. Nielsen Jr. may have retired just in time. Nielsen has rushed its own knockoff meter into service, but will it save the family company?

was named president of AGB America last fall, the company's backup tests have all been positive, and sample respondents appear to be willing to press the buttons. Only 2 percent of the panel drops out each month. He claims that more than 90 percent of the participating households yield results that are usable, "the highest rate any meter service has achieved."

But like Nielsen, AGB is operating in the snake pit of television politics, where sound research results can be all but forgotten under the barrage of a rival's propaganda. Matters came to a head last fall when the industry was digesting the first three quarters from the AGB Boston people meters. Compared with Nielsen, and with the local Arbitron sweeps, AGB homes using television registered lower audiences during the summer months, with differences of 7 to 15 percent from the old Nielsen ratings. This news was received against a backdrop of stagnating network shares and a soft upfront advertising market that year. Even Nielsen's early results from its own people meter experiments showed network viewing way down. Just a few years ago, no one in television could have imagined this: Nielsen's own figures were indicting themselves.

Meanwhile AGB, which had set out to win itself a new market in the U.S. by improving television research, was assailed by big companies with something to lose. Fortunately for AGB, Boston viewing bobbed back up in the fourth quarter, not by enough to eliminate the difference, but at least to coat the bitter pill. Philport claims that AGB's people meters were reflecting seasonal shifts in viewing habits more precisely than Nielsen's old NTI. During the warm weather, people leave their television sets behind for the great outdoors. Still, overall viewing in general—and the network share in particular—was down.

For the time being, the advertising agencies have adopted the attitude that it does not matter whether audience trends are up or down—accuracy is what matters. The six ad agencies signed up by AGB may be committed, permanent clients, or they may just be keeping AGB afloat long enough to prod Nielsen into delivering a more credible national survey of its own. Ultimately, it will be the networks that decide the contest between Nielsen and AGB, and here the continuing allure of the Nielsen name and the financial muscle of Dun & Bradstreet have to be regarded as practically insurmountable for AGB.

The prospect of the networks deciding on a ratings system worries some advertising executives. While applauding the idea of genuine competition in the ratings business, they know that, realistically, the networks and agencies won't want to spend what's required to support two national services. Yet, if Nielsen succeeds in booting AGB off the continent, the old monopoly will stand, with the ability to drive prices up at will, and the research can resume its previous course of subtle, beguiling atrophy.

One way or another, the people meters will be a way of life in two years, and in short order the numbers they generate will be revered as the official score. Across America the television sets will still be on, and we'll probably still know very little for certain about who is really watching. ●

The Farrow Factor

by William J. Drummond

A maverick lawyer takes aim at cable franchising.

Attorney Harold Farrow once showed up for a meeting of the California Cable Television Association to take part in discussions about a bill before Congress on cable TV regulation. By a voice vote, the cable operators threw him out of the meeting.

Communications lawyers normally don't suffer such indignity, but the event was stranger still because it was Farrow who was daring to press an argument that would, if adopted by the courts, relieve the cable industry of municipal regulation and millions of dollars in franchise fees, while establishing cable's claim to First Amendment rights.

In his long and stormy career, Farrow has gained a reputation in the industry as a quick-draw artist with the lawsuit. Fresh in the minds of the California cable operators was the fact that Farrow had just filed suit against their industry trade group, the National Cable Television Association. Farrow had accused the NCTA of violating his client's First Amendment rights by allegedly conspiring to promote the current system by which cities grant exclusive cable franchises. Although Farrow eventually dropped the suit against the NCTA, both the industry and municipalities still regard him with great wariness.

"He's like a new hired gun in town. All the law-abiding citizens head for the hills," says Nicholas P. Miller, a Washington lawyer who has clashed frequently with Farrow before the bar and elsewhere. "But a hired gun is only effective when he goes up against somebody that's slower than he is," says Miller. Miller and Farrow are facing each other again—this time before the U.S. Supreme Court in what amounts to the High Noon of cable television litigation. The shootout involves a case with the undramatic title of Preferred Communications Inc. vs. The City of Los Angeles, which has cast a long shadow over all pending applications and awards involving cable TV franchises.

Farrow, in representing the Preferred company, is trying to get the Supreme Court to accept his contention that cable television should be considered "the press" for purposes of the First Amendment and shielded from any governmental interference. Buoyed by a favorable ruling from the U.S. Court of Appeals for the Ninth Circuit, Farrow hopes to overturn the whole regime of cable regulation that now rests in the hands of thousands of local governments.

The NCTA officially supports his position, but rank-and-file cabledom is ambivalent. "There's no clear-cut consensus that the industry would benefit from a full-fledged challenge to the franchising process," says the association's general counsel, Michael Schooler.

Farrow's critics say he is a stalking horse for big cable TV interests. If he wins in the courts and succeeds in lifting regulation, the existing cable operators would arguably have the best of all possible worlds: They would wind up being monopolies, free of regulation. On the other hand, they would also have to operate and invest in a new and uncertain legal environment in which starting a municipal cable system would be almost as simple as opening a home video shop.

"Farrow is not a popular guy in the cable industry," says William E. Lee, an associate professor of journalism at the University of Georgia and an ally of Farrow's in the First Amendment fight. "When Farrow walks down the hall at cable conventions, people have been known to turn away. He's been out there screaming for many years, back when people thought it was crazy to mention

William J. Drummond teaches in the School of Journalism at the University of California at Berkeley and reports from the Bay area for National Public Radio.

'THE ONLY WAY the city can win outright is if the Supreme Court justices are on LSD the day they decide the case.'

the First Amendment with cable," says Lee. "People viewed him as this wild man."

Born in Texas, Harold Rex Farrow was one of thousands of immigrants blown by dust, poverty and Depression from the prairie to southern California in the 1930s. After a postwar stint in the Army, he put himself through college and law school at Berkeley, with help from the G.I. Bill and state veterans' aid. His Oakland, California, firm, Farrow, Schildhause & Wilson, does a brisk business in routine communications law with occasional forays into the big First Amendment question. Oakland seems to nurture mavericks (writer Gertrude Stein, former Yankees manager Billy Martin, to name two), and Farrow, rumpled and intense at 59, is a classic maverick: a man who makes people feel uncomfortable even when he's on their side.

There's no simple reason why Farrow pursues his First Amendment case so doggedly. He rejects the explanation that he is opposed to all government regulation. The reason may be more pragmatic. Using suits and threats of suits, Farrow has tried to wedge his clients through the franchising barrier set up by cities that allows only one cable TV company to serve a given location.

He has managed to elevate what is essentially a sordid pecuniary brawl over who gets a stall in the marketplace into a patriotic debate over freedom of expression. Farrow argues that coaxial cable carrying television channels is the legal equivalent of a printing press and deserves Constitutional protection. When he gets going, he finds similarities between 18th-century royal taxes on printing presses and contemporary cities' ordinances governing cable. "If you can't maintain freedom of the press for cable," warns Farrow, "you're not going to be able to maintain it for anybody ... You're going to build an arena for tyrants."

Besides a penchant for overstatement and a reputation for humorlessness, Farrow has distinguished himself by his confrontational style. Following a 30-day trial in Kansas City, Federal District Court Judge Scott Wright accused Farrow and the other defense lawyers of engaging in "childish tactics" and disruptive behavior—"muttering to themselves, rolling their eyes, and hurling pens and legal pads at counsel table with great force . . . as if defense counsel was attempting to communicate to the jury that their client was being 'railroaded.' " At one point the judge even warned Farrow that his conduct might result in a malpractice action.

Mention the Missouri case and Farrow narrows his eyes and sets his jaw. Selecting his words carefully, he says he is confident Judge Wright will be reversed: "We had some very strong words to say to each other. We didn't hesitate to say them. I do believe that was one of the darker days in the history of judicature in this country."

It was also a dark day for his client, the country's largest cable operator, Tele-Communications Inc., which was ordered to pay damages of $10.8 million. The amount will be trebled under antitrust law unless TCI overturns the judgment on appeal. TCI had been trying to hold on to its expired cable franchise in Jefferson City, Missouri, to the consternation of city officials, who wanted to give the franchise to another company. After a bitter struggle within the city council, TCI's franchise was renewed, whereupon the company was sued by its rival, Central Telecommunications, which claimed that TCI had restrained trade by monopolizing the local cable market. The jury upheld most of Central's allegations.

Farrow says his enemies have made copies of the judge's June 5, 1985, written reprimand and passed it around to his potential clients. After the Missouri case, an anonymous lawyer in Washington told the trade paper *Communications Daily* that Farrow was a "loose cannon and this time he got TCI shot in the foot."

Nevertheless, those who have faced Farrow in the courtroom grudgingly acknowledge his legal skills. "He's very zealous," says Charles Firestone, ex-president of the Los Angeles Board of Telecommunications, the city's cable TV regulator. "Farrow has been on this issue at least from the early '70s. He's certainly no newcomer—and no newcomer to the Supreme Court."

The last time Farrow was in the Supreme Court, in 1982, he argued a suit against the city of Boulder, Colorado, which sought to oust its cable operator and reopen bidding for the franchise. In trying to curb the city's authority, he faced the opposition of virtually every state attorney general in the country. Farrow won. But the Supreme Court ruled in favor of Farrow's client, Community Communications Company, on antitrust, not First Amendment, grounds.

Now Farrow has the Supreme Court's ear again, this time for his First Amendment claim. He is representing a small firm, Preferred Communications Inc., which wanted to wire a section of south-central Los Angeles against the wishes of the city. The company took the city to court. A year ago the U.S. Court of Appeals for the Ninth Circuit ruled in favor of Farrow's client, saying that because cable television is a form of expression protected by the First Amendment, cities do not have free rein to regulate it. The city's appeal is now before the Supreme Court. If the Ninth Circuit's ruling becomes the law of the land, the system of franchising cable TV could be in for drastic changes.

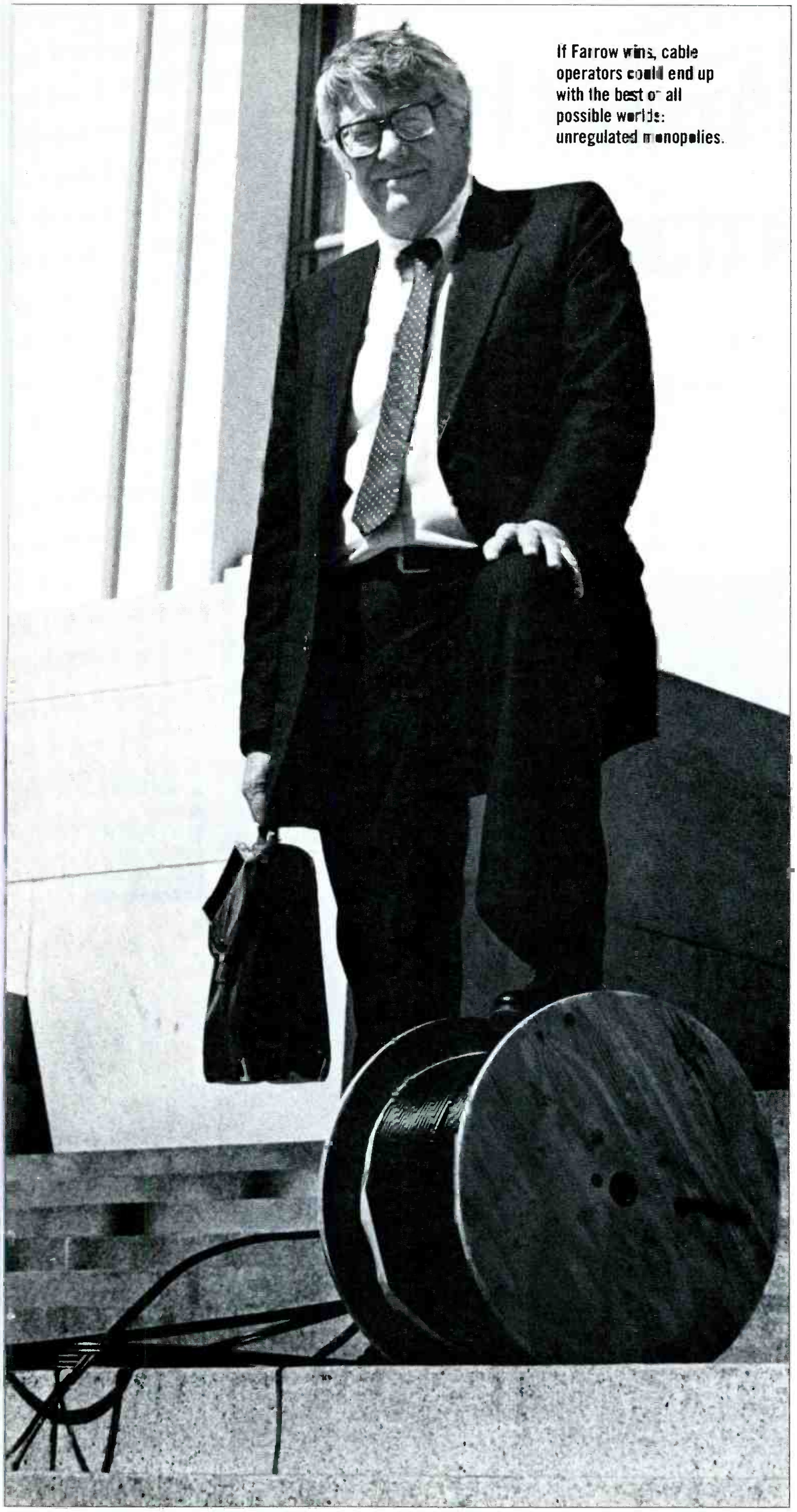
The cities fear, among other things, losing their power to levy franchise fees on cable operators. Federal law allows fees of up to 5 percent of a cable company's gross receipts. Millions of dollars ride on the outcome of the litigation. "Nobody knows what the world will look like after Preferred," says Michael Schooler of the NCTA.

The Supreme Court's decision, due later this summer, is not expected to resolve the whole question in one ruling. Most observers expect the Supreme Court to send the case back to Federal District Court for a trial, but they don't all agree whether such a move would be a victory for Farrow. Deputy Los Angeles city attorney Edward J. Perez says he would welcome a District Court trial to delineate the extent to which cable TV has free-press rights.

"If we get that kind of a decision, that would be a major victory for us," Perez says. "Farrow will claim it's a total victory. He's telling everybody this is doomsday for cities and a great hurrah for cable. That's not true. All it means is that it'll go back to trial."

To Farrow, the Preferred case is only one episode in a long struggle. "Once we get the right to stay in business, then we'll have to go back to the 150-page ordinances and the contracts and peel off those layers of controls one by one to undo them," he says. "Many of the bureaucracies will hang on to that little bit of control. You don't move these things overnight."

Along with Preferred, Farrow filed two similar suits challenging the franchising powers of local governments in Sacramento and Palo Alto, California. "If we hadn't been willing to do it, getting the issue to the Supreme Court might be a generation away yet," says Farrow.



If Farrow wins, cable operators could end up with the best of all possible worlds: unregulated monopolies.

But Farrow's frequent opponent, Nicholas P. Miller, does not see the Oakland lawyer as a First Amendment crusader. "I'm pleased more cities are not willing to be intimidated by Farrow's tactics," says Miller. "Many of his so-called victories are built on bringing challenges against relatively weak opponents who didn't have the financial wherewithal to defend their rights." Miller does credit Farrow for sensing "a mood in the appellate courts that it is time to address the First Amendment rights of cable television. And because he was the person filing the suits in the '70s and '80s, his are the lawsuits going up on appeal first."

Farrow's most important communications case prior to Preferred came in 1968, when the cable industry sought the right to attach its cables to telephone companies' poles. The Bell System tried to force cable TV companies to lease lines from phone companies instead, Farrow says, but he persuaded the FCC to hold up granting permission to the phone company to build new line facilities until cable TV was given pole attachments. "The case was really quite significant, because it maintained the independent cable industry," says Farrow. "By now it would all have been part of the telephone company, without any question."

In the Preferred case, Nicholas Miller's firm has served as advisers to the City of Los Angeles, while deputy city attorney Perez, 41, made the oral arguments, his first before the Supreme Court. Although many people would like to see Farrow get his comeuppance, the chances appear slim that he will suffer a clear-cut defeat in the Preferred case. Even the city's supporters say the case puts Los Angeles in a difficult legal position. Because of the procedural rules, the Supreme Court, in reviewing the case, has to assume the facts as they are alleged in the Preferred company's complaint. Two key assertions claimed by the company are that there are no physical impediments to adding more than one cable operator in an area and that it is economically feasible for two or more cable companies to compete in the same territory. Industry specialists say the latter is especially arguable.

If the Supreme Court accepts these two premises as givens, the city would seem to be at a severe disadvantage in the effort to overturn the Ninth Circuit's opinion. Journalism professor William Lee says the city's best shot at winning the case outright will come "if the Supreme Court justices are all on LSD the day they decide the case."

Some critics say Harold Farrow could emerge from Preferred with his standing enhanced, thanks less to his legal skills than to his good timing in raising issues that appellate courts are now ready to consider. As one of his opponents has pointed out, "Part of the skill of surfing is knowing when to catch the wave." ●

KEN LIGHT

...and Pass the Contribution

TV evangelist Jim Bakker's favorite old-time religion is media bashing.

by Alex Heard

When the *Charlotte Observer*, one of the South's most respected newspapers, ran a series of articles earlier this year alleging that North Carolina TV evangelist Jim Bakker had improperly used his ministry's money, it touched off what must have been television's longest-running antipress tirade. For six weeks beginning in late January, Bakker and his wife, Tammy, devoted every broadcast of their *Jim and Tammy Show* to a *jihad* against the *Observer* and every other news organization devilish enough to pick up its stories. By late March, Bakker was going strong, and his antipress diatribe had become so intertwined with the program's primary missions—(1) fund raising and (2) fund raising—that it seemed likely to go on forever.

Then, in April, entire shows came and went with only scant mention of the holy war, even though the *Observer* was printing new stories about a questionable real estate deal of Bakker's and an IRS investigation of his finances. Bakker seemed to have given up the ghost, announcing on-air that "investigative journalists are writing a book" about his battles with the media. A ministry spokesman confirmed it, saying Bakker "doesn't plan to talk about it much more."

Bakker's rant was fun but not very illuminating. He favored Manichaean exposition—with him, it was always the forces of evil versus good, the media against Jesus.

Bakker is spiritual leader and chief executive of a Christian broadcasting-and-entertainment empire called Heritage Village Church and Missionary Fellowship Inc., of which the *Jim and Tammy Show* is one large part. Most people know the corporation and the show as

Jim and Tammy Bakker: Consigning the media to hell proved a great fund-raising ploy.

"The PTL Club" (the initials originally standing for "praise the Lord," and now for "people that love"). The Heritage Village Corporation runs The Inspirational Network, which delivers the *Jim and Tammy Show* and other religious fare via satellite to 180 stations and 1,300 cable systems around the country. In addition, the corporation runs Heritage USA, a 2,500-acre "Christian campground" near Charlotte, complete with a $10 million "water park" and a 500-room hotel. There are foreign missions, 819 "people that love" centers across the nation, a home for unwed mothers and a planned shelter for the homeless. Last year, gross revenues from these activities totaled $123 million.

In 1979, the *Observer* reported that Bakker had taken funds raised on the air specifically for mission projects in Korea, Cyprus and Brazil and used them to pay off debts left over from the construction of Heritage USA. The Federal Communications Commission began an investigation; it ended in 1982 when, by a 4–3 vote, the commission allowed PTL to remove itself from FCC jurisdiction by selling its only television station, WJAN in Canton, Ohio.

The January *Observer* stories, based on FCC documents, contained the testimony of former PTL officials who told the FCC that Bakker had used PTL checks to buy a Corvette, a mink coat for Tammy and a houseboat. Bakker says it's all untrue. The Corvette, he says, was purchased for him by the ministry and later given away to an air-conditioning man who worked on Heritage Village Church. The coat, he maintains, was purchased with a personal check. There was the question of a $6,000 down payment Bakker made on a $30,000 houseboat in August 1978, two months after he had announced on the air that he'd given his life savings to PTL. Later, he offered three explanations, at different times, about where the purchase money came from: (1) a manuscript he'd sold; (2) an escrow salary; and (3) a loan from PTL.

At the peak of his crusade, Bakker spent day after day refuting the *Observer*'s charges in a style best compared with that of another media denouncer, Jerry Lewis. Like *l'idiot stupide* during the wee hours of a Labor Day Telethon, Bakker, surrounded by five to ten evangelical yes men, hoarsely attacked media assassins with last-judgment theatrics—gasping, crying, darkly hinting that "the innocent" would suffer because of the media's unholy smears. Why didn't he simply deny all charges for a week and drop it? Mainly because media bashing was a great fund-raising hook. PTL says it got "the largest response to any appeal" in its history during the spring crusade, when it asked viewers for one million $25 pledges. (PTL won't say if it reached its goal or not.)

A typical episode opened with bouncy music from the PTL Taped Orchestra and Singers: "Praise the Looo-ooord for the battles he has won." Enter Jim and Tammy, who engaged in happy banter until some word or phrase reminded them of "the smear." Then it was over to the show's living-room set and the counterattack began. At some point the media were consigned to hell, then prayed for. Someone always mouthed the official PTL buzzwords and surefire applause line: "Enough is enough!" Then came these dramatic comments: "You know, the Bible says the devourer comes to *seek* . . . to *kill* . . . to *destroy*." Jim usually followed with a long solo rant, punctuated, without fail, by two points from the yes men. First: "We want to get back to what we do best—*ministering*—but we can't until . . . " Then something like: "The ministry faces extinction. Won't you show that you're standing with us in this battle of right against wrong by sending your very best pledge of support?"

Four weeks of this were enough to wear down even the most devoted PTL acolyte, so in March Jim and Tammy provided much-needed respite by going into seclusion. (Just before, Jim was looking rather unkempt, with a two-day beard and an ENOUGH IS ENOUGH sweatshirt.) Did this mean a return to standard PTL fare like "Salute to Canada Week" and the "Preachers in Prison" project? Only partially. The rant continued the next week via videotape. On one show, Jim, wearing a bathrobe, sent in a half-hour dispatch from his living room. Tammy sent one the next day and, frankly, this scrappy gospel singer blew her husband out of the water. What began as a sentimental catalog of birthday and anniversary gifts moved into the realm of highest kitsch when she displayed one of Jim's 25th-anniversary presents to her: a ceramic hobo that played "When the Saints Go Marching In."

The hobo reminded Tammy of the homeless, and of a dream she'd had the night before. (Hint for those unskilled in dream interpretation: the anonymous torcher represents "the media.") "I woke up this morning and was crying so hard that, believe it or not, all my eyelashes came off," Tammy said. In the dream, Tammy and her children were living, *sans* Jim, in a forest home filled with stray woodland creatures. Everybody was happy. "But one day, someone started a fire in the forest, and all the little animals began to run toward our house. Well, our house was already filled with animals we were taking care of—little, little puppies and kittens. And when the little animals started running out of the forest, their fur was on fire and their fur was burning off and their little bodies were black. And there was no way we could bring them all in. And one little animal—he looked like a little ferret to me—was determined, and when we were about to close the door that ferret just zoomed on in the house. And there he was, all black and bleeding with no fur on him. But as I looked down at the little ferret, all of a sudden every single bit of fur came back on him, and he was well! And to celebrate, our children went and put balloons on him and put birthday hats on him." Then Tammy looked outside.

"And here were all the little animals—the little black animals without their fur on—just waiting to get in." ●

Any similarity between Alex Heard and a furless ferret is purely coincidental.

THE CHANNELS ACHIEVERS

Channels' first financial guide to media companies appears at a time of vast change in the industry's structure. As with business in general, consolidation, refinancing and mergers are the order of the day.

Deregulation, low interest rates, a laissez-faire merger policy and additional factors have reshaped the operations of the 63 companies in this survey, changes that make this mid-decade review timely and important. Television, cable and production were once very stable businesses. No longer. Hostile takeovers and mega-mergers are an everyday part of communications-industry life.

If the business environment has changed, so have the tools used to assess the plays and players. For executives, analysts and shareholders, revenue growth and earnings-per-share data aren't enough. Now debt—which is used extensively to finance expansion, acquisitions and restructuring—has become vital to communications companies, and as a result balance-sheet measurements are increasingly important. That's why *Channels'* first annual corporate scoreboard—a list of publicly traded companies occupying strong positions in the media—assesses more than just sales-and-profit performance.

The basic Channels Achievers list (pages 56 and 57) ranks the giants of the industry first by revenue *growth* during the 1980s—a period in which the surveyed companies grew annually by an average of more than 25 percent.

The next set of tables (pages 58 and 59) explains more about how the industry's *finances* have changed. On page 58, *Channels'* list ranks the firms in their fields by average return on equity, perhaps the best measure of how well or poorly the companies treated their shareholders. On page 59, the companies' balance sheets are dissected to analyze their *borrowing positions* for the '80s: their ability to meet rising levels of corporate debt and their liquidity.

In the final section, a principal in a leading investment banking firm compares segments of the broader media, looking, for instance, at the overall difference in recent performance between publishing companies and broadcasting operations.

Finally, *Channels* examines how the investment world has viewed media so far during the 1980s, with a look at media stocks.

Research was compiled by the *Channels* staff with an eye toward companies of considerable size and clout in TV production, broadcasting and cable. Companies not easily categorized in those sectors—either because of interests in more than one field or holdings in other businesses—were considered "diversified" for comparative purposes.

Unless otherwise identified, the research was assembled by Alan Burdick, Deena Holliday and Bronna Butler.

CHARTS BY ELLIOT BERGMAN

THE TOP 63

The top 63 media companies in America, ranked by growth in the '80s.

The light figure in each group is the rank.		Revenue Percent change, '80–85	Total sales $ thousands, 1985		Net income Percent change, '80–85		Margin Percent change, '80–85	
1	**Price**[1]	**317.2**	**37,192**	56	–		–	
2	**Financial News**[2]	**142.3**	**10,570**	60	–		–	
3	**King World**[3]	**109.1**	**81,280**	52	**85.3**	1	**–11.4**	43
4	**Telepictures**	**81.4**	**155,453**	44	**65.0**	2	**– 9.1**	40
5	**Malrite**[4]	**46.3**	**83,294**	51	**31.7**	11	**–10.0**	41
6	**Turner**	**45.2**	**351,891**	33	+		+	
7	**Heritage**	**44.4**	**157,373**	43	**36.1**	8	**– 5.7**	39
8	**TCA**[3]	**41.5**	**43,622**	54	**38.8**	6	**– 1.9**	31
9	**Rogers Cable**	**38.3**	**354,165**	32	–		–	
10	**Cox**[5]	**36.6**	**1,471,500**	16	**–10.7**	46	**–34.6**	49
11	**TCI**	**35.9**	**577,251**	24	**4.2**	39	**–23.4**	47
12	**Comcast**	**34.5**	**117,312**	48	**36.5**	7	**1.5**	19
13	**Jones Intercable**	**33.2**	**8,752**	61	**45.3**	4	**9.0**	9
14	**United Cable**	**30.5**	**168,996**	42	**10.1**	31	**–15.6**	45
15	**Lorimar**[3]	**30.4**	**364,674**	31	**42.2**	5	**9.0**	10
16	**MGM/UA**	**29.3**	**655,170**	22	–		–	
17	**Fries Ent.**[1]	**29.2**	**18,191**	58	**47.1**	3	**13.9**	7
18	**Storer**[6]	**28.5**	**536,824**	25	–		–	
19	**Chris-Craft**	**28.2**	**190,257**	39	+		+	
20	**Maclean Hunter**	**25.4**	**972,996**	20	**24.9**	13	**– 0.4**	25
21	**AH Belo**[1]	**23.7**	**385,151**	29	**1.1**	42	**–18.2**	46
22	**John Blair**	**23.4**	**630,547**	23	–		–	
23	**Adams-Russell**	**22.5**	**128,987**	47	**21.5**	16	**– 0.9**	28
24	**Cablevision**[7]	**22.3**	**136,968**	45	–		–	
25	**Viacom**	**21.8**	**444,112**	28	**17.0**	20	**– 3.9**	37
26	**LIN**	**21.6**	**171,671**	41	**17.5**	19	**– 3.4**	35
27	**United Television**	**18.2**	**77,137**	53	**13.6**	23	**– 3.9**	36
28	**Disney**	**17.1**	**2,015,429**	12	**5.1**	38	**–10.3**	42
29	**Capital Cities**	**16.7**	**1,020,880**	19	**14.2**	22	**– 2.1**	33
30	**United Arts. Comm.**	**16.1**	**479,847**	26	**18.0**	18	**1.6**	18
31	**Multimedia**	**15.5**	**336,271**	34	**0.0**	44	**–13.4**	44

THE TOP 63

The light figure in each group is the rank.		Revenue Percent change, '80–85	Total sales $ thousands, 1985		Net income Percent change, '80 – 85		Margin Percent change, '80–85	
32	New York Times	13.7	1,393,772	17	23.4	15	8.5	11
33	Stauffer	13.5	113,935	49	11.8	26	– 1.5	29
34	Gannett	12.7	2,209,421	10	10.8	30	– 1.7	30
35	Scripps Howard	11.8	134,540	46	13.5	24	1.5	20
36	Tribune[4]	10.5	1,937,878	13	33.7	9	21.0	4
37	Washington Post	10.3	1,078,650	18	27.2	12	15.3	6
38	Taft	9.7	375,266	30	8.9	33	– 0.8	27
39	Times Mirror	9.7	2,946,710	8	11.2	28	1.4	21
40	MCA	9.6	2,098,525	11	10.8	29	1.1	22
41	Knight-Ridder	9.5	1,729,613	14	7.4	35	– 1.9	32
42	Lee Enterprises	8.6	206,637	37	8.9	32	0.3	24
43	Park[1]	8.5	105,260	50	19.2	17	9.9	8
44	ABC[8]	7.7	3,298,475	6	1.6	41	– 5.6	38
45	Meredith	6.4	474,921	27	14.8	21	8.0	12
46	Gencorp	6.1	3,020,748	7	13.0	25	6.5	13
47	Coca-Cola	6.0	7,903,904	3	11.3	27	5.1	15
48	Orion	5.8	223,025	36	32.6	10	25.3	1
49	General Cinema	4.9	966,812	21	24.1	14	18.3	5
50	Westinghouse	4.7	10,700,200	1	8.5	34	3.6	16
51	Time Inc.	4.0	3,403,554	5	7.2	37	3.1	17
52	Gray Comm.	4.0	43,465	55	0.9	43	– 3.0	34
53	CBS	3.2	4,755,600	4	–32.3	49	–34.4	48
54	RCA	2.3	8,972,100	2	3.2	40	0.9	23
55	Warner	1.6	2,234,891	9	7.3	36	5.6	14
56	SunGroup	0.5	5,492	63	+		+	
57	Playboy	–12.0	192,333	38	–12.5	47	– 0.6	26
58	Gulf & Western	–20.4	1,677,200	15	– 1.7	45	23.5	3
59	Barris	–30.2	6,402	62	–12.6	48	25.2	2
60	Prism	NM	20,529	57	NM		NM	
61	Tri-Star	NM	258,886	35	NM		NM	
62	TVX	NM	15,730	59	NM		NM	
63	Vestron	NM	182,632	40	NM		NM	

1 Base Year 1982 2 Base Year 1982; ROE (page 58) excludes 1984 3 Base Year 1981 4 Base Year 1983 5 Equity, Asset Data (pages 58, 59) 6/30/85 6 Company Private, No 1985 Data 7 Base Year 1980; ROE (page 58) Base Year 1982 8 Equity, Asset Data (pages 58, 59) 9/28/85 NM Not Meaningful + Profitable 1985, Earlier Losses – Not Profitable 1985

PERFORMANCE

All columns: Percent change, '80-85

Production

Name	Return on equity*	Revenue	Margin
Average[1]	**0.13**	**0.27**	**0.03**
King World	0.37	1.09	−0.11
Telepictures	0.22	0.81	−0.09
Coca-Cola	0.21	0.06	0.05
Fries Ent.	0.19	0.29	0.14
Lorimar	0.16	0.30	0.09
United Arts. Comm.	0.13	0.16	0.02
MCA	0.11	0.10	0.01
Disney	0.10	0.17	−0.10
Barris	0.10	−0.30	0.25
MGM/UA	0.01	0.29	–
Warner	−0.21	0.02	0.06
Orion	−16.99	0.06	0.25
Prism	NM	NM	NM
Vestron	NM	NM	NM
Tri-Star	NM	NM	NM

Diversified

Name	Return on equity*	Revenue	Margin
Average	**0.14**	**0.10**	**0.01**
General Cinema	0.27	0.05	0.18
Washington Post	0.22	0.10	0.15
Lee Enterprises	0.20	0.09	0.00
Gannett	0.20	0.13	−0.02
Knight-Ridder	0.19	0.10	−0.02
New York Times	0.18	0.14	0.09
Times Mirror	0.17	0.10	0.01
Meredith	0.16	0.06	0.08
Time Inc.	0.16	0.04	0.03
Westinghouse	0.15	0.05	0.04
Gray Comm.	0.15	0.04	−0.03
Cox	0.14	0.37	−0.35
AH Belo	0.14	0.24	−0.18
Multimedia	0.14	0.16	−0.13
RCA	0.12	0.02	0.01
Tribune	0.12	0.11	0.21
Viacom	0.11	0.22	−0.04
Gulf & Western	0.08	−0.20	0.24
Storer	0.01	0.28	–
Playboy	−0.07	−0.12	−0.01

Cable

Name	Return on equity*	Revenue	Margin
Average[2]	**0.22**	**0.35**	**−0.05**
Turner	0.91	0.45	+
TCA	0.45	0.41	−0.02
Maclean Hunter	0.24	0.25	0.00
Adams-Russell	0.17	0.23	−0.01
Jones Intercable	0.15	0.33	0.09
Comcast	0.14	0.34	0.01
Heritage	0.10	0.44	−0.06
United Cable	0.07	0.30	−0.16
TCI	0.06	0.36	−0.23
Rogers Cable	−0.10	0.38	–
Cablevision	−0.86	0.22	–
Financial News	−0.90	1.42	–

Broadcasting

Name	Return on equity*	Revenue	Margin
Average	**0.08**	**0.34**	**−0.04**
United TV	0.22	0.18	−0.04
Scripps Howard	0.21	0.12	0.01
Malrite	0.18	0.46	−0.10
Capital Cities	0.17	0.17	−0.02
LIN	0.17	0.22	−0.03
Chris-Craft	0.15	0.28	+
ABC	0.14	0.08	−0.06
Stauffer	0.14	0.14	−0.01
Park	0.13	0.08	0.10
Taft	0.13	0.10	−0.01
CBS	0.11	0.03	−0.34
John Blair	0.08	0.23	–
Gencorp	0.05	0.06	0.07
Sun Group	−0.24	0.00	+
Price	−0.46	2.99	–
TVX	NM	NM	NM

*Average **1** Excluding Orion **2** Excluding Financial News and Cablevision

DREXEL BURNHAM & THE CABLE TELEVISION INDUSTRY.

Drexel Burnham is the leading investment bank in financing the cable television industry. We continue to rank Number 1 in deals completed and Number 1 in total dollar volume. Since 1981 Drexel Burnham has raised nearly $3 billion in 20 transactions for cable operators. In the last year alone, we have raised nearly $2 billion in 9 transactions.

The reason for our unquestioned leadership in cable financing? Innovation. No one else in the business has been as creative in custom tailoring financing vehicles to meet the specific needs of its clients.

We've pioneered fixed rate, 20-year subordinated debt; public debt for private companies; debt with warrants subject to repurchase, and zero coupon debt deferring cash interest costs for several years. In the early 1980s, we lead the industry in providing limited partnership equity to finance new builds. Today, as the industry consolidates, we are the leader in structuring and placing acquisition financing.

At Drexel Burnham we'll work to find the one financing vehicle that's best for you. If that structure doesn't exist, we'll invent it.

For more information on how our proven leadership in cable television financing can benefit you, call Leon Black or Arthur Phillips at (212) 480-6000.

Tele-Communications, Inc.

$91,007,004
3,008,496 Shares of Class A Common Stock
May 24, 1985

$150,000,000
12⅜% Senior Subordinated Debentures
April 27, 1983

$125,000,000
125,000 Units of 11½% Subordinated Debentures with Warrants to Purchase Shares of Common Stock
December 22, 1982

Prime Cable of Georgia, Ltd.

$52,000,000
Limited Partnership Interests
December 1983

Prime Cable Corp.

$40,000,000
40,000 Units of 13⅞% Subordinated Debentures and Warrants to Purchase Shares of Common Stock
October 29, 1982

Harte-Hanks Cable, Inc.

$50,000,000
50,000 Units of 13⅝% Subordinated Debentures and Zero Coupon Senior Subordinated Notes
July 12, 1984

SCI Holdings, Inc.

$4,950,000
Limited Partnership Interests
November 8, 1985

$261,000,000
Cumulative Redeemable Exchangeable Preferred Stock
November 1, 1985

$608,273,000
Senior Subordinated Debentures
November 1, 1985

$1,634,419,400
Zero Coupon Senior Notes
November 1, 1985

Rogers Cablesystems of America, Inc.

$14,500,000
1,000,000 Shares of Class A Common Stock
February 26, 1986

$42,350,000
3,850,000 Shares of Common Stock
November 18, 1985

Rogers-Minneapolis Cablesystems Limited Partnership

$25,000,000
Limited Partnership Interests
December 1983

Canadian Cablesystems Limited

$75,000,000
13⅝% Senior Debentures
April 7, 1983

$75,000,000
14¼% Senior Subordinated Debentures
April 7, 1983

$64,000,000
32,000 Units of Series 1 Zero Coupon Senior Secured Notes and Series 2 Zero Coupon Senior Secured Notes
April 7, 1983

Cablevision Systems Corporation

$90,625,000
6,250,000 Shares of Class A Common Stock
January 17, 1986

Cablevision Company

$55,000,000
10½% Subordinated Debentures
November 1984

Cablevision Systems Development Company

$75,000,000
75,000 Units of 13⅞% Senior Subordinated Debentures and Equity Participation Warrants
September 22, 1982

United Cable Television Corporation

$100,000,000
7⅞% Convertible Subordinated Debentures
November 22, 1985

$100,000,000
14⅜% Subordinated Debentures
May 14, 1985

American Cablesystems Corporation

$54,375,000
3,750,000 Shares of Class A Common Stock
May 7, 1986

Drexel Burnham
Drexel Burnham Lambert Incorporated

60 Broad Street, New York, NY 10004 (212) 480-6000. Offices in principal financial centers worldwide. Member SIPC.

BALANCE SHEET

Production

Name	Debt/equity ratio '85	'80	Times-int.-earned '85	'80	Current ratio '85	'80
Average	**1.977**	**2.031**	**7.634**	**12.36**	**2.998**	**1.892**
Barris	0.158	0.517	0.000	0.000	7.035	2.929
MCA	0.609	0.488	32.87	80.65	1.835	2.205
Vestron	0.726	1.860	1.674	2.078	2.401	0.952
Telepictures	0.820	7.372	4.237	7.568	1.804	1.459
Fries Ent.	0.935	1.345	NM	NM	2.320	1.662
Coca-Cola	1.315	0.642	7.512	22.70	1.482	1.528
Disney	1.445	0.254	6.129	6.889	0.727	3.484
Orion	1.829	2.686	2.147	0.912	16.00	1.401
King World	1.956	0.751	32.80	NM	1.447	NM
Tri-Star	2.060	NM	1.390	NM	1.518	NM
Lorimar	2.309	6.121	3.603	2.179	2.293	2.705
Warner	3.351	1.207	6.221	6.279	0.963	1.695
MGM/UA	4.376	1.298	−1.018	4.576	1.658	1.735
United Arts. Comm.	5.792	1.860	1.674	2.078	0.490	0.952
Prism	NM	NM	NM	NM	NM	NM

Diversified

Name	Debt/equity ratio '85	'80	Times-int.-earned '85	'80	Current ratio '85	'80
Average	**1.174**	**1.302**	**10.07**	**14.10**	**1.460**	**1.578**
Gray Comm.	0.274	0.586	30.18	31.74	3.006	1.985
Lee Enterprises	0.602	0.755	36.72	6.051	1.183	1.498
Cox	0.775	0.616	10.92	12.94	0.787	1.283
Gannett	0.814	0.582	19.70	14.67	1.562	1.072
Meredith	0.844	1.120	13.23	13.21	1.837	2.025
Playboy	0.987	1.863	−5.661	9.287	3.526	1.403
Knight-Ridder	1.002	2.124	11.55	39.72	1.335	1.461
New York Times	1.202	0.762	10.84	33.28	0.768	0.524
Gulf & Western	1.205	2.251	2.594	2.311	1.907	1.914
AH Belo	1.403	0.963	2.091	NM	1.831	3.530
Times Mirror	1.420	1.120	8.950	10.53	0.075	1.693
General Cinema	1.447	1.621	4.555	7.276	0.614	1.342
Washington Post	1.532	1.147	23.86	42.03	2.292	1.493
Time Inc.	1.537	1.578	8.792	6.809	1.355	1.983
RCA	1.630	2.838	3.831	2.893	1.547	1.495
Viacom	1.646	1.484	3.252	8.287	1.370	1.007
Tribune	1.692	1.120	7.548	3.501	1.280	1.284
Westinghouse	1.993	1.693	5.291	10.02	0.879	1.262
Storer	3.172	0.984	0.846	5.534	0.746	1.841
Multimedia	−1.692	0.843	2.317	7.869	1.308	1.459

Cable

Name	Debt/equity ratio '85	'80	Times-int.-earned '85	'80	Current ratio '85	'80
Average	**3.256**	**2.243**	**1.696**	**1.339**	**2.148**	**1.312**
Maclean Hunter	1.265	2.940	4.985	6.323	1.667	1.675
Adams-Russell	1.287	0.835	2.279	5.917	2.679	2.785
Jones Intercable	2.022	5.027	1.671	1.805	2.246	0.705
Heritage	2.086	2.273	2.230	2.707	1.192	1.087
Financial News	2.144	0.176	−3.152	−18.61	1.548	0.003
Comcast	2.153	1.563	5.742	4.620	7.111	2.428
TCA	2.787	3.505	3.440	4.564	1.656	0.136
TCI	3.684	1.448	0.990	1.551	0.325	4.041
United Cable	9.132	3.054	1.726	2.364	1.033	0.627
Rogers Cable	9.954	1.606	0.709	2.658	0.309	0.562
Turner	11.01	–	1.537	0.194	1.517	0.386
Cablevision	−8.458	NM	−1.798	1.970	4.493	NM

Broadcasting

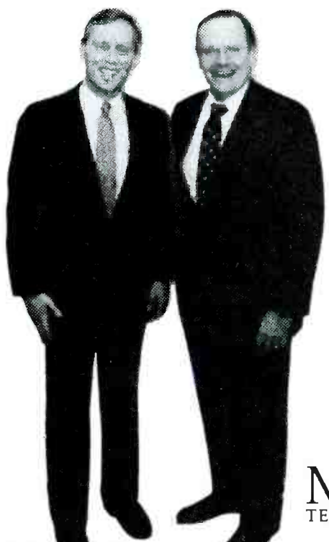
Name	Debt/equity ratio '85	'80	Times-int.-earned '85	'80	Current ratio '85	'80
Average	**5.177**	**1.343**	**7.794**	**9.469**	**1.819**	**1.954**
LIN	0.215	0.478	20.24	22.35	3.303	3.930
Park	0.478	1.026	11.28	5.115	2.408	1.198
CBS	0.630	0.203	3.930	10.04	1.184	2.027
ABC	0.718	0.644	NM	23.27	1.903	2.665
Stauffer	0.852	0.647	13.13	14.21	1.330	2.195
Scripps Howard	0.888	0.363	30.48	NM	1.312	2.398
Capital Cities	1.120	0.306	13.17	26.41	5.737	1.405
Gencorp	1.181	0.833	3.371	2.004	1.972	1.920
Taft	1.249	1.049	7.596	8.415	1.169	1.665
TVX	2.818	NM	1.850	NM	0.697	NM
Malrite	2.836	5.432	3.406	1.835	1.568	1.271
United TV	3.040	1.218	2.929	8.006	1.064	2.889
John Blair	4.634	0.965	0.367	7.949	1.017	1.927
Sungroup	4.717	1.148	1.301	0.546	0.359	1.959
Chris-Craft	15.42	2.130	2.113	1.749	1.258	1.853
Price	42.05	3.700	1.749	0.673	2.824	0.011

THE COST OF ACQUIRING CABLE SYSTEMS IS COMING DOWN!

Nobody has to tell the CEO of a growing MSO that the market for cable systems is highly competitive. Yet the motivations for growth are stronger than ever.

The solution: even when system prices are on the rise, you can compete more effectively by lowering your cost of capital.

Malarkey-Taylor's 24-year history of involvement in numerous cable transactions and our established relationships with lenders, brokerage houses, investment banking firms, as well as corporate, institutional and private investors, will augment your placement of equity or debt on the most favorable terms available.



Roy Hayes *Clark Madigan*

Financial and Investment Services

We have the in-house resources and capabilities to:

- Develop, analyze and evaluate various organizational structures and financing options.
- Assist you in selecting an appropriate structure to enhance your growth opportunities and flexibility.
- Assist you in attracting, organizing and arranging debt or equity financing at the lowest effective cost to maximize your future returns.
- Address all aspects of the transaction by drawing upon the expertise of our financial, technical, regulatory, management and marketing specialists.

Dramatically reduce your effective cost of capital by taking advantage of Malarkey-Taylor's substantial contacts and services. Just as you would never pay too much for any cable system, you should never pay more than you have to for financing. In today's economy, it is imperative to carefully consider all of your options to secure the best possible terms.

If you are a cable system owner who wants to substantially restructure or expand your operations, Malarkey-Taylor can show you how the cost of acquiring cable systems is coming down!

Contact *Roy E. Hayes, Jr.*, Vice President, Investment Services or *Clark T. Madigan*, Vice President, Corporate Finance, to discuss the specifics of your situation on a confidential basis and without obligation.

Call toll-free at (800) 424-8036.

Malarkey-Taylor Associates, Inc.
1301 Pennsylvania Avenue, NW,
Suite 200, Washington, DC 20004
(202) 737-2300

MALARKEY-TAYLOR ASSOCIATES
TELECOMMUNICATIONS FINANCIAL, MANAGEMENT AND ENGINEERING CONSULTANTS

ANALYSIS

It's been a booming half decade for Channels' Top 63 companies, but with debt levels high, the bills are coming due.

To review the *Channels*' Hot Companies listings is to observe a diverse, growing group of media powers, representatives of an industry replete with opportunity and risk. Clearly, the '80s have brought more change to the nation's broadcasting, cable and production companies than has any previous half decade.

But the data also indicate that communications companies, like much of American industry, are loaded—perhaps overloaded—with debt. Of the companies listed as broadcasters in the survey, only three show improvements since 1980 in their debt-to-equity ratios. Nevertheless, the basic listing of the top companies is overwhelmingly a story of success.

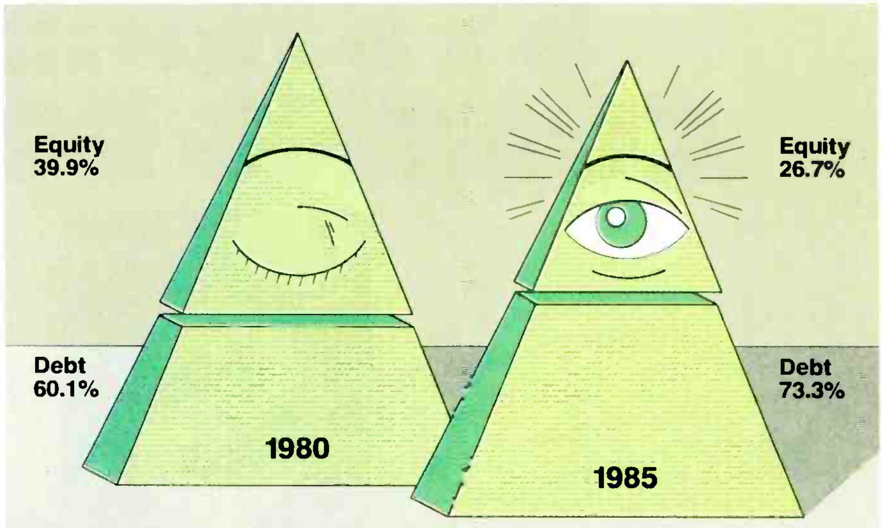
Heading the list of the Channels Top 63 is Price Communications, a New York-based firm that didn't really begin operations until 1982 but has grown astronomically through an innovative acquisitions strategy and now reports revenues of more than $37 million. Price's staggering 317 percent growth rate in revenues compares with growth rates for longtime corporate giants CBS (ranked 53rd) and RCA (ranked 54th) of just 3.2 percent and 2.3 percent respectively.

Those facts say a lot about what's happened to the communications industry since 1980. Price was built from scratch by a lawyer/investment banker chairman, Robert Price, through a series of public offerings and acquisitions. Price doesn't show profits yet, but in his annual report the chairman writes proudly of his company's growing "cash flow."

The slower growth at CBS and RCA since 1980 is a result of several factors. While some enormous new players have emerged during the decade, such as the thriving Gannett Co., many old powers have found it difficult to grow. Big companies can have a hard time finding new revenue streams, and CBS has been no exception. On the other hand, RCA, like other companies that diversified in the '70s, was strapped in the early '80s with the burden of unwise acquisitions.

On the profit side, it's been a strong period, by and large, for both the newcomers and the old powers. Certainly, there are remarkable success stories, like those of syndicators King World and Telepictures—the two most successful of the production/syndication companies in the *Channels*' survey, as measured by return on equity (ROE).

The last chart dramatizes the changed nature of the communications industry's corporate balance sheet. Conventional wisdom suggests that the lower the debt-to-equity ratio, the better the balance sheet. Only a third of the 63 companies showed improvement on that score. Of course, increased debt is not all bad, as it reflects the borrowing power of communications companies and the rather irresistible low-interest-rate environment of the last several years.



But the data also suggest that the nation's media companies cannot cover their debt payments as well as they could in 1980. The times-interest-earned ratio, the ratio of earnings before interest and taxes to interest charges, measures how well a company can cover the costs stemming from its debts. Companies want higher times-interest-earned ratios, and the many decreases on that score from 1980 to 1985 seem to support the view that the increased leveraging of the media-industry balance sheet is a problem that will get considerable attention in the future.

The final statistical category, the current ratio, is a measure of a company's solvency, or how able it is to pay its bills. If the ratio is falling, then companies' obligations are rising faster than current assets, and so the higher the ratio of current assets to current liabilities, the better. There the survey results are mixed, and the slight average decreases for diversified and broadcasting companies should also give media financial people plenty to tackle over the next four years.

CASH COWS

Although 1985 was a sluggish year in the media business (operating income grew faster in each of the three preceding years), a survey of local rather than national media operations, commissioned by *Channels* from the investment bankers Veronis, Suhler & Associates, concludes that the cash flow of broadcasting, cable and newspaper companies over the last four years grew at an impressive compound annual rate of almost 16 percent.

Over the last four years broadcasters' cash flow grew at the compound rate of 14 percent a year, publishers' at 15.4 percent and cable operators' at a solid 33.3 percent. Cash flow margins were also strong, with broadcasters showing margins of 35.2 percent, followed by cable companies at 34.3 percent and newspapers at 22.6 percent.

The survey affirms that 1985 was a difficult year for broadcasters, who were by some measures—including operating profit growth—outperformed by newspaper publishers. Broadcasters' cash flow grew by just 5.1 percent last year, compared with a similar figure for newspapers of 13.1 percent.

But in recent years, newspapers have had lower, if growing, profit margins. The publishers' pre-tax operating income margins were up nearly three points between 1981 and 1985, while

INDUSTRY FORECASTS

A mid-year look at the prospects for seven key sectors of the communications industry.

NETWORKS

Wall Street has come up neutral on the commercial networks this year, in spite of the astonishing April presentation to financial analysts by John Sias, the new president of the Capital Cities/ABC Network Division. Sias gave what Paine Webber's J. Kendrick Noble called "the lowest forecast ever made by a network." Fred Anschel of Dean Witter says that if you listened to what Sias had to offer, "you'd run for the hills."

The downbeat ABC forecast also reflects on CBS and NBC (and hence on NBC's parent, RCA). Here and there an analyst will recommend CBS as a company primed for the next upbeat cycle of TV advertising—as Ernest Levenstein of Shearson/American Express has done.

Sias said the boom in barter syndication would add to continuing problems, since barter offers ad rates often 30 percent below those of the networks. Sias also warned that the proliferation of new, 15-second commercials will make the pricing situation even worse. Some analysts call the Sias presentation part of the Cap Cities bag of tricks. Several said they'd recommend the company strictly on their blind faith in Thomas Murphy and his executive cadre.

But investment banker Tony Hoffman predicts that ABC-TV will lose money this year and that it will hurt itself by trying to run the network too tightly, alienating affiliates and Hollywood suppliers. "When it comes to running a network, they're out of their water," says Hoffman.

Paine Webber's Noble allows that he isn't disenchanted with the networks by any means, certainly not for the long term. And Dean Witter's Anschel says: "This is a difficult year. I'm banking on improvement in the second half, and 1987 should be a lot better." LES BROWN

TELECOMMUNICATIONS/ DISHES

To backyard dishmakers, January 15, 1986, may become a day of infamy. HBO and Cinemax began full-time scrambling of their satellite signals that day and the bottom fell out of the home-satellite market. Analysts say the home-dish business has dropped 40 to

(continued)

Television Profits Are Beefy But Newspapers Are Gaining

broadcasters' were off four points and cable operators' off five.

The data come from a sampling drawn from reports of 35 companies—many with holdings in two or more media—that last year had total revenues of nearly $10 billion and pre-tax income of more than $2 billion. JOHN S. SUHLER

Investment banker John S. Suhler is president of the New York firm Veronis, Suhler & Associates Inc., specialists in media company mergers and acquisitions.

LOCAL MEDIA FINANCIAL PERFORMANCE 1981–1985

Revenue

	$ millions 1985	Percent annual growth 1981	1982	1983	1984	Compounded '80-'84
Broadcasting	3,127.8	17.1	14.8	23.3	8.9	15.9
Cable	475.1	46.0	28.1	45.8	13.8	32.7
Local print	6,323.3	7.7	11.3	14.1	9.8	10.7
Local media (total)	9,926.2	11.3	12.9	18.1	9.7	13.0

Pretax operating income

	$ millions 1985	Percent annual growth 1982	1983	1984	1985	Compounded '81-'85	Margins 1981	1982	1983	1984	1985	Change[1] '81-'85	Return[2] 1985
Broadcasting	918.3	13.8	12.3	21.2	2.7	12.3	33.4	32.4	31.7	31.1	29.4	−4.0	15.5
Cable	45.1	6.8	−31.5	152.8	10.8	19.7	14.4	10.5	5.6	9.7	9.5	−4.9	4.1
Local print	1,212.1	3.3	30.4	16.8	12.3	15.3	16.3	15.6	8.3	18.7	19.2	2.9	29.7
Local media (total)	2,175.4	8.1	20.8	20.0	8.0	14.1	21.1	20.5	21.9	22.3	21.9	0.8	19.5

Operating cash flow

	$ millions 1985	Percent annual growth 1982	1983	1984	1985	Compounded '81-'85	Margins 1981	1982	1983	1984	1985	Change[1] '81-'85	Return[2] 1985
Broadcasting	1,102.3	15.1	13.0	23.4	5.1	14.0	37.7	37.1	36.5	36.5	35.2	−2.5	18.5
Cable	162.8	40.9	15.5	69.8	14.2	33.3	33.7	32.5	29.3	34.1	34.3	0.6	14.7
Local print	1,431.2	6.2	27.0	16.3	13.1	15.4	42.8	18.9	21.6	22.0	22.6	−20.2	35.0
Local media (total)	2,696.2	11.2	20.3	21.5	9.7	15.6	NM[3]	24.8	26.4	27.2	27.2	NM[3]	24.2

1 Marginschange **2** Return on assets **3** Not Meaningful Source: Veronis, Suhler & Associates, Inc.

70 percent since last fall.

"But once the methodology becomes clear for pay programming, then the prospect becomes brighter," says Charles DiSanza, an analyst with Drexel Burnham Lambert. While DiSanza sees a rebound within two years, Amy Newmark, of C.J. Lawrence, sees longer-term trouble. "The home-dish business is just part of the home electronics field," she says, "and the Japanese always beat us there anyway."

Telecommunications is a different story. "These stocks as a group are undervalued," says Edward M. Greenberg of Morgan Stanley. He believes that the field is a good investment right now, with MCI one of the strongest players and GTE and United Telecommunications right behind.
JOSEPH VITALE

CABLE PROGRAMMING

Only a few years ago, premium cable services ruled the wires and basic was the neglected stepsister. Now fortunes have turned. Buoyed by Wall Street's infatuation with cable, basic networks are expected to gain in 1987.

But don't expect that rosy picture to translate into short-term investment opportunities, according to Mabon Nugent analyst Dennis McAlpine. The reason: Attractive "pure plays," such as FNN, are overpriced and other promising prospects are parts of bigger companies.

Pay cable is a different story: The "pays" are in a deteriorating situation with the exception of The Disney Channel, according to Mara Miesnieks of Smith Barney, Harris Upham. When rate ceilings are lifted next year, operators will charge more for basic and concentrate marketing efforts there. VCRs have added to pay cable's disconnect problems. During the first half of last year, both Time Inc.'s HBO and Viacom's Showtime lost subscribers. The pays are also scrambling for new ways to attract subscribers. Showtime has struck agreements with three studios for exclusive movie rights; HBO is testing its new service, Festival. CECILIA CAPUZZI

CABLE

For the world of investment and finance, cable television has never been more interesting. With rate deregulation due at year's end, with system operators having gained new flexibility after the dismantling of the "must carry" rules and with a low-interest-rate environment encouraging record wheeling and dealing, cable is certainly hot.

Wall Street caught on to cable last year, and the price of most stocks today reflects the industry's solid position. In fact, cable stocks followed by Donaldson, Lufkin & Jenrette rose by 69 percent last year, compared with a 26 percent gain for the market in general. That's a record no one on the Street expects cable to repeat, and there are a few thunderheads on cable's horizon.

For one thing, the VCR boom has eroded the growth of pay TV, once the driving force behind cable subscriptions. For another, cable companies are increasingly looking for new opportunities, reviewing investments in potential competing technologies, such as direct broadcast satellites. Although those investments might prove wise, they could limit cable's immediate prospects.

But what could continue to drive cable stocks, and keep investment bankers happy as well, is the market for cable-system properties. Large operators are increasingly clustering their systems, and new players such as Houston Power & Light are encouraging a record number of system deals. The presence of these new, well-heeled players should encourage more activity in cable before the end of 1986. MERRILL BROWN

PROGRAM COMPANIES

The syndication business continues to flower in spite of the bloom coming off the rose of the hour-long show. "One-hour prime-time soaps are an aging genre, and the current trend is toward sitcoms," says Francine Blum of Wertheim & Co. According to Blum, growth in syndication will come because well-heeled independents can pay top dollar for shows.

The dramatic 39 percent increase in the number of programming hours in the last

STOCKS

The chart tracks the Channels Hot Companies' stock

Stock*	12/31/80	Other start	12/31/85	% change '80-'85
1 Stauffer	10		120	1100.0
2 Telepictures[a]	2 9/16		21 7/8	754
3 United Arts. Comm.	3 1/4		26 7/8	727
4 Barris	2 3/4		21 1/8	668
5 King World[b]		5	30 3/4	515
6 Chris-Craft	9 1/2		50 3/4	434
7 Washington Post	22 5/8		118 3/4	425
8 Lorimar[a]	9		44 1/4	392
9 LIN	7 5/8		37 1/8	387
10 ABC[c]	26 7/8		121	350
11 New York Times	11 5/16		49	333
12 Capital Cities	58 3/4		224 1/4	282
13 Lee Enterprises	5 7/8		22 3/8	281.9
14 Comcast	5 15/16		22 3/8	277
15 Meredith	18 1/4		67 1/2	270
16 GenCorp.	18 3/4		69 1/8	269
17 Scripps Howard	13 3/8		48 1/2	263
18 Financial News[d]		2 1/8	7 3/8	247
19 Price[e]		2 1/4	7 5/8	239
20 Taft	26 3/8		86 1/4	227
21 Storer[f]	29 1/8		93 1/2	221
22 Gulf & Western	15 7/8		49 3/4	213
23 MCA	15 15/16		49 1/4	209
24 United Television	7 7/8		24 1/4	208.9
25 TCA[g]		7 3/8	22 3/8	203
26 Westinghouse	14 13/16		44 1/2	200.4
27 General Cinema	12 15/16		38 5/8	199
28 Knight-Ridder	13 15/16		39 7/8	186
29 Multimedia (old)[h]	20		56 1/4	181
30 Times Mirror	20 3/4		57 5/8	178
31 Cox[i]	27 3/8		75	174
32 TCI	13 3/4		36 5/8	166

*Adjusted for splits **a** Lorimar and Telepictures merged 2/18/86 **b** Opened 12/5/84 **c** Last trade at 121 1/2; acquired by Capital Cities 1/3/86 **d** Opened 7/13/82 **e** Opened 2/16/82 **f** Leveraged buyout; Last trade 12/5/85 **g** Opened 4/29/82 **h** Recapitalized as of 10/4/85 **i** Leveraged buyout; Last trade 9/23/85 ten years is leveling as the growth in new independent stations slows. But that's a gradual process and will likely be offset by demand from other markets and by the boom in syndicated first-run sitcoms. No fewer than 12 such shows are in the works for syndication this season, and their success could spell big changes for the industry.

Pressure from the networks to hold down production costs has irked both studios and producers, and Wall Street sees that issue growing more significant, possibly provoking a change in the financial interest/syndication rules, threatening the studios' investment tax credits and even killing off some poorly financed studios.

Blum picks Lorimar-Telepictures as well positioned in network production and syndication for rapid earnings growth. First Boston's Martin Romm likes MCA, which has more than 11 hours of network programming and over $1 billion in licensing fees for TV programs and television use of theatrical films. The overall outlook for the business: "Healthy," says Blum. "Maybe not as healthy as last year, but healthy."

PETER AINSLIE

VCRs

Home video's growth curve in theory should be hitting a plateau in 1986—most consumers with the inclination have purchased their VCRs and had their initial sprees of videocassette renting.

But hardware and software products are expected to set sales records again this year: perhaps $4.8 billion for VCRs (raising U.S. penetration from 30 to 40 percent) and $3.7 billion for cassette sales and rentals. Of course, the major beneficiaries of all this are the Japanese (Matsushita and Toshiba make nearly all the machines) and the Hollywood studios, which sell three fourths of the tapes.

Cassette earnings now total about a third of the studios' revenues and nearly all of their revenue growth, according to Richard Simon of Goldman Sachs. Some analysts say the studios will earn more from cassettes than from theaters this year. Only a handful of public companies are deeper into cassettes than the studios—foremost among them Vestron Video, the number-two cassette publisher (after CBS/Fox). Vestron has added more than $100 million to its war chest this year to produce and bid for films to fill its distribution pipeline. The other major public company in the cassette field is Prism Entertainment, which is chasing low-price sales to consumers.

But analysts say cassette sales are bound to slow. "Everyone feels there are problems out there," says Merrill Lynch's Harold Vogel, "but no one thinks he's the one who will be hurt." Some of those most exposed are distributors like Vestron that have bid $4 million or more for cassette distribution rights to a movie. Says Eberstadt Fleming's Mark Riely, "Those that made programming commitments on the basis of growth may be in for a squeeze."

STEVE BEHRENS

INDEPENDENT TV

On paper, independent TV couldn't look stronger: It has grown into a $2.5 billion business, with 21 percent of the total television viewership and average profit margins of 25 percent or more. But the next two years are likely to be different, and therefore crucial to the future of independent TV. Program costs are escalating and that escalation will continue, especially in major markets. There'll be a decline in the growth of what had been double-digit advertising revenues, and the "must carry" question will have to be resolved. Although the larger, stronger stations should continue to do well, there could be shakeouts among the second and third independents in some markets.

One effect of all this will be to slow the growth rate of independent TV. Most analysts see a 1 to 2 percent rate over the next year or so. Investment banker Tony Hoffman agrees that the growth of the sector will be "modest."

"For one thing, they're running out of places to put new independents intelligently," Hoffman says. Thin capitalization of start-ups, lower than anticipated ad rates and programming-cost woes erode a new station's cash flow. And because of programming costs, felt most keenly in larger markets, Hoffman says he's advising clients to look into indies in markets 25 through 100, rather than the top 25.

JOSEPH VITALE ●

prices in the '80s. Unless noted, first per-share price is year-end, 1980.

Stock*	12/31/80	Other start	12/31/85	% change '80-'85
33 John Blair	8 7/8		22 7/8	158
34 MGM/UA[j]	9 3/8		23 7/8	155
35 Coca-Cola	33 3/8		84 1/2	153
36 Gannett	24 3/8		61 1/4	151
37 Time	24 3/4		62 1/8	151
38 CBS	47 5/8		115 7/8	143
39 Adams-Russell	11 3/4		28 3/8	141
40 AH Belo[k]	22 3/8		52 3/8	134
41 Disney	12 7/8		28 1/8	118
42 Tribune[l]		26 3/4	55 3/4	108
43 RCA	29 3/8		59 3/4	103
44 Fries Ent.[m]		3 5/16	7 7/8	100
45 Viacom	27 1/2		54 1/2	98
46 Heritage	10 5/8		21	97
47 Gray Comm.	59 1/2		116	95
48 Turner	7 1/2		14 1/8	88
49 Park[n]		12 11/16	23 1/4	83
50 Maclean Hunter[o]	5 3/4		10 1/4	78
51 Orion	6 1/2		10 1/4	58
52 Prism[p]		6 3/4	10 1/2	56
53 United Cable	15		22 5/8	51
54 Malrite[q]		8	12	50.0
55 Tri Star[r]		7 5/8	10 7/8	43
56 Jones Intercable	7		7 3/4	11
57 TVX[s]		11	11 1/4	2.3
58 Vestron[t]		13	13 1/8	1.0
59 SunGroup[u]	3 7/8		3 7/8	0.0
60 Warner	38 7/8		37 3/8	−4
61 Rogers Cable	13 1/8		11 1/2	−12
62 Playboy	13 3/8		9 1/4	−31
63 Cablevision[v]			14 1/2	N/A
64 Multimedia (new)[h]			30 1/8	N/A

j Last trade at 26 5/8; Acquired by Turner 3/26/86 **k** Opened 12/81 **l** Opened 10/11/83 **m** Opened 12/84 **n** Opened 10/27/83 **o** Opened 4/15/81 **p** Opened 8/14/85 **q** Opened 1/20/84 **r** Opened 6/7/85 **s** Opened 10/4/85 **t** Opened 10/8/85 **u** Changed name from Mooney Broadcasting 3/83 **v** Opened 1/17/86

MONEYMAN

Faster than a speeding banker — Comcast's Julian Brodsky

by Meryl Gordon

A creative approach to financing and a nose for cheap money have made him a legend in the cable business—and helped restructure the industry for the rest of the century.

On a sunny spring afternoon in Dallas, Julian Brodsky, chief financial officer of the Comcast Corporation, the Philadelphia-based cable company, headed unhappily into a meeting at the Hyatt Regency hotel with his new partners—executives of the four other cable companies jointly purchasing Westinghouse's Group W's cable systems. Also present were officers from Chase Manhattan Bank and the Bank of New York, key lenders for the $1.75 million deal. The usually gregarious Brodsky knew the meeting would be difficult, since the banks had called the session the night before demanding last-minute changes in the financing. Sure enough, the session quickly grew strained. Brodsky, a towering (six feet, four inches) barrel-chested man with a mercurial temper, listened to the bickering for a while, and finally became impatient. He decided to do his Godfather imitation—do things my way, or you'll be very, very sorry.

"You know," Brodsky growled, looking menacingly at the bankers and then out the window, "we are sitting on the 20th floor here."

Everyone laughed, and in a matter of minutes the impasse was broken. The bankers and the executives from the other partners in the Group W deal—Time Inc.'s American Television & Communications (ATC), Tele-Communications (TCI), Daniels & Associates and Century Communications—soon reached a compromise agreement on the bridge loan and moved on.

Brodsky, 52, with his salt-and-pepper mustache and clunky black glasses, is an imposing man, a curious mixture of authority and irreverence. But more lasting than his frequent one-liners is the reputation he's developed as one of cable's most innovative chief financial officers (CFOs). The son of a Philadelphia produce wholesaler, he spent his early years in business as an accountant before joining Comcast at its founding in 1963. In the years since, he has been a driving force in moving the firm from its nearly invisible origins as the operator of a cable system in tiny Tupelo, Miss., to one of the powers in the cable business nationwide.

Along the way, through Comcast's generous stock-option program, Brodsky has become a millionaire several times over. His style—tenacious and unorthodox—typifies the new breed of cable CFOs that has emerged out of middle management over the past several years. Their bold acquisition moves and imaginative financing have transformed the cable business, restructuring the industry for the rest of the century.

Brodsky is legendary in the industry for his skill at finding inexpensive money to finance Comcast's rapid expansion. Often, his financing is negotiated at half the going interest rate. He has also racked up an impressive list of firsts: Brodsky was the first to use industrial revenue bonds to finance a cable system, the first cable operator to raise funds in the Eurobond market and one of the first to use limited partnerships and to borrow money from life insurance companies to piece together a deal. Brodsky's financial legerdemain has allowed Comcast to almost double in size since 1981. The purchase of Group W, the third largest cable system operator in the country, will nearly double Comcast's subscriber pool again. The 500,000 Group W subscribers Comcast will absorb will propel it from eighteenth to seventh largest multiple system operator in the industry.

Meryl Gordon's last article for Channels *was on Viacom's Terrence Elkes.*

PHOTOGRAPH BY LOUIE PSIHOYOS

Up, up and away: Once Comcast acquires a piece of Group W Cable, Brodsky will have quadrupled the size of his company, making it the seventh-largest cable operator.

Brodsky's achievements on the finance side, however, have been overshadowed recently by Comcast's involvement in two of 1985's biggest cable deals: Group W and last summer's failed bid for the broadcast and cable TV giant, Storer Communications. (Kohlberg Kravis Roberts and Co., the leveraged-buyout specialists, won that bidding war.) Brodsky is spending the rest of this year working out the incredibly complex details of the Group W deal, arranging for long-term financing as well as resolving tax law complications that may arise as the result of pending legislation in Congress.

During one rainy spring morning at Comcast's no-frills headquarters in the wealthy Philadelphia suburb of Bala Cynwyd, Brodsky is coping with an awesome array of problems. Seated at his hokey carved wooden desk (purchased at a sheriff's auction), Brodsky takes a call from David O'Hayre, a senior vice president at Time's ATC in Denver, to discuss some unpleasant surprises in the Group W hardware. There are several local systems that require extensive, costly rebuilding. "Don't spend my stockholders' money wantonly," Brodsky briskly tells him. Brodsky's next call is from another partner, who wants to negotiate an extension of Group W's health insurance plan until the cable system is divvied up among its new owners. "Let's see if we can do it without dental and vision," Brodsky says. Then he calls a loan officer at the Bank of New England. Are they interested in joining a group of banks putting up a bridge loan for the Group W purchase? "People are playing for a minimum of $100 million," Brodsky says. "Is that too rich for you? I'd love to owe you money someday."

Brodsky's day had just begun. The sheer logistics of the Group W acquisition are mind boggling. To consummate the deal, Group W's local franchises must be transferred to the five partners (Comcast's share alone is 90 franchises in 26 cities), requiring negotiations with city councils from Boca Raton, Fla., to San Bernadino, Calif. Each decision must be thrashed out among the principal partners, who Brodsky calls the "Killer B's"—himself, TCI senior VP Stewart Blair and ATC executive vice president Thomas Binning—and then presented to the two smaller partners, Daniels & Associates and Century.

The Group W partners also face an enormous tax problem that was unforeseen when the Group W deal was crafted last fall. In October, when the partners bid for Group W, they were unaware that the House of Representatives was about to pass legislation that closed an obscure loophole known as the "general utilities" provision, which allowed companies like Group W to liquidate without paying capital gains and depreciation taxes. Comcast and its partners had counted on some $450 million in write-offs under the old law; now, in effect, some of the tax burden must be added to the purchase price. The House version of the bill was made effective as of November 1985—but Group W didn't agree to sell its cable systems to the consortium until December 23, 1985. The timing is key: the Senate version of the legislation would be effective as of March 31, 1986. If the Senate version does not prevail in Congress, the Group W purchasers will have to operate the system as a joint venture for three

Working lunch: Brodsky meets with fellow Group W buyers. "Speak *loudly* and carry a big stick."

'Around here, it's management by violence. You meet your budget or get my size 13D shoes on your backside.'

years, after which they can liquidate the company without tax problems. But even this second option presents potentially crippling difficulties.

"It would be a nightmare," Brodsky says. "Running Group W as a joint venture would create scores of conflicts of interest in capital expenditures and marketing. Every penny spent would have to benefit all."

Meanwhile, Brodsky is working along two tracks at once to finalize the Group W purchase. First, he and his partners are haggling with Chase Manhattan and the Bank of New York for the three-year bridge loan for the entire Group W deal. Second, Comcast must arrange for long-term financing to raise the $437 million it agreed to contribute toward the purchase. This is what Brodsky loves most—playing with all the financing possibilities against a seemingly impossible deadline. Should Comcast float a new public offering to pay for the Group W systems? Should it set up a limited partnership? Should it borrow from insurance companies? Failing these, how else could it raise the money?

Brodsky spelled out these options before a mostly friendly panel of security analysts at the National Cable Television convention in Dallas in March. (Even though Comcast stock is trading near its high, $26⅞ a share, most analysts list it as a "buy.") Typically, Brodsky candidly described one key financing issue yet to be resolved: How much of the Group W debt should Comcast shoulder on its own? Comcast has typically financed acquisitions with limited partnerships: that means sharing the initial costs of a deal—as well as future profits—with partners. "Are we ready to abandon our virginity?" Brodsky asked. "Our share of Group W, if we took it all on the balance sheet, could result in $40 million to $50 million of pretax losses."

"Go for it," one analyst yelled out.

"You're friends today," Brodsky responded, "but will you still love us tomorrow?"

Later that week in Dallas, Brodsky attended an intimate dinner given by Home Box Office chairman Michael Fuchs at the Mansion at Turtle Creek. Brodsky, who had stopped for courtesy calls at six bank cocktail parties on the way to the restaurant, was late, and the evening quickly turned into an impromptu Don Rickles-style roast of the Comcast CFO. "Julian raised three and a half million dollars from doormen—unsecured—on the way over here," began Henry Schleiff, an HBO senior vice president. Not to be outdone, Fuchs pushed aside his crème brûlée to scribble some notes and then stood up.

"The Julian Brodsky story should be entitled: In Search of a Personality," Fuchs said. "This is a guy who gets an erection when he walks past a bank." The roomful of HBO and Comcast executives erupted in laughter.

Brodsky turned serious when he rose to speak. He reminded the group that more than a year ago, at an HBO affiliates meeting in Hawaii, he had ripped into HBO for selling its shows to cable competitors such as microwave programming services. (HBO announced at the Hawaii meeting, just after Brodsky's outburst, that it was discontinuing the practice.) "Over the years, we had a certain amount of disenchantment with HBO and other systems, and it reached its peak nearly two years ago," said Brodsky. "One of the things I'm not going to do is pay to help the competition. We're in this business to win. Our friends are our friends and our enemies are our enemies."

HBO and Brodsky are now friends again. But the people at the top of his enemies list these days are Comcast's former investment bankers, Shearson Lehman Brothers, whom Brodsky still bitterly resents for letting him down last summer during Comcast's abortive $2.1 billion bid for Storer Communications. Comcast and Shearson had worked together for two months last spring on the Storer financing package, but the final bid came down to a rush-rush effort, for fear that a competing bidder, Kohlberg Kravis Roberts, would lock up the deal.

On Tuesday, July 2, 1985, Brodsky and other Comcast executives pitched their financing plan for Storer at a meeting at the Bank of Montreal's offices in New York to 20 bankers who had flown in from all over the country. Comcast asked for a commitment from the banks by Friday that week—its own deadline for blowing off Kohlberg Kravis Roberts. At the meeting, Shearson managing director Paul Mejean stood up and explained his firm's lead role, saying he hadn't formally signed on but was working in that direction. The next day, Shearson backed out. At a meeting at Shearson, Mejean told Brodsky and Comcast chairman Ralph Roberts that the firm was bailing out of the deal because they felt that Comcast should put up more cash or find a partner.

"We envisioned a transaction in which there would be substantially greater equity involved," says Mejean, who regrets the awkward timing of Shearson's decision. "We were as disappointed as Comcast when we couldn't reach an agreement."

So, in the middle of its biggest deal ever, Comcast's investment banker walked away. After leaving Shearson's offices, Brodsky and Roberts stood out on the sidewalk, wondering what to do next. Their lawyer, Stephen Volk, a partner at Shearman & Sterling, suggested they try Merrill Lynch, and he headed for an outdoor pay phone. Two hours later, on the day before the July 4th weekend, Comcast's executives were closeted with their new investment bankers at Merrill Lynch. But the bid ultimately failed when Storer accepted a lesser offer of $2.03 billion by Kohlberg Kravis Roberts. (A Storer director defended the decision at the time by saying that his company felt KKR's bid was structured in such a way that shareholders would receive a better after-tax return. Brodsky disagrees.)

Eight months later, when he ran into Shearson managing director Frederic Seegal at a cocktail party in Dallas, Brodsky found it impossible to hide his bitter feelings.

"Nail in the coffin, Freddie," Brodsky began, referring to reports that Shearson was setting up a $100 million blind pool for a rival cable company, Prime Cable.

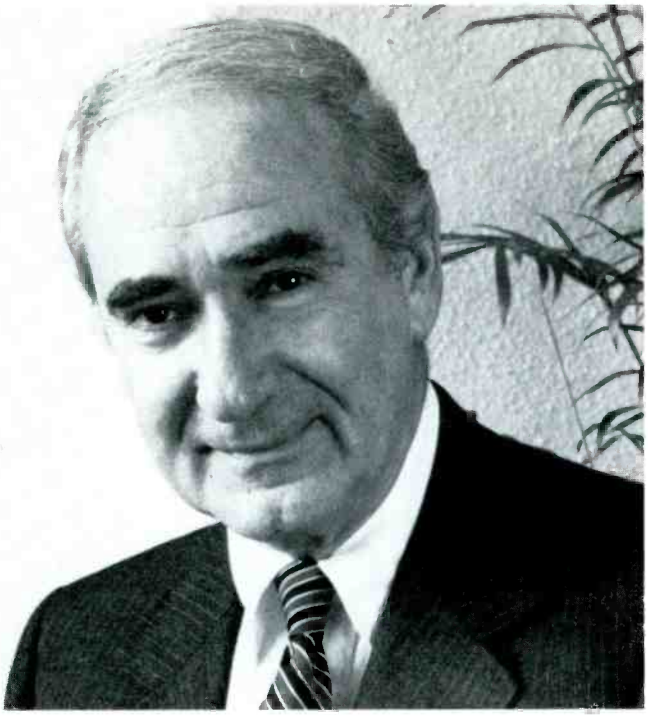
"There's a lot of room," replied Seegal nervously.

"Think of how good things were in cable before you investment bankers got into it," Brodsky snarled.

"You wouldn't be in it without us investment bankers. Speak softly and carry a big stick, huh, Julian?"

"Speak *loudly* and carry a big stick," Brodsky retorted, quickly moving on.

Brodsky's shoot-from-the-hip style and his emotional outbursts occasionally unnerve his colleagues, although they generally take delight in telling their



The Founder: Comcast chairman Roberts hired Brodsky away from a Philadelphia accounting firm in 1963.

favorite Brodsky anecdotes. "When I joined Comcast in 1979," says treasurer Bern Gallagher, "I talked to Julian about the business school method—you know, management by objectives. Julian told me: 'Around here, it's management by violence. You meet your budget or get my size 13D shoes on your backside.' "

Comcast staffers are awed by Brodsky's boundless energy and his legendary drinking prowess after hours and on the road. As a manager, they say, he blows up over minor problems, but is calm and understanding during disasters. A stickler for detail, Brodsky is involved in virtually every financial aspect of the company, a habit that may prove troublesome as the company grows. "There's no problem too small for Julian," says Brian Roberts, 27, son of the company chairman and now vice president of operations for Comcast Cable Communications. Roberts the younger considers Brodsky his "second father."

"He wants to set the right tone for the company—everywhere," says Roberts. "If we can save $250 on a new typewriter, he wants to know about it. The next moment we're talking about a $20 million cable system rebuild."

TCI's Blair says Brodsky's attention to detail led to explosive arguments in preparing the Group W bid. "Julian and I complement each other, but we argue all the time," says Blair. "Julian is inclined to identify all the problems before he does the deal. I tend to believe that you should get your foot on the dog's tail fast, then work the problems out later." Blair and Brodsky fought so passionately during the Group W acquisition that the other negotiators often banished them to separate rooms to cool off.

Comcast chairman Roberts, 66, is one of Brodsky's most fervent supporters. He still laughs when he recounts the day he hired Brodsky in 1963. Brodsky was working at a Philadelphia accounting firm and was assigned as the outside auditor for Roberts's Pioneer Belt Company, also in Philadelphia. When Roberts sold the belt firm and decided to plow the money into the small Tupelo cable franchise, Brodsky asked for a job. At the time, besides Roberts, there was only one other employee, the company's current vice chairman, Daniel Aaron. "He told me if I hired him, he would save me 50 percent of my accounting fees," Roberts recalls. "I told him I didn't have any furniture. He showed up the next day with a card table."

Today, the two men are quite close, even though Brodsky's emotional, freewheeling style contrasts sharply with Roberts's genteel manner. Both men consider the Comcast they created as an extension of their families and private lives: Roberts's son is a Comcast VP, while one of Brodsky's three daughters, 25-year-old Deborah, is the marketing manager at Comcast's Willow Grove, Pa., cable system. Brodsky still regularly works six-day weeks and is combating the mid-life doldrums by playing tennis and jogging near his home in Cherry Hill, N.J. His wife, Lois, teaches children with learning disabilities in the Haddonfield, N.J., school system.

"I still haven't figured out what drives Julian," says Lois Brodsky. "He's intrigued by watching an industry grow and in giving birth to new ideas."

In the early days of the company, when Brodsky was crisscrossing the country every week and acquiring new cable systems, he established one firm rule for Comcast: Always finance each project separately, without committing the resources and credit of the parent company. That way, if one project fails (it never has), it won't drag everything else down with it. This is a conservative approach, but it has paid off amply on Wall Street, where financial analysts give Comcast high marks for consistency and common sense.

"Julian Brodsky is one of the smartest in the business," says David Londoner of Wertheim & Company. "Comcast could have leveraged itself up to the eyeballs, but then they wouldn't have been able to do the deals they now have."

The Street is also dazzled by Brodsky's Rube Goldberg financing apparatus. For example, Comcast set up its first limited partnership in 1971, raising more than $1 million to build a cable system in suburban Baltimore, one of the first cable companies to raise money that way. The following year Comcast went public to finance further expansion, selling $3.1 million in stock. In the mid-70s, Brodsky spent five years tinkering with the idea of financing a cable system with industrial development bonds before using them for the first time in 1979, to wire suburban Montgomery County, Pa., near Philadelphia. In 1982, Comcast leaped into the Eurobond market for the first time, raising $22.5 million from foreign investors. Last summer, its second Eurobond offer, for $50 million, contained a unique "put" option that allows bondholders to resell the security back to Comcast in 1990 should either interest rates rise or Comcast stock fall. This allowed Comcast to shave one quarter of a point off the interest it had to pay.

"The senior management at Comcast literally sit around and try to invent new ways of deploying capital," says Paul Kagan, publisher of the influential cable newsletter.

Wherever he goes, Brodsky projects the same image: brains and brawn, intellectual capacity and brute force. Last summer, on the verge of Comcast's Eurobond offering, Brodsky and Roberts met with securities analysts at London's clubby Butcher Hall. Keith Harris, a managing director of Morgan Grenfell Inc., the firm underwriting the issue, introduced the Americans by describing their firm in Wild West terms: "lean and mean." Following Harris's remarks, Roberts, as always low key and distinguished, made a brief presentation. Then Brodsky strode to the podium, glanced around the room carefully, and growled, "That was lean. I'm mean."

PRIVATE EYE

by William A. Henry III

SEMI-AMAZING STORIES

Probably the biggest program news at the start of this past television season was the return of Steven Spielberg, the most successful film director of all time, to the small screen, where he got his start. Probably the biggest news at the end of the season was that it didn't make all that much difference. Spielberg's anthology, *Amazing Stories*, ended the first half of a guaranteed two-year run as a welcome variation of program type but no blockbuster.

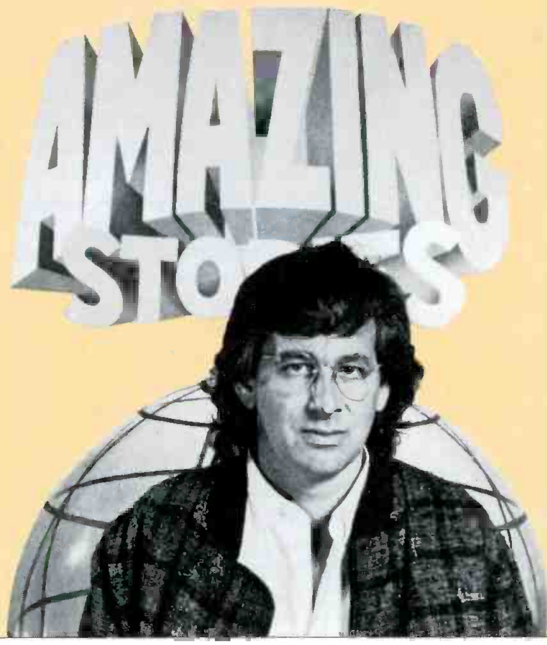
Artistically, the show was uneven, which is to be expected with anthologies, and considerably less than amazing. Audiences that had been led by opaque but adrenal promotion to expect horror, science fiction, the supernatural and high adventure found instead many installments of mildly imaginative, offbeat comedy with a slight spritz of fantasy. Spielberg explained before he started the series that he envisioned it as a receptacle for a lot of his cast-off movie ideas. Some of the stories, although obviously too slight to sustain a feature film, were charming on TV. Some, however, were no more than undeveloped premises. An early episode presupposed that a meteorite had magnetized the bodies of two teenagers, a handsome and popular boy and a homely, screechy girl. The story ended with that revelation, as their two bodies hurtled toward each other, rather than get on to the interesting part—what this literally polarized couple was going to do about it. Spielberg has a recurrent annoying tendency to just end a story without resolving it, or to cheat outright. Perhaps the most outrageous indulgence came in "The Mission," a special hour episode he conceived and directed himself. For most of the way it was a taut story of a World War II bomber crew trying to get back to Britain in a damaged plane lacking its landing gear. Compounding their fear was the fact that one of the gunners was trapped in a turret on the underside of the plane; a landing without wheels would surely crush him. Having devised this pickle, for which he apparently could think up no workable real-life solution, Spielberg saved the trapped gunner, who just happened to be a cartoonist, by having him draw a plane with big wheels and think hard. His illusion became reality and lasted long enough for him to be rescued. The last time audiences had seen that big a cop-out was in Spielberg's own movie *E.T.*, in which he ended a chase sequence by suddenly endowing a bicycle with the capacity to fly.

Spielberg has an annoying tendency to just end a story without resolving it, or to cheat outright.

NBC paid a premium price for the series, partly to secure Spielberg's presumably salable name, partly because the show has none of the things that make a weekly series cheaper to produce: no standing sets, no recurring characters or continuing story lines. The network hoped *Amazing Stories* would become a hit and more, a social phenomenon, like *Hill Street Blues*, *The A-Team* and *Miami Vice*. Instead, by late in the season, the name *Amazing Stories* was hardly ever on anyone's lips. Although scheduled at a peak viewing hour, 8 P.M. on Sunday nights in most of the country, it ranked 33rd among all series for the year, with only a 16.3 average rating and 24 percent share, borderline for renewal even in today's climate of audience fragmentation. Moreover, the show was uncommonly weak in reruns. A replay of "The Mission," generally regarded by critics as the best episode of the season, ranked 53rd for the week; another late-season rerun finished 64th. Indeed, the chief impact of *Amazing Stories* seems to have been to drive adults over to the competition, CBS's *Murder She Wrote*, which rose to third place among all shows and even outperformed its thriving lead-in, *60 Minutes*.

NBC was careful to maintain a mild public posture so as not to offend Spielberg. Executives said the research department had projected only a routine 26 percent share (as things turned out, it didn't even do that well). But one of the top brass admitted, speaking not for attribution and placing most of his harsh judgments off the record, "This has been a modest success where we would have hoped for more."

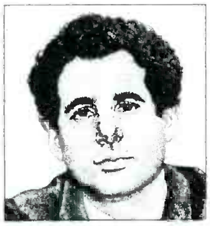
After the initial ratings letdown, the network even found a way to exult over a new statistic: according to its research, *Amazing Stories* has the highest number of viewers per set of any show, and thus, although it rates only 33rd, really ranks eighth in total number of people watching. Assuming that this difficult-to-collect data is accurate, what does it mean? Presumably, that *Amazing Stories*, while seeking "kids of all ages," appeals most to those who are chronologically kids. On Sunday night the family gathers round the set. In many, if not most, households, the tykes control the channel selector. Maybe mother and father pay attention to what's on. But maybe not—and thus, for many potential advertisers, this new statistical "amazing story" may offer further disillusionment rather than hope. ●



NATIONAL BROADCASTING CO., INC.

Spielberg's return to TV has been less than mesmerizing.

WASHINGTON



by Joel Swerdlow

THE MAKING OF A COMMISSIONER

Imagine you are a United States senator sitting on the communications subcommittee of the Commerce Committee. A new member of the Federal Communications Commission is up for confirmation. The hearing room is packed. You can ask any question, like, "What are your views on telecommunications since the AT&T breakup?" or "What do you think about advertisements aimed at children?" Here's how it just happened in real life.

Patricia Diaz Dennis, President Reagan's nominee for a seat on the FCC, arrived moments before the hearings were to begin. She walked in, accompanied by her husband and two children. Every seat in the room was filled except those reserved for the senators who would question her. Those seats were empty.

Shortly thereafter, Slade Gordon, the Republican senator from Washington state, convened the hearing in the absence of subcommittee chairman Barry Goldwater of Arizona. Dennis read a three-minute statement in which she said she would be "open-minded and impartial," and that she "looks forward to learning more about telecommunications." Gordon recessed the hearings. Fifteen minutes later, Goldwater came in from another hearing. After a few jokes, Goldwater said he found nothing objectionable in Dennis's background, and that the absent senators agreed. "You're in," Goldwater said to Dennis.

Dennis at Senate hearing: No experience, no objections.

ANKERS PHOTOGRAPHERS, INC.

'If you're going to get someone who no one's opposed to, you're going to get someone who knows nothing about FCC issues.'

"That's it?" she asked. "That's it."

Presumably she is a talented, intelligent and fair-minded woman. But Patricia Diaz Dennis—who handled labor law for ABC in Los Angeles for five years and who has been a member of the National Labor Relations Board since mid-1983—has virtually no experience with communications.

The lack of experience apparently did not bother President Reagan, who appointed her. Nor did it bother the senators who confirmed her. And it apparently did not bother Dennis, who discussed it quite candidly in her brief opening statement.

No one was bothered because this lack of experience is normal in FCC nominees. The so-called Reagan Revolution has left one aspect of government regulation very much unchanged: As in the past, more than half of all nominees are—like Dennis—lawyers with only minimal government experience.

Lawyers have always dominated communications regulation, with two exceptions: the regime of technical experts in the pre-FCC Federal Radio Commission, and the coterie of ex-New Deal regulators and former FCC staff members who, from 1939 to 1952, presided over what historians call the FCC's only "public service" period. But in more recent years, the result of this emphasis on candidates without career backgrounds has been, according to one study, an FCC that sees issues in "legal and administrative rather than in social or economic terms."

Dennis will soon be asked to vote on issues like cable "must carry" and telephone costs. She says she is eager to learn. But who will teach her?

Her first instructors will be FCC staff specialists—very busy lawyers and engineers. Dr. Barry Cole, a former FCC consultant and author of *Reluctant Regulators: The FCC and the Broadcast Audience*, explains how it will work: "No one will say, 'She's new, let's give her one side of the story.' But commissioners usually get briefed by the staff only on specific items. The staff can't step back to give the big picture. They'll give answers, but she won't know what to ask." By a kind of osmosis she may never recognize, Dennis will absorb the accepted wisdom.

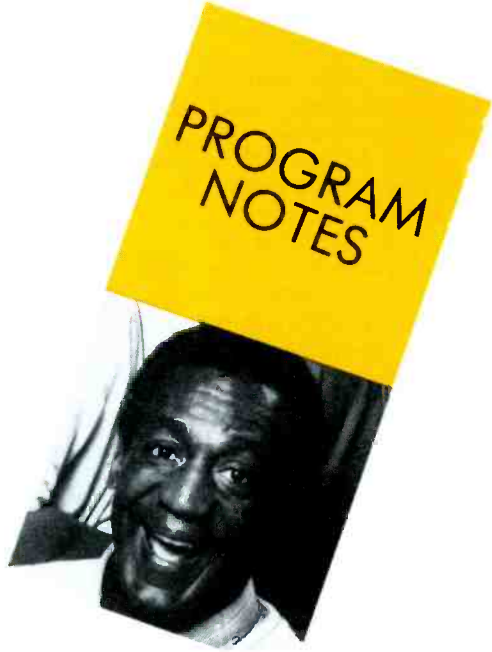
One recent FCC member caught a lot of embarrassing publicity by saying that he'd learned by sitting at his desk and listening to the people who came in. When asked from whom she'll learn, Dennis says, "It's like you start out in any new job. I'll have to learn [how the system works]. I'm not sure how it will be done, but I guess briefings, talking with career people . . . and there are all kinds of public documents."

The solution is not to establish a better educational process. It is to make the appointment process more meaningful. A 1976 Senate study concluded that any potential FCC commissioner who has been active on a major communications issue simply gets blackballed. As Cole puts it, "If you're going to get someone who no one's opposed to, you're going to get someone who knows nothing about communications."

Change may be coming. The FCC used to be the second choice of people who could not get a better political appointment. Now it is a choice assignment—not least because every ex-commissioner has a guaranteed lucrative career as a Washington insider. At present, relatively young people with little record and excellent congressional connections are getting these prime FCC jobs. But the time may come when the White House—no matter who occupies it—will consider an FCC appointment important enough to justify a tough confirmation fight. If this happens, some people will be unhappy, but how many people are really happy with the way things are done now? ●

by Mark Edmundson

Father Still Knows Best



Bill Cosby is Ronald Reagan with saving self-awareness. A model for authority in the '80s, Cosby wields the old-time morality with irony and wit.

In the '80s, lightness is all: light beer, light bodies, a lighter personal style, even a light heavyweight as world boxing champ. The image of success is no longer the earnest work-a-daddy, inert and righteous, guardian of his family, servant to laws and in-laws. Success now is windswept, unattached, flexible, and pragmatic. Stay too long with any code or commitment and you stultify, turn to bone. Mobility is the key—lightness. And yet the authority and righteousness that work-a-daddy commanded still exert a nostalgic appeal. It wasn't until last season that TV caught on: Enter Bill Cosby, the first sitcom pop who embodies all the work-a-daddy values but never plays the heavy. With *The Cosby Show*, the sitcom may be entering an Age of Enlightenment.

In fact, *Cosby* has inaugurated what amounts to a third epoch in the history of TV sitcoms. It all began in the Imperial Age, when the work-a-daddies reigned. On *Father Knows Best*, *My Three Sons*, *Leave It to Beaver*, and a dozen others, papa dispensed humane, homiletic justice from his sanctum in the den. Occasionally he blundered, but acts of wise humility restored his authority by half hour's end. If he "learned from the boys," it was never anything he hadn't known, though he might briefly have forgotten it. The presiding image from those days is of papa seated in the study, at the kitchen table, or at the workbench, deploying such words as good and bad, right and wrong; drawing on experience; laying down the law, when need be.

Think of the second period in sitcom history as the Revolt of the Prime Time Proletariat. It began with *All in the Family*, and though its residues are still with us, *The Cosby Show* signals its extinction. TV's lower orders began making life sore for the sitcom patriarchs over a decade ago. During the Proletarian Revolt papa has been just as inert as he was in the Imperial Age. He's still seated in the regal armchair, still dispensing the old wisdom: good-bad, right-wrong—the ethical two-step. But his tribe of dependents isn't having any. Whenever papa voices some general principle, which would have been supremely self-evident in the Cleaver household, one of the underlings lets the air out of it. The ruling image of *The Jeffersons*, *Silver Spoons*, *Diff'rent Strokes*, *Webster*, and of course *All in the Family* is of some thoroughly disabused housekeeper, wife, girlfriend, or child deflating papa's latest pronouncement with a look of flat incredulity, or a deep and drawn out "Right." Everyone is an Archie de-Bunker. The sitcom proles have some techniques in common: They favor irony and the quick cut, and distrust absolutes. They aim to keep things light, and Cosby has learned more than a little from them.

There is no daddy's chair on *The Cosby Show* because Dr. Huxtable is always on the move. The show's title segment pictures him dancing with each of his family members in turn—just the right moves for Cosby's character on the show. Cosby succeeds by combining the ethical appeal of the Imperial Age papas with the keen dexterity, physical and verbal, of the proletariat. The show, like almost every family sitcom, centers on conflicts between dad and individual family members, on authority versus the wish. And in these Cosby is invariably triumphant, though never in Ward Cleaver style. When one of the kids needs to be set right, Cosby outwits rather than outweighs him. When his son wants to quit school and get a job as a gas station attendant, Cosby sits him down and enforces the Reality Principle: He gives his son a wad of Monopoly money as his week's salary and begins making withdrawals in the name of life's necessities.

"So, now, after all that's paid, you want a girlfriend?" he asks.

"Sure," the boy replies.

"You've got five dollars. What kind of girlfriend is that going to get you?"

Cosby always scores his point, but he allows his child to win a round too. In this scene, his son walks off with his weekly stipend increased, thereby getting the last word. Cosby lets everyone preserve his or her dignity—indeed, he often, if grudgingly, makes room for his wife, Claire, in the circle of his authority. Wally and Beaver left the den trudging, as though they'd spent a day at reeducation camp. Cosby's ingenuity keeps his style light.

Cosby is uniquely suited to play the figure of flexible authority at the center of a new style of enlightened sitcom. He's the first TV dad with a body: He loves to move and shake. Gestures do half the

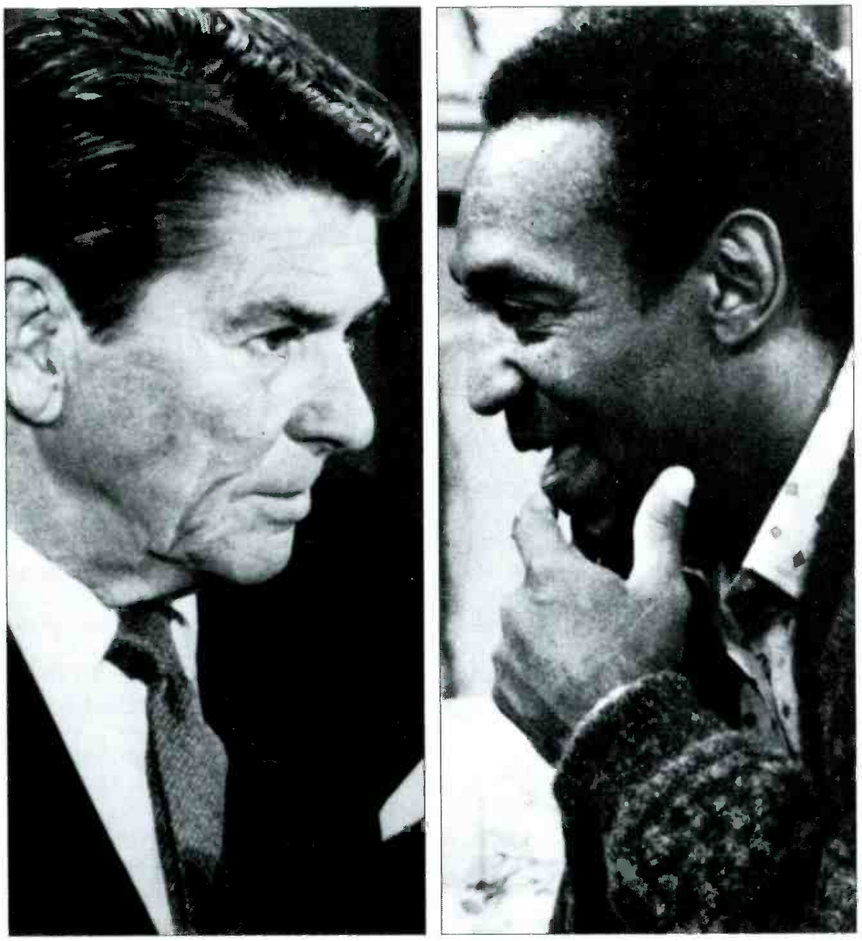
Mark Edmundson teaches English literature at the University of Virginia. His last article in Channels *was "TV's Celebration of Itself" (September/October 1985).*

work of communication for him. He also has a control of tone that puts any of the upstarts to shame. Then there's Cosby's magnificent face. His expressions are exquisitely subtle, and always just a shade out of joint with whatever lines he's speaking, providing a knowing but uninterpretable commentary on them. Cosby has a knack for ironizing everything he says without discrediting it or himself.

This inscrutable dissonance between Cosby's words and his attitude toward them gives us a sense that he holds a private self in abeyance. The eye of the TV camera, which seems to penetrate and reveal everyone it looks upon, can't see through and expose him fully. This leads us to attribute to Cosby an integrity that has not been unhelpful in his career as an ad spokesman for the likes of Ford and Jello. The proletarians, too, were cool enough to resist TV's prying eye, which burns laserlike through such overheated, overcommitted characters as Archie Bunker. In short, Cosby possesses all the characteristics the upstart kids had, but he deploys them in the service of values of which Ward Cleaver would approve.

So why the sudden shift? Why is Cosby able, just now, to usurp the place of the proletarians? Why, for that matter, did TV's miniature guerrillas hold the dads in thrall for the last half-dozen years? First, there's the matter of shifting demographics. The Baby Boomers who, beginning with *All in the Family*, identified themselves with the parties of permanent opposition, have now themselves become figures of authority. As new parents, they demand a more flattering image of their position than either Ward Cleaver or Archie Bunker could supply, an image of establishment *and* cool. "Who says you can't have pinstripes and rock 'n' roll?" as the Michelob ad says.

There may, though, be a more significant force directing the advent of the new, enlightened sitcom. Remember that the revolt of TV's underclass coincided with some comparable events in the political world. All over the globe—in Vietnam, Cambodia, Iran, Nicaragua, Lebanon—the primal authority of the United States was being undone by the disenfranchised. Our stiff habits of enforcing authority were as ineffectual as Archie Bunker's when they encountered a guerrilla opposition that was versatile, ingenious, pragmatic, and, well, light. (It's instructive that the Vietcong commanders interviewed on PBS's documentary *Vietnam* said that their American adversaries might have been good enough fighters, but that they were just too heavy, too weighed down with gear, to be effective.)



After years of tots triumphant, the new authority figures in the White House and the Huxtable house are pragmatic, sly, ingratiating, and (for a change) winning. Cosby is humane as well.

Americans, over the past decade, have been developing an awareness of just how vulnerable they are to the world's guerrillas. And might TV not have responded to this national tendency, perhaps even aiding it indirectly? Depictions of the triumph of the TV tots over the proud patriarchs may have been one of our ways of domesticating and brooding over the new ethical and political situation in which we found ourselves. In a sense, the tot-triumphant shows were a form of political therapy, a way of administering gently, and with awkward humor, the same medicine that we took in undiluted form on newscasts showing us blindfolded American embassy personnel, tall and proud, cruelly used by the world's disenfranchised, whose impotence we had earlier taken for granted. Rituals of instructive humiliation were in order, and our sitcoms provided them. These shows were certainly entertainments; they softened and sugared rather than concentrated our dilemmas. But it would be wrong to say that they did not contribute to the process of national reassessment, the meditation on our new role in the world, that has been taking place over these years.

The appearance of *The Cosby Show* and its massive popularity indicate that this period of rethinking is coming to a close. We have a solution in a figure of flexible authority, one that combines the wiliness of our guerrilla adversaries with our former imperial stance. We're ready now to turn the tables on them—though not quite as uncompromisingly as Rambo did when he went back to Vietnam and used guerrilla tactics to do to the Russians what the Vietcong had done to us. And doesn't this new image of flexible authority in some ways fit our current President, who is comparably pragmatic, witty, ingratiating, and sly, but has the old imperial aspirations? He was the one who could use guerrilla cunning to apprehend the hijackers of the Achille Lauro, but use it in the interests of justice and the established order. He too can tolerate some dissent in the world and listen to the voices of the disenfranchised, while still winning his imperial points.

Yet this is too cynical a reading. *The Cosby Show*, like all good popular art, has a utopian undercurrent; it induces us to call to mind an image of American authority that is authentically humane, inventive, and capable. Like Huxtable, we might long for a time when our dependents will be our equals, and understand that speeding up that process will be the best favor we can do not only them but ourselves. That we can be satisfied with a cheap version of flexible authority, embodied in an acting President, is no fault of this show, which, even if inadvertently, puts our options before us and asks us to make some choices. ●

HOLLYWOOD INC.

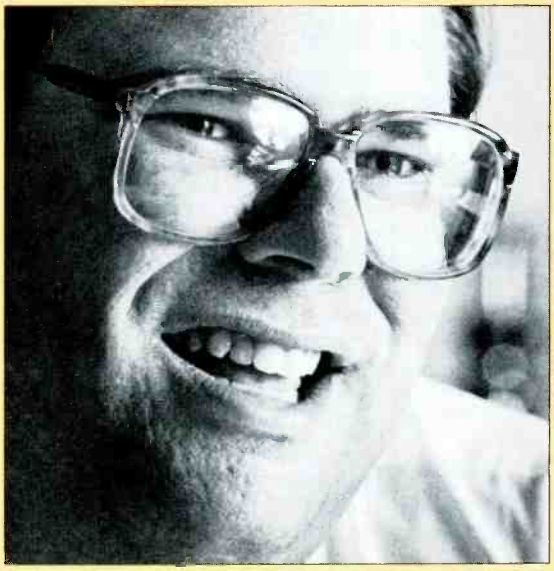
by Rick Du Brow

Hour-long shows pose a problem in syndication because they do best late at night, when the audience is smaller.

BACK-END BLUES

Rick Feldman and Glenn Caron both work in TV, but they speak different languages. Feldman talks of "amortizing the cost" of all those high-priced TV series he buys for reruns as station manager of KCOP in Los Angeles. Caron, executive producer of the costly *Moonlighting* series, invokes terms like "palette" and "hard lighting" to describe his show's unique look. "I'm in the scene-making business," he says. Producers like Caron are at the front end of the TV business, generating shows the networks buy. At the other end are the rerun customers like Feldman, who, along with another 250 or so executives at other independent stations, are suddenly wielding unprecedented creative influence as the "back-end" buyers who decide which shows will make a fortune in syndication. But in spite of the symbiotic relationship between the two, there is currently a severe failure to communicate between the front and back ends.

Feldman, for example, likes *Moonlighting* and such other stylish hits as *Miami Vice* and *Hill Street Blues*; but he maintains that they just don't play well when run Monday through Friday in the key viewing hours of 5 P.M. to 8 P.M. That is prime time for independent stations, when retread sitcoms and game shows hold sway. It is this perception among rerun buyers—that two half-hour shows perform better than a one-hour show—that has producers wondering how they're going to recoup the million-dollar-plus weekly costs of their one-hour shows. Feldman's response comes as no news to the studios: It's time to apply the brakes to the free-spending whims of extravagant creators. But the other part of his answer—and it may not sit well with producers who are looking to bag a quick zillion from reruns—also makes sense: Change the syndication pricing structure so he can afford to buy these hour shows and play them when they do best—late at night, after prime time, once or twice a week. Let him buy them at reduced prices because of the smaller audiences available. Feldman believes one-hour shows can be preserved, and he has cold, hard financial figures to back up his judgment that they can sell and play well. Consider:



***Moonlighting*'s Caron: Fighting the communications breakdown.**

"In a market like mine," he says, "the available audience between 6 and 8 P.M. is maybe 65 percent of the viewers in the area. But at 11:30 P.M. or 12:30 at night, it may be 25 percent. So the ability to develop a high rating is decreased. Let's say a show has a good 13 rating between 6 and 8 P.M. And you charge $200 a rating point for each 30-second commercial. The 13 rating multiplied by $200 means $2,600 to my station for each commercial. Running 24 commercials an hour brings in $62,400. Now let's think about the 11:30 or 12:30 time period. With fewer viewers, the ratings are automatically lower. Let's say that you have a good 5 rating and charge $250 a rating point for a commercial. That's $1,250 a commercial for my station and that totals $30,000 an hour. That's a big difference from $62,400."

Feldman says he would gladly take a chance on late night for hour shows that he can't afford to run early, singling out such series as *Cagney & Lacey*, *St. Elsewhere* and *Hill Street Blues*. But, he adds, "Syndicators would have to accept about 30 to 40 percent of the price they'd get at the earlier hours." Feldman paid $100,000-plus per episode for early-evening rerun rights to the so-so sitcom *Webster*, but he can't afford to fork over that much for *Miami Vice* as a late-night bet, despite all its fame.

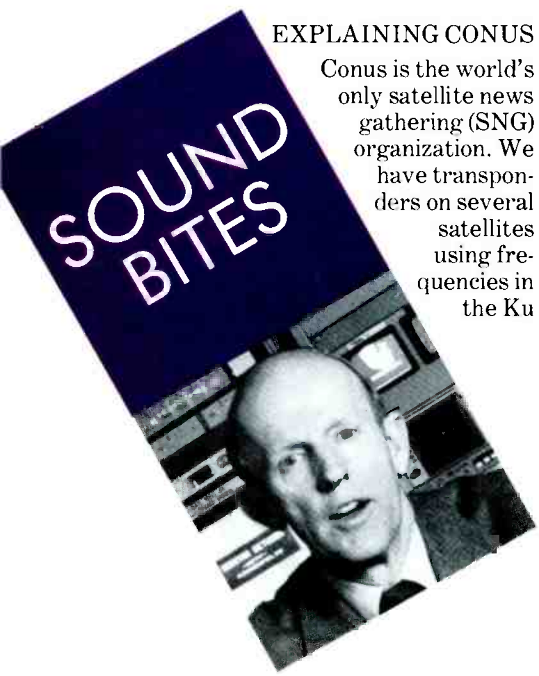
With messages like this from the rerun market, studios and producers are beginning to take steps to eliminate the staggering up-front deficits, as high as $300,000 to $400,000 per episode for many one-hour shows. Another option—that of persuading the networks to pay a larger share of costs—will not be easily accomplished, and a third—selling a piece of a show to an outside investor—would involve giving up some potential syndication profits. Thus viewers can expect to see more one-hour shows that rely on dialogue and characterization instead of car chases and glitz.

Spending cuts could lead to ways for the front end and the back end of the TV business to come to terms with TV's new realities. One-hour fluff like *Charlie's Angels* may work in the key 5 P.M.-to-8 P.M. period for syndicated shows, but, alas, *Hill Street Blues* probably won't. ("It's not the kind of show for a time of day when lots of distracting things are going on in a household," says Feldman. "You have to pay careful attention to it.") The best creators—like Caron—*want* viewers to pay attention to their shows. But the trick in the rerun market is to get on the air first. And that means that producers and syndicators of quality one-hour series will have to lower their prices if they want to do business with buyers like Rick Feldman, who are suddenly holding a lot of the high cards. ●

‘It’s All Over, Boys’

Stanley Hubbard talks about the death of network TV, the birth of DBS and the future of *Monday Night Football.*

Stanley S. Hubbard is the son of Stanley E., founder and patriarch of KSTP-TV and radio in St. Paul, Minnesota. And the son is a prodigious founder himself. While he continues as president of Hubbard Broadcasting, which owns, among other things, six TV and five radio stations, he has also launched Conus (for "Continental U.S.") Communications, a satellite news-gathering organization for local TV stations; the United States Satellite Broadcasting Company, a license holder for future direct broadcast satellite (DBS) service to viewers' homes; and USTV, a limited partnership for program development and distribution and for ad sales. Lean and energetic at 53, Hubbard spoke with his characteristic directness during a conversation with Channels *editors. Some excerpts:*



EXPLAINING CONUS

Conus is the world's only satellite news gathering (SNG) organization. We have transponders on several satellites using frequencies in the Ku band. We have a control center. We have 35 stations in the consortium and within a year hope to have close to 100. A station that buys an SNG truck not only does feeds for Conus, it does feeds for itself. KSTP's truck is out daily, even on the weekends. A station's signal typically covers 80 to 100 miles, but without SNG its live newsgathering is limited pretty much to maybe 15 to 30 miles. I understand it costs them $10,000 each time. I can be the guy on the scene of a disaster, on the scene of a hurricane or whatever it is, and within ten minutes of a news show, or 15 at the very most, all five of your anchor people can be getting a report from me, live.

GETTING A FREE SATELLITE RECEIVING DISH

Up until the advent of [RCA satellite] K2, a station would have to spend $40,000 to $70,000 just to put in a dish. But now, any television station that wants a dish can ask us and we'll tell RCA and they'll put a dish in free. If you ask RCA for a dish today, they won't give it to you. If you ask USTV or Conus for a dish, RCA has to give it to you.

FEEDING NEWS FROM THE WHITE HOUSE DIRECTLY TO LOCAL STATIONS

What we're doing is making possible what only a local newspaper could do up until now. That is, the local station can decide for itself what it wants on its news from the White House. Prior to this time, you took your feed from the network. There was no other source. When the President has his next press conference, the people at any Conus station can say, "Now, here's the President," just like the network commentators do. And the local station can analyze that press conference in terms of what's important to the people in its market.

When we reach the point that we have 200 Conus stations, there will be 200 different editorial viewpoints on what's going on at the White House, rather than one. And we'll still have ABC. As long as ABC is a news organization, we'll have a choice of Conus or ABC. We'll have it both ways.

THE PROBLEM WITH CABLE

I didn't get into cable because I thought—and still think—that it's an immoral business. I believe that a copyright means something. I pay good money for a program for my station in Albuquerque, and I'm supposedly buying exclusive rights to it. And Ted Turner buys the same program, puts it on WTBS and sends it down to the cable systems and I don't have exclusivity anymore. By pure theft—legalized theft—the cable industry has fed off broadcasting and built itself up to be a competitor. To me, that's an immoral business, and it's sanctioned by federal law.

HOW KU BAND TECHNOLOGY WILL AFFECT THE NETWORKS

Ku band technology is going to mean to network television what deregulation meant to the airlines: it costs me less to fly and there's more service. Today you do not have to rely on the networks. For example, KSTP has a show called *Good Company* that costs us between $800,000 and a million dollars to produce. We could take the program and, through USTV, we could make it a regional television show. If ten television stations were to cooperate equally in the cost of producing that show, it would cost each of us $80,000, which means that $720,000 drops right to the bottom line.

ROB LEVINE

'I didn't get into cable because I thought—and I still think—that in many ways, it's an immoral business.'

HOW USTV WILL WORK

The concept is this: We go to Hearst and we'll say, "We have this program idea. We see USTV owning perhaps 25 percent of it and you people owning the rest. And we want to have Petry sell the national advertising and you sell your local advertising through your own rep."

We're not thinking about taking on *Dynasty*. That's ridiculous. But we are thinking about filling program needs other than prime time. We're going to get into some distribution of news shows. You remember *NBC News Overnight*? We think it may be possible for USTV to make an overnight service work, with news inserts from Conus. We're looking into the possibility of an independent television news show to go head to head with INN. Granada Television has just become a 20 percent partner in USTV. They're going to represent us in the United Kingdom; we're going to represent them here. [The other partners are the ad rep firm Petry, the consultants Frank N. Magid Associates and the station owners Capitol Broadcasting and the Burt Harris family.]

We also intend to lease out satellite time. We're talking with 20th Century Fox about distributing the Fox Television Network programs.

CHASING MONDAY NIGHT FOOTBALL

We're going after *Monday Night Football*, that's no secret. We're telling the NFL that it ought to control its own destiny. We're not looking to be a middleman. We're looking to be a partner. We have a production company called F&F Productions. We know we can do a Monday night football pickup for probably 25 to 30 percent of what it costs ABC to do it, same number of cameras, same quality. You don't realize the union contracts the networks are burdened with. If a network news crew comes to KSTP, you know where they ride on the airliner? They ride up front. But the vice president of the network rides in the back. And then when they get to KSTP, they can't eat in our cafeteria. They have to have their food catered in, by the best caterer in town. How can you run a business like that? It's ridiculous.

FINANCING HIS VENTURES

Conus, right now, on an operating basis, is profitable. If and when we sell the rest of our limited partnerships, it will be a very profitable business. The profits right now are servicing the debt from buying the transponder.

We're investing about $50 million in Conus. And we're limiting ourselves right now to under $20 million in USTV. The idea's to do it on a project basis.

THE PROMISE OF DBS

If the Metropolitan Opera was available every Friday night from 9 to 11, how many TV stations would carry it? Darn few, because we know something like 2½ to 4 percent of the American people would be willing to watch—be willing to pay for it, as a matter of fact. Now, if I have a cable system, I'm not any more likely to carry the opera any more than the TV station is, because I'm looking for a mass audience, right? Imagine how hard it would be to get the opera on 8,000 cable systems. I mean, forget it! And they're all going to want to take a cut right off the top, aren't they?

Now, let's put the opera on DBS. All of a sudden, there's no middleman. Within a year or two, more than 1½ or 2 million people are watching our opera. I've got a heck of a business at $8 for the opera, once a week. And that could go for hockey just as well.

Let's talk about movies. Showtime takes a movie from Paramount. Right off the top, the cable system takes 50 percent, leaving 50 percent for Showtime to split with Paramount. So the movie company ends up getting maybe 18 percent. Eighteen percent! Let's do it on high-powered DBS. The movie company gets 50 percent.

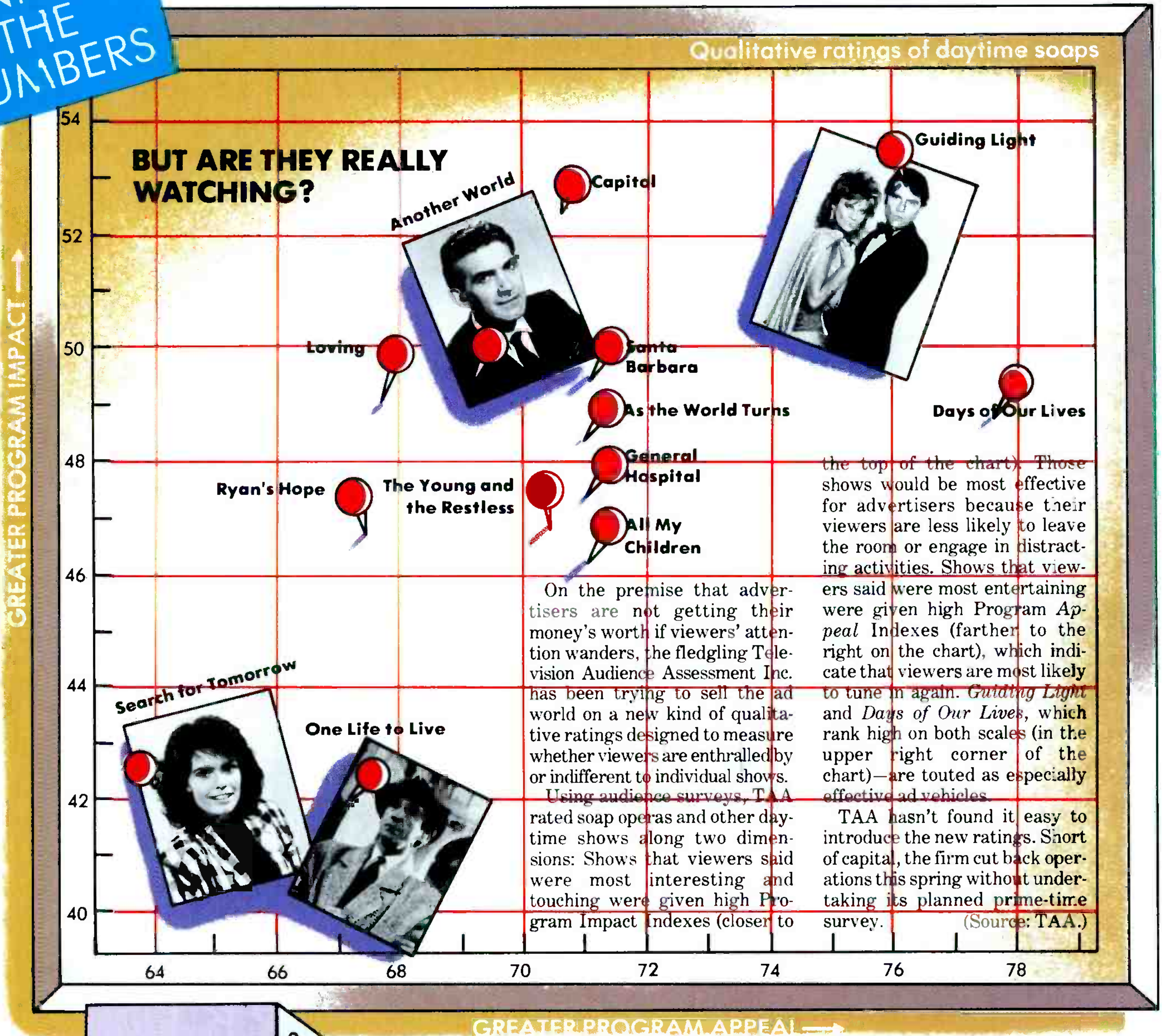
We know that with six channels of DBS, within about three years 25 percent of the American people say they will buy a dish, if that dish is small enough.

PREDICTING THE FUTURE

In my opinion, mass communications is going to evolve into a system of direct broadcast satellites, with tremendous capacity for data transmission to the home and small business. I think we're going to see cable fail and we'll come once again to rely on local television stations.

Whether or not Hubbard Broadcasting will be a part of DBS remains to be seen. We have a license. We hope to be there when it happens. But it is going to happen, with or without us. The Conus-type thing is going to grow, whether Conus succeeds or not. Just like the sun is going to come up in the morning.

Our vision is this: The days of three people in New York dictating—maybe I shouldn't say "dictating" because that sounds wrong—*planning* the program fare for the rest of America . . . those days are gone. This is a big country. There's room for a lot of people in decision-making and a lot of profit participation. And the networks are no longer going to be able to control the programming of American television. It's all over, boys. That's my prediction. In five years, it's going to be gone. ●

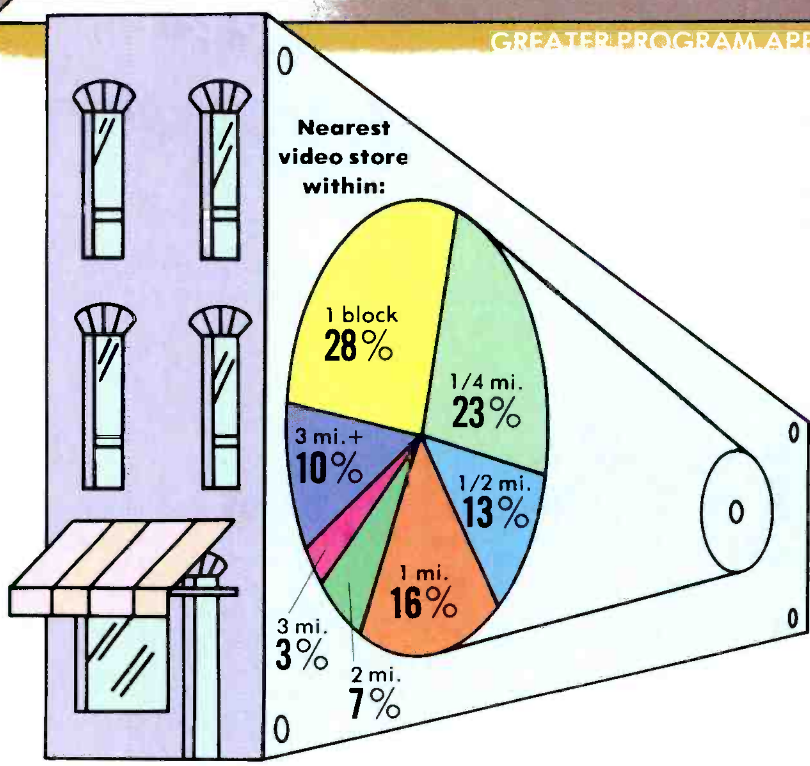


On the premise that advertisers are not getting their money's worth if viewers' attention wanders, the fledgling Television Audience Assessment Inc. has been trying to sell the ad world on a new kind of qualitative ratings designed to measure whether viewers are enthralled by or indifferent to individual shows.

Using audience surveys, TAA rated soap operas and other daytime shows along two dimensions: Shows that viewers said were most interesting and touching were given high Program Impact Indexes (closer to the top of the chart). Those shows would be most effective for advertisers because their viewers are less likely to leave the room or engage in distracting activities. Shows that viewers said were most entertaining were given high Program Appeal Indexes (farther to the right on the chart), which indicate that viewers are most likely to tune in again. *Guiding Light* and *Days of Our Lives*, which rank high on both scales (in the upper right corner of the chart)—are touted as especially effective ad vehicles.

TAA hasn't found it easy to introduce the new ratings. Short of capital, the firm cut back operations this spring without undertaking its planned prime-time survey. (Source: TAA.)

CHARTS BY JAVIER ROMERO



VIDEO VENUES

The cassette-rental business has saturated some communities to such a degree that 28 percent of video specialty shops report having another video shop less than a block away. The shops are also wary of new competitors; 71 percent said they were up against supermarkets with video departments. And they're feeling the pinch: Though they carried an average of 33 percent more cassettes last year (2,395) than they did in 1983, their revenues were down 42 percent. (Source: *Video Store* magazine.)

THE LONDON MARKET

THE LONDON MARKET

THE LONDON MARKET

THE LONDON MARKET

Take a leaf out of the right book!

YOU ARE CORDIALLY INVITED TO ATTEND
THE PREMIER AUTUMN TRADE FAIR
FOR BROADCAST TELEVISION, SATELLITE,
PAY/CABLE AND HOME VIDEO

GLOUCESTER HOTEL 3RD TO 7TH NOV 1986

LONDON MARKETS LTD, 33 SOUTHAMPTON STREET, LONDON WC2E 7HQ